Scheduled Tribes & Scheduled Castes Development, Minorities & Backward Classes Welfare Department

3.1 Construction and functioning of ST Girls' Hostels in the State

EXECUTIVE SUMMARY

With the objectives of: (i) encouraging higher enrolment and retention, as well as reducing the dropout rate of Scheduled Tribe (ST) students in educational institutions, (ii) registering substantial increase in female literacy among the ST population and (iii) empowering ST women by educating them, the Government of Odisha undertook construction of hostel complexes in Block headquarters and other prominent locations. In Odisha, the Scheduled Tribes and Scheduled Castes Development, Minorities and Backward Classes Welfare (SSD) Department, is responsible for framing plans and overseeing the execution of plans for welfare and development of the ST and SC communities.

The SSD Department had sanctioned ₹ 857.15 crore, for construction of 1,524 Scheduled Tribes Girls' Hostels (STGHs), during FYs 2007-08 to 2020-21. Of these, 1,471 STGHs were functional and 53 STGHs were non-functional, as of March 2022. From among the 53 non-functional STGHs, construction of 13 STGHs, sanctioned during FY 2009-10 to FY 2020-21, had remained incomplete. The SSD Department, the sanctioning authority of funds, had not followed-up the matter of construction of STGHs, for sorting out constraints, despite lapse of 1 to 12 years. Consequently, a sum of ₹ 5.32 crore, spent on these works, had not yielded any benefits. 16 STGHs, which had been sanctioned during FYs 2009-10 to 2020-21, and the buildings for which had been completed at a cost of ₹ 10.98 crore, had not been handed over to the authorities of the targeted schools, for their use, due to non-construction of boundary walls. Nine STGHs, which had been declared as completed, after incurring a cost of ₹ 6.87 crore and had been handed over between December 2012 and August 2020, had not been put to use, due to reasons, such as, damaged toilets, non-completion of flooring and electrification, defunct water supply system, *etc*.

During Joint Physical Inspection of 69 STGHs, along with the officials of the ITDAs concerned, Audit noticed that:

- The available spaces of living rooms, in six STGHs, were less than the norms, with the shortages against the norms fixed by Central Public Works Department, ranging from 51.05 to 78.40 *per cent* of the norms. As a result, cots, along with bed-linens for every boarder, could not be placed in the living rooms. The boarders were compelled to share cots for seating and sleeping.

- In 18 STGHs, purified drinking water supply facility was not available for the boarders. In 10 STGHs, the supplied water purifiers had been non-functional, for periods ranging from three to nine months and, in one STGH, the same had not been installed since six months, from the date of its receipt.

- In 26 STGHs, there were shortages (ranging from one to eight), in the number of toilets required.
- In three STGHs, there was no piped water supply. The girls had to fetch water from the bore well, for meeting their daily requirements.
- Kitchen spaces and dining spaces were not available in 39 and 41 STGHs, respectively.
- Thus, decent living conditions had not been provided to these girl students.

In most of the STGHs, which required repair and maintenance, the requisite proposals, in this regard had not been forwarded, by the Integrated Tribal Development Agencies, to the SSD Department, for sanction of funds for the purpose. Critical staff, such as Hostel Superintendents, Wardens, Cook-*cum*-Attendants, Sanitary workers, Watch and Ward staff, *etc*., were found to be absent or inadequate, in the test-checked STGHs. In the absence of Cook-*cum*-Attendants, the girl students were cooking food for themselves, at four STGHs.

Regular visits to the STGHs, by Auxiliary Nurse Midwives, and regular health check-ups by Medical Officers/ Mobile Health Units (MHU), were a vital pre requisite, for ensuring the health and hygiene of these adolescent girls. However, 34 STGHs had not been visited by the Medical Officers/ MHUs, for health check-ups of the boarders, residing therein, during FY 2019-20. Inspections by functionaries, such as Project Administrator of ITDA, District Welfare Officer and Assistant DWO, were not adequate and the shortfalls, in this regards, ranged from 74 to 93 *per cent*.

It is recommended that:

1. ***The physical status of all the incomplete hostel buildings may be reviewed/evaluated and necessary action may be taken to: (i) complete the construction of the hostel buildings within a specific timeframe, (ii) make them fully functional by carrying out regular repair and maintenance and (iii) utilise the hostel buildings for the intended purposes only, to protect the educational interest of the ST girl students.***
2. ***Government may frame norms in regard to the minimum living space required for a boarder and, accordingly, make arrangements for providing the required living space, based on the capacities of the STGHs.***
3. ***Provision of minimum basic facilities, such as drinking water, bathrooms, toilets, cots, etc., should be ensured in every STGH.***
4. ***Adequate numbers of critical housekeeping staff, such as cook-cum-attendant, matron, security personnel, etc., should be posted in each STGH, for ensuring the wellbeing of the boarders.***
5. ***Responsibility should be fixed on PA, ITDAs/ BDOs for irregular retention of unutilised funds outside the Government Account for more than 10 years.***

3.1.1 Introduction

Socio-economic development, as well as education for all, are areas of prime concern, for a welfare government, for ensuring holistic growth. In this regard, the educational condition of vulnerable social groups, which includes the Scheduled Tribes (ST) population, needs utmost attention, for enhancing their socio-economic status.

As per the Census, 2011, the ST population in Odisha, stood at 95.91 lakh (22.85 *per cent*), out of the total population of 4.20 crore of the State. The ST population constitutes 62 different tribal communities, including 13 Particularly Vulnerable Tribal Groups[33]. A comparative picture of the population and literacy rate, in Odisha as a whole, and that of ST population of the State, in particular, is shown in ***Table 3.1.1.***

Table 3.1.1: Total population and literacy rate vis-à-vis the ST population and literacy rate

Particulars	Odisha			ST		
	Male	Female	Total	Male	Female	Total
Population *(in crore)*	2.12	2.08	4.20	0.47	0.49	0.96
Literacy (*per cent*)	81.59	64.01	72.87	63.70	41.20	52.24

(Source: Census 2011)

As can be seen from **Table 3.1.1**, the gap in literacy between the State average and that of the ST population, was 20.63 *per cent*, which indicates the need for development of education and literacy in Odisha, particularly the ST population.

With the objectives of (i) encouraging higher enrolment, and retention, as well as reducing the dropout rate of ST students in educational institutions, (ii) registering substantial increase in female literacy among the ST population and (iii) empowering the ST women by educating them, the State Government undertook construction of hostel complexes in Block headquarters/ other prominent locations. These hostel complexes were required to have provision for all basic facilities, such as adequate number of toilets, drinking water, electricity, good dining, kitchen halls, *etc.*

In Odisha, the Scheduled Tribes and Scheduled Castes Development Minorities and Backward Classes Welfare (SSD) Department, is responsible for framing plans and overseeing execution of plans for the welfare and development of the ST and Schedule Caste (SC) communities. The Department is headed by a Secretary, who is assisted by a Director-*cum*-Additional Secretary (ST and SC) and by District Welfare Officers (DWOs), at the district level. For efficient and effective administration of the measures taken towards the welfare of ST population, 119 out of 314 Blocks of Odisha,

[33] A Particularly Vulnerable Tribal Group or PVTG (previously known as a Primitive Tribal Group), in the context of India, is a sub-classification of Scheduled Tribe or section of a Scheduled Tribe, that is considered more vulnerable than a regular Scheduled Tribe

had been declared as Scheduled Areas[34], as of March 2022. Thus, about 44.70 *per cent* of the State's geographical area comprises of Scheduled Areas. As of March 2022, there were 22 Integrated Tribal Development Agencies (ITDA) in the State, which were headed by Project Administrators. ITDAs are responsible for implementation of various welfare programmes for ST population, in the Scheduled areas.

During the period from 1995-2002, 40-bedded hostels for ST girls were constructed for Ashram Schools and Residential Sevashrams in Koraput, Bolangir and Kalahandi (KBK) districts by the SSD Department from the funds received under the Revised Long Term Action Plan for KBK districts. With a view to propagate education and arrest dropout rates of ST girl students by providing them hostel accommodation in educational institutions, the SSD Department launched a programme of constructing 100 bedded ST girls' hostels in 2007-08.

Construction of hostels in Scheduled Areas was the responsibility of the ITDAs concerned, while, in other areas, the Block Development Officers or the Road and Building Division of the Works Department, were responsible for this activity. The maintenance of hostels was entrusted to the DWOs.

Audit was conducted during November 2022 to March 2023, covering the period of three years from FYs 2019-20 to 2021-22, with the objective of assessing whether construction and functioning of the ST Girls' Hostel (STGHs) was in compliance with the extant rules, scheme guidelines and executive instructions. Audit test-checked records at the SSD Department, 21 out of 22 ITDAs, 12 out of 30 DWOs[35] and 122 STGH[36]. Audit also conducted joint physical inspection (JPI), along with the departmental officials, of the 122 STGHs, collected photographic evidence and conducted beneficiary interviews of the ST girls, who were staying in these hostels.

The audit findings have been reported (May 2023) to the Government; reply is awaited.

Audit Findings

The Audit findings are discussed in the succeeding paragraphs.

3.1.2 Construction, upkeep and utilisation of STGHs

During the period from FYs 2007-08 to 2020-21[37], the SSD Department had sanctioned ₹857.15 crore, for construction of 1,524 STGHs. Of these, 1,471 STGHs were functional, as of March 2022. The status of the remaining 53 STGHs, as of March 2022, is shown in ***Chart 3.1.1.***

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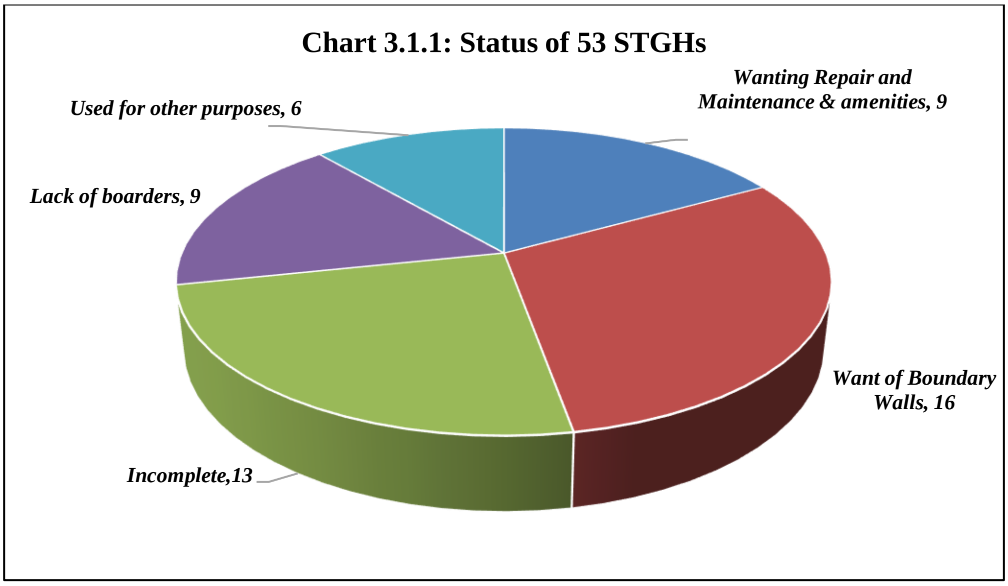
[34] The Fifth Schedule, under Article 244(1) of the Constitution of India, defines 'Scheduled Areas' as such areas, as the President may, by order, declare to be Scheduled Areas. The criteria followed for declaring an area, as Scheduled Area, were (a) preponderance of tribal population (b) compactness and reasonable size of the area (c) under-developed nature of the area and (d) marked disparity in the economic standards of the people

[35] 100 *per cent* of the non-functional hostels were selected. For selection of the functional Hostels, five *per cent* of hostels, under each of the 21 ITDAs in the State (whose jurisdictional area pertained to 12 DWOs), were selected.

[36] All the 53 non-functional hostels and 69 functional hostels

[37] No STGH had been sanctioned for construction in 2021-22



3.1.2.1 Non-completion of STGH buildings

As per the executive instructions and the terms and conditions of the sanction orders issued by the SSD Department, the STGHs were to be constructed and made functional, within 24 months from the dates of their sanction. The implementing agencies for construction, *i.e.*, the ITDAs/ BDOs/ Works Divisions, were required to furnish Utilisation Certificates for the funds, transferred to them and handover the completed buildings, to the Head Masters/ Mistresses in charge of the new hostels.

Constructions of 13 STGHs had remained incomplete as of March 2022, which had been sanctioned[38] by the SSD Department during FY 2009-10 to FY 2020-21, at an estimated cost of ₹ 8.61 crore ***(Appendix 3.1.1)***. The construction of these STGHs had been taken up by the concerned ITDAs and BDOs[39]. As of March 2022, a sum of ₹ 5.32 crore (62 *per cent*) had been utilised in 12 STGHs, except one STGH[40], where no expenditure had been incurred. The remaining amount of ₹ 3.29 crore was lying with the concerned ITDAs and BDOs.

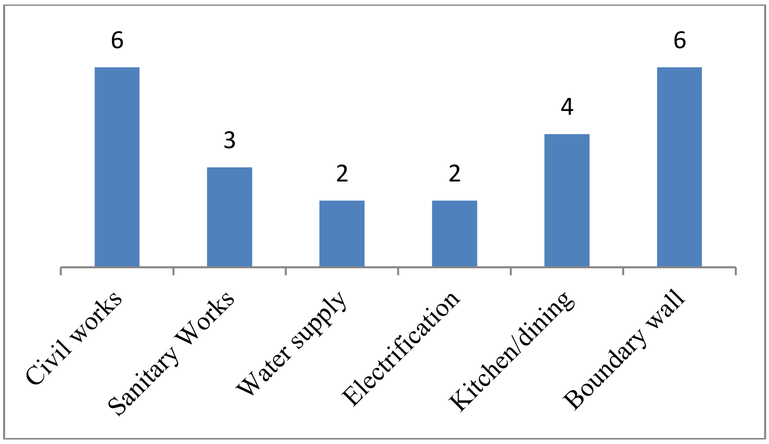
Audit noticed that, in regard to 11 STGHs, the construction had not reached the completion stage, due to non-execution of civil, sanitary, water supply works, *etc.* The nature of the works, yet to be completed in regard to these 11 incomplete STGHs, is depicted in ***Chart 3.1.2***.

38 2009-10: Four STGHs; 2010-11: One STGH; 2011-12: Two STGHs; 2013-14: Two STGHs and 2020-21: Four STGHs

39 By ITDAs: 10 STGHs and by BDOs: Three STGHs

40 100 seated Girl's Hostel building at Jantri, Malkangiri, taken up by ITDA, Malkangiri

Chart 3.1.2: Pending works in the 11 incomplete STGHs



In regard to the two remaining incomplete STGHs, it was noticed that the construction of the hostel buildings had stopped midway, as discussed in the succeeding paragraphs.

i. Construction of an STGH, at Lubengarh, Kalahandi district, meant for the Lubengarh Residential School, was taken up by the BDO, Madanpur Rampur, in FY 2009-10, at a cost of ₹ 42.48 lakh. The contractor stopped execution of the work, after constructing up to the lintel level, with an expenditure of ₹ 8.07 lakh. During JPI, along with the officials of the ITDA, Thuamul Rampur, Audit noticed that the walls of the structures were in a broken state, as would be seen from ***Photograph 3.1.1***. In the absence of the new hostel building, the 97 ST girl students, enrolled in the school, had been accommodated in the existing 40-seated STGH. Due to paucity of space, the boarders were found to be staying in the dining hall and also in the classrooms. There was also no provision for supply of drinking water to the existing STGH. As a result, the girl boarders were compelled to fetch drinking water from a nearby village, at a distance of half a kilometre. Similarly, in absence of water in bathrooms and toilets, girl boarders were compelled to take bath in a nearby spring, located at about a distance of one kilometre and resort to open defecation. Despite all these hardships being faced by the girl boarder students of the hostel, due to absence of the basic minimum facilities, no steps had been taken to complete the semi-finished hostel building.

Photograph 3.1.1: Incomplete STGH building at Lubengarh, Th. Rampur, Kalahandi

ii. ITDA, Malkangiri, issued (December 2020) a work order, for construction of a 100-seated STGH, at Jantri, under Chitrakonda Block of Malkangiri district at a cost of ₹ 80 lakh, with the stipulation that the work be commenced on 31 December 2020 and completed within 11 months of commencement. As of November 2022, *i.e.* after a lapse of 23 months, work up to foundation level only had been completed. As no bills had been submitted by the contractor, no payments had been made. The ITDA, had, however, issued notices (September and December 2021) to the contractor, to resume the work. However, the contractor had neither resumed the work nor responded to the notices. As such, the work was lying incomplete.

Audit observed that the SSD Department, after release of funds, had not followed up progress in construction of STGHs, to sort out constraints, if any, in the completion of works. As a result, the construction of these 13 STGHs had remained in complete, as of March 2022, despite lapse of 1 to 12 years and the sum of ₹ 5.32 crore, spent on these works, was yet to yield any benefit.

The concerned DWOs and ITDAs stated that these STGHs had not been completed, due to delay/ abandonment of works by the contractors, and also due to the ST girls, not opting to stay at these hostels (as stated by the Headmasters of the schools).

The response was not tenable, since the need for these ST girls hostels had been carefully evaluated and recognised by the District-level Committees[41], as well as by the SSD Department, at the time of sanction of the hostels. The purpose of construction of these hostels was to incentivise the ST girl students to continue their education, by providing them safe, hygienic and affordable places to stay. Higher enrolment, retention and lower drop-out rates for ST girls, from school and college education, were the intended objectives, which had remained unachieved, due to non-completion of the hostel buildings.

3.1.2.2 Non-utilisation of STGH buildings, due to non-construction of boundary walls

The SSD Department had stipulated (November 2011) that each STGH should be secured by a boundary wall to prevent trespassing. The SSD Department had sanctioned[42] construction of 16 STGHs, during FYs 2009-10 to 2020-21, at an estimated cost of ₹ 12.13 crore. As of March 2022, a sum of ₹ 10.98 crore (91 *per cent*) had been utilised ***(Appendix 3.1.2)***. The concerned ITDAs, intimated that construction of all the 16 STGHs had been completed. In regard to eight STGHs, the dates of completion were between December 2012 and October 2022, while, for the remaining eight STGHs, the dates of completion were not made available to Audit, by the concerned sampled ITDAs.

Audit, however, noticed that although the STGHs were stated to have been completed, they had neither been handed over to the authorities of the targeted schools, for ultimate use, nor had the residual balance of ₹ 1.15 crore, been

[41] District Level Monitoring Committees, were chaired by the respective District Collectors. PA, ITDA functioned as the Secretary and the District Welfare Officer, as member. At the district level, the Committee was required to monitor the construction of hostels regularly

[42] 2009-10: Nine STGHs; 2011-12: One STGH; 2013-14: Three STGHs; 2015-16: One STGH; 2019-20: One STGH; and 2020-21: One STGH

refunded to the SSD Department. The reason for not handing over the completed buildings was non-construction of boundary walls, around the STGH buildings.

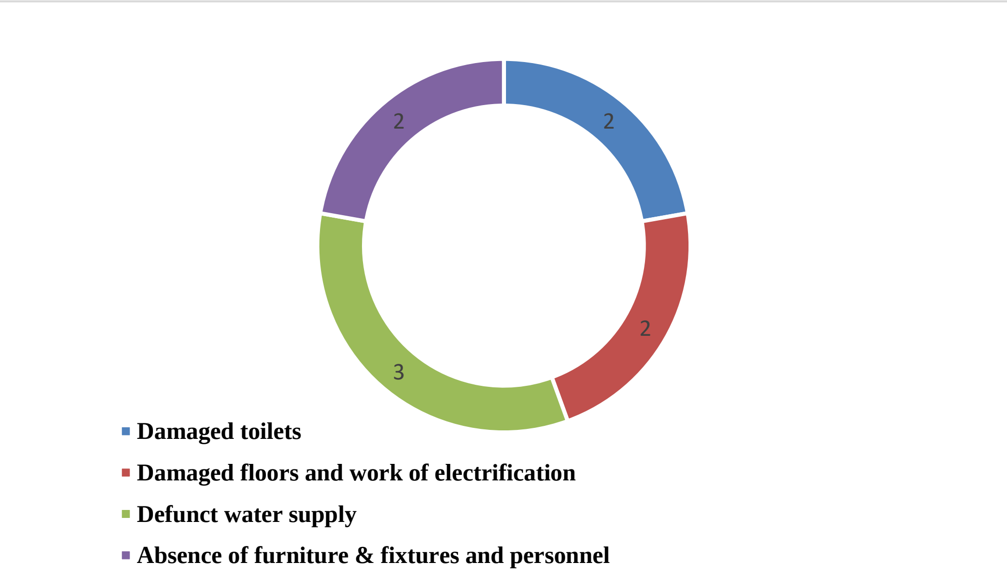
A boundary wall was considered essential for the functioning of hostels. Audit, however, observed that the cost of construction of boundary walls had not been included in the cost estimates for construction of these STGH despite a stipulation made by the SSD Department. As such, boundary walls had not been constructed along with the hostel buildings. Further, no steps had been taken for their construction, for making the completed structures functional for hostel purposes, as of March 2022.

Thus, flawed plans for construction of the STGHs, excluding the construction of boundary walls from the scope of work, coupled with failure to construct the same afterwards, had rendered the expenditure of ₹ 10.98 crore, incurred on the construction of these STGHs, idle.

3.1.2.3 Non-utilisation of completed STGH buildings, due to want of repair and maintenance

Audit noticed that the construction of nine STGHs had been declared to be complete, at a cost of ₹ 6.87 crore and these STGHs had been handed over to the Headmasters/ Headmistress of the schools concerned, between December 2012 and August 2020 ***(Appendix 3.1.3)***. The buildings, however, had not been put to use, due to reasons such as: (i) damaged toilets, (ii) damaged flooring and work of electrification (iii) defunct water supply system and (iv) non-provision of furniture and fixtures, as depicted in **Chart 3.1.3**. Non-engagement of cook/ attendant was also another reason for non-utilisation of these STGHs.

Chart 3.1.3: STGHs not utilised, due to want of repair and maintenance



These STGHs included two STGHs, where the buildings had been completed in all respects, but, required furniture and fixtures, such as cots and mosquito nets, had not been provided and caretaking staff, like cooks and attendants, had also not been engaged. As a result, the completed buildings remained unutilised.

Due to the failure to make these hostel buildings complete in all respects, the sum of ₹ 6.87 crore, incurred for construction of these hostel buildings, had remained idle. Audit observed that, due to lack of necessary measures to bring the constructed STGHs to a liveable state, the condition of these hostels had become even more dilapidated, as the completed civil works were getting damaged, due to the passage of time and the amount already spent was likely to turn wasteful.

The dilapidated conditions of the three STGHs[43] were noticed during JPI, which was conducted along with the officials of the DWOs, as shown in ***Photographs 3.1.2*** and ***3.1.3***:

Photograph 3.1.2: STGH in dilapidated condition at Government High school Sagada at Bhawanipatna Block, Kalahandi District.

Photograph 3.1.3*: *STGH covered by vegetation and in a dilapidated condition at Chhayadevi High School at Nuapada under Narla Block, Kalahandi District.

Audit observed that neither DWOs/ ITDAs had submitted proposals for repair and maintenance to the SSD Department for sanction of funds nor did the SSD Department seek proposals from the field offices, on this matter, as discussed in ***Paragraph 3.1.3.4***.

3.1.2.4 Hostels remaining non-functional, due to lack of ST Girls

In four districts, nine STGH buildings had been completed at a cost of ₹ 6.82 crore and handed over to the Headmasters/ Headmistresses, between December 2015 and August 2017. In regard to seven STGH buildings, the enrolment of ST girls in the targeted schools ranged from 7 to 48 (***Appendix 3.1.4***) and in case of another STGH building *i.e.*, STGH, Barbil College at Barbil, the enrolled number of ST girls in the Barbil College stood at 324. In case of the ninth STGH, the number of enrolled ST girls in the targeted school *i.e.*, VSS high School, Kabarapalli, Sambalpur was not available. The Headmasters of the aforementioned seven schools intimated Audit that, due to lack of the required number of interested ST girl students, the hostels could not be made functional. In case of STGH, Barbil College, although there were

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[43] (1) Government High School, Sagada, Kalahandi (2) Chhayadevi High School, Nuapada, Kalahandi and (3) Dahagaon High School, Koksara Block, Kalahandi

324 ST girl students, enrolled therein**,** the hostel could not be made functional, due to lack of interest shown by the enrolled ST girl students, as intimated by the head of the educational institution.

The above facts indicate that field survey for assessing need of STGH had not been conducted prior to sanctioning construction of STGHs.

Construction of STGH without adequate field survey

The STGH at VSS High School, Kabarapalli, Jujomura Block, Sambalpur district, was sanctioned during FY 2013-14, for a cost of ₹ 48.27 lakh. The construction was completed and the building was handed over to the school authorities on 23 December 2015. The STGH had, however, remained non-functional for over six years, as of March 2022. On being asked by Audit, the Headmaster stated that, since the hostel was located at a distant location, the site was considered unsafe for girls by their families. The reply indicated that 600 ST girls had been deprived of the benefits of the STGH, due to inadequate field survey, which resulted in an inappropriate selection of site.

The Headmaster requested (September 2016) the DWO, Sambalpur for conversion of the ST girls' hostel to a boys' hostel. The SSD Department permitted (25 July 2017) the conversion. The DWO provided amenities, such as cots, blankets, mosquito nets, utensils and water purifier during October 2015 to December 2016. However, the boys' hostel also remained non-functional, due to absence of a bore-well and electricity connection, as on the date of Audit (April 2023).

3.1.2.5 Utilisation of STGHs for other purposes

As stated in ***Paragraph 3.1.2***, 1,471 STGHs were functional in the State, as of March 2022. It was noticed in Audit that six other hostel buildings, built for the purpose of STGHs, at a cost of ₹ 5.27 crore, between August 2013 and July 2017, were either being utilised for other purposes or were lying vacant. In this regard, it was noticed that:

- Four STGH buildings, in three districts, were being utilised for purposes other than STGHs, depriving boarding facilities for ST girls in the targeted schools. The names of the hostel buildings, cost of construction, dates of handing over and number of ST/ SC girls enrolled in the targeted school, in the academic year 2022-23, are detailed in **Table 3.1.2.**

Table 3.1.2: Utilisation of STGHs for other purposes (as of March 2022)

Sl. No.	District	School	Cost of construction (₹ in lakh)	Date of handing over	No. of ST girl students enrolled	Manner of present use
1	Kalahandi	ST Girls' hostel at Police High School, Bhawanipatna	50.00	16 August 2013	5	Occupied by police personnel
2	Kalahandi	Haragouri Mahavidyalaya, Kasurla	140.00	22 June 2016	38	Classroom
3	Sundargarh	Uditnagar High School, Rourkela	100.00	13 October 2015	126	Anwesha Hostel (for both SC/ ST boys and girls)
4	Koraput	Bandhugaon Upper Primary School	55.00	Not available[44]	Not available	Boys' hostel
	Total		**345.00**		**169**	

(Source: Records of PA, ITDAs and information collected during JPI)

It can be seen from the **Table 3.1.2** above that, while one hostel was under occupation of the police personnel of Odisha Police, another one was being utilised as a classroom. Another STGH was being used for hostel for both SC/ST boys and girls. Audit found that 169 ST girls were enrolled in these three schools, in the academic year 2022-23. These girls had been deprived of the boarding facilities in the hostels, which had been built exclusively for their boarding purposes.

- In case of the other two STGHs, Audit noted that the SSD Department had prohibited (November 2011) construction of hostels for fully private institutions. The Department, in deviation from its own instruction, had, however, sanctioned construction of two hostels, for two private institutions[45], as noticed during JPI, along with the officials of the ITDAs concerned. The hostels had been completed at a cost of ₹ 1.82 crore, between December 2016 and July 2017.

Audit observed that constructing six hostels at a cost of ₹ 5.27 crore for the sole purpose of providing accommodation facility to the ST girl students and utilising the same afterwards for other purposes, defeated the objective of such construction.

44 Date of completion: 12 September 2014. Date of handing over was not made available to Audit

45 Badbasul High School, Kalahandi district and Regional Degree College, Rayagada district

Thus, due to non-completion of the STGH buildings in all respect, inadequate repair and maintenance, non-utilisation due to lack of ST girl students as well as utilisation of the hostel buildings for other purposes, expenditure of ₹ 35.26 crore incurred in construction of 53 STGH buildings did not yield any benefit.

Recommendation:

1. **The physical status of all the incomplete hostel buildings may be reviewed/evaluated and necessary action may be taken to: (i) complete the construction of the hostel buildings within a specific timeframe, (ii) make them fully functional by carrying out regular repair and maintenance and (iii) utilise the hostel buildings for the intended purposes only, to protect the educational interest of the ST girl students.**

3.1.3 Maintenance of standards in STGHs

The SSD Department had fixed (November 2011), the norm of built-up area[46], of a 100-seated hostel, at 227.30 sq.mt or 2,450 sq.ft. However, no norm had been fixed for the minimum space of the living rooms, for each girl student. As per the norms fixed by the Central Public Works Department (CPWD) in the Compendium of Architectural Norm and Guidelines for Educational Institutions, the minimum space, available for each hostel inmate, should have been 40 sq.ft (excluding kitchen, toilet and other common spaces). Audit conducted JPI of 69 functional STGHs, along with the officials of the ITDAs concerned, and found shortfalls not only in available plinth area but also other infrastructural deficiencies, as discussed in the succeeding paragraphs.

3.1.3.1 Inadequate space of living rooms

The available space of the living rooms, in six STGHs, was lesser by 48 to 78.40 *per cent* from the norm fixed by the CPWD, as shown in **Table 3.1.3**.

Table 3.1.3: Inadequate living space in STGHs

Sl. No.	STGH	Bed strength	Plinth area of living rooms	Plinth area per boarder		Shortfall	
				Actual	As per the CPWD norm	Per boarder	Percent age
			(Figures are in sq. ft.)				
1	STGH, Baidpur, Badasahi Block, Mayurbhanj	300	5,875.20	19.58	40.00	20.42	51.05
2	STGH, Routalipat, Sukruli Block, Mayurbhanj	300	5,760	19.20	40.00	20.80	52.00
3	STGH, Chadheipahadi UGUP, Bijatola Block, Mayurbhanj	100	2,080	20.80	40.00	19.20	48.00
4	STGH, Badgobra Ashram School, Tiringi Block Mayurbhanj	100	936	9.36	40.00	30.64	76.60

46 Including dining room, kitchen room, toilets, warden room *etc.*

Sl. No.	STGH	Bed strength	Plinth area of living rooms	Plinth area per boarder		Shortfall	
				Actual	As per the CPWD norm	Per boarder	Percent age
			(*Figures are in sq. ft.*)				
5	STGH, Sanbhundu Ashram School, Tiringi Block, Kandhamal	100	864	8.64	40.00	31.36	78.40
6	STGH, Bilabadia Ashram School, Khajuripada Block, Kandhamal	100	1440	14.40	40.00	25.60	64.00

(Source: Records of the PA, ITDAs and information collected during JPI)

In the absence of adequate living space for basic activities, such as sleeping and studying, the ST girls were staying in very congested conditions, in these STGHs. During JPI, along with the officials of the ITDAs concerned, Audit observed that, due to insufficient space to place and arrange cots for all the girl residents, cots and mattress had been stored in the STGH premises, without being utilised, as intended. Further, the girl students were forced to share cots for seating and sleeping, as shown in ***Photographs 3.1.4*** and ***3.1.5***.

Photograph 3.1.4: 18 Girl boarders were staying in a room, with congested living space, at the STGH Routalipatta High School under the Sukruli block, in Mayurbhanj district

Photograph 3.1.5: 20 Girl boarders, staying in a room, with congested space, at the STGH, Badgobra Ashram School under the Tiringi block, in Mayurbhanj district

The books and other personal belongings were also kept on the shared cots, in the living rooms. The following STGHs had exceptionally insufficient living space, since the number of resident ST girls were in excess of the bed strength of the respective hostels.

- Against the bed strength of 200, the number of resident girls was 256, at the STGH of the SSD Girls High School, Sikhapalli, Malkangiri District.
- Against the bed strength of 100, the number of resident girls was 180, at the STGH of Patraput Sevashram, Tentulikhunti Block, Nabarangpur District.

The congestion in the living rooms of the functional STGHs, was indication of the urgent requirement of completing the incomplete STGHs, as also of augmenting the capacity of the existing STGHs, by conducting fresh surveys, on the ground, at periodic intervals.

3.1.3.2 Inadequate basic infrastructural facilities

The SSD Department stipulated (November 2011) that each functional STGH should have kitchen, toilets, dining room, internal and external electrification, piped water supply, sanitary installations, PH fittings and drainage. It was also stipulated that a 100-bedded hostel should have 10 toilets *i.e.*, a toilet for each 10 boarders. Audit conducted JPI, along with officials of ITDAs/ DWOs concerned, at 69 functional STGHs and noticed deficiencies in infrastructure, as shown in the **Table 3.1.4**.

Table 3.1.4: Deficiencies in infrastructure, in the sampled STGHs

Sl. No.	Infrastructure element	No. of STGHs, where infrastructure was inadequate (*per cent* out of 69 STGHs inspected)	Remarks
1	Toilets and bathrooms	26 (38 *per cent*)	Shortfall in the number of toilets, as well as unusable toilets, due to broken sanitary fittings/ doors.
2	Purifier for drinking water	29 (42 *per cent*)	Boarders were compelled to drink water extracted from the bore-well, without purification.
3	Piped water supply	3 (4.35 *per cent*)	Boarders were compelled to fetch water in buckets, from bore-wells, for their daily ablutions.
4	Drainage works	27 (39 *per cent*)	Accumulation of waste water inside the STGHs, creating unhygienic conditions for the girl students.
5	Kitchen	39 (56 *per cent*)	Lack of hygienic cooking space and smokeless *chullahs*
6	Dining Room/space	41 (59 *per cent*)	Lack of hygienic and sheltered dining space.
7	Boundary Wall	30 (43 *per cent*)	Absence of basic preventive measures against unauthorised entry to girls' hostels.
8	CCTV cameras	51 (74 *per cent*)	Absence of basic measures for detecting/investing any unauthorised entry to the girls' hostels.
9	Fire extinguishers	30 (43 *per cent*)	Absence of measures to address fire hazard at the hostels.

(Source: Records furnished by the hostel authorities and information collected during JPI)

Audit noticed that:

- Out of the 69 STGHs inspected, there were shortages in the number of toilets required in 26 STGHs, with the shortages ranging from one to eight. The doors and windows, of the toilets and bathrooms in 20

STGHs, were found broken and the quality of construction was poor, thus rendering them unsuitable for use by the girl students, as illustrated in ***Photographs 3.1.6*** and ***3.1.7.***

Photograph 3.1.6: Broken door of toilet of the STGH at Dogharia, Nuagada Block, Gajapati District

Photograph 3.1.7: Latrine door damaged at the STGH, Badgobra Ashram School under the Tiringi Block, Mayurbhanj District

- In 29 STGHs, purified drinking water was not available. While, 18 STGHs had not been provided with drinking water purification system, in 10 STGHs, the installed water purifiers were non-functional, for three to nine months, and, in one STGH[47] the water purifier had not been installed, despite passing of six months from the dates of its receipt. In this STGH, the boarders were drinking tap water, as shown in ***Photograph 3.1.8***. During interview of 670 boarders, 310 (46 *per cent*) boarders stated that the drinking water facilities were 'poor', and 335 (50 *per cent*) boarders stated that the drinking water facilities were 'average'.

Photograph 3.1.8: Girl students drinking tap water in the absence of water purifier at STGH, Bandhaberena Sevashram, Lahunipada Block, Sundargarh

- In three STGHs, there was no piped water supply, for bathing, cooking and washing. The girls had to fetch water from the borewell, for their daily requirements, in the absence of piped water supply.

[47] Badagobra Ashram School, Tiringi Block, Mayurbhanj District

Photograph 3.1.9: Girl boarders had to fetch water in buckets, from the borewell, for their daily needs, in the absence of piped water supply at the STGH, Sanbhundu Ashram School, Tiring Block, Mayurbhanj District

- In 27 STGHs, the drainage system, for discharge of waste water from the STGHs, was either not available or was damaged. Of these, there was no drainage system in 18 STGHs, drains had been partly constructed in seven STGHs, and, in two[48] STGHs, the drainage system had been damaged. During JPI, Audit observed that there was accumulation of waste water inside the STGH premises, creating unhygienic conditions, especially when coupled with the practice of cooking food for the girls, in the open areas.

Photograph 3.1.10: Accumulation of waste water, due to lack of any drainage system, at the STGH, KC Pur, Guma Block, Gajapati District

Photograph 3.1.11: Accumulation of waste water, due to partly constructed drainage system at the STGH, Tikabali HS, Tikabali Block, Kandhamal District

- The Mess Management Guidelines, issued (December 2013) by the SSD Department, specified that the cooking area must be free from filthy surroundings and should maintain an overall hygienic

48 Badagobra Ashram School and Sanbhundu Ashram School

environment. Contrary to this, lack of hygienic cooking spaces and smokeless *chullahs* were noticed in 39 STGHs. This included 15 STGHs, where no dedicated kitchen space was available, even though there was provision for the same in the estimates for the respective buildings. In 18 STGHs, the kitchen spaces were not being used, due to absence of taps, basins and ventilation. In four STGHs, the kitchens were being used as store rooms and kitchens of two STGHs were in a damaged condition. Apart from non-availability and non-utilisation of kitchens, it was also noticed in 42 STGHs, that the supplied LPG connections were not being used, on the ground that the cost of LPG cylinders was high (as stated by the Head of educational institutions concerned).

	
Photograph 3.1.12: Food cooked next to an open drain, at STGH, Lanjigarh HS, Lanjigarh Block, Kalahandi District	***Photograph 3.1.13: Kitchen space used as store room, at STGH, Chadheipahadi UGUP, Bijatala Block, Mayurbhanj District***

During beneficiaries' interview, 238 (36 *per cent*) out of 670 ST girls, reported the quality of hygiene, in the kitchen, as 'average' and 87 (13 *per cent*) ST girls reported the quality of hygiene as 'poor'.

- In 41 STGHs, hygienic and sheltered dining spaces were not available for the boarder. These included 24 STGHs, where no dining space had been created, even though there was provision for the same in the estimates of the buildings. In 10 STGHs, dining spaces though created, but could not be used, due to lack of water supply and wash basins. Similarly, in seven other STGHs, the existing dining spaces were being used as store rooms (5) and living rooms (2), due to lack of overall space in the STGHs.

	
Photograph 3.1.14: Dining space used as living room, at Routalipat STGH, Sukruli Block, Mayurbhanj district	***Photograph 3.1.15: Girl boarders taking their meals in the verandah, at STGH, Ramchandrapur Secondary School, Bhogarai Block, Balasore District***

- In 24 STGHs, the height of the boundary walls was not sufficient to deter any intruders, and their boundary walls had not been topped with barbed wire fencing. In another six[49] STGHs, there were no boundary walls, although they were required to be constructed, as a preventive measure against unauthorised entry to the adolescent girls' hostels.
- As many as 51 STGHs lacked CCTV surveillance. Of these, in 21 STGHs, CCTVs were available but they had remained non-functional since April 2019/2022. Further, no steps had been taken by the headmasters concerned, to repair the CCTVs. Another 30 STGHs had not been equipped with CCTVs. In the absence of CCTVs, there was no measure to detect/ investigate any unauthorised entry to the girls' hostels.
- Absence of measures to address fire hazards was noticed in 30 STGHs. While 22 STGHs had not been equipped with fire extinguishers, the fire extinguishers in eight STGHs, were found to be non-functional, as the dates of refilling had expired more than six to eight months earlier.

Due to absence of the aforesaid basic and essential infrastructure, the ST girl students in these STGHs had been deprived of the key elements that were necessary for maintaining a decent quality of life, and also an environment that was conducive to learning and education, as had been intended by the State Government.

[49] 100 seated STGH at Ramchandrapur SS; P.S.College, Gurundia; 100 seated STGH at Khuntgaon; STGH at upgraded HS, Mochibahal, Jujomora; 100 seated STGH at Nuapara, Raighar; 100 seated STGH at Siripur, Kalyansinghpur

Best Practice

Audit noticed that STGH at Bharsingh, Gunupur Block, Rayagada District, had the required infrastructure and amenities and had received (May 2022) ISO 9001-2015 certification for providing related facilities to boarders.

Photographs 3.1.16 and 3.1.17: The STGH at Bharsingh HS, Gunupur Block, Rayagada District, had adequate infrastructure and amenities for which it had received ISO certification.

The functioning and maintenance of this STGH demonstrated the fact that field officers were capable of ensuring operations of the STGHs, as intended by the State Government, but had not been able to uniformly and consistently achieve the desired outcomes in all the STGHs.

3.1.3.3 Lack of adequate equipment, furniture and individual amenities for girl students at STGHs

The SSD Department had issued Guidelines (17 April 2013), which stipulated provision of amenities, such as cots, beds, blankets, mosquito nets, cooking appliances, furniture, washing machine, television, *etc.*, to the girl students, at the STGHs.

Audit conducted JPI at 69 STGHs, along with the officials of the concerned DWOs/ ITDAs and noticed deficiencies in provision of individual amenities for the girl students, as shown in **Table 3.1.5**.

Table 3.1.5: Shortfalls in individual amenities for girl students in the 69 test-checked STGHs

Sl. No.	Item	Required Number	Available	Shortfall	Shortfall *(Per cent)*	No. of STGHs, having shortfall
1	Cot	8,129	6,548	1,581	19	31
2	Mattress	8,129	4,393	3,736	46	45

Sl. No.	Item	Required Number	Available	Shortfall	Shortfall *(Per cent)*	No. of STGHs, having shortfall
3	Bed linen	8,129	4,855	3,274	40	37
4	Blanket	8,129	5,365	2,764	34	29
5	Mosquito net	8,129	5,265	2,864	35	30

(Source: Information furnished by the test-checked STGHs)

- In 31 STGHs, due to the shortfall in the number of cots and beds, one cot/ bed was being shared by more than one girl student. In two of these STGHs[50], the shortfall in cots/ beds was due to lack of living space in the hostel buildings. During JPI, Audit noticed that cots and mattress, which had not been distributed to the girl students, had been stored without utilisation at one STGH[51].
- In 37 STGHs, the bed linen, provided to the girl students, was not adequate, with shortfalls ranging from 11 to 218. In absence of adequate numbers of bed linen, the girl students were forced to share the same. In 29 STGHs, there were shortfalls in the number of blankets to be provided to the girl students, ranging from 10 to 254, per STGH.
- In 30 STGHs, there were shortfalls in the number of mosquito nets provided to the girl students, ranging from 10 to 254. Despite mosquito nets being essential for protection against malaria, dengue, *etc.*, each girl student had not been provided one.
- In all 69 STGHs, there were significant shortfalls in the number of tables, chairs, and almirahs, as well as in the storage space, provided to the girl students, for storing their personal belongings. As such, the students were found studying and keeping their daily belongings on the cots.
- In 63 STGHs, washing machines had not been provided for washing of clothes and linen by the girl students.
- In 26 STGHs, television sets had not been provided for basic recreation and learning purposes.
- 83 (12 *per cent*) ST girls reported that the number of fans in their STGHs were not adequate. Further, 83 (12 *per cent*) ST girls reported that the number of tube lights in their STGHs, was not adequate.
- In 25 STGHs, there were no functional power back-up arrangements, *i.e.*, inverter, generator, *etc.* Out of the remaining 44 STGHs, power back up equipment were non-functional in nine STGHs for periods, ranging from nine months to two years. In these STGHs, the girl students were facing significant problems in studying and dining, during power outages, in the absence of functional generators/inverters.

Due to the shortfalls in individual amenities, as mentioned in the preceding

[50] Bilabadi Ashram School and Badagobra Ashram School
[51] Routalipatta Secondary School

observations, ST girl students in these STGHs had been deprived of the intended benefits, which were part of the conducive learning environment, meant to be provided in the STGHs. Further, these girl students had not been provided adequate opportunities to escalate their grievances against the shortfalls in amenities, due to the absence of key personnel and functional committees, as described in ***Paragraphs 3.1.4*** and ***3.1.5.5***.

3.1.3.4 Absence of timely repair and renovation works at STGHs.

As per provisions under Paragraph 3.4.22 of the OPWD Code, repair works should be taken up in regard to all buildings, at periodical intervals and no government building should deteriorate for want of repair, causing life risks to users. GoO sanctions funds under 'Operation and Maintenance' (O&M), to take up repair and maintenance works of various infrastructure in government buildings, including STGHs.

On scrutiny of the repair and maintenance records at the STGHs, ITDAs and DWOs, Audit observed that:

- Proposals for required repair/ renovation/ maintenance of STGHs, had not been sought by the DWOs or ITDAs, from the concerned Hostel Management Committees/ Head Masters of the concerned educational institutions, every year. Identification of requirements, along with justification and evidence, would have facilitated the preparation of detailed and realistic budget estimates, every year.
- The SSD Department had received proposals from only two ITDAs, for repair and renovation of 80 STGHs, during the period from FY 2019-20 to FY 2021-22. Against these proposals, the Department had sanctioned an amount of ₹ 1.30 crore, towards the repair and renovation of 37 STGHs, while the remaining proposals, for the repair and renovation of 43 STGHs, had not been sanctioned, as of December 2022.
- Out of the 69 functional STGHs covered during JPI, Audit noticed that proposals for repair and renovation had not been submitted/ sought from the DWOs/ ITDAs or SSD Department, during the period from FY 2019-20 to FY 2021-22, despite severe deficiencies, requiring urgent repair at these STGHs.

Photograph 3.1.18: Latrine flooring, requiring repair, at STGH, Baidpur High School, Badasahi Block, Mayurbhanj District

Photograph 3.1.19: Latrine door broken at STGH, Singarpur, Jashipur Block, Mayurbhanj District

These minor works should have ideally been proposed, approved and executed within the same financial year, instead of perpetuating the deficiencies and reducing the quality of life for the ST girl beneficiaries, residing in these hostels.

Recommendations:

2. **Government may frame norms in regard to the minimum living space required for a boarder and, accordingly, make arrangements for providing the required living space, based on the capacities of the STGHs.**

3. **Provision of minimum basic facilities, such as drinking water, bathrooms, toilets, cots, etc., should be ensured in every STGH.**

3.1.4 Lack of adequate personnel to manage the STGHs

The SSD Department had issued instructions (24 April 2013), stipulating that each STGH should have an Assistant Superintendent, Warden, Cook and Security Guard, for efficient management of the concerned hostels. It was also stipulated that the Assistant Superintendent should invariably be a lady teacher, since the hostel inmates were girl students.

Audit reviewed the status of persons-in-position (PIP), in the 69 functional STGHs inspected, and noticed shortfalls, as detailed in **Table 3.1.6**.

Table 3.1.6: Status of manpower in STGHs

Sl. No.	Post	Broad functions	Persons required as per norms	PIP	Shortfall	
					No.	Percentage
1	Assistant Superintendent	Safety and security of boarders and mess management,	69	66	3	4
2	Warden/ Matron	Attending emergency health issues of boarders, supply of toiletries, first aid, medicines custodian of keys of hostel rooms and maintenance of attendance	69	56	13	19
3	Cook-*cum*-Attendant	Cooking and cleaning of the kitchen and dining rooms, gate keeping, upkeep of hostel campus, attending to emergencies at night, waste disposal, *etc.*	162[52]	134	28	17
4	Lady watch and ward	Restricting unauthorised entry into hostel, check-in/ out of boarders from hostels	69	20	49	71
5	House-keeping/ Cleaning staff	Upkeep of rooms, public areas and surroundings	69	4	65	94

[52] As per the norm fixed (February 2006) by the SSD Department, one cook is required for boarders up to 50 and two cooks for boarders exceeding 50 and less or equal to 100

Sl. No.	Post	Broad functions	Persons required as per norms	PIP	Shortfall	
					No.	Percentage
6	Security staff	Safety and security of the boarders	69[53]	6	63	91
	Total		**507**	**286**	**221**	

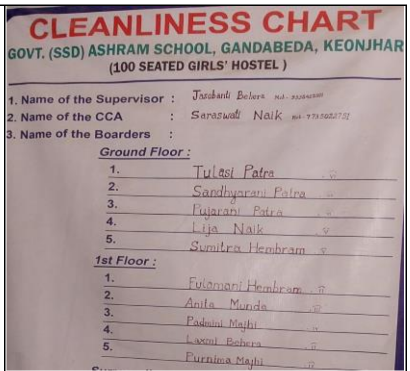
(Source: Information furnished by hostel authorities)

As shown in ***Table 3.1.6***, Cook-*cum*-Attendant had not been posted at 28 out of these 69 STGHs. In the absence of this key post, Audit noticed that the girl students were themselves cooking food, in four STGHs[54].

Photograph 3.1.20: Girl boarders cooking for themselves, due to absence of Cook-cum- Attendant at STGH, LN College, Pipilia Block, Keonjhar District

- Housekeeping/ cleaning staff had not been posted in 65 out of these 69 STGHs. Audit noticed that significant quantities of garbage had accumulated within the STGH[55], creating unhygienic conditions. The girl boarders also stated, during the beneficiary interviews, that they were expected to clean the toilets and the STGH premises on their own, as shown in the ***Photographs 3.1.21*** and ***3.1.22***.

Photograph 3.1.21: Girl boarders cleaning the STGH premises, in the absence of housekeeping/ cleaning staff, at STGH, Bhedibahal SSD HS, Lephripara Block, Sundargarh District



Photograph 3.1.22: Assignment of cleaning duties to the girl boarders, in the absence of housekeeping staff, at STGH, Gandabeda Ashram School, Saharpada Block, Keonjhar

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[53] No norm of requirement had been fixed. Audit assumed that at least one Security Guard is required per a STGH

[54] Lanjigarh HS, Lanjigarh HSS, LN HSS, Pipilia and P.S. College, Gurundia

[55] Baidyapur High School under Badasahi block of Mayurbhanj district

During interview of the boarders, 191 (29 *per cent*) out of 670 ST girls, reported that the quality of cleanliness of the toilets was poor. Audit further noticed that cleaning tasks had been assigned and were being carried out by the girl students themselves.

- Security guards had not been posted at 68 out of the 69 test-checked STGHs. This was a major control failure, as the presence of the Security Guards was the major deterrent against any crimes/ untoward incidents, involving the adolescent girl students.

Due to the absence of the above key personnel, the ST girl students had been deprived of the key element, of security, a clean and hygienic environment and good quality food, which were conducive to their education, as had been intended by the State Government.

Recommendation:

4. **Adequate numbers of Critical housekeeping staff, such as cook-cum-attendant, matron, security personnel etc., should be posted in each STGH, for ensuring the wellbeing of the boarders.**

3.1.4.1 Deficiencies in addressing the health issues of girls residing in STGHs

As per Paragraph 3.2 (C) (E) of the School and Management Guidelines, issued (February 2013) for the schools under the SSD Department, the Headmaster/ Headmistress and the Assistant Superintendent in-charge of the hostel, were responsible for the safety and health of the boarders. Visits of Medical Officer (MO), or Mobile Health Units (MHU), for regular health check-ups of the students of the Residential Schools, were to be ensured by the Headmasters of the schools/ DWOs, on a fortnightly basis, for which, official arrangements were to be made by the Chief District Medical Officer. Further, dedicated Auxiliary Nurse Midwives were to be posted by the SSD Department, to visit the hostels fortnightly, for screening of the students for any illness. Besides, post-vacation (long vacation) health check-ups, within 15 days of return of the boarders, from their homes, to their hostels, were to be ensured, for detection of malaria. Audit reviewed records at the 69 inspected functional STGHs and noticed that, in 34 STGHs, MO/ MHUs had not visited the hostels for health check-ups of boarders, during FY 2019-20. In the remaining 35 STGHs, MOs had visited the STGHs only 228 times, as against the requirement of 1,380 visits, for conducting health check-ups of students. Further, in 37 STGHs, no post-vacation health check-ups, within 15 days of return of the boarders, from their homes, to their hostels, after long vacation, had been conducted. Also, no dedicated ANMs had been posted in 20 STGHs, by the SSD Department, for screening of students for any illness. No logbooks, in regard to treatment of ailing boarders, had been maintained, in 17 hostels.

Regular visits to the STGHs, by ANMs, and regular health check-ups by MOs, were vital measure to ensure that the adolescent girls had access to the required medical facilities, which were found to be grossly inadequate/ absent.

3.1.5 Inadequacies in the monitoring and control mechanism

3.1.5.1 Non-imposition of penalty on contractors, for delayed execution of works

As per the terms of the contracts entered with the contractors, compensation, at the rate of half *per cent* of the estimated cost, was to be imposed for every day of delay in completion. The maximum amount of compensation was, however, to be limited to 10 *per cent* of the estimated cost. In case, a contract was rescinded, due to wilful non-performance by the contractor, penalty, at the rate of 20 *per cent* of the value of the leftover work, was to be realised from the concerned contractor.

Audit test-checked works pertaining to 16 STGHs, commenced between November 2010 and November 2021, by ITDAs[56], and noticed that the delays in completion of these works had ranged from 291 days to 4,254 days. Only in one case, had the contractor applied for extension of time. However, show-cause notices had been issued to the contractors, only in two cases and, in the remaining 13 cases, the ITDAs (the executing agency) had not issued any notice to the contractors, despite significant delays.

Audit observed that a compensation amount of ₹ 1.24 crore[57] **(*Appendix 3.1.5*)** was due from the concerned contractors, but the executing agencies had not imposed the same. No reasons were found on record for this undue benefit, extended to these contractors.

3.1.5.2 Irregular splitting of works, excluding PH and Electrical works

The Works Department, GoO, instructed (September 2008) that building works, with an estimated cost of more than ₹ 50 lakh, were to be executed on a composite tender basis, including civil, electrical (internal and external) and Public Health (internal and external).

Audit test-checked construction related works in 10 STGHs (***Appendix 3.1.6)***, under three ITDAs[58], with an estimated overall cost of ₹ 12.46 crore, wherein the detailed estimates had been only prepared for civil construction of the proposed hostel buildings. No detailed estimates had been prepared for the electrical and sanitary works, despite the fact that these works are essential to make the STGH, functional. No composite tender had been proposed and put to tender, despite the estimated cost of each hostel being more than ₹ 50 lakh. The civil works had been completed with an expenditure of ₹ 9.48 crore, while the sanitary and electrical works had been executed departmentally. The subsequent expenditure of ₹ 2.89 crore incurred towards electrification and sanitary works, had been accompanied by delays, ranging from one year to three years, from the date of completion of the civil works for these hostel buildings.

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[56] ITDA, Malkanagiri (6)**;** ITDA, Paralakhemudi (5); ITDA, Karanjia (1); ITDA, Gunupur (4)

[57] 10 *per cent* of the aggregate estimated cost of 16 works: ₹ 12.39 crore

[58] ITDA, Thuamul Rampur; ITDA, Gunupur; ITDA, Parlakhemundi

3.1.5.3 Irregular retention of unutilised funds outside the Government Account

The Sanction Orders for the STGHs required the executing agencies to submit Utilisation Certificates, in Form OGFR 7A.

Audit test-checked works in 22 STGHs (***Appendix 3.1.7***), sanctioned during FYs 2009-10 to 2020-21 and noticed that an amount of ₹4.84 crore had remained unutilised in these works, as of December 2022. The unutilised amount included ₹1.16 crore in regard to 13 STGHs, sanctioned during FYs 2009-10 to 2011-12. More than 10 years had passed since the sanction and drawal of funds from the Government Account, but these STGHs had remained incomplete and non-functional.

Despite the passage of time and non-utilisation of funds, the SSD Department had not sought the refund of the unutilised amounts, to the Government Account.

Recommendation:

5. **Responsibility should be fixed on PA, ITDAs/ BDOs for irregular retention of unutilised funds outside the Government Account for more than 10 years.**

3.1.5.4 Ineffective monitoring of construction of STGHs by the SSD Department

The Department had not maintained electronic or physical registers to monitor the list of STGHs sanctioned; the actual execution status against the scheduled completion time; the actual expenditure incurred against the sanctioned funds; and the reasons for delay in construction.

The Department had also not monitored and ensured carrying out of physical inspections of the STGHs under construction, at prescribed intervals, by the field officers of the executing agencies, as also the submission of the results of such inspections.

In the absence of these controls, the SSD Department was not in a position to effectively monitor the status of construction of the STGHs and to make timely interventions, for resolving the constraints/ reasons behind the significant delays, in completion of the construction of these STGHs.

3.1.5.5 Absence of functional Hostel Management Committees and Mess Management Committees, in STGHs

The SSD Department had issued Hostel Management Guidelines (February 2013), which specified that each STGH should constitute a Hostel Management Committee (HMC)[59], for the efficient management of hostels, which was to include, *inter alia*, arrangements for safety and security, drinking water, health issues, cleanliness of toilets, bathrooms and the hostel campus. The Committee was required to meet once in a week, to discuss these issues. As per another instruction (December 2014) of the SSD Department, the HMC

[59] Headmaster/ Principal, as Chairperson; and other members were Assistant Superintendent, Matron of the hostel and one students' representative

was to constitute a Mess Management Committee (MMC), which would prepare a weekly food menu. A Purchase Committee was also to be constituted under the MMC, to look after all purchases for the mess. The MMC was to meet once in a month and also engage the Cook-*cum*-Attendant and the Lady Watch and Ward staff, with the approval of the DWO.

Audit reviewed the functioning of these Committees, in the 69 test-checked functional STGHs, and observed the following deficiencies:

- ***Non-constitution of HMCs*:** In 46 out of the 69 STGHs, HMCs had not been constituted. Even in the remaining 23 STGHs, the HMCs had not held regular meetings at the prescribed intervals. During FYs 2019-20, against the requirement of 3,312 meetings, only 151 meetings had been held. In the absence of constitution of HMCs, and with the constituted HMCs not functioning as intended by the SSD Department, vital issues, such as arrangements for safety and security, repair and maintenance of hostels, cleanliness of toilets, vacancies in key posts *etc.*, had not been discussed and escalated to the competent authorities (such as the DWOs), for initiating action, as needed.
- ***Non-constitution of MMCs:*** In 40 out of the 69 STGHs, MMCs and Purchase Committees had not been constituted. In the absence of the MMCs, views of the girl students on vital issues, such as preparation of menu charts, requirement of Cook-*cum*-Attendants, *etc.*, could not be ensured. These matters had not been discussed and escalated to the competent authorities, such as the DWOs, for initiating action, as needed. During interviews with the boarders, 209 (31 *per cent*) out of 670 ST girls, reported the quality of the mess services, in their STGHs, as ‘average’ and 33 (5 *per cent*) ST girls, reported the quality as ‘poor’.

3.1.5.6 Ineffective grievance redressal mechanism

As per Paragraph 3.3 (F) of the Hostel Management Guidelines, a complaint/ suggestion box was to be placed inside the STGH premises, to enable the ST girls to convey their views and suggestions on the different functional aspects of hostel management. The Headmaster was required to ensure that the complaint box was opened twice a week, in the presence of the School Cabinet[60] Members and Hostel Superintendent, who were required to take suitable action on the suggestions/ complaints received. A register was also to be maintained by the Hostel Superintendent, to keep track of the suggestions/complaints received and the action taken thereon.

Audit reviewed the records maintained at these 69 functional STGHs inspected and noticed that:

- In 15 STGHs, complaint/ suggestion registers had not been maintained.
- In 16 STGHs, complaint/ suggestion boxes had not been installed.

[60] School cabinets are the forums to enable students’ participation in the various activities of the schools. The School Cabinet provides opportunities to children to express their views and get involved in the development and management process of the schools

- In 53 STGHs, although complaint boxes had been installed, they had not been opened twice a week and complaints had not been recorded in the Register, as prescribed.

In view of the preceding facts, Audit was unable to derive assurance that the grievance redressal mechanism, which was intended to provide a voice to the ST girls residing in the hostels, had been functioning effectively.

3.1.5.7 Shortfall in the inspections of STGHs, by different Government authorities

The SSD Department, in one of its Resolutions (19 February 2013) specified the frequency of inspections to be conducted by different authorities, for STGHs. The Resolution also specified that the Inspecting Officers were to make surprise/ random visits to the STGHs, including during night, to monitor the management and functioning of the STGHs. As per Paragraph 3.3 (G) of the Hostel Management Guidelines, 2013, a multi-departmental team[61] involving a lady field officers from Women and Child Development Department and Health and Family Welfare Department should make visit to the residential girls hostel at least once in two months.

Audit reviewed records related to inspections of the 69 sampled STGHs and noticed significant shortfalls in the number of inspections, conducted by different Government authorities, during FY 2019-20. The inspections actually conducted, *vis-à-vis* the norms during FYs 2020-21 to 2021-22, were not taken into account, as, for a significant period, schools had remained closed, or had opened intermittently, due to the Covid-19 pandemic. ***Table 3.1.7*** shows frequency of inspections of the test-checked STGHs, conducted by different authorities during FY 2019-20 vis-à-vis norms for inspections.

Table 3.1.7: Frequency of inspections of the test-checked STGHs, conducted by different authorities during FY 2019-20 vis-à-vis norms for inspections

Inspecting Officer	Norms fixed for inspections	Number of inspections to be conducted, per year	Number of actual inspections conducted	Percentage of shortfall
PA, ITDA	Each STGH: once a year	69	18	74
DWO	Each STGH: once every 3 months	276	19	93
ADWO	Each STGH: once every 2 months	414	30	93

(Source: Information furnished by the ITDAs/ DWOs/ hostel authorities)

Multi-departmental teams had not been constituted, for the purpose of regularly inspecting the girls' hostels and interacting with the girls individually, to ensure that there were no incidents of sexual harassment/ abuse and other difficulties being faced by the girl boarders.

No officer from the SSD Department Secretariat at Bhubaneswar, had conducted inspections of the sampled STGHs, during the FY 2019-20.

61 To be constituted by the District Collector

In the absence of the regular inspections, there was no scope for identification of (i) the severe deficiencies in infrastructure key personnel posted and amenities provided to the ST girls, (ii) requirements of repair and renovation, (iii) lack of living space, (iv) inadequate security, (v) lack of representation in the Committees and (vi) responsive of the grievance redressal mechanism, which could have facilitated the initiation of remedial measures.

3.1.5.8 Deficiencies in monitoring the status of functioning of STGHs by the SSD Department

The SSD Department had issued several executive instructions on various aspects, related to the functioning of the STGHs. However, it had not adopted necessary controls to ensure that:

- Each DWO and ITDA conducted regular inspections at functional STGHs and submitted inspection reports in this regard, in a periodic and timely manner. Each DWO and ITDA prepared proposals for the required infrastructure, posting of personnel, repair and renovation, provision of amenities at functional STGHs and included the same in their annual budget estimates. The absence of detailed estimates (including the verified requirements of STGHs), should have resulted in enquiries from the Department as to why no proposals had been submitted by these field Officers.
- The Department did not maintain a central Register (electronic or physical) for consolidating the requirements received from the field officers and recording the existing gaps in infrastructure, personnel, amenities, *etc.,* at the functional STGHs, which could have facilitated in monitoring the functioning of the STGHs.

Thus, the internal control system to ensure smooth functioning of the STGHs, was inadequate and ineffective.

Finance Department

3.2 Implementation of Integrated Financial Management System

EXECUTIVE SUMMARY

Integrated Financial Management System (IFMS) of Government of Odisha is a software application to facilitate single source of truth for the entire financial management cycle- from budget to accounts of the State Government.

The Budget Planning and Preparation Module, Budget Decision Support System Module, Sanction Orders Module and Online Bills Submission Module cover the core functionalities of IFMS. The implementation of these Modules in compliance with the applicable provisions of the Odisha Treasury Code, Odisha General Financial Rules, executive instructions issued by the State Government and the contracts with the software development and maintenance partner for IFMS was of paramount importance.

There were deficiencies in the functioning of the Committees which had been constituted as part of the governance and monitoring mechanism for IFMS. The Project Management Unit, Project e-Mission Team and the Project Steering Committee had not met at their prescribed periodicity. These Committees had also not adopted best practices for project monitoring in the form of key controls to effectively keep track of material risks faced by the project, the sequential interdependencies between project tasks and the critical path for the project, and for follow up of action taken on previous decisions.

Key provisions related to exit management of the software development and maintenance partner in the IFMS 1.0 contract had not been enforced, resulting in undue and excessive dependence on the existing contractor and potential reduction in the number of bidders for IFMS 2.0.

The following key deficiencies in controls were noticed in the implemented Modules and supporting functionalities of IFMS, which reflected non-compliance with the provisions of Odisha Treasury Code, Odisha General Financial Rules, Odisha Budget Manual, executive instructions and contractual provisions-

i. Four types of Sanction Orders - (i) Unutilised Leave Salary, (ii) Reimbursement of Claims of Medicine, (iii) Stipend and Scholarship and (iv) Travelling Allowance- had not been implemented in IFMS, as of March 2023.

ii. The Heads of Accounts under which amounts of expenditure could be sanctioned had not been mapped with the permissible Heads of Accounts for that kind of expenditure. As a result, Sanction Orders of type Grants in Aid had been generated with Capital Section Heads of Account, resulting in violation of Indian Government Accounting Standard-2.

iii. For Sanction Order of type "General Type of Expenditure under different Schemes", there were no data validation controls implemented in IFMS at all, since all the data fields for the Sanction

Order Form on IFMS, could be filled in using free text. This resulted in material risk of error/ fraud in payments, since even beneficiary details for payment to be effected could be filled in as free text, with no validations to ensure that the intended beneficiary was one whose details (Primary Identifier, Name, Bank Account, IFSC Code) were previously entered, vetted and available in IFMS.

iv. There were no validation controls in IFMS to enforce linkage of a bill at the time of preparation and prior to submission, to an underlying and valid Sanction Order. This was a major and severe internal control failure, as it resulted in key checks not being exercised prior to incurring expenditure by the State Government, such as validation controls to ensure that Head of Account and beneficiary details specified in the underlying Sanction Order was auto-populated into the concerned fields for the bill. In the absence of such validation controls, the Drawing and Disbursing Officer could potentially make modifications to key details in the Sanction Order- such as the head of account as well as the payment beneficiary- at the time of generating the corresponding bill in IFMS.

v. IFMS did not track the balance amount available to be drawn against each Sanction Order, especially in cases where multiple bills had been drawn against the same underlying Sanction Order.

vi. Challans in IFMS could be generated without any actual cash remittances into Government Account. Since a Challan in Form OTC 6 is universally accepted as the legal evidentiary document for proof of cash remittance into Government Account, there should be a clear distinction maintained in the accounting system between a Challan and any other supporting document used to indicate a book adjustment receipt.

vii. Master data on Works contractors and Works ID are being maintained on a separate application named Works Accounts Management Information System. For the purpose of payments, instead of communicating details of the payment beneficiary through the WAMIS-IFMS interface, such details are being communicated in offline mode. Also, such payment beneficiary details are being entered into IFMS by a single user, without having segregated roles for maker and checker in place. Hence, there was a material risk that changes to payment beneficiary details such as Name, Bank Account number, IFSC, Mobile number, PAN number, *etc*. could be changed by the single user, without oversight or visibility by any other senior Officer.

Among the support functionalities for IFMS, there were instances of non-compliance with requirements for Disaster Recovery (DR). Against the contractual provision requirement of conducting Disaster Recovery Drills once in six months, DR Drills had been conducted only twice during the five-year period from FYs 2017-18 to 2021-22. For conducting Drill at the Remote DR site at the National Data Centre (NDC), New Delhi, an Application Security Audit Report with “Safe to Host” Certificate is required from a CERT-IN empaneled vendor. However, such a Security Audit had not been carried out as of March 2023. In the absence of such Audit, NDC had not permitted conduct of DR Drill during 2019-22.

In an operating environment which is based on manual work and paper based workflows, the burden of compliance should be borne by individuals, who are expected to (i) Be aware of compliance requirements, since ignorance is not an excuse, and (ii) Conduct themselves in a bona-fide manner. However, once a software application is introduced into the operating environment, the main expected benefit from the system is that the burden of compliance will shift from the individual users to the application.

In the case of IFMS, the expected benefits will be fully realised by the Government of Odisha, once the applicable Rules and provisions of executive instructions are mapped into its processing logic, through implementation of appropriate system controls. Such implementation of system controls will help in significantly mitigating the risks of (i) Lack of awareness of compliance requirements by users, and (ii) Mala-fide actions by users. The recommendations made in this Report may be seen through this overarching perspective.

It is recommended that:

1. ***Governance Committees may adopt appropriate periodicity for holding review meetings to monitor the progress in implementation of IFMS 2.0.***
2. ***Governance Committees may adopt best practices for project monitoring, in the form of key controls to effectively keep track of material risks, faced by the project, the sequential interdependencies between project tasks and the critical path for the project, and for follow up of actions taken on previous decisions.***
3. ***The delayed Modules of IFMS 1.0 and 2.0 may be implemented on priority basis.***
4. ***Provisions related to exit management of the System Integrator in the contract for IFMS 2.0, may be strictly enforced, in order to ensure a level playing field for any further work, that may be required to be awarded beyond March 2025.***
5. ***Interface between IFMS and BETA may be improved, in order to provide data interchange without manual interventions and to provide access to the decision making process on approval of budget estimates within IFMS, after approval of the budget.***
6. ***Provision for surrender of budget may be implemented at DDO level.***
7. ***Mapping of Sanction Order types with Heads of Account may be implemented.***
8. ***Selection of payment beneficiary in case of Sanction Orders, may be made mandatory from the IFMS master data, instead of permitting data entry as free text.***
9. ***Linkage of Bills with underlying Sanction Orders may be enforced.***

10. Provision for auto-population of key details, such as Head of Account and payment beneficiary may be implemented.

11. Provision for DDO to view the available balance for sanction, under a particular Sanction Order, may be implemented. There should be no scope for the DDO to change the payment beneficiary to an entity other than that specified in the Sanction Order.

12. Functionality for DC Bills may be implemented and the UC Module may be put to use, as intended.

13. TPF Module may be implemented at all field offices

14. DTI may undertake a detailed review of the existing manual interventions, in order to minimise the same through Business Process Reengineering.

15. DTI may undertake a need analysis for implementation of validation controls and development of appropriate MIS Reports to replace the manual records being maintained.

16. Strict compliance with all contractual provisions related to Disaster Recovery, may be ensured.

17. The justification for retention of services of the individual consultant engaged for extended period of time may be reviewed, taking into account the risks of excessive dependence and exit management. Compliance with the terms of the contract for consultancy services and knowledge transfer to multiple DTI personnel may be ensured.

18. STQ Certification and mitigation measures against security threats, may be undertaken on priority basis.

19. Compliance with the ITIL framework for asset management and with contractual provisions for maintenance and support, may be ensured.

3.2.1 Introduction

Integrated Financial Management System (IFMS) of Government of Odisha is a software application to facilitate single source of truth for the entire financial management cycle - from budget to accounts of the State Government.

It is intended to make the budgeting process more efficient, improve cash flow management, promote real-time reconciliation of accounts, improve accuracy and timeliness in preparation of accounts and provide high quality Management Information System (MIS) Reports.

Heads of Departments of the State Government, Drawing and Disbursing Officers (DDO), Treasury Officers, Reserve Bank of India and other Banks, Offices of the Accountants General in the State and citizens, are stakeholders of the IFMS.

IFMS had been developed by the Directorate of Treasuries and Inspection (DTI), Odisha, which functions under the administrative control of the Finance Department, Government of Odisha.

The development work for IFMS was planned to be carried out in two phases:

- For IFMS 1.0, the contract for development of 32 modules was awarded (December 2013) to M/s CMC Limited (subsidiary of M/s TCS Limited) at a contract value of ₹5.51 crore and contract duration of five years (from FYs 2013-14 to 2017-18). In addition, a separate contract for hardware and networking, system software, annual technical support and deployment of contractual personnel was awarded (September 2013) to M/s CMC Limited, with a contract value of ₹7.04 crore.
- For IFMS 2.0, the contract for maintenance, support and enhancement of the Modules, developed as part of IFMS 1.0 and for development of six new modules was awarded (May 2018) to M/s TCS Limited, at a contract value of ₹ 89.79 crore (inclusive of hardware, networking, annual technical support and deployment of contractual personnel) and contract duration of seven years (FYs 2018-19 to 2024-25).

The list of Modules and functionalities to be developed as part of IFMS 1.0 and 2.0, are detailed at ***Appendix 3.2.1***.

3.2.2 Major IFMS functionalities

IFMS was intended to deliver functionalities to enable workflows across Government Departments and public sector entities from budget to accounts, and also to enable transactions between Government and citizens/ corporate entities.

Major functionalities are listed below:

i. Budgeting - Estimation, review, approval, allotment to Departments and DDOs, re-appropriation and surrender.

ii. Disbursement - Bills processing by DDOs, payments by Treasuries, transfers to PD Accounts.

iii. Receipts - From taxpayers, non-tax revenue sources and from other Governments.

iv. Accounts - Online Accounts Scroll and Reconciliation, Online Submission of Accounts to the Office of the Accountant General (A&E) Odisha.

v. Management Information System (MIS) Reports.

3.2.3 Integration with IFMS

i. **Public Financial Management System:** IFMS is integrated with the Public Financial Management System of Government of India, to enable sharing of data related to the sanction and release of funds by the Ministries of Government of India to the State Government, as well as data related to the expenditure made by the State Government, under Centrally Sponsored Schemes.

ii. **Works & Accounts Management Information System (WAMIS):** Departments of Government of Odisha, which have Works Divisions for execution of various works (Buildings, Roads, Bridges, Irrigation, Water Supply and Sanitation projects) under their jurisdiction, use

WAMIS for budgeting, allotment of funds, processing of bills and preparation of Works Accounts. WAMIS has been developed and is maintained by Rural Development Department, Government of Odisha. IFMS is integrated with WAMIS to enable payments for bills, which have been processed using WAMIS.

iii. **Human Resources Management System (HRMS):** HRMS has been developed and is maintained by the General Administration Department, Government of Odisha and is used by all the Departments, for processing of salary bills. IFMS is integrated with HRMS to enable payments for salary bills, processed using HRMS.

iv. **Designated Banks:** IFMS is integrated with 17 Public and Private Sector Banks, for online remittance of Government receipts.

3.2.4 Audit Objectives

The audit of IFMS was conducted with the objectives of assessing whether:

1. Governance mechanism for implementation of IFMS was effective in monitoring progress.
2. Functionalities and Modules were implemented on time.
3. Modules, Forms, Reports and Workflows were implemented in compliance with the applicable provisions of Odisha Treasury Code, Odisha General Financial Rules, executive instructions and Software Requirement Specifications.
4. Supporting functionalities for Disaster Recovery, Consultancy Services, Asset Management and Maintenance have been implemented, as per the contractual provisions.

3.2.5 Audit Criteria

i. Odisha Treasury Code (OTC)

ii. Odisha General Financial Rules (OGFR)

iii. Contracts awarded for IFMS 1.0 and 2.0

iv. Software Requirements Specification (SRS) documents for IFMS 1.0 and 2.0

v. Government Orders and executive instructions

3.2.6 Scope of Audit

The audit of IFMS was conducted, covering the period from FYs 2017-18 to 2021-22. The Modules covered as part of this audit were: (i) Integration between Budget Planning and Preparation Module and Budget Decision Support System Module, (ii) Sanction Orders Module, (iii) Online Bills Submission Module, (iv) Integration with the Works Accounts Management Information System, maintained by Engineer-in-Chief, Rural Development Department, (v) Integration with the Human Resources Management System, maintained by General Administration Department and (vi) Teachers' Provident Fund Module.

These six Modules were selected since these were responsible for the core financial management processes in IFMS, from preparation of budget to generation of bills.

3.2.7 Audit Methodology

The methodology adopted by Audit included Desk Review of documents, such as the contracts awarded for IFMS 1.0 and 2.0, the System Requirements Specification, the minutes of the Steering/ Monitoring Committees, the scheduled timelines and actual achievements for project implementation, the approved budget and actual expenditure for project implementation, and the Orders, Forms, Reports and Accounts, generated from IFMS.

In addition, Audit examined the workflows and validation controls in the Test environment of IFMS, as well as user walk-throughs/ workflows and validation controls, for selected transaction types in the Production environment of IFMS.

Finally, Audit issued Memos, seeking responses/ clarifications from the Directorate of Treasuries and Inspection and the Finance Department, Government of Odisha.

Audit Findings

3.2.8 Governance mechanism for implementation of IFMS

As part of the governance and monitoring mechanism for implementation of IFMS, the Government of Odisha constituted governance Committees, as detailed in **Table 3.2.1**.

Table 3.2.1: Committees for implementation of IFMS

Sl. No.	Committees	No. of members	Headed by	Functions
1	Project Steering Committee	8	Additional Chief Secretary, Finance Department, Government of Odisha	1. Strategic guidance 2. Policy decisions 3. Financial approval for the project 4. Monthly project review
2	Technical Committee	4	Director, International Institute of Information Technology (IIIT), Bhubaneswar	1. Provide inputs to Project Steering Committee on technical matters 2. Give advice on technical matters to IFMS team, including the implementation partner 3. Review technical documents submitted by the implementation partner
3	Project e-Mission Team (PeMT)	9	Director of Treasuries and Inspections (DTI)	1. Conceptualisation of the project 2. Initial design of the scheme, with benefits and timelines 3. Decision on new

Sl. No.	Committees	No. of members	Headed by	Functions
				requirements/ enhancements 4. Preparation of Detailed Project Report with financial implication 5. Obtain financial approval 6. Transformation and Business Process Reengineering 7. Guidance on capacity building 8. Link between the implementing partner and Change Request Committee
4	Change Request (CR) Committee	4	Director, IIIT Bhubaneswar; Chairman, Odisha Computer Application Centre (OCAC); and Under Secretary, Finance Department	1. Verification of change request with respect to the scope 2. Review of cost estimates submitted by implementation partner 3. Approval of Change Request
5	Project Management Unit	5	Additional Director, DTI	1. Provide day to day inputs to implementation partner 2. Discuss new requirements/ enhancements 3. Conducting of User Acceptance Test & Go live phases. 4. Discuss and address issues, raised after deployment. 5. Monitor smooth implementation of the project

(Source: Information furnished by the DTI)

The above committees were reconstituted from time to time, in order to monitor the implementation of IFMS 1.0 and 2.0.

3.2.8.1 Insufficient number of meetings and ineffective follow up of issues, identified by the governance Committees

Audit reviewed the number of meetings, held by the Committees, entrusted with the governance for IFMS and observed that, during FYs 2017-18 to 2021-22, these Committees had conducted 49 meetings, as detailed in ***Table 3.2.2***.

Table 3.2.2: Meetings held by the Committees

Sl. No.	Committee	No. of meetings conducted
1	Project Steering Committee	2
2	Technical Committee	17
3	Project e-Mission Team	4
4	Change Request Committee	2
5	Project Management Unit	24

(Source: Minutes of the meetings, furnished by the DTI)

Except the PMU and the Technical Committee, the other Committees had not conducted regular meetings. The prescribed frequency for meetings had neither been specified by the constituting authority nor adopted by the Committees themselves. The Project Steering Committee was responsible for monthly review of the project. Thus, it was the responsibility of the Project Steering Committee to see details of actual achievement of progress of implementation against the scheduled progress, in their meetings. However, the Project Steering Committee had held only two meetings in the financial year 2020-21 and none in the remaining years, during the period from FYs 2017-18 to 2021-22. PeMT had not held any meetings during FYs 2019-20 and 2021-22.

Audit reviewed the minutes/ proceedings of these Governance Committees, and noticed that significant deficiencies had been identified, but had not been followed up for resolution, as of March 2023. The details are given in **Table 3.2.3**.

Table 3.2.3: Significant deficiencies identified, but not resolved

Sl. No.	Issue	Timelines for identification/ discussion by Committees
1	Non-implementation of the Utilisation Certificates Module.	August 2017
2	Non-implementation of functionality to generate “Reimbursement of Claims of Medicine” Bill type, “Refund of Revenue” Bill type, “Detailed Contingent” Bill type and “Travelling Allowance” Bill type.	August 2017, June 2018 and September 2019
3	Linking manually generated Sanction Orders with Miscellaneous Bills.	February 2022
4	Non-conduct of Standardisation Testing and Quality Certification Audit.	June 2017
5	Pending updates for correct calculation of interest on balances of subscribers’ accounts in the Teachers’ Provident Fund Module.	December 2018
6	Absence of updated User Manual and Training Manual.	February 2022

(Source: Minutes of the meetings, furnished by the DTI)

The persistent nature of the above deficiencies, as of March 2023, indicated lack of sufficient number of meetings and ineffective follow up by the Committees, on the issues identified. In this backdrop, there were significant delays in deployment of key functionalities, as well as lapses in adoption of key internal controls, as described in subsequent paragraphs.

3.2.8.2 Absence of key controls to monitor progress of implementation

The Governance Committees were entrusted with the responsibility of monitoring the progress of implementation of the IFMS project. In order to fulfil the objective of effective project monitoring, it was necessary to adopt key controls, which could facilitate the process. However, Audit noticed that the following key controls, which constituted good practices for project monitoring, had not been adopted by any of the Governance Committees:

- The Project Management Unit (PMU), the PeMT and the Project Steering Committee did not seek periodic submission of actual achievement of progress of implementation of individual Modules, against the scheduled timelines for progress. In the absence of this control, Audit noticed that four Modules[62] in IFMS 1.0 and two Modules[63] in IFMS 2.0, had not been implemented, even after lapse of the scheduled timelines, as of March 2023.
- The PMU, the PeMT and the Project Steering Committee did not identify and maintain a list of material risks/ risk register, which could have impacted project implementation, along with proposed mitigation measures. In the absence of this control, there was no scope for proactive management of different types of emergent risks - Budget Risks, Operational Risks, Technical Risks, *etc*., which caused delays in project implementation, as enumerated in ***Paragraph 3.2.8.3***.
- The PMU, the PeMT and the Project Steering Committee did not seek (as an output from the Project Management Tool[64], being used by SI or by PMU) the list of sequential project tasks with inter-dependencies, which constituted the critical path for the project. In the absence of a clearly defined critical path and knowledge of slack time available for completion of project tasks, Audit was unable to derive assurance that the Governance Committees were in a position to forecast and estimate the completion time for critical project tasks and the overall project. Audit noticed that the Bills Module had been developed and implemented prior to the development and implementation of the Sanction Orders Module. As a result of not mapping the interdependencies between the processes for these two Modules and the out of sequence implementation, even as of March 2023, IFMS did not have the key control of mandatory linking of each Bill to an underlying valid Sanction Order. In addition, lack of clearly defined interdependencies also meant that the processing of Change Requests was time consuming, since identification of cascading changes, required for dependent tasks, had not been previously carried out.
- PMU, the PeMT and the Project Steering Committee did not prepare a list of action items to be completed at the end of each meeting, with details of action taken being submitted for follow up, during the next meeting. In the absence of this key control, there was ineffective

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[62] 1. Utilisation Certificates Module 2. Fund Management System Module 3. RBI-Integration and Monitoring of Ways and Means 4. Scheme for Consolidated Fund Expenditure Tracking

[63] 1. Commitment Management 2. Identity and Access Management.

[64] such as MS Project

follow up on material action items, until its eventual resolution of the risk or completion of the task. This resulted in many issues, pointed out by different committees, remaining unresolved, as of March 2023. For example, PMU, during its meeting held in July 2017, had decided that all issues related to generation of Sanction Orders, had to be resolved by the System Integrator on priority basis. However, no further discussions were held on this issue in the meeting held by PMU in August 2017, as a follow up to the decision made. The issues related to generation of Sanction Orders (manual generation of certain types and absence of mandatory linking to Bills) continued to persist, as of March 2023.

In response to the Audit observations on the functioning of the Governance Committees, the Finance Department stated (June 2023) that necessary steps would be taken to convene meetings of the Governance Committees of IFMS Project, at regular intervals, in order to monitor the progress of implementation of different modules of IFMS 2.0.

3.2.8.3 Delay or non-implementation of Modules

The contract with the System Integrator (SI) provided that in the event of delay in execution of work specified in the contract, the SI shall be liable to a penalty at the rate of one *per cent* of the value of work order in respective phases for every month of delay up to a maximum of 10 *per cent*, after which Director of Treasuries and Inspection (DTI) shall be at liberty to cancel the contract.

Similarly, in case the SI is unable to meet defined milestones due to delay attributable to SI, a penalty of 0.5 *per cent* would be charged for each week's delay from the payment associated to the respective milestone, up to a maximum of 10 *per cent* of the respective milestone amount. If the penalty amount reaches the upper limit, DTI reserves the right to invoke the Performance Bank Guarantee and terminate the contract and take appropriate action, as per law.

Audit reviewed the scheduled timelines for completion of implementation of Modules/ functionalities in IFMS 1.0 and 2.0 and noticed that the six Modules, as detailed in ***Table 3.2.4***, are yet to be implemented, as of March 2023:

Table 3.2.4: Modules/ functionalities in IFMS, yet to be implemented, as of March 2023

Sl. No.	Name of the Module/ functionality	Name of the Project	Scheduled date of implementation
1	Utilisation Certificate Module	IFMS 1.0	December 2014
2	Fund Management System	IFMS 1.0	September 2014
3	RBI - Integration and Monitoring of Ways and Means	IFMS 1.0	September 2014
4	Scheme for Consolidated Fund expenditure tracking	IFMS 1.0	September 2014
5	Commitment Management	IFMS 2.0	October 2020
6	Identity and Access Management	IFMS 2.0	October 2020

(Source: Information furnished by the DTI)

No penalty had been imposed on the SI for such delays.

In case of the Utilisation Certificate (UC) Module, Audit noticed that the UC Module had not been made operational in IFMS, as of March 2023. The UC Module had been taken up on pilot basis in two Departments of the State Government, but the actual implementation had not been completed, even after lapse of eight years from the original scheduled completion timeline of February 2015.

In response to the Audit observations, the Finance Department, while accepting the delay in implementation of Modules from IFMS 1.0 and 2.0, stated (June 2023) that the delays were not attributable to the SI. It further stated that (i) development of Fund Management System and RBI Integration and Monitoring of Ways and Means were dependent on cooperation with RBI, AG Office and the Union Government, (ii) development of Scheme of Consolidated Fund expenditure tracking outside of Government Account, was under development, as the Scheme Banks Management System Module of IFMS 2.0, (iii) development of Monitoring and Controlling Utilisation Certificates was delayed, due to delay in development and deployment of Sanction Orders Module, and notification for complete roll out of the UC Module had been issued on 15 April 2023, (iv) Identity and Access Management Module had been developed and deployed in production environment of IFMS, as of June 2023 and (v) Commitment Management was a new and advanced concept and yet to be adopted/ implemented in any other States of India and hence, development and deployment had been delayed due to the intricacies involved in this Module.

3.2.8.4 Excessive dependence on the System Integrator, M/s TCS Limited

DTI entered into a contract (December 2013) with M/s CMC Ltd. (subsidiary of M/s TCS Ltd.) at a contract value of ₹5.51 crore for development of 32 software application modules of IFMS 1.0.

Clause 7.11 of the contract for development of IFMS 1.0, provided for handing over of the source code of the software to DTI in a phased manner. The entirety of the source code was to be handed over to DTI on completion of IFMS 1.0, *i.e.* by 31 March 2018, and before final payments had been made to the software developer.

For development of IFMS 2.0, DTI entered into a contract (May 2018) with M/s TCS Ltd. at a contract value of ₹89.79 crore, for maintenance, support and enhancement of all modules, developed as part of IFMS 1.0, and for development of six new modules of IFMS 2.0, with contract duration of seven years.

Audit noticed that:

i. M/s TCS Ltd. was the single bidder for development of IFMS 2.0, whose contract value was more than 16 times the contract value of IFMS 1.0.

ii. The source code for IFMS 1.0 had not been handed over by the SI for IFMS 1.0 to DTI, prior to entering into the contract for IFMS 2.0. Documents, such as System Architecture, Code Base Organisation, Source Code Commits, Database Schemes, Source/ Version Control Procedures, Key Source Code Sections, Coding Standards, Manual Processes, Risk Management, Testing Reports, *etc*. had not been handed over by the SI of IFMS 1.0, prior to entering into the contract for IFMS 2.0. Even though such handing over was a key control, related to exit management of the SI for IFMS 1.0 and had been provided for in the contract, the provisions were not enforced by the DTI, prior to the commencement of bidding process and entering into the contract for IFMS 2.0.

iii. Detailed Project Report had not been prepared for IFMS 2.0.

iv. DTI had not prepared the ‘As-Is’ and 'To-be' documents for IFMS 2.0.

v. The absence of adequate documentation and the non-availability of the source code, had an adverse impact on widening the pool of potential bidders for the contract for IFMS 2.0, where Government expenditure would be significantly higher than IFMS 1.0, and created significant challenges in exit management, resulting in excessive dependence on the SI.

In response to the Audit observation, the Finance Department stated (June 2023) that necessary steps would be taken for execution of Exit Management of SI as per the contractual provisions for IFMS 2.0 and for smooth migration to IFMS 3.0.

Recommendations:

1. **Governance Committees may adopt appropriate periodicity for holding review meetings to monitor the progress in implementation of IFMS 2.0.**
2. **Governance Committees may adopt best practices for project monitoring, in the form of key controls to effectively keep track of material risks, faced by the project, the sequential interdependencies between project tasks and the critical path for the project, and for follow up of actions taken on previous decisions.**
3. **The delayed Modules of IFMS 1.0 and 2.0 may be implemented on priority basis.**
4. **Provisions related to exit management of the System Integrator in the contract for IFMS 2.0, may be strictly enforced, in order to ensure a level playing field for any further work, that may be required to be awarded beyond March 2025.**

3.2.9 Examination of selected Modules of IFMS

This section covers the results of examination of the status of the following Modules of IFMS:

1. Integration between Budget Decision Support System Module and Budget Planning and Preparation Module
2. Sanction Orders Module
3. Online Bill Submission Module

4. Integration with WAMIS
5. Integration with HRMS
6. Teachers' Provident Fund Module
7. Treasury Module

These Modules were examined, with the objective of assessing whether the Forms, Reports and Workflows had been implemented in compliance with the applicable provisions of the Odisha Treasury Code, Odisha General Financial Rules, executive instructions and Functional Requirement Specifications for IFMS.

3.2.9.1 Integration between Budget Decision Support System Module and Budget Planning and Preparation Module

The objective of the Budget Planning and Preparation Module was to enable various Administrative Departments to prepare and submit detailed budget estimates to the Finance Department, and subsequently distribute the approved budget allotments from Finance Department to the Administrative Departments.

The objective of the Budget Decision Support System Module was to enable the Finance Department to process the budget estimates, as prepared and submitted by various Administrative Departments, take decisions on approval/ rejection of individual budget estimate proposals received, obtain approval for the consolidated budget estimates from the Legislature and finalise the approved budget allotment within IFMS.

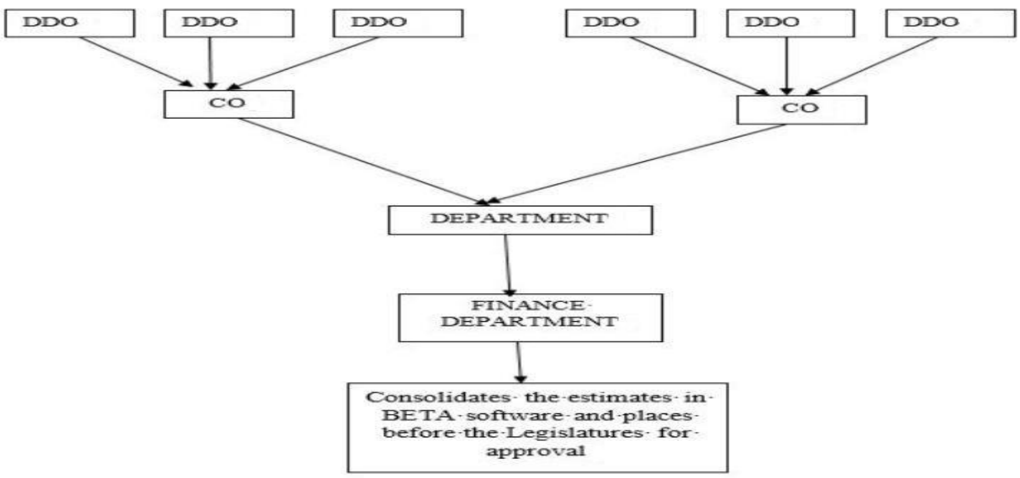
Once the approved budget allotment was finalised using the Budget Decision Support System Module, the allotment to each Controlling Officer in Administrative Departments and in turn, to each DDO, was to be made using the Budget Planning and Preparation Module.

3.2.9.1 (a) Budget processing and decision making on budget estimates outside IFMS, through manual interventions for export and import of data

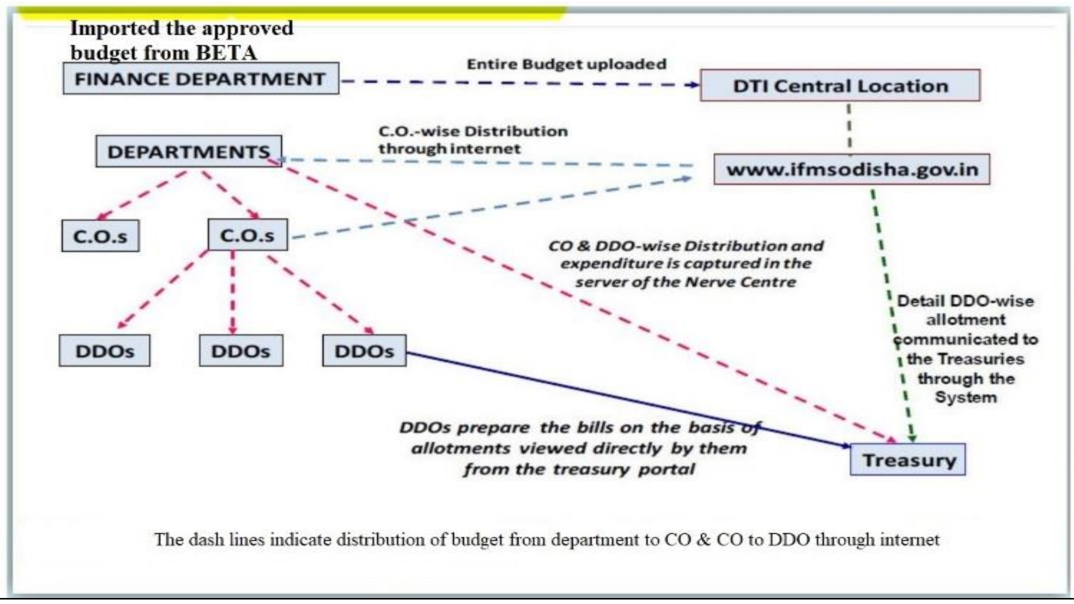
Audit noticed that, contrary to the above workflow, the Finance Department exported the proposals of budget estimates, received from various Administrative Departments, in text file format, from the Budget Planning and Preparation Module into an external software application named Budget Execution Technique Automation (BETA, which has been developed and maintained by NIC). All decisions related to budget approvals were carried out in this external application, BETA, up to the point of approval of final budget allotments by the Legislature. Finance Department, then exported the final budget allotments in text file format from BETA, and imported it into the Budget Planning and Preparation Module of IFMS, for distribution of the budget allotment.

The workflow for the submission of Budget Estimates and distribution of the approved budget by the Finance Department, is shown in ***Chart 3.2.1***.

Chart 3.2.1: Workflow for Submission of Budget Estimates to Finance Department



Workflow for distribution of Budget Allotment to DDOs



(<u>Source:</u> IFMS Handbook)

As a result, the crucial workflow of budget processing and decision making on budget estimates, received from Administrative Departments, remained outside IFMS, and remained non-operational, due to the manual data export/ import mechanism between BETA and IFMS.

In response to the above Audit observation, the Finance Department stated (June 2023) that it was a conscious decision to keep the BETA application outside the internet service platform, in order to maintain confidentiality of budget approval related decision making and security of the budget data. The Department also stated that the work flow, as observed and reported by Audit, had never been there in the work plan of either BETA or IFMS, and that data sharing between IFMS and BETA takes place through a web-based service and not through any manual import and export of budget related data in text file format.

The response was not tenable, since the Budget Decision Support System

Module was intended to implement the workflow for decision support (Accept/ Reject/ Accept with Cuts) on budget estimates and was very much included in the SRS for IFMS 1.0. Further, data sharing between IFMS and BETA cannot take place through a web-based service, when BETA is consciously maintained outside the internet service platform. This indicated a lack of confidence in the controls implemented in IFMS, in regard to maintenance of confidentiality of budget data.

The response indicated that, in the absence of the workflows for budget decision and budget approval, IFMS was unable to serve as a single source of truth and provide a trail of accountability for the budgetary decisions, even when it was no longer necessary to maintain the confidentiality of the budget, after its approval by the Legislative Assembly.

3.2.9.1 (b) Absence of functionality to surrender budget allotment by DDOs and Controlling Officers of Departments, within IFMS

Rule 144 (1) of Odisha Budget Manual (OBM) stipulates 10th March as the last date, by which the surrender of anticipated savings are to be received by the Finance Department. The anticipated savings under budgeted allotment, need to be surrendered by each DDO to its Controlling Officer (CO) and the CO in turn to the Department, within the timeline, prescribed by the Finance Department, so that it can be reallocated to other departments in need.

Audit observed that, in contravention to Odisha Budget Manual, there was no provision in the SRS for the Budget Planning and Preparation Module to surrender the anticipated savings by DDOs to its COs and in turn, by COs to the Finance Department.

In absence of this internal control, there were significant reconciliation issues which arose, since the surrenders would take time to be processed in offline mode outside IFMS, while the budget allotment continued to not reflect the same, within IFMS.

The Finance Department had to make data entries from the offline surrender proposals into IFMS, in order to further process the surrendered amounts for reallocation to other Departments.

Audit conducted field verification on test-check basis and noticed that in FY 2020-21, the Directorate of Medical Education and Training intended to surrender a budget allotment of ₹45.45 crore, so that the same could be reallocated to the Directorate of Health Services, both under the Health and Family Welfare (HFW) Department. IFMS should have been able to support a simple surrender from the DDO up to CO level, and then reallocate the budget within the system, by the CO. However, due to the absence of the surrender functionality, a series of alternate actions were taken by the HFW Department, which ultimately resulted in non-utilisation and lapse of the budget allotment. Details are presented as ***Appendix 3.2.2***.

In addition, due to the time taken to effect the reduction of budget allotment to a DDO within IFMS, in case of an offline surrender, there was avoidable scope for subsequent drawal of funds, during the time gap from the date of offline surrender of anticipated savings to the date of effecting the reduction of allotment in IFMS. Audit noticed one such instance in the Office of Principal BN NCC Ravenshaw College, Cuttack, as detailed in ***Appendix 3.2.3.*** In brief, the Principal BN NCC Ravenshaw College, surrendered anticipated savings of ₹69,312 and ₹17,839 in the months of September and October 2021, respectively, to the Higher Education Department. As IFMS did not reduce the allotment under that HoA to the tune of ₹87,151, the DDO was able to draw an amount of ₹90,671 (the surrendered ₹87,151+ unutilised allotment ₹3,520) in March 2022. This resulted in expenditure, over and above the net allotment (original allotment – surrender). Due to the absence of the surrender functionality, IFMS was not in a position to serve as a single source of truth and continued to require reconciliation and manual checks to be exercised.

In response to the above observation, the Finance Department stated (June 2023) that, as per the Audit recommendation, necessary deliberations had been made to provide the facility of surrender at the DDO level.

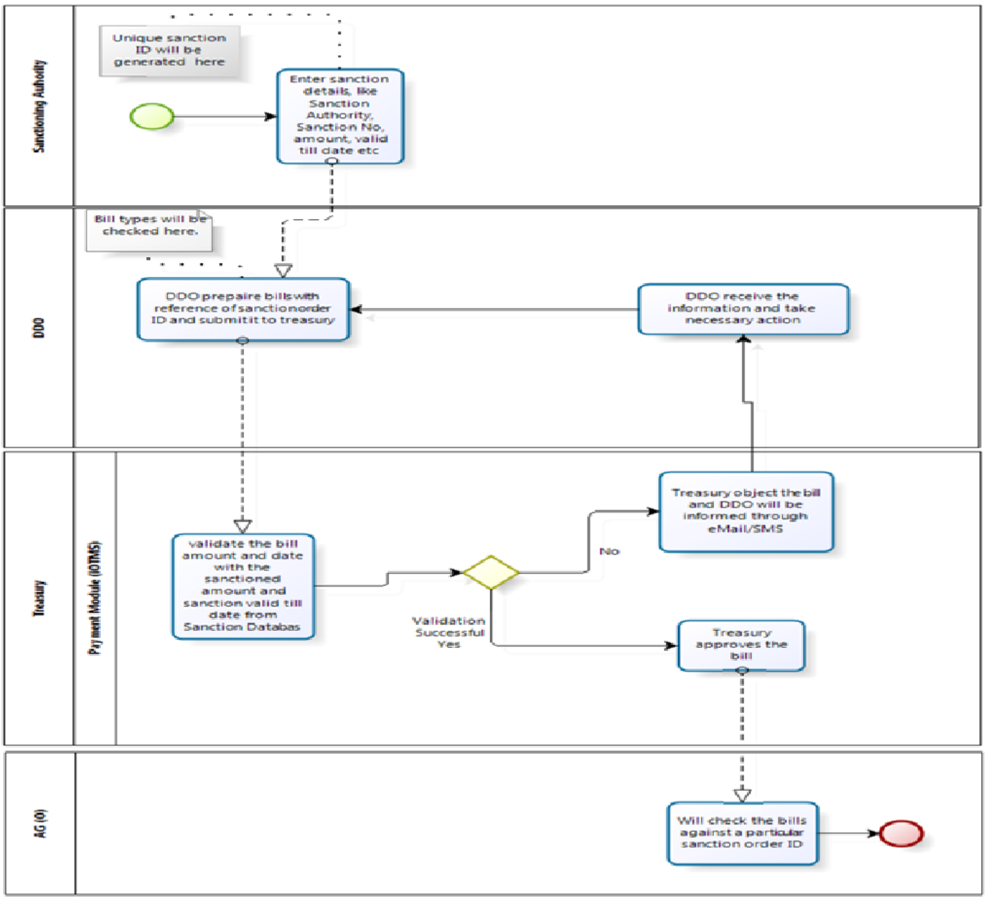
3.2.9.2 Sanction Orders Module

The Sanction Orders Module is intended to:

- Enable sanctioning authorities to generate Sanction Orders in the formats, prescribed in the Odisha Treasury Code.
- Maintain full set of valid Sanction Orders in a "Sanction Order Database", which can be referenced by Bills at the time of processing of bills.

The workflow of the Module is based on an operator-approver model, with the following details:

Chart 3.2.2: Details of workflow model



(Source: Sanction Order module of IFMS)

Audit reviewed the functional requirements, Forms implemented and the Workflows for the Sanction Orders Module and noticed the major internal control failures, as discussed in subsequent paragraphs.

3.2.9.2 (a) Non-implementation of all types of Sanction Orders, listed by OTC, resulting in continuation of generation of manual Sanction Orders, outside IFMS

As per the agreement entered into by the DTI with the M/s TCS Ltd. (erstwhile M/s CMC Ltd.) on 04 December 2013, the Sanction Orders Module was to be developed in first phase of development of IFMS 1.0 and maintained, supported and enhanced, during the contract period for IFMS 2.0.

Audit reviewed the functional requirements, as per the Odisha Treasury Code and the types of Sanction Orders, which could be generated on IFMS, and noticed that four types, *viz*. Unutilised Leave Salary, Reimbursement of Claims of Medicine (RCM), Stipend and Scholarship and Travelling Allowance (TA), had not been implemented, as of March 2023.

Instead, for these types of expenditure, the sanctioning authorities were still generating manual Sanction Orders. As a result of this status, there were two key internal control lapses:

- The list of Sanction Orders on the Sanction Orders database remained incomplete, for the expenditure incurred during the financial year.
- The provision of unique Sanction Order numbers, which was ensured by IFMS, could not be ensured for the manually generated Sanction Orders.

In response to the Audit observation, the Finance Department stated (June 2023) that, in case of the Unutilised Leave Salary, the process for development of online Sanction Order had been initiated by the SI; Sanction Orders in case of TA and RCM had not been developed so far, due to non-finalisation of modalities, such as variations in workflows across Departments, for approval for tours, list of documentary attachments, required to accompany the corresponding Bill types, *etc*. These requirements were under active consideration of the PMU and the SI, for expeditious development and implementation in IFMS.

3.2.9.2 (b) Absence of validation controls to map the HoA, permissible to be used by different types of Sanction Orders

Government Accounting Rules (GAR) prescribes six tiers classification[65] of HoA for each transaction of Government and Rule 25 of GAR, 1990, has prescribed Code to each Major Head and range of Code Numbers.

Audit reviewed the workflow of the Online Sanction Orders Module and noticed that the HoA, under which the amounts of expenditure could be sanctioned, had not been mapped with the permissible HoA, for that kind of expenditure. As a result, any type of Sanction Order could be generated against any HoA. For example, Audit conducted field visit to the Office of Block Education Officer, Cuttack Sadar and noticed that a bill for drawing student's scholarship amount of ₹25,200 had been generated with Sanction

[65] Major Head, Sub-major Head, Minor Head, Sub Head, Detailed Head and Object Head

Order No. 202124182748, dated 13 March 2022, of type "Contingent" (sanction sub-type "FVC - Office Contingencies"), and was passed by the Special Treasury, Cuttack, vide Bill number 740, dated 13 March 2022.

Thus, the absence of validation controls to map the permissible HoA, that could be used for different types of Sanction Orders, created a material risk of misclassification of expenditure, in the accounts of the Government.

Currently, the burden of compliance with GAR, to ensure correct classification of expenditure, is placed on the individual users and is dependent on the *bona fide* functioning of the sanctioning authorities. The purpose of implementing IFMS was to ensure that the system facilitated compliance through appropriate validation controls, which had not been achieved.

In response to the Audit observation, the Finance Department stated (June 2023) that it was the responsibility of the Sanctioning Authority to ensure that sanction was made under the proper HoA; that mapping of Sanction Order type and HoA had been implemented in case of a few types, such as GPF. It further stated that IFMS did not maintain the list of Heads of Account, operated by different Departments and since these Heads may change from year to year, it would be difficult to update such mapping periodically.

The response was not tenable, since it only indicated that the burden of compliance remained on individual users, rather than shifting onto IFMS in the form of system controls implemented; and updating the list of HoA, operated by Departments every year, is the duty of the Finance Department, once the budget is distributed to various Departments.

3.2.9.2 (c) Absence of validation controls to prevent sanction of expenditure of Grants-in-Aid under Capital Heads of Accounts, in compliance with Indian Government Accounting Standard 2.

Paragraph 9 of the Indian Government Accounting Standards (IGAS) 2 – "Accounting and Classification of Grants-in-Aid (GIA)", issued vide Notification No. S.O. 1113 (E), dated 19 May 2011, provides that GIA, disbursed by a grantor to a grantee, shall be classified and accounted for, as "revenue expenditure" in the financial statements of the grantor, irrespective of the purpose for which the funds disbursed as GIA, are to be spent by the grantee, except in cases specifically authorised by the President, on the advice of the Comptroller and Auditor General of India, be debited to a Capital head of account in the financial statements of the Government.

Audit reviewed the Sanction Orders Module and noticed that an amount of ₹2,103.04 crore had been sanctioned using Sanction Order type GIA, under Capital heads of account, during FYs 2019-20 to 2021-22, as detailed in ***Table 3.2.5***.

Table 3.2.5: Sanction Order type Grants-in-Aid under Capital Heads

Year	Total No. of GIA Sanction Orders	Total value of GIA Sanction Orders (₹ in crore)	Total value of GIA Sanction Orders, classified as Capital Expenditure (₹ in crore)
2019-20	3,471	15,550.33	848.76
2020-21	4,028	25,456.18	626.78
2021-22	4,267	31,159.83	627.49
Total	**11,766**	**72,166.34**	**2,103.03**

(Source: Information received from Office of the AG (A&E))

Such misclassification of GIA Capital HoA resulted in violation of provisions of the IGAS 2, and resulting in overstatement of Capital Expenditure of the Government of Odisha to that extent.

While creating a Sanction Order of type GIA, the master data for specification and categorisation of grantee entities had not been updated to reflect adequate granularity, resulting in extensive use of the grantee category as "Others". Audit also noticed instances of use of the name of the concerned Department itself as grantee, with the GIA Sanction Order being used to transfer funds from Government Account to external Bank Accounts, maintained in the name of the Departmental DDOs.

Thus, the absence of key validation controls in IFMS and incomplete/ inappropriate list of grantees in the master data, had an adverse and material impact on the quality of accounts of the State Government.

In response to the Audit observation, the Finance Department stated (June 2023) that specification of a Scheme Code had been made mandatory to prepare online Sanction Orders of type GIA; Scheme Codes were mapped to the corresponding HoA; on verification of the IFMS master data, it was found that Scheme Codes for GIA had been previously associated with Capital Section Heads of Accounts; mapping had now been reviewed so that in future, generation of GIA Sanction Orders under capital expenditure Heads, would be prevented.

3.2.9.2 (d) Absence of validation controls for generation of Sanction Order type "General type of Scheme expenditure"

For creation of a Sanction Order of type "General Type of Expenditure under different Schemes", there were no data validation controls at all, since all the data fields for the Sanction Order Form on IFMS could be filled in using free text.

This type of Sanction Order was being used in IFMS for effecting bank transfers to payment beneficiaries, who were implementing agencies for Schemes. However, the beneficiary details for payment to be effected could be filled in as free text, and there was no validation to ensure that the intended beneficiary was one whose details (Primary Identifier, Name, Bank Account and IFSC Code) were already entered, vetted and available in IFMS. As a result, even though Sanction Orders specify the beneficiary to be a particular entity, the actual payment could be effected to a different entity (such instances had been noticed during FY 2019-20, in Sanction Orders, such as Numbers 201915152907, 201915984434, 201916091572 and 201915117843).

Once the payment beneficiary is specified in the Sanction Order, through selection from the master data in IFMS, compliance with OTC requires that the Bill form references the underlying Sanction Order, in order to auto-populate the payment beneficiary. There should be no scope for the DDO to change the payment beneficiary to an entity other than that specified in the Sanction Order. The fact that the DDO could change the payment beneficiary at the time of raising the Bill, was a gross deficiency.

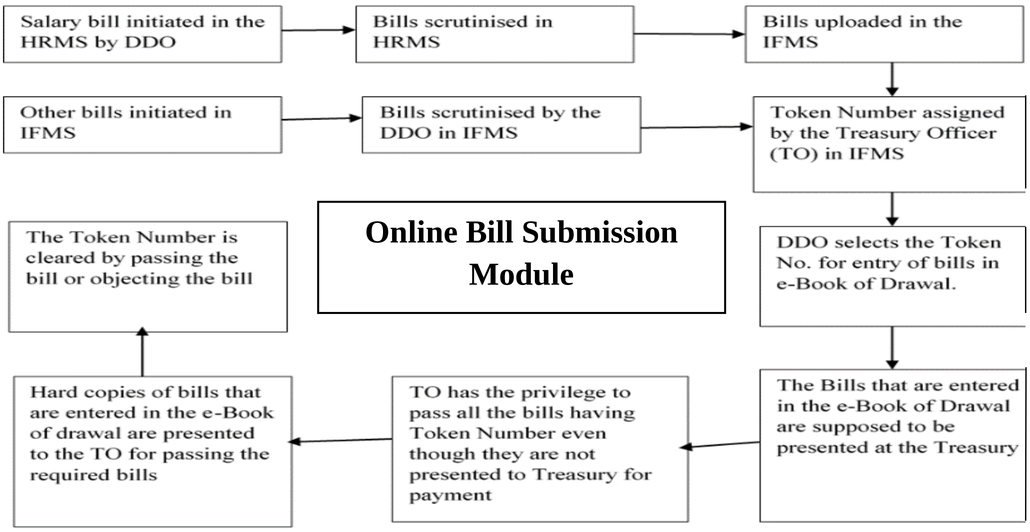
The Finance Department noted (June 2023) the Audit observation for future guidance.

3.2.9.3 Online Bill Submission Module

The objective of the Online Bill Submission Module was to replace the process of manual preparation and submission of paper Bills, with an improved and more efficient online process for submission of Bills by DDOs to the Treasuries, through IFMS.

This Module was designed on the maker-checker model, with the following Workflow:

Chart 3.2.3: Workflow for submission of online bills



Audit reviewed the functional requirements, Forms implemented and the workflows for the Online Bills Submission Module and noticed major internal control failures, as discussed in subsequent paragraphs.

3.2.9.3 (a) Absence of validation controls to enforce linkage of Bills to an underlying valid Sanction Order, prior to submission of Bills to Treasuries

Rule 164 of OGFR provides that the term "miscellaneous expenditure" applies generally to all such expenditure of the Civil Departments, which do not fall under the category of pay & allowances of Government servants, pensions, contingencies, GIA, contribution, stores or works. Without specific sanction of Government, no subordinate officers are authorised to sanction items of miscellaneous expenditure as defined above, unless special power, scale or limit has been prescribed for such expenditure by any Act, rule, code or order of the State Government. Further, the Finance Department, in its letter No. 23890, dated 20 July 2018, instructed all the departments that Treasuries would accept claim/ bills, which are accompanied with sanction orders, generated from IFMS only with effect from 01 August 2018.

The SRS of the Online Bill module provides that if a particular bill requires sanction order for passing it at treasury, system would provide a facility to the DDO to enter the sanction order details against the bill. System provides a list of available sanction order issued against the particular bill type and HoA. This list will be shown from sanction order database where the details of the sanction order has already been captured. DDO would simply select the appropriate sanction order from the list. Sanction No., date, HoA and amount will be auto populated on the basis of selected sanction order.

Audit reviewed the workflow of the Online Bills Submission Module and noticed that there were no validation controls to enforce linkage of a Bill at the time of preparation and prior to submission, to an underlying and valid Sanction Order. This was a major and severe internal control failure, as it resulted in key checks, not being exercised prior to incurring expenditure by the State Government, as detailed below:

i. There was scope to prepare, submit and pass Bills, which had no Sanction Orders linked at all. This, not only included those Bills for which Sanction Orders had to be manually generated because four types of Sanction Orders had not been implemented, but also those Bills where Sanction Orders had been generated manually, despite the provision of Sanction Order type being available in IFMS. For example, Bill dated 03 June 2021 had been passed for ₹ 16.34 crore on IFMS, without linkage to a Sanction Order in the system. Subsequently, Audit noticed that, instead of using the GIA Sanction Order type on IFMS, a manual Sanction Order number JTA-47/2020-5515/L, dated 28 May 2021, had been generated with sanctioned amount of ₹ 16.34 crore by the Law Department, details of which were not available in IFMS.

Examples of deficiencies in controls

1. Sanction Order No. 202019641688, dated 17.03.2021, was generated with sanctioned amount ₹ 9.9 lakh, towards payment of House Building Advance to Shri xxxxxxxxxxx xxx, Peon in the Office of DTI. Audit prepared a Bill in the production environment of IFMS, referencing this Sanction Order, and could change the beneficiary name to Shri xxxxxxxxxx Pradhan, Peon. This Bill No. 1007, dated 04 August 2022, was submitted to the Treasury with token no. 15757. This demonstrated that even for Sanction Order types, where the beneficiary was a Government servant, such as, HBA Sanction Order, there were no controls to auto-populate the sensitive data fields, such as beneficiary ID, as specified in the Sanction Order, into the Bill form.

ii. There was no validation control to ensure that HoA and beneficiary details, specified in the underlying Sanction Order, was auto-populated into the concerned fields for the Bill.

There was no validation control to ensure that the amount specified in the Bill, did not exceed the balance of available amount against the underlying Sanction Order, especially in cases, where multiple Bills had been drawn against the same underlying Sanction Order. For example, Audit noticed that, vide Sanction Order number 20226036234, dated 21 July 2022, an amount of ₹17,082 had been sanctioned for payment of Contingent_FVC. Vide Bill No. 161, dated 25 July 2022, against this Sanction Order, amount of ₹12,294 had been passed. The remaining balance, available against this Sanction Order, was therefore ₹4,788 and the system should have been able to track such balance. However, when Audit tested whether this control was in place, Bill No. 1002 for ₹5,000, dated 26 July 2022, was generated against the same Sanction Order, resulting in irregular excess expenditure of ₹ 412.

2. Sanction Order No. 202225642892, dated 21 June 2022, was generated with sanctioned amount ₹ 7 lakh, towards GPF part final withdrawal, in favour of Sri xxxxxxxxx Sahoo, GPF Account Number xxxxx785. Audit prepared a Bill in the production environment of IFMS, referencing this Sanction Order, and could change the beneficiary name to Shri xxxxxxxxxxx Singh, GPF Account Number xxx63. Audit observed that, while preparing the Bill, the operator user had been provided an option to modify the Bank Account number and Bank IFSC code of the beneficiary, without any escalation or approval from higher authority/ checker user. Audit could successfully update the bank details of the new beneficiary to that belonging to another Government servant, Shri xxxxxxxxx Patra in the Bill. This Bill No. 1006, dated 03 August 2022, was submitted to the Treasury with token no. 15764. This demonstrated that the Sanction Order for GPF final part withdrawal had the name of Government servant, specified as Shri xxxxxxxxx Sahoo, the Bill had the name of Government servant, specified as Shri xxxxxxxxxxx Singh, but the actual bank account details for payment were for Government servant named Shri xxxxxxxxxx Patra, which reflected grave internal control lapses in the workflow.

iii. Out of the total expenditure of ₹3,19,335 crore, incurred during the period from FYs 2020-21 to 2022-23 (up to October 2022), an amount of ₹98,314 crore had been drawn using three Bill Types - “Miscellaneous”, “General Type of Expenditure under different Schemes” and “Others”, as detailed in ***Table 3.2.6.***

Table 3.2.6: Amount drawn using three Bill Types

(Amount ₹ in crore)

Year	Total Expenditure for the year	Expenditure under Bill type, Miscellaneous	Expenditure under Bill type, General	Expenditure under Bill type, Others	Expenditure under Bill types Miscellaneous, General and Others	Percentage of expenditure, under these three Bill types to Total expenditure
2020-21	1,16,680	3,385	4,287	26,428	34,101	29
2021-22	1,38,537	1,701	1,579	39,354	42,634	31
2022-23 (up to Oct 2022)	64,118	316	273	20,991	21,579	34
Total	**3,19,335**	**5,402**	**6,139**	**86,773**	**98,314**	**31**

(Source: Information furnished by the DTI)

iv. There were no validation controls to ensure that processing of Bills required a valid Sanction Order Number, *i.e.* Bills could be prepared and payment/ expenditure triggered without mandating a specific reference to an underlying Sanction Order in IFMS, for incurring such expenditure.

v. Even in those instances, where the DDO chose to specify the reference to a Sanction Order Number, there were no validation controls to ensure that the HoA, specified in the underlying Sanction Order, was auto populated into the Bill, *i.e.* these Bills could be prepared and payment/ expenditure triggered in a HoA, that was different from the one specified in the underlying Sanction Order, for incurring the expenditure.

vi. The DDO could potentially operate HoA, under which there was no budget allotment using these Bill types, due to the absence of reference controls, related to the Sanction Orders, which would place restrictions on such operation.

vii. These three Bill types were mainly used to effect bank account transfers from Government Account. However, there were no validation controls to ensure that the intended beneficiaries, specified in the Sanction Order, were auto populated into the Bill form. This created avoidable scope for change in beneficiary details from those specified in the Sanction Order, at the time of Bills processing.

Examples of deficiencies in controls

1. BEO, Nayagarh, sanctioned an amount of ₹10,000, vide Sanction Order No. 202124156636, dated 14 March 2022 towards "Other Contingencies".
2. Amount of ₹10,000 was drawn and paid vide Bill No. 342, dated 11 March 2022.
3. Audit could generate another online Bill No. 155, dated 13 October 2022 , by linking to the same Sanction Order, with Treasury token number 9315 being generated. This demonstrated that there was no provision in IFMS to prevent the generation of a Bill by linking to a Sanction Order, whose validity had expired, since it was for FY 2021-22.
4. This also demonstrated that there was no validation control to track the availability of balance against a particular Sanction Order within IFMS, since the whole sanctioned amount had been drawn vide Bill dated 11 March 2022. It should not have been possible to generate another Bill for ₹ 15,000, against the

The enforcement of Bills, with underlying and valid Sanction Orders, was a vital control and its failure, resulted in non-compliance with OGFR.

In response to the Audit observation, the Finance Department stated (June 2023) that several kinds of drawals involve miscellaneous nature of expenditure and are drawn through the Miscellaneous Bill type; that the HoA involved are large in number; that the nature of sanctions - whether administrative or financial, was unknown to the resource team of IFMS and hence, requested Audit to consider these challenges.

The response was not tenable, as the OGFR, the executive instructions issued by Finance Department and the SRS for IFMS 1.0, clearly specify that all Bills have to reference to an underlying valid Sanction Order. Compliance with these statutory and contractual provisions required implementation of this control in IFMS. The absence of this internal control resulted in residual risk for material errors/ fraud in drawal of funds, without sanction from the competent authority, despite system implementation.

3.2.9.3 (b) Absence of validation controls to map the types of Sanction Orders with types of Bills, resulting in material risk of misclassification.

Rule 8 of OGFR states that, as a general rule, no authority may incur any expenditure or enter into any liability involving expenditure from Consolidated Fund and Contingency Fund, until the expenditure has been sanctioned by general or special orders of the Government or by authority, to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorised grants and appropriations for the year. Further, the SRS of Sanction Order module provides that the Sanction Order shall interact with "Online Bill Preparation & Submission" module for passing all types of Bills other than salary bill, on the basis of the type of sanction order.

Audit observed that there were 18 Sanction types and 37 Sanction Sub-Types available in Sanction Order Module, and 12 Bill types, with no validation controls to map the types of Sanction Orders and Bills, that constitute combinations, compliant with OGFR.

As a result, currently on IFMS, any type of Bill can be generated in combination with any type of Sanction Order. For example, Housing & Urban Development Department, vide its Sanction Order No. 202122949981 of type "Grants-in-Aid" dated 28 December 2021, sanctioned an amount of ₹112.2 crore to the grantee entity, Odisha Integrated Sanitation Improvement Project. However, the funds were drawn using Bill type "Others (Common or Miscellaneous)", instead of Bill type "Grants-in-Aid".

In the absence of the validation controls to ensure correct mapping between Sanction Order Types with Bill types, there was a material risk of error/ misclassification of expenditure.

In response to the Audit observation, the Finance Department stated (June 2023) that expeditious steps would be taken to correctly map the Sanction Order types to Bill types, finalise the system logic and make it ready for development.

3.2.9.3 (c) Absence of validation controls to prevent use of Sanction Order, beyond its validity period.

Rule 53 of OGFR Vol. I provides that a sanction for any fresh charge, which has not been acted on for a year, must be held to have lapsed, unless it is specifically renewed with necessary provision in the budget estimates. Further, Rule 53 note (2) of OGFR provides that sanction, in which there is specific provision that the expenditure is to be made from the budget provision of a specified financial year, such sanction lapses on the expiry of the specified financial year. Besides, the SRS of "Sanction Order" Module provides that an online bill should not be passed after the sanction validity period is over. At the time of Online Bill Submission, when DDO submits the bill at treasury, system should check the validity of the sanction order.

Audit reviewed the Sanction Order and Online Bill Submission Modules, and observed that, while preparing online bill, if the operator chooses (since linkage is not enforced) to link to a Sanction Order, he/ she may choose to link to, not only the list of Sanction Orders of the current financial year, but also to the expired Sanction Orders from previous years. Due to this internal control lapse, an online bill could be generated even from such Sanction Orders, whose validity had expired.

Currently, the burden of compliance with GAR to ensure correct classification of expenditure is placed on the individual users and dependent on the *bona fide* functioning of the sanctioning authorities. The purpose of implementing IFMS was to ensure that the system facilitated compliance through appropriate validation controls, which had not been achieved.

In response to the Audit observation, the Finance Department stated (June 2023) that efforts were being taken to incorporate validity periods for Sanction Orders, as defined under various Rules, and that necessary system logic had been prepared and shared with the SI for the purpose of deployment.

***3.2.9.3 (d) Absence of functionality for DC Bill type, resulting in ineffective monitoring of outstanding advances for the State Government up to adjustment or recovery*.**

As per Rule 260 of the OTC, contingent charges may be drawn from the Treasury, by presentation of Abstract Contingent Bills (AC Bills) in Form OTC 32, subject to the presentation of Detailed Contingent Bills (DC Bills) to the controlling officer for countersignature and transmission to the Accountant General, in Form OTC 33, with description of each charge requiring explanation. Details, such as, numbered sub-vouchers for each item of expenditure under the AC Bill drawn, shall be included and differences, if any, between the total of a DC Bill and the total of corresponding AC Bill, must be adequately explained. As per the contract for IFMS 1.0, SI had to implement AC Bill type and DC Bill type, by March 2018. The PMU, in its meetings held in August 2017 and December 2017, had also instructed the SI to develop DC Bill type, since AC Bill type had already been implemented.

Audit reviewed the functioning of the Online Bill Submission Module and noticed that:

i. Form and provision for AC Bill type had been implemented in IFMS, as intended. However, the corresponding provision for DC Bill type, had not yet been implemented, as of March 2023.

ii. The scheduled timeline for implementation of DC Bill type was March 2018, *i.e*., the completion date of IFMS 1.0.

iii. In the absence of DC Bill type, IFMS is unable to assist monitoring of pending AC Bills' status by authorities at all levels in the Administrative Departments, Treasuries and the Finance Department.

iv. During the year 2021-22, eight Departments had drawn 768 AC bills for an amount of ₹127.95 crore, as advances. Of these, 287 AC bills, amounting to ₹35.61 crore (27.71 *per cent*) were drawn in March 2022. However, only an amount of ₹ 0.58 crore (0.45 *per cent*) pertaining to one Department, was adjusted against the above advances drawn.

There is, therefore, no assurance that this amount had actually been utilised for the purpose, for which it was sanctioned. Advances drawn, but not adjusted indicated the possibility of diversion of end use of funds/ misappropriation. It is, therefore, vital that the DC Bill functionality is implemented on priority basis.

In response to the Audit observation, the Finance Department stated (June 2023) that possibilities of providing the facility for DC Bills, were being explored.

3.2.9.3 (e) Non-implementation of Utilisation Certificate (UC) Module

Rule 171 (4), read with Note 2 below OGFR, provides that a target date should be prescribed for submission of UCs by the grantee institutions to the Accountant General.

The contract for IFMS 1.0 specified that UC Module was to be developed and implemented latest by March 2018.

Audit noticed that the UC module had not yet been made operational (March 2023). The UC module was stated to have been developed and being tested on pilot basis in the Higher Education and Co-operation Departments. In the absence of the UC Module, IFMS is unable to assist in monitoring of pending UCs from grantee entities, by authorities at all levels in the Administrative Departments and the Finance Department.

In response to this Audit observation, the Finance Department stated (June 2023) that development of the UC Module had been completed and that complete roll out had been completed through issue of Notification dated 15 April 2023.

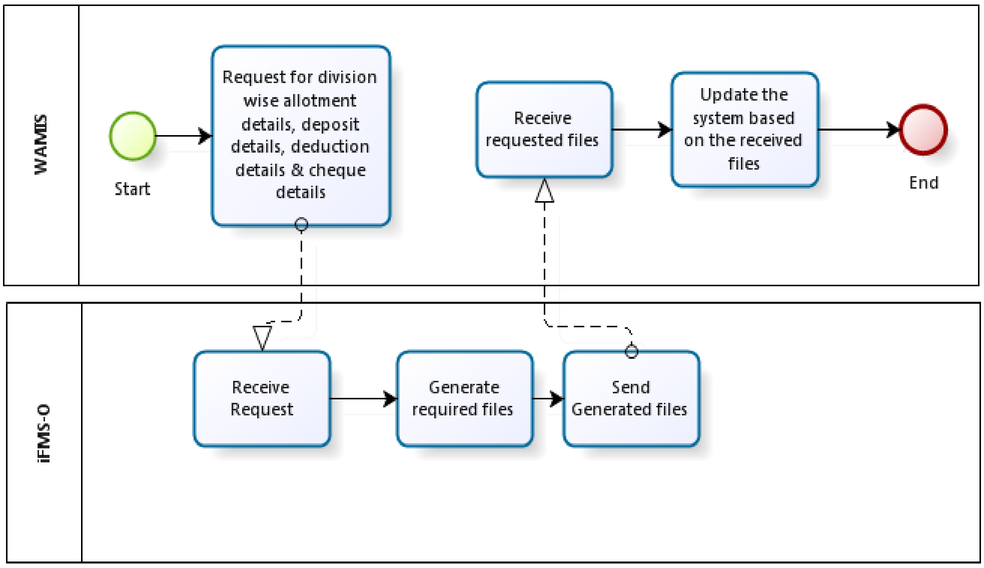
Audit observed that after the formal notification, Departments were now expected to enter details of outstanding UCs, but the Module had not yet been fully put to use (June 2023), as intended.

3.2.9.4 Deficiencies in integration of IFMS with WAMIS

Rural Development (RD) Department, Government of Odisha implemented Works and Accounting Management Information System (WAMIS). The main features of WAMIS were automation of technical functions and preparation of accounts. The objectives of WAMIS were i) preparation of budget estimates, ii) allotment of funds and iii) creation of work information, along with capturing of contract award details.

The workflow for the integration of IFMS with WAMIS is given ***Chart 3.2.4***.

Chart 3.2.4: Workflow for the integration of IFMS with WAMIS



3.2.9.4 (a) Absence of key controls to prevent errors in payment to beneficiaries, in case of works Bills

The main objective of this integration was to provide facility for WAMIS to access division-wise allotment details, division deposit details and division-wise deduction details, and for IFMS to process Bill payments for all Works Bills.

Audit observed that:

- Even though IFMS was being used for making payments against Works Bills, only limited data fields from WAMIS were being transmitted through the WAMIS-IFMS interface, such as Bill Number, Bill type, Work Order number, Gross amount and Net amount. The beneficiary details for the payment, such as Name, Bank Account Number, *etc.* were being communicated offline, outside the WAMIS-IFMS interface. This was a significant control lapse.
- Master data on Works contractors and Works ID were being maintained on WAMIS. However, for the purpose of payments, the details of the payment beneficiary were not being communicated through the WAMIS-IFMS interface, as mentioned above. This created scope for errors in payments made, using IFMS. For example, in case of Work Number 2811/2317/1 allotted to Sri xxxxxxxx xxxx Pradhan, vide work order No. 1287, dated 7 March 2020, Bill with Net amount for ₹4,22,426 was payable. However, the payment was made to another contractor Sri xxxxxxxx Pradhan, vide Bill No.108, dated 24 March 2020. When the fact of payment to the wrong contractor was brought to the notice of the Superintending Engineer by the actual contractor Sri xxxxxxxx xxxx Pradhan, the amount previously paid was recovered from Sri xxxxxxxx Pradhan and credited to the DDO's current account, and subsequently paid to the correct beneficiary, vide cheque No. 441091, dated 28 April 2020.

- Payment beneficiary details were entered into IFMS by the operator manually, without having maker-checker model in place. Changes to beneficiary details, such as Name, Bank Account number, IFSC, Mobile number, PAN number, *etc*. could be changed by the single operator, without oversight or visibility by any other senior Officer.

The absence of the above key controls in the WAMIS-IFMS interface, created a material risk of error/ fraud by junior Government employees/ outsourced staff, engaged on contractual basis, who had to process significant amounts of payments against Works Bills.

Currently, the burden of compliance to ensure correct payments is placed on the individual users of IFMS. The purpose of implementing IFMS was to ensure that the system facilitated compliance through appropriate validation controls, which had not been achieved.

In response to the Audit observation, the Finance Department stated (June 2023) that IFMS was only the payment platform and that maintenance of the contractor's ledger and database was not required to be done in IFMS; that in the notification issued on e-Disbursement, it had been clearly mentioned that it was the role and duty of the DDO to collect the payment beneficiary related information, such as IFS Code, Mobile number, PAN number, *etc*., and he was supposed to retain the physical copy of these documents.

The response was not tenable, since it did not address the main audit objection that the details of payment beneficiary should be transmitted through the WAMIS-IFMS interface and not be entered manually on IFMS. The response reflects the fact that the burden of compliance remains on the individual users and has not shifted to IFMS, due to lack of controls and therefore, there remains the residual risk of error/ fraud in processing payments.

3.2.9.4 (b) Absence of validation controls to prevent from a Works Division from erroneously accepting remittances for Deposit Works intended for another Works Division

IFMS enables Works Divisions to view Division-wise allotment, Deposits and Deductions. In case of Deposit Works, it was necessary that a control be implemented when funds for Civil Deposits are remitted into Government Account by a Works Division, the ID of the Division is tagged to that remittance amount and that each Works Division can then view only those remittances, which have been made by it. Audit observed that in the absence of such a control, the funds remitted under the Head of Account 8782-00-102-1683-91028 by any one Works Division, were visible to all the Works Divisions in the State, instead of being restricted for view to the Works Division, that had actually made the remittance. This had, in turn, resulted in erroneous tagging of the visible remittance amounts to the Work ID of another Works Division. Once such an error is made, it has two adverse consequences:

- The error can be rectified only by escalating the issue to DTI, by making modifications at the back end.
- The Works Division, for which the Deposit Work was intended, would be unable to incur expenditure, until the error is rectified.

In response to the Audit observation, the Finance Department stated (June 2023) that the notification dated 20 January 2020, had been issued on this subject matter; that Works Operators had been adequately sensitised through training/workshops and that it was the duty of the Works Operators to follow the guidelines of the above Notification.

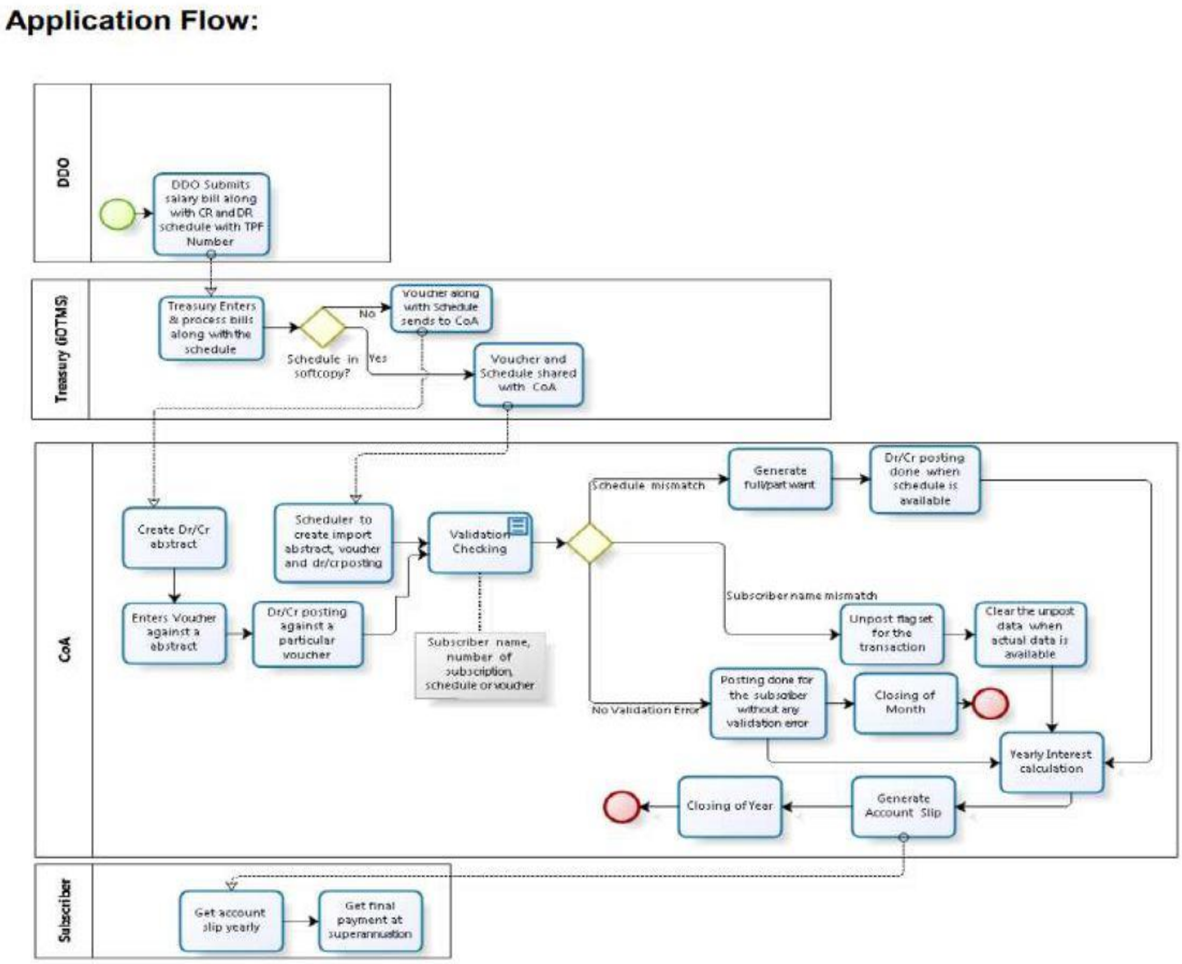
The response was not tenable, as it highlighted the fact that the burden of compliance continued to remain on the individual users and has not shifted to IFMS, due to lack of appropriate validation controls.

3.2.9.5 Teachers' Provident Fund (TPF)

The Controller of Accounts (CoA) is the head of the organisation constituted under the Finance Department and entrusted with the responsibility of maintenance of TPF accounts of employees of aided educational institutions and primary school teachers and finalising the pensioners' benefits to the retired employees. The TPF module came into effect from January 2015. The SRS and User's Manual were approved by the DTI on 23 October 2013 and 03 December 2013, respectively, which provided to automate the entire process of TPF from submission of request by the DDO till the final payment to the subscriber, without any manual interference.

The application workflow of the TPF module is given in ***Chart 3.2.5***.

Chart 3.2.5: Application Workflow of TPF



3.2.9.5 (a) Improper maintenance of master data of TPF subscribers

As per the functional scope of the SRS of the TPF Module, subscribers' data is to be maintained by the CoA.

On review of records of the master data of the TPF subscribers, it was observed that, as on the date of audit (July 2022), there were 2,09,902 subscribers, whose accounts were being maintained by the CoA. On scrutiny of the master data of the TPF subscribers, Audit observed that, although each subscriber had been provided with a unique TPF number, the following deficiencies were found in maintenance of master data in the TPF module:

i. **Absence of Date of Birth (DOB) of Subscribers:** DoB of a Provident Fund Subscriber should be a mandatory field for data entry, without which Subscriber details should not be included in the database at all. Despite this, Audit noticed that, in the master data of the TPF subscribers, DoB field was not entered in case of 44,400, out of 2,09,902 subscribers. This was a major internal control failure.

ii. **Lack of data integrity in DoB field**: In 57 cases, DoB contained dates, such as 1 June 9196, 4 October 3195, *etc*. Besides, there were some subscribers, whose age on the date of audit (July 2022) was less than 18 years, indicating that the data integrity was doubtful.

iii. **Lack of validation controls to compute Date of Superannuation**: In case of 98,578 subscribers, the Date of Superannuation field was blank, due to lack of validation controls to compute it on the basis of DoB. As a result, IFMS enabled users to enter the Date of Superannuation manually and without validation controls even for manual entry, which resulted in entry of Date of Superannuation, exceeding 60 years of age. Audit test-checked 35,392 cases and noticed that, in 287 cases, the age of the subscriber on the date of retirement was more than 60 years and ranged between 61 years and 96 years.

iv. **Non-maintenance of Date of Joining:** Date of joining of 48,394 subscribers had not been mentioned in the master data and was kept blank, due to which the system could not validate the length of service, at the time of his retirement, affecting the calculation of retirement benefits adversely.

Due to the maintenance of master data in haphazard manner, the master data being maintained by the CoA, was incomplete and unreliable, necessitating significant dependence on manual interventions for work processes.

In response to the Audit observation, the Finance Department stated (June 2023) that, as per the request (6 June 2023) of the Office of the CoA, dated 06.05.2023, for updating the master data in TPF Module, efforts were being taken by the IFMS team to implement effective validations to achieve accuracy in the master data.

3.2.9.6 Non-implementation of TPF Module at field Offices

Audit observed that the TPF Module had been implemented only at the CoA at Bhubaneswar (one location) with checker-maker-approver model. The Module had not been implemented at any other field office, which resulted in the basic objective of the Module not being achieved leading to the following irregularities:

3.2.9.6 (a) Non-validation of the master data of the TPF subscriber by the competent authority

As per the SRS of the TPF module, the DDO should fill the master data of TPF subscriber for registration and modification of details of existing TPF subscriber. Subsequently, the DDO would request to the Office of the CoA through this module for approval, as detailed in ***Chart 3.2.6***.

Chart 3.2.6: Screenshot of form to be filled by the DDOs

6.1.2.1 Subscriber Registration and modification facility at DDO and CoA end

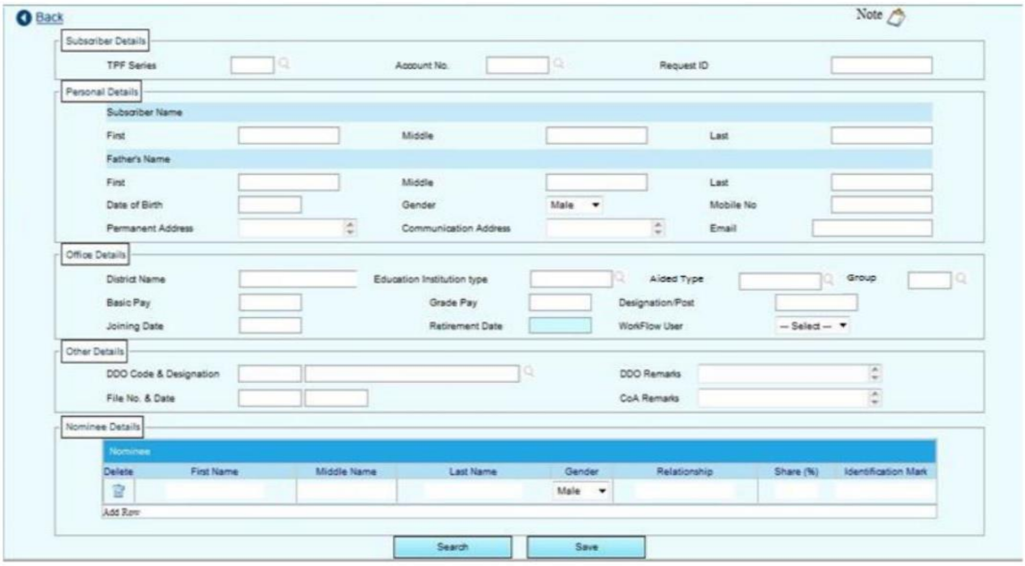


Figure 1 Subscriber Registration and modification screen

During field verification by the Audit, it was noticed that the TPF module was yet to be implemented at field level. As a result, all requests for new registration were sent by the DDOs to CoA through offline mode. Due to this, the master data of new subscribers were being entered by the office of the CoA alone, including the alteration and modification of master data of existing subscribers. In addition, the competent authority (DDO) did not have the functionality to validate/ request for changes to the data entered by the CoA.

3.2.9.6 (b) Lack of assurance on compliance with GPF Odisha Rules

As the TPF module is yet to be implemented at field level, Audit was unable to derive assurance whether:

- Rule 11(1)(b) of the General Provident Fund (GPF) (Orissa) Rule, 1938 was being complied with, and the subscription of the TPF subscribers deducted by the DDO through the system, was indeed within the minimum and maximum ceiling, prescribed by the Government.
- Rule 10 of GPF (Orissa) Rule, 1938 was being complied with, and the amount of subscription/ refund last deducted had been stopped four months prior to retirement.

- Deductions by the DDO towards part final payment, loans and advances from the pay and allowances of the TPF subscribers, had been made correctly.

3.2.9.6 (c) Delays in TPF finalisation, due to non-availability of the Module in field Offices, resulting in increased interest liability

In order to timely settle final GPF cases and to avoid unnecessary interest liability, Government of Odisha vide FD. O.M. No. 33338/F, dated 29 August 1989, read with F.D.O.M No. 10349/F, dated 10 March 1992, impressed upon settlement of all the final payment of GPF cases in a speedy and timely manner. The Government of Odisha, expressing its concern over payment of unnecessary huge amount of interest on GPF, instructed all the Heads of offices/Departments, vide its office memorandum No. 32953, dated 11 September 2000, to obtain final payment application from the subscriber, before he/ she attains the age of superannuation, to streamline the sanction of GPF final withdrawal, immediately after the date of retirement of the subscriber. Any deviation to this, would be viewed seriously and the person responsible for causing such unnecessary delay, would be liable to make good of the extra amount of unnecessary interest, borne by the State Government, for the period of delay.

As the TPF module is yet to be implemented in the field offices, all the DDOs send requests for Final payment of TPF through offline mode. As per the information furnished to Audit, the CoA disposed of 35,932 TPF cases, during the last five years (2017-18 to 2021-22), involving an amount of around ₹3,333 crore. On scrutiny of 32,412 cases of retirement, during the period from FYs 2017-18 to 2021-22, amounting to ₹3,146.44 crore, Audit observed that most of the cases were settled with significant delays (in excess of 60 days from the date of retirement), resulting in increased interest liability, as shown in ***Table 3.2.7***.

Table 3.2.7: Cases settled with significant delays, resulting in increased interest liability

No. of days	**No. of final TPF cases, settled by the CoA**	**Final TPF amount involved (₹ in crore)**	**Excess interest amount, due to delay in payment**	**Excess interest at the rate of 7.1 *per cent* (after 60 days)**
			(₹ in crore)	
0 to 60 days	8,352	881.39	6.97	0
61 days to 120 days	12,835	1,291.87	21.93	7.11
121 days to 180 days	7,431	647.94	17.90	10.55
181 days to 1 year	3,565	302.13	12.53	9.15
1 year to 2 years	199	20.11	1.70	1.48
2 years to 3 years	25	2.49	0.34	0.32
More than 3 years	5	0.51	0.10	0.09
Total	**32,412**	**3,146.44**	**61.47**	**28.71**

(Source: Information furnished by the CoA)

(Audit calculated the excess interest at the rate of 7.1 per cent, which was lowest among all the five years from FYs 2017-18 to 2021-22).

Thus, the delays in finalising TPF cases, due to non-availability of the TPF Module, resulted in increased expenditure for the State Government.

In response to the Audit observation, the Finance Department stated (June 2023) that steps were being taken by the Office of the CoA for complete roll out of the TPF Module.

3.2.9.6 (d) Lack of functionality to modify rate of interest for TPF subscribers, resulting in excessive dependence on System Integrator (SI) for this purpose.

Rule 14 (1) of GPF (Orissa) Rule, 1938, provides that Government shall pay to the credit of the account of a subscriber, interest at such rate, as may be determined for each year by the Central Government, for payment to the credit of the accounts of subscribers to the General Provident Fund.

Government of Odisha changes the rate of interest of GPF from time to time. This is a regular process and therefore, rate of interest should be updated in the TPF Module at regular intervals.

Audit observed that there was no Form/ functionality to modify the rate of TPF interest in the system by the Office of the CoA. Instead, the Office was completely dependent on the SI to make the modification at the back-end of the TPF Module. This was not only prone to the risk of error, but also created lack of accountability in case of error.

In response, the Finance Department stated (June 2023) that facility for modification of rate of interest of TPF subscribers had now been provided in the front-end of TPF Module, at the Administrator level of the Office of the CoA.

3.2.9.6 (e) Incorrect calculation of TPF interest due to lack of validation controls

As per Rule 14 (3) of the GPF (Orissa) Rules, 1938, the date of deposit of subscription shall be deemed to be the first day of the month of receipt, if it is received by the Accounts Officer before the fifth day of that month, but if it is received on or after the fifth day of that month, it shall be deemed to be the first day of the succeeding month. Similarly, if the emoluments for a month are drawn and disbursed on the last working day of the same month, the date of deposit shall be deemed to be the first day of the succeeding month. Further, the Finance Department, vide its office memorandum No. 32686, dated 24 September 2019, instructed that all the Government employees should receive their salary on the last working day of the same month instead of first working day of the succeeding month.

Audit test-checked TPF account slips of four randomly selected TPF subscribers to review the validations in the TPF module. It was observed that, as the validations for calculation of interest on the TPF subscription remained unchanged, the system calculated the interest on the subscription for the entire month, even though it was deposited on the last working of the month. Audit calculated the interest, considering the above instruction of the Government and observed discrepancies in interest computation, as detailed in ***Table 3.2.8.***

Table 3.2.8: Discrepancies in computation of interest

(Amount in ₹)

Subscriber and District	TPF No.	OB at the beginning of FY 2020-21	Monthly subscription amount	Months in which two months' subscription deposited twice in a month	Interest calculated by the system @ 7.1% for the year	Interest calculated by Audit @ 7.1%, as per Govt order	Excess interest calculated by the system
xxxxxx xx Dash, Koraput	xxxxx4795	20,03,489	15,000	July, Sept and December	1,49,436	1,49,170	266
xxxxxx xx Dash, Angul	xxxxx0062	8,44,356	16,000	July, Oct and December	67,712	67,333	379
Smt xxxxx Patel, Jharsuguda	xxxxx6458	7,69,336	10,000	April & July	59,356	59,238	118
xxxxxxx Mishra, Ganapati	xxxxx8514	12,72,914	5,000	April, July, Sept and December	92,862	92,684	178

(Source: Test-check of interest calculated on the subscription of randomly selected TPF subscribers)

Due to such erroneous validation in the TPF module, subscribers were receiving excess TPF interest on yearly basis, ranging between ₹118 and ₹379 per subscriber. As on March 2022, there were 72,727 active TPF subscribers, contributing subscription to their account. The estimated excess interest liability for the State Government, due to the inadequate validation controls to compute interest correctly in TPF Module of IFMS, was approximately ₹1,70,90,845.

In response, the Finance Department stated (June 2023) that necessary systemic validation control had since been imposed in IFMS to check the observed wrong calculation of TPF interest.

3.2.9.6 (f) Lack of deactivation of subscribers' accounts after final TPF payment

Audit reviewed the workflow of the TPF module and noticed that subscribers' accounts had not been deactivated after final settlement of their TPF cases. As per GPF Rules, the CoA may authorise final payment of TPF in regard to a subscriber, only once. However, Audit noticed that final payments had been made to subscribers on multiple occasions, termed as "Refinal-1", "Refinal-2", *etc*., with clearance of missing credits, previously booked under Suspense Account.

The Office of the CoA maintains the status of all TPF subscribers as active, even after final TPF payment, with 2,09,902 subscribers in its database.

Since all the roles such as maker, checker, approver were played by personnel of Office of CoA, there was avoidable scope for error/ fraud in payments to TPF accounts of long retired/ deceased subscribers, on the grounds that missing credits were being cleared from the Suspense Account, with change in master data of the beneficiaries' bank accounts.

It is, therefore, essential that the TPF accounts of subscribers are deactivated after final TPF payment and that any further payments to those retired subscribers, take place only after due escalation to the Finance Department.

In response, the Finance Department stated (June 2023) that the TPF subscriber's accounts had been kept active even after authorisation of final TPF for the purpose of clearance of suspense amounts; that the Audit observation had been noted and that in future, the subscribers' accounts would be deactivated after authorisation of final TPF and re-activated, only in case of specific requirements.

3.2.9.7 Treasury Module/ Integrated Odisha Treasury Module System

The Finance Department decided (December 2009) to implement a Centralised and Web Based Integrated Online Treasury Management System (IOTMS), for its Treasury functions. This existing software application was integrated with IFMS and functions as the Treasury Module.

3.2.9.7 (a) Lack of controls to prevent misappropriation of Government money

From the workflow of the online bill module, it was observed that every bill, prepared by the DDOs, irrespective of the bills generated through HRMS, WAMIS or IFMS, is routed through Treasury. Treasury Module enables the Treasury Officer (TO) to check the veracity of the bills, so presented to him/ her. However, unlike other DDOs, the TO plays a dual role in passing a bill of his own establishment, *i.e.* he/ she prepares a bill as DDO and passes the bill as TO. Due to such dual roles, it is vital that the Treasury Module had adequate system controls to prevent/ reduce the risk of misappropriation of Government money.

During the field visit of the District Treasury, Dhenkanal, Audit observed multiple cases of misappropriation of funds, intended for pension/ gratuity payments by the Sub-Treasury, Hindol, functioning under District Treasury, Dhenkanal, due to the following control lapses in the workflow of IFMS.

1. Provision for the maker role (for pension Bills) to edit beneficiary details, in case of pension payments, such as Bank Account Number.
2. TO is both the maker of the bill in the role of DDO, as well as the final authority for payment of the bill, and therefore, regular internal audit needs to be conducted by DTI to ensure deterrence.
3. Absence of provision for Office of AG (A&E), Odisha or CoA, to verify the status of actual drawal of amount against the Pension/ Gratuity/ Commutation Value of Pension payment authorities (PPO/ GPO/ CPO), issued by them.
4. Absence of validation controls in the Bill number data field, to prevent generation of duplicate bill numbers.

Despite detection of such misappropriation cases by DTI, such cases were neither discussed in the meetings of the governance Committees nor were any effective validation controls implemented, in order to prevent recurrence of such cases.

In response, the Finance Department stated (June 2023) that the privilege to change the beneficiary at the level of the operator at the Treasury Offices at the time of preparation of a pension bill, had since been removed and that this privilege was now only available with the approver *i.e*. the TO; and that steps would be taken with regard to the other recommendations made by Audit, in order to avoid such kind of irregularities.

3.2.9.7 (b) Lack of validation controls to prevent generation of Challans in OTC-6 without actual cash remittances into Treasury

Rule 52 of the OTC specifies that any person paying money into a treasury or the bank shall present with it a memorandum (or Challan) in Form OTC- 6, which will show distinctly the nature of the payment, the amount paid, the person or Government servant, on whose account it is made, the head of account, to which the amount should be credited, *etc*. The note below Form OTC-6 clearly states that Challans should be used only in case of cash remittances to bank. As per SRS documentation, the Sanction Order type "Accounting Adjustments" was to have two sub-types - "Conversion of Loan to Grant" and "Conversion of Loan to Equity".

Audit reviewed a transaction that was accounted for during FY 2020-21, which indicated that there were inadequate validation controls to prevent generation of Treasury Challans, without actual cash remittances into Treasury. Food Supplies and Consumer Welfare Department had issued a Sanction Order Number 202019174618, dated 22 February 2021, which specified that unspent subsidy amounts, released from FYs 2004-05 to 2016-17, were lying with the Odisha State Civil Supplies Corporation (OSCSC) Limited (a PSU) and that this total subsidy amount of ₹ 631.28 crore was to be converted into investment in Share Capital/ Equity of OSCSC.

Since the "Accounting Adjustments" Sanction Order type did not have a sub-type for "Conversion of Grant to Equity", the Sanction Order type used was "General Scheme Expenditure".

The Sanction Order specified that there would be no cash outgo from OSCSC and accordingly, the Office of the AG (A&E), Odisha, was requested to make book adjustment in the accounts. As no cash inflow and outflow occurred during this transaction, a book adjustment was made by generating a 'NIL' Bill (Bill No519-FS-(Misc.)-5475/2020-21). The accounting entry was made as follows:

- MH 5475 (Debit) ₹ 631.28 crore Equity Share Capital Investment in OSCSC Ltd.
- MH 2408 (- Debit) ₹ 631.28 crore Deduct Recovery of Over Payment.

During this transaction however, a Challan TV TC No. 00001, dated 24 February 2021, amounting to ₹ 631.28 crore had been generated, without any actual cash remittances into Government Account. Since a Challan in Form OTC-6 is universally accepted as the legal evidentiary document for proof of cash remittance into Government Account, there should be a clear distinction maintained in the accounting system between a Challan and any other supporting document, used to indicate a book adjustment receipt. Generation of Challan in Form OTC-6 without cash remittance into Government Account, creates a material and significant risk that Government receipts may be accounted for on the basis of book adjustments alone, by users having *mala fide* intention.

In response, the Finance Department stated (June 2023) that due to an erroneous process, adopted by the Departmental Officer (incorrect selection of an option while generating the Nil Bill), a challan had been generated under an expenditure Major Head; that this challan had been reported in the Schedule of Receipts; and that a copy of the challan had been submitted to the Office of the AG (A&E), Odisha, along with accounts for that month, for necessary rectification in monthly accounts.

The response reflected that fact that IFMS lacked process controls to prevent generation of challans under expenditure Major Heads, and that the burden of compliance continued to remain on individual users, instead of shifting onto IFMS.

Recommendations:

5. **Interface between IFMS and BETA may be improved, in order to provide data interchange without manual interventions and to provide access to the decision making process on approval of budget estimates within IFMS, after approval of the budget.**
6. **Provision for surrender of budget may be implemented at DDO level.**
7. **Mapping of Sanction Order types with Heads of Account may be implemented.**
8. **Selection of payment beneficiary in case of Sanction Orders, may be made mandatory from the IFMS master data, instead of permitting data entry as free text.**
9. **Linkage of Bills with underlying Sanction Orders may be enforced.**
10. **Provision for auto-population of key details, such as Head of Account and payment beneficiary may be implemented.**
11. **Provision for DDO to view the available balance for sanction, under a particular Sanction Order, may be implemented. There should be no scope for the DDO to change the payment beneficiary to an entity other than that specified in the Sanction Order.**
12. **Functionality for DC Bills may be implemented and the UC Module may be put to use, as intended.**

3.2.10 Inadequate/ absence of validation controls

Adequate validation controls in various modules of IFMS, dispenses continued requirement of manual interventions and maintenance of manual records and registers by users. Such continuation indicated that the benefits of business process reengineering from the implementation of IFMS had not yet been realised. The efficiency gains from the full implementation of IFMS will be significantly higher, in case manual interventions are minimised and manual registers are replaced by system generated Management Information System reports, as originally intended, when IFMS was conceptualised.

3.2.10.1 Business processes requiring manual interventions, even after implementation of IFMS

The following business processes continued to require manual interventions in the workflow, and hence reflected incomplete business process reengineering, despite implementation of IFMS:

i. Manual export of text file with budget estimates/ proposals from IFMS, for import into BETA and manual export of text file with finalised budget allotments from BETA, for import into IFMS.

ii. There are four types of Sanction Orders which had to be manually generated, since these types had not been implemented, as of March 2023.

iii. The manually generated Sanction Orders had to be submitted through offline mode to the field Offices concerned, as well as to the Office of the AG.

iv. At the time of generating Sanction Order in IFMS, manual verification of budget allotment, available under the concerned Head of Account is to be carried out, since the system did not have validation controls to display and restrict the available amount, which might be sanctioned under that Head of Account.

v. Personal details of Government servants, such as DoB are being entered manually for each Sanction Order, instead of being retrieved from the master data for employees.

vi. Manual monitoring of outstanding AC Bills, since DC Bill functionality had not been implemented.

vii. Manual monitoring of outstanding UC, since UC Module had not been implemented.

viii. At the time of preparation of Bills, manual data entry is needed for HoA and beneficiary details, since despite linking to a valid underlying Sanction Order, there was no provision for auto-population of data fields from the Sanction Order.

ix. At the time of preparing Bill in IFMS, manual verification of available sanction amount under the Sanction Order was to be carried out, since the system did not have validation controls to display and restrict the available amount that might be drawn against that Sanction Order.

x. At the time of preparing Bill in IFMS, manual entry was to be made for Bill number, since IFMS did not assign a unique Bill number for each Bill.

xi. Manual surrender of budget allotment by DDOs to CO, and from CO to the Finance Department was to be done, since IFMS did not have provision for surrender through the system. Manual reconciliation was necessary in case of subsequent drawal by DDOs, of budget amounts, previously surrendered.

xii. Manual entries were required to be made for beneficiary details, in case of Works Bills, based on manual verification of the Works contractor ID or Work ID, since these data fields were not auto-populated from WAMIS.

xiii. Personal details of subscribers, such as DoB, Date of Superannuation were being entered manually in TPF Module, instead of being retrieved from the master data.

xiv. There was centralised manual data entry for all addition/ modification of subscriber details and final payment of TPF proposals at Office of the CoA, in the absence of implementation of TPF Module in field offices.

xv. Manual verification of computation of interest on balances in TPF Accounts was necessary, since there was lack of assurance on system generated interest computation.

3.2.10.2 Manual records and registers, which were required to be maintained, despite implementation of IFMS

i. Sanction Order Register -

a. Since four types of Sanction Orders had not been implemented in IFMS.

b. Since real time balances available for sanction under a particular Head of Account, were not being displayed in IFMS.

ii. Bill Register -

a. Since real time balances available for drawl against a particular Sanction Order were not being displayed in IFMS.

b. Since IFMS did not assign a system generated unique Bill number for each Bill, being prepared by a DDO.

iii. Maintenance of records in support of subscribers' personal details to be entered each time, such as DoB, to process TPF final payments.

iv. Absence of MIS Reports in IFMS to retrieve details of Sanction Orders issued and Bills submitted, based on Sanction Order type or Bill type. For example, in order to view Bill details of type Grants-in-Aid, DDO had to maintain a list of Bills based on type "Grants-in-Aid", in order to view the relevant Bills in IFMS.

v. Registers to monitor monthly recovery of advances, such as House Building Advance to employees, due to the absence of MIS Reports for this purpose in IFMS.

vi. Surrender proposals from DDO to CO and CO to the Finance Department were being prepared and submitted manually.

vii. AC Bill Register was being maintained, due to the absence of functionality to monitor outstanding AC Bills in IFMS.

viii. UC Register was being maintained, due to the absence of UC Module in IFMS.

In response to Audit observations, the Finance Department stated (June 2023) that development in IFMS was an evolutionary process; that Modules had been implemented in a phased manner and on the basis of the user feedback, they had been customised to make it more user-friendly; that systemic validations had not been imposed in the first phase of implementation in order to make IFMS more user friendly, and that priority had been given to encourage the use of functionalities of the new Modules; that once the Modules had stabilised and the users were well conversant with the use of the Modules, systemic validations would be imposed in line with relevant Rules and procedures.

Audit is of the view that, since the Modules implemented as part of IFMS 1.0, have been in use for over five years, as of March 2023, it is essential that system controls, which are necessary to achieve compliance with extant Rules should be implemented on priority basis.

Recommendations:

14. DTI may undertake a detailed review of the existing manual interventions, in order to minimise the same through Business Process Reengineering.

15. DTI may undertake a need analysis for implementation of validation controls and development of appropriate MIS Reports to replace the manual records being maintained.

3.2.11 Supporting functionalities for IFMS

This section covers the results of examination of the status of the following support functionalities for IFMS:

1. Disaster Recovery
2. Consultancy Services
3. Asset Management
4. Maintenance Services

3.2.11.1 Non-compliance with the contractual provisions related to Disaster Recovery

In the contracts for IFMS 1.0 and 2.0, there were provisions for Disaster Recovery Plan (DRP), with specifications for maintenance of Disaster Recovery (DR) Sites, conduct of DR Drill, Recovery Time Objective (RTO) and Recovery Point Objective (RPO) as four hours and one hour respectively. The primary site for IFMS was located at the State Data Centre at Bhubaneswar. The Near Disaster Recovery Site was located at the IT Centre, Government Secretariat at Bhubaneswar. The Far Disaster Recovery Site was located at New Delhi.

Audit examined the status of provisions related to Disaster Recovery and noticed that:

- Against the provisions of the IT Act 2000, which specify that there should be proper documentation for the DR Plan, DTI did not have documentation which included clear definitions of potential disasters, conditions for activating the DR Plan, identity and roles of personnel, who would make decisions in case of crisis, composition of the recovery team and criteria to determine the process for return to normal operation.
- Against the contractual provision requirement of conducting DR Drills once in six months, the SI had conducted DR Drills only twice (2018 and 2021) during the FYs 2017-18 to 2021-22.
- During the two DR Drills conducted, there were deficiencies, as the Drill Reports recorded the fact that they were not full-fledged Drills, covering all the Modules of IFMS and did not last for the standard periods of 4-6 hours, in order to derive assurance that the alternate sites were functioning correctly.
- The actual RTO achieved during the two Drills was within four hours, which was within the target RTO. However, the following issues had been identified, during the switch over to the Near Disaster Recovery Site (i) Non-opening of portal, (ii) Non-transfer of data to IFMS from WAMIS and (iii) Special Pension Treasury functions not fully available, which had been resolved and noted for improvement during subsequent Drills.
- The actual RPO had not been adequately tested, and Audit was unable to derive assurance that RPO of one hour could be achieved for IFMS in case of disasters, because the Drill had been conducted on a Government holiday, with last transactions taking place on the previous working day.
- The SI had not tested the backup data by restoring the same, as per the prescribed intervals of six months. No reports were sought and maintained by DTI, regarding the testing of such restored data. As a result, Audit was unable to derive assurance on the integrity of the backup data being stored.
- Guidelines for availing DR Services for the Far Disaster Recovery Site at the National Data Centre (NDC), New Delhi provide that for conducting DR Drill at the NDC an Application Security Audit Report with “Safe to Host” Certificate is required from a CERT-IN empanelled vendor. However, such a Security Audit had not been carried out, as of March 2023. In absence of the “Safe to Host” Certificate, NDC, New Delhi had not permitted conduct of DR Drill during the FYs 2019-20 to 2021-22.

The crucial data on IFMS reflects the status of receipts and payments of the State Government during the current financial year, data on funds transferred to various entities and beneficiaries and payments received from tax-payers and Government of India. Odisha is also at high risk, from the point of view of occurrence of natural disasters, such as cyclones and floods. In view of these circumstances, Audit is of the view that strict enforcement of the contractual provisions, related to DR and periodic conduct of tests for back-up data and DR Drills, is essential.

In response, the Finance Department stated (June 2023) that the DTI would ensure that DR drills are conducted twice or thrice in a year; that the SI had been testing the backup data by restoring it at Near DR site at regular intervals and that the DTI had been satisfied with the testing carried out; that there had been delays in getting Site Security Audit Certificate, due to reasons, such as non-availability of STQC personnel, non-readiness of test environment, technical problems in test servers, changes made to the Modules, Covid-19 exigencies, *etc*.

3.2.11.2 Irregularity in procurement and extension of consultancy services for IFMS 2.0 without competitive bidding, and excessive dependence on an individual consultant for 33 months

The DTI had engaged the services of M/s Wipro Limited (on the basis of limited tender among firms empanelled as consultancy service providers with the State Government) as a consultant for the IFMS project, from September 2017 to June 2018, to assist in selection of the SI for IFMS 2.0.

M/s TCS Limited was selected (was the single bidder) as SI for the development of IFMS 2.0, with a contract period of seven years (2018-19 to 2024-25).

After the task of selection of SI for IFMS 2.0 had been completed, M/s Wipro Limited WIPRO, citing the complexities of the project, offered to continue the following services as a consultant to assist in project monitoring, during the implementation phase of IFMS 2.0 from 2018 to 2020 -

- Project Monitoring
- Vendor Management
- IT advisory services for hardware and software
- Service Level Agreement monitoring
- Interface of IFMS for technical issues with external agencies

Audit noticed that:

- No competitive (limited or open tender) procurement process was initiated for continuation of engagement of the consultant, for the period after the completion of the specific task of selection of SI for IFMS 2.0.
- The Technical Committee for IFMS, in its meeting held on 19 July 2018, based on the proposal received from M/s Wipro Limited, recommended continuation of the services of the firm as a consultant, for a period of one year. Accordingly, the Finance Department

accorded approval for engagement of consultancy services with effect from 1 July 2018 to 30 June 2019, with appointment of Shri XXXX Mishra from M/s Wipro Limited, as the consultant.

- At the end of the initial one-year period, the engagement was repeatedly extended every year, until March 2022, *i.e.* for a period of 33 months from July 2019. The monthly fees of the consultant was increased from ₹2,50,000 to ₹2,98,000 with effect from 1 July 2021, with resulting total payment of an amount of ₹86,82,000 from July 2019 to March 2022. The same individual consultant continued to be deployed by M/s Wipro Limited during the above period and also handled correspondence with M/s Wipro Limited, regarding appointment and continuation of consultancy services.
- Services of the above named consultant had continued to be repeatedly extended, even though no further recommendation was made by the Technical Committee for such extension beyond 30 June 2019.

The above circumstances indicated that the DTI was excessively dependent on the above named individual consultant, to the extent that the extension of services had continued to be approved, without any competitive procurement process for 33 months, with expenditure of ₹ 86.82 lakh.

Audit is of the view that there is significant risk of excessive dependence on the individual consultant and hence, it is vital that mitigation measures are adopted to ensure that knowledge transfer from the individual consultant to multiple DTI personnel is completed on priority basis.

3.2.11.3 Non-compliance with contract terms governing performance of the consultant engaged for IFMS 2.0

The consultancy contract signed by DTI with M/s Wipro Limited specified the scope of work for the consultant to include Project Monitoring and Evaluation, Service Level Agreement Monitoring, Change Management, Review of Functional Requirement Specification (FRS) and System Requirement Specification (SRS).

The deliverables for the consultant included submission of reports and returns to DTI at specified intervals (***Appendix 3.2.4***).

Audit specifically sought (August 2022) to examine the reports and returns, submitted as deliverables by the consultant. However, no reports or returns prepared by the consultant were furnished to Audit, as of March 2023. Instead, DTI stated that the consultant had attended various meetings with the stakeholders to assist in development, implementation and stabilisation of IFMS Modules. This had also been stated in the proposals to repeatedly extend the services of the consultant.

In view of the fact that no formal documentary deliverables had been submitted by the consultant, as well as the significant deficiencies noticed in project monitoring, Audit was unable to ascertain the justification for repeated extension of services of the consultant. There was gross non-compliance with the performance obligations, specified in the consultancy contract. The repeated extension of services, despite such gross non-compliance only highlighted the risk of severe and excessive dependence of the DTI on the individual consultant.

In response to the above Audit observations, the Finance Department stated (June 2023) that the services of the individual consultant continued to be required during the development, implementation and stabilisation of new Modules and for revamping of the existing system into newer technology or higher scale.

While the above response once again underscored the importance of the consultant to the IFMS project, the fact remained that in the absence of documentation of the work carried out, there was a material risk that the Department would remain excessively dependent on the individual consultant. Compliance with the terms and conditions of the contract in the form of documentation of work carried out/ deliverables, would enable knowledge transfer and eventual taking over of the services, provided by the consultant by Departmental personnel.

3.2.11.4 Absence of quality certification for IFMS from STQC.

Standardisation Testing and Quality Certification (STQC) Directorate, an attached office of the Ministry of Electronics and Information Technology, Government of India, provides quality assurance services in the area of Electronics and IT through countrywide network of laboratories and centres. The services include Testing, Calibration, IT & e-Governance, Training and Certification having National / International accreditation and recognitions in the area of testing and calibration.

As per the IFMS 2.0 contract, the SI had to complete the STQC within T2 (two years from the date of Acceptance of Letter of Intent by the SI) + 16 weeks. If the SI is unable to meet the defined milestones due to delay attributed to SI, a penalty of 0.5 *per cent* would be charged for each week of delay from payment associated to the respective milestone, up to a maximum of 10 *per cent* of the respective milestone amount. Besides, DTI reserved the right to invoke the Performance Bank Guarantee as well as terminate the contract in case of non-compliance.

Audit noticed that the SI had not obtained the STQC, as of March 2023, *i.e*. more than 30 months from the target date of achieving the milestone.

DTI was entitled to levy a penalty of ₹52,11,453 (10 *per cent* of the development and design cost of ₹5,21,14,530) on the SI, due to non-compliance with the contractual provision but had not done so.

In response to the Audit observation, Finance Department stated (June 2023) that the Final Certificate had not been issued by STQC, even after repeated follow up; that delays had occurred, due to issues beyond the control of the SI, such as non-availability of STQC personnel, non-readiness of test environment, Covid-19, *etc*. and hence no penalties were required to be levied.

The fact remained that STQC was essential, in order to derive assurance regarding the quality aspects of the IFMS application and non-completion of the same, resulted in non-compliance with the IFMS contracts.

3.2.11.5 Security threat, due to non-renewal of AMC of Unified Threat Management (Firewall)

Unified Threat Management (UTM), better known as a Next-Generation Firewall (NGFW) refers to multiple security features or services combined into a single device within the network. Using UTM, the network's users are protected with several different features, including antivirus, content filtering, email and web filtering, anti-spam and more. UTM enables an organisation to consolidate its IT security services into one device, potentially simplifying the protection of the network.

Besides, an NGFW secures the network from viruses, malware or malicious attachments. It prevents attacks before they enter the network and prevents access to unwanted websites by installing enhanced web filtering.

Figure 3.2.1- Cyber threat to 26 websites of the Odisha (The Sambad, 15 November 2022)

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● ସାଇବର ସୁରକ୍ଷା ଅଡିଟ୍ ପାଇଁ ଚିଠି ଲେଖିଲା ଓକାକ୍

Figure 3.2.2: Cyber threat to 26 websites of the Odisha (New Indian Express, 16 November 2022)

THE NEW INDIAN EXPRESS

NATION WORLD STATES CITIES OPINIONS BUSINESS SPORT GOOD NEWS MOVIES PHOTOS VIDEOS

Home > States > Odisha

Cyber threat alert: NCIIPC asks Odisha to submit report

Agency has also issued advisory to make all govt departments using e-office aware of the risks

Published: 16th November 2022 06:22 AM | Last Updated: 16th November 2022 06:22 AM

Image used for representational purpose only. (File Photo)

By Express News Service

An NGFW enables administrators to manage a wide range of security functions with a single management console. Besides, the National Critical

Information Infrastructure Protection Centre had warned Government of Odisha, regarding cyber threats to the 26 websites.[66]

IFMS is one of the most critical portals of the Government of Odisha, since it is used for financial transactions.

On review of the hardware agreement, entered into by DTI with the SI, Audit observed that, for development of IFMS 1.0, UTM licenses (two in number) were procured at ₹50,70,432 at the rate of ₹25,35,216 per unit (including cost of service) and installed at the Production Server of the Odisha State Data Centre, with extended AMC up to 17 January 2022. However, the AMC of these two UTMs were not extended any further, till March 2023.

In response, the Finance Department stated (June 2023) that this issue had been intimated to the members of the Technical Committee of IFMS and that the Committee had accepted the proposal of purchasing two Firewalls, and that the procurement process had been initiated.

3.2.12 Deficiencies in Asset Management for IFMS

Clause 2.2.9 of the contract for IFMS 2.0 provides that the SI (M/s TCS Ltd.) shall be required to create a database of all the equipment/ software procured/ installed under the IFMS project. Details of assets, such as hardware, software, peripherals, manuals, media and other related peripherals, *etc*. shall be maintained by recording information such as, make/ model, configuration details, serial numbers, license agreements, warranties, location of installation, *etc*. Besides, the contract also stipulates that the SI shall maintain the following details:

- Record installation and removal of any equipment from the Data Centre network of DTI, even if it is temporary
- Maintain details of software with information, such as Licenses, Version Numbers and Registration Details
- Perform software license management and notify the Tendering Authority on licensing contract renewal and assist them in getting the license renewal.
- Asset Management services of SI must conform of Information Technology Infrastructure Library (ITIL) framework

As per the contract, both DTI, as well as the external auditors should be provided access to such database.

Audit noticed that:

i. DTI had made payments of ₹14.06 crore and ₹ 2.57 crore to the SI, towards software and hardware procurement respectively, under IFMS, as of March 2023.

ii. There was non-compliance with the provisions of the contract for asset management, as the SI was not maintaining an asset register/ inventory, which recorded the details of end use of hardware and

[66] https://www.newindianexpress.com/states/odisha/2022/nov/16/cyber-threat-alert-nciipc-asks-odisha-to-submit-report-2518768.html

software procured for IFMS. As a result, there was no conformity of the Asset Management Services, offered by the SI with the ITIL framework.

iii. Instead, DTI was maintaining an online asset register (using an in house software application) for all hardware and software which it owned, including those procured under IFMS. There was no segregation of assets, procured for the IFMS project. Audit was, therefore, unable to derive assurance on the completeness of list of assets, recorded in the asset register, being maintained.

iv. Software license management and monitoring of warranty periods was being carried out by DTI itself. However, in the in-house software application, used to record details of hardware and software, Audit noticed that, in case of significant number of assets, key details, such as location and warranty period had not been specified.

v. Periodic physical verification of hardware procured and installed for implementation of IFMS at various locations had not been carried out, during FYs 2017-18 to 2021-22.

vi. For the Far Disaster Recovery Site for IFMS at the NDC New Delhi, expenditure of ₹3.57 crore was incurred from the FYs 2016-17 to 2019-2020, towards purchase and commissioning of hardware and networking equipment. During the period from FYs 2017-18 to 2021-22, only one DR Drill (September 2018) was permitted to be conducted at the Site, since IFMS did not have “Safe to Host” Certificate from a CERT-IN empanelled Auditor. This resulted in lack of assurance as to whether the hardware assets were still functional, as they had been idling for over 54 months.

Asset Management is a vital support function for IFMS and significantly aids in ensuring optimal use of procured hardware and software resources. Audit is of the view that there remain areas for improvement in the form of adoption of controls for better management of the assets.

In response, Finance Department stated (June 2023) that, while the RFP for IFMS 2.0 had specified that the SI was to maintain a web-based online asset management system and provide access to DTI, SI had submitted in its proposal, “Development or Procurement of Asset Management System is not considered within the scope of work of this proposal. Such asset management will be carried out by the existing Asset Management System of IFMS 1.0 or through MS Excel”. This deviation was then part of the contract for IFMS 2.0. The response from the Department did not address the other Audit observations on the deficiencies related to the quality of data in the online asset register maintained by DTI and on the non-compliance with the ITIL framework, as was originally intended.

3.2.13 Avoidable escalation of annual costs towards contractual resources, deployed at Treasuries, due to non-compliance with the terms of the contract, which were applicable to other resources, deployed at DTI Headquarters

As per the contract for IFMS 2.0, DTI was to pay a sum of ₹44.12 crore towards maintenance support and help desk support, as detailed in ***Table 3.2.9***.

Table 3.2.9: Payment to be made towards maintenance support and help desk support

(Amount in ₹ crore)

Sl. No.	Type of Maintenance Resource	No. of years for Maintenance	No. of Maintenance Resources as per RFP	Unit Rate of all Mainten-ance resources/ year	Tax amount of unit rate/ year	Total Amount/ year	Total Cost
1	Application Development	7	8	2.37	0.43	2.80	19.57
2	Database Developer	7	3	0.89	0.16	1.05	7.34
3	System Administrator	7	2	0.59	0.11	0.70	4.89
4	Database Administrator	7	2	0.59	0.11	0.70	4.89
5	Implementation Support resources at treasuries	2	38	1.53	0.27	1.80	3.60
6	Helpdesk Support-1	7	4	0.25	0.04	0.29	2.05
7	Helpdesk Support-2	7	4	0.22	0.04	0.26	1.79
	Total			**6.43**	**1.16**	**7.59**	**44.13**
(Appendix-E) Clause 6.5 - Application support and maintenance cost and Clause 6.6 - Helpdesk support of the agreement							

(Source: Agreement of DTI with SI)

While all the resources at DTI Headquarters were to be deployed for the full period of agreement, *i.e.*, seven years commensurate to the period of agreement of IFMS 2.0, however, the 38 Implementation Support resources at the Treasuries were to be deployed only for two years, *i.e.*, up to 30 April 2020.

As per the contract, the scope of work of the resources deployed at the Treasuries included:

- To provide day to day application support to Government officials and function as the single point of contact for the application, for the concerned treasury offices.
- Handholding support to end users for successful usage of the modules of the application.
- Provide necessary training on IFMS modules to users.
- Collection of user data, if any.
- Refresher training on applications, as and when required.
- Attending to issues related to the application.

- Coordinate with the helpdesk on resolving issues, related to the application.

In view of the scope of work, reasons for limiting the period of deployment to only two years, in case of these 38 resources and not specifying the period as seven years, as was done in case of other resources at DTI headquarters, were not found on record.

Subsequently, in February 2020, *i.e.* two months prior to expiry of the two-year period of deployment for these resources, the Technical Committee recommended (February 2020) for continuation of deployment of these 38 resources at the Treasuries, for a further period of five years. Accordingly, DTI requested (April 2020) SI (M/s TCS) for extension of services of these resources up to July 2020, on the existing terms and rates. However, instead of proposing continuation of deployment of these resources at the same rate (₹ 4,01,976 per resource per year, before taxes) for the next five years, as was done for all other resources deployed at DTI headquarters, the Technical Committee and DTI sought the submission of a fresh financial proposal from the SI for the rate of each resource to be deployed for each year for the next five years. Reasons for not proposing continuation at the existing rates, as per contract and instead seeking a fresh financial proposal from the SI, which carried significant risk of price escalation, were not found on record.

In response, the SI submitted (July 2020) a financial proposal with total cost of ₹9,64,31,574 for deployment of resources at the Treasuries for the period from August 2020 to April 2025. The quoted rate per resource for the period from August 2020 to March 2021 was approximately 10 *per cent* higher than the existing rate per resource, up to July 2020. Similarly, for the 2nd, 3rd, 4th and 5th year as well, the cost per resource was quoted with compounded increase of 10 *per cent* for each year, which was then accepted by the DTI and the Finance Department without any further negotiation.

As a result, during the period from 1 August 2020 to 31 March 2022, the SI had been paid ₹2,91,24,720 (₹1,68,02,688 + ₹1,23,22,032) towards services of IEs, on the basis of increased rate, resulting in excess payment of ₹36,66,240 (₹15,27,600 + ₹21,38,640) for the two years.

Recommendations:

16. **Strict compliance with all contractual provisions related to Disaster Recovery, may be ensured.**
17. **The justification for retention of services of the individual consultant engaged for extended period of time may be reviewed, taking into account the risks of excessive dependence and exit management. Compliance with the terms of the contract for consultancy services and knowledge transfer to multiple DTI personnel may be ensured.**
18. **STQ Certification and mitigation measures against security threats, may be undertaken on priority basis.**
19. **Compliance with the ITIL framework for asset management and with contractual provisions for maintenance and support, may be ensured.**

3.2.14 Conclusion

In an operating environment, which is based on manual work and paper based workflows, the burden of compliance should be borne by individuals, who are expected to (i) be aware of compliance requirements, since ignorance is not an excuse and (ii) conduct themselves in a bona fide manner.

However, once a software application is introduced into the operating environment, the main expected benefit from the system is that the burden of compliance will shift from the individual users to the application.

Audit has observed that in the case of IFMS, the expected benefits will be fully realised by the Government of Odisha, once the applicable Rules and provisions of executive instructions have been mapped into its processing logic, through implementation of appropriate system controls. Such implementation of system controls will help in significantly mitigating the risks of (i) Lack of awareness of compliance requirements by users and (ii) Malafide actions by users.

The recommendations made by Audit in this Report may be seen through this overarching perspective.

3.3 Department's Oversight on GST Payments and Returns Filing for the Financial Year 2017-18

EXECUTIVE SUMMARY

Government of India introduced the Goods and Services Tax Act, 2017, with effect from 01 July 2017, which replaced many indirect taxes levied and collected by the Centre and the States. Goods and Services Tax is a destination-based consumption tax on supply of goods or services or both, levied on value addition. The Centre and the States simultaneously, levy GST on a common tax base. Central GST (CGST) and State GST /Union Territory GST are levied on intra-state supplies, and Integrated GST is levied on inter-state supplies. A Compliance Audit was conducted between April 2022 and November 2022, with the broad objective of seeking an assurance that rules and procedures have been designed to secure an effective check on tax compliance and the scrutiny procedures, internal audit and other compliance functions of the (CT & GST) Circles are adequate and effective. The sample for this audit comprised a set of deviations, identified through data analysis for centralised audit (earlier termed as Limited Audit), that did not involve field visits, a sample of taxpayers for Detailed Audit, that involved field visits and scrutiny of taxpayer's records at departmental premises and a sample of CT & GST Circles, for evaluating the compliance functions of the Circles. Accordingly, 264 taxpayers were selected for Centralised Audit and 50 taxpayers were selected for Detailed Audit. Audit noticed mismatch in input tax credit, taxable turnover and tax liability of ₹3,805.41 crore, in regard to 264 taxpayers, selected for Centralised Audit. Similarly, Audit noticed deviations in utilisation of input tax credit, amounting to ₹ 38.33 crore, mismatch in discharge of tax liability, amounting to ₹71.91 crore, non- reversal of ITC of ₹2.78 crore and irregular disclosure of non-GST/ zero rated supply turnover of ₹10.78 crore, during the course of this Detailed Audit.

It is recommended that:

1. The Department may ensure timely issuance of GSTR 3A, ASMT-13 and recovery of dues in case of non-filers of returns and scrutinise cases across the circles from the year 2017-18 onwards.

2. The Commissioner of CT&GST may provide complete access to the GST backend application and database to audit for verification of the system-based functions (like cancellation, etc.) undertaken by the circles.

3.	***The CT&GST may consider introducing validation controls in GST Returns to curb data entry errors, enhance taxpayers' compliance and facilitate better scrutiny.***
4.	***The Department may initiate remedial action for all the compliance deviations brought out in this Report, before they get time-barred.***

3.3.1 Introduction

Introduction of the Goods and Services Tax has replaced many indirect taxes levied and collected by the Centre and the States. Goods and Services Tax, which came into effect from 01 July 2017, is a destination-based consumption tax on the supply of goods or services or both, levied on value addition. The Centre and the States, simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST), are levied on intra-state supplies and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the Odisha GST (OGST) Act stipulates GST as a self-assessment-based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns, is vested on the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability during a particular tax period, it must file a 'nil' return mandatorily. Further, Section 61 of the Act, read with Rule 99 of OGST Rules, stipulates that the proper officer may scrutinise the return and related particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up, considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Commercial Tax & Goods and Service Tax (CT & GST) wing of the Finance Department of Government of Odisha in this new tax regime.

3.2.2 Audit Objectives

This audit was oriented towards providing assurance on the adequacy and effectiveness of systems and procedures adopted by the Department with regard to tax compliance under GST regime. Audit objectives were to seek an assurance on, whether:

i. The rules and procedures are designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and

ii. the scrutiny procedures, internal audit and other compliance functions of the CT & GST Circles are adequate and effective.

3.3.3 Audit Methodology and Scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags, pertaining to the period from July 2017 to March 2018. Through data analysis, a set of 15 deviations was identified across the domains of Input Tax Credit, Discharge of tax liability and Registration and Return filing. Such deviations were followed up through a Centralised Audit[67] (Limited Audit), whereby these deviations were communicated to the relevant jurisdictional field formations of the State CT & GST Department and action taken by the jurisdictional formations on the identified deviations, was ascertained, without involving field visits. The Centralised Audit was supplemented by a Detailed Audit involving field visits for verification of records, available with the jurisdictional field formations. Returns and related attachments and information were accessed through the back-office application of the GSTN portal, as much as feasible, to examine the data/documents relating to the taxpayers (*viz*. registration, tax payment, returns and other departmental functions). The Detailed Audit also involved accessing relevant granular records from the taxpayers, such as invoices and financial records through the respective field formations. This apart, compliance functions of the departmental formations, such as scrutiny of returns, action taken on non-filers and late-filers, cancellation of registrations, action taken on Directorate General of Analytics and Risk Management reports, were also reviewed in selected Circles.

The review of the scrutiny of returns by the CT&GST and verification of taxpayer's records, covered the period from July 2017 to March 2018, while the audit of functions of selected Circles covered the period from FYs 2017-18 to 2020-21. This SSCA covered only the State administered taxpayers. The field audit was conducted from 08 August 2022 to 05 November 2022.

Entry Conference for this audit was held on 25 January 2022 with the Commissioner of CT & GST, Odisha, in which the audit objectives, sample selection, audit scope and methodology, were discussed. The written responses from the Circles to the draft report have been suitably incorporated in the relevant paragraphs. The Exit Conference was held on 1 August 2023 with the Special Commissioner, CT & GST and has been duly considered in finalisation of report.

3.3.4 Audit Sample

A data driven approach was adopted for planning, as also to determine the nature and extent of substantive audit. The sample for this SSCA comprised a set of deviations, identified through data analysis for centralised audit that did not involve field visits; a sample of taxpayers for detailed audit that involved field visits and scrutiny of taxpayer's records at departmental premises; and a sample of CT & GST Circles, for evaluating the compliance functions of the Circles.

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[67] Centralised Audit did not involve seeking taxpayer's granular records, such as financial statements related ledger accounts, invoices, agreements, *etc*.

There were three distinct parts of this audit as under:

(i) Part-I - Audit of Circles

Six Circles with jurisdiction over 13 (thirteen) selected sample cases for detailed audit (25 *per cent* of the total sample cases selected), were considered as the sample of Circles, for evaluation of their oversight functions.

(ii) Part-II - Centralised (Limited) Audit

The sample for Centralised Audit was selected by identification of high value or high-risk deviations from rules and inconsistencies between returns, through data analysis, for evaluation of the adequacy and effectiveness of the scrutiny procedure under the CT&GST. Accordingly, 264 taxpayers were selected for Centralised Audit for this audit.

(iii) Part-III- Detailed Audit

It was conducted by accessing taxpayers' records through Circles for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers was selected on the basis of risk parameters, such as excess ITC availed, tax liability mismatch, irregular ITC reversal and disproportionate exempted turnover to total turnover. The 50 taxpayers selected comprised of Large[68], Medium[69] and Small[70] strata taxpayers.

The details of sample for Centralised Audit, detailed audit and audit of Circles selected, are brought out in ***Appendices 3.3.1, 3.3.1 A*** and ***3.3.1 B*** respectively.

3.3.5 Audit Criteria

The source of audit criteria comprised the provisions contained in the CGST/OGST Act, IGST Act and Rules made thereunder. The significant provisions are given in **Table 3.3.1.**

Table 3.3.1: Source of criteria

Sl. No.	Subject	Act and Rules
1	Levy and collection	Section 9 of OGST Act
2	Reverse Charge Mechanism	Section 9 (3) of OGST Act and Section 5 (3) of IGST Act
3	Availing and utilising ITC	Sections 16 to 21 under Chapter V of OGST Act; Rules 36 to 45 of OGST Rules under Chapter V
4	Registrations	Section 22 to 25 of OGST Act; Rules 8 to 26 of OGST Rules
5	Supplies	Section 7 and 8 OGST Act; Schedule I, II and III of the OGST Act.
6	Place of supply	Section 10-13 of IGST Act
7	Time of supply	Section 12 to 14 of OGST Act
8	Valuation of supplies	Section 15 of OGST Act; Rules 27-34 of OGST Rules
9	Payment of Tax	Sections 49 to 53 of the OGST Act under Chapter X; Rules 85 to 88A of OGST Rules under Chapter IX

68 First category comprising large taxpayers – top two *per cent* of taxpayers, based on turnover

69 Second category comprising medium taxpayers – next eight *per cent* of taxpayers, based on turnover

70 Third category comprising small taxpayers – remaining 90 *per cent* of taxpayers, based on turnover

Sl. No.	Subject	Act and Rules
10	Filing of GST Returns	Sections 37 to 47 of OGST Act under Chapter IX; Rules 59 to 68 and 80 to 81 of OGST Rules under Chapter VIII. Part B of OGST Rules prescribes format of returns
11	Zero-rated supplies	Section 16 of IGST Act
12	Assessment and Audit functions	Sections 61, 62, 65 and 66 of the OGST Act under Chapter XII & XIII; Rules 99 to 102 of OGST Rules under Chapter XI

In addition, the notifications and circulars, issued by Central Board of Indirect Taxes and Customs/ State Commissioner of CT & GST, relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilising ITC, scrutiny of returns and oversight of tax compliance and Standard Operating Procedures (SOP) containing instructions to departmental officers on various aspects, related to filing returns, scrutiny of returns, audit (internal audit), cancellation of registrations and verification of DGARM reports, *etc*. also formed part of the audit criteria.

Audit findings

The audit findings have been categorised into the following two categories:

a. Oversight on returns filing

b. Oversight on tax payments

3.3.6 Oversight on returns filing

3.3.6.1 Deficient monitoring mechanism on return filing

In the sampled six Circles, Audit could not verify the oversight mechanism of return filing, as neither records nor data was provided to Audit. Though a detailed SOP was issued on action required to be taken in case of non-filing of returns by registered persons, vide Circular No.12016/CT&GST dated 18 December 2020, yet audit could not verify as to why GSTR 3A notices (notice for defaulters, who had not filed GST returns) were not issued to all the identified 53,270 non-filers pertaining to FYs 2017-18 to 2020-21. Sampled Circles issued GSTR 3A notices only in 41,108, out of 53,270 identified non-filers cases. Reasons for the shortfall in issuing GSTR 3A Notices in the remaining 12,162 cases of non-filers, were not found on record.

Further, in all six selected Circles, the process of issuing GSTR 3A notices and following it with ASMT-13 (Best Judgement Assessment order, in cases where the taxpayers had not complied with GSTR 3A notices) and DRC-07 (Summary of Demand order as a follow up of ASMT-13), was also not adhered to.

Status of Six Circles examined during audit

Section 46 of the Odisha GST Act, 2017, read with Rule 68 of Odisha GST Rules, 2017, stipulates issue of a notice in Form GSTR-3A requiring filing of return within fifteen days, if the taxpayer had failed to file the return within the due date. In case the taxpayer fails to file the returns even after such notice, the proper officers may proceed to assess the tax liability of the said person to the best of their judgment, taking into account all the relevant material, which is available or gathered and issue an assessment order in Form

ASMT-13. Filing of returns is related to payment of tax, as the due date for both the actions are the same, which implies risk of non-payment of tax/penalty in the case of non-filers.

The status of cases identified as non-filers during the period from FYs 2017-18 to 2020-21, in the Six Circles covered by Audit were as follows:

Table 3.3.2: Year-wise return filing position in six selected circles

Year	No. of non-filers identified	GSTR 3A notices issued	No. of returns filed in pursuance of GSTR 3A	ASMT-13 initiated	ASMT-13 initiated and Assessment completed	ASMT-13 Assessment completed & Amount assessed (₹ in lakhs)	Amount recovered (₹ in lakhs)
2017-18	0	0	0	0	0	0	0
2018-19	11,319	11,319	0	0	0	0	0
2019-20	17,706	12,519	6,273	1,416	505	1,301.29	0
2020-21	24,245	17,270	10,129	2,884	2,831	24,345.10	2,196.92
Total	**53,270**	**41,108**	**16,402**	**4,300**	**3,336**	**25,646.39**	**2,196.92**

(Source: Information Furnished by the six selected CT&GST Circles)

The State CT & GST Commissionerate issued a detailed SOP to be followed in case of non-filing of returns by registered persons, vide Circular No.12016/CT&GST dated 18 December 2020, under Section 62 of OGST Act.

Audit noticed that:

- In five out of the six selected Circles, the process to identify non-filers and late filers for the FYs 2017-18 and 2018-19, was not commenced until notification of the SOP in December 2020. Only in Bhubaneswar-III CT & GST Circle, 11,319 cases of non-filers pertaining to FY 2017-18 were identified during FY 2018-19.

- As of March 2021, the six Circles had identified 53,270 non-filer cases, pertaining to FYs 2017-18 to 2020-21. However, against this number, only 41,108 (77.17 *per cent*) 3A notices were issued. Reasons for the shortfall in not issuing 3A notices in the remaining 12,162 cases (22.83 *per cent*) of non-filers were not found on record.

- Out of 41,108 GSTR 3A notices issued, 16,402 taxpayers filed returns. This indicated that only in 39.90 *per cent* cases, the issue of 3A notices resulted in filing of returns and the remaining 24,706 taxpayers *i.e.* 60.10 *per cent* of taxpayers, had not responded to the 3A Notices.

- Out of the 24,706 taxpayers, who had not filed their returns in response to the 3A notices, best judgement assessment had been initiated in 4,300 cases (17.40 *per cent*). Reasons for not initiating best judgment assessment in the remaining 20,406 cases (82.60 *per cent*), were not found on record.

- Out of the 4,300 best judgment assessment cases initiated, the assessment had been completed (ASMT-13) in 3,336 cases (13.50 *per cent* of 24,706 taxpayers, who had not filed their returns, even after receipt of 3A notices), with demand of ₹256.46 crore raised.

- Out of the total demanded amount of ₹256.46 crore, across all six Circles for the period up to March 2021, only one circle *i.e*. Barbil CT & GST Circle, had recovered ₹21.96 crore, as of September 2022.
- ASMT-13 had been withdrawn in 37 cases, during FY 2019-20, in two Circles and 919 cases, during FY 2020-21, in six Circles. Reasons for such withdrawal were not furnished to Audit.
- Due to non-production of required details of individual taxpayers discharging the tax liability, Audit was unable to derive assurance on the correctness of payment of interest and correctness of payment of late fee for delayed filing of returns.

The Circle heads of all six Circles Koraput, Bhubaneswar-III, Rourkela-II, Barbil, Bhubaneswar-II and Cuttack-II stated that action against all the identified non-filers had been initiated, but did not furnish any supporting document in this regard.

The matter was reported to the Commissioner of CT&GST and the State Government (January 2023) and their replies had not been received (October 2023).

3.3.6.2 Slow pace of scrutiny of returns/non-initiation of scrutiny of returns

A Status at the State Level

Audit requested (December 2022) the Commissioner of CT & GST for information on the overall status of scrutiny of returns at the State level. As per the information furnished (June 2023) by the Commissioner of CT & GST, 7,363 returns relating to FY 2017-18 and 9,509 returns, relating to FY 2018-19, had been scrutinised, as of September 2022.

B. Status at the six Circles covered by Audit

As per Section 61 of the OGST Act, various returns filed by taxpayers have to be scrutinised by the Proper Officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies, reflected in the returns. The Proper Officer, designated for this purpose is the Circle Officer. Further, Rule 99 of the OGST Rules, 2017, mandates that the discrepancies, if any, noticed shall be communicated to the taxpayer to seek his/ her explanation.

The State CT & GST Commissionerate issued instructions in the form of SOP for Scrutiny of Returns vide Notification No. 6179/CT/GST of 10 May 2022.The instruction *inter alia* discussed on methodology for selection of cases and assigning to Proper Officers for Scrutiny. Prior to the date of notification of the SOP, there was absence of uniform and consistent approach to the process of scrutiny of returns and no timeline had been fixed by the CT&GST, for completion of scrutiny of returns.

The status of cases identified for scrutiny during FYs 2017-18 to 2020-21, in the six Circles covered by Audit, is given in **Table 3.3.3**.

Table 3.3.3: Details of year-wise scrutiny of returns in selected Six circles

Year	No. of taxpayers whose returns were scrutinised	No. of returns scrutinised	No. of ASMT-10 issued	Discrepancies in ASMT-10, accepted by taxpayers	Amount recovered after issue of ASMT-10 (₹ In crore)	No of show cause notices issued	Amount involved in the show cause notices (₹ in crore)	Amount recovered from show cause notices (₹ in crore)
2017-18	0	0	0	0	0	0	0	0
2018-19	0	0	0	0	0	0	0	0
2019-20	2826	17987	2586	1017	0.90	923	659.95	249.58
2020-21	3412	12846	2999	1200	1.08	2314	239.34	127.23
Total	**6,238**	**30,833**	**5,585**	**2,217**	**1.98**	**3,237**	**899.29**	**376.81**

(Source: Information Furnished By The Six Selected CT&GST Circles)

Audit noticed that:

- The Proper Officers had not conducted any scrutiny of returns for FYs 2017-18 and 2018-19 in the six selected circles.
- The total number of returns, which had been selected for scrutiny for FYs 2019-20 and 2020-21, had not been maintained by the six Circles. As a result, Audit was unable to ascertain the extent to which the scrutiny of the selected returns, had been completed.
- During FYs 2019-20 and 2020-21, a total of 30,833 returns, pertaining to 6,238 taxpayers, had been scrutinised. Out of these, ASMT-10 had been issued in 5,585 cases (18.11 *per cent*).
- Out of these 5,585 cases, in which ASMT-10 had been issued, in 2,217 cases, the taxpayers had accepted the discrepancies pointed out in ASMT-10. This indicated that discrepancies, identified by the Proper Officers had been accepted by the taxpayers in 39.69 *per cent* of the ASMT-10 cases.
- The amount recovered from the taxpayers as of March 2022, was ₹1.98 crore, pertaining to three Circles[71].
- During FYs 2019-20 and 2020-21, the Circles issued 3,237 show cause notices with money value of ₹899.29 crore, out of which the Circles had recovered ₹ 376.81 crore *i.e*. 42 *per cent* of the amount demanded.

Due to non-production of details of those cases, where taxpayers did not respond to ASMT-10 and taxpayers who had accepted the discrepancies pointed out in ASMT-10, but did not pay the required tax, Audit was unable to derive assurance that there was no revenue leakage.

In reply, two Circle Heads (Bhubaneswar-II and Rourkela-II) stated that prior to receipt of SOP *i.e*. 10 May 2022, the return scrutiny had been carried out on the basis of preliminary risk analysis. The Circle Head of Barbil Circle stated that the return scrutiny had been conducted on random basis. The other three Circles (Cuttack-II, Bhubaneswar-III and Koraput) did not furnish specific responses.

The matter was reported to the CT&GST and the State Government (January 2023). Their reply had not been received (August 2023).

[71] Barbil, Cuttack-II and Koraput

Recommendation:

1. **The Department may ensure timely issuance of GSTR 3A, ASMT-13 and recovery of dues in case of non-filers of returns and scrutinise cases across the circles from the year 2017-18 onwards.**

3.3.6.3 Internal audit

As per the Section 65 of the OGST Act, 2017 the Commissioner or any officer authorised by him/ her, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed. Section 2 (13) of the OGST Act, 2017, defines "Audit" as the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force, to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the rules made thereunder.

Audit sought (December 2022) information from the Commissioner of CT & GST on the internal audit of the taxpayers at the State level, as per the information furnished (June 2023) by the Commissioner of CT & GST, audit of 423 taxpayers had been completed under Section 65 of the OGST Act, as of September 2022.

As per the information furnished by the six selected Circles, 139 cases had been selected for Tax audit during FYs 2017-18 to 2020-21, and out of 139 cases selected, Tax audit of 136 cases, had been completed, as of October 2022.

3.3.6.4 Cancellation of Registrations

Section 29 of the OGST Act, 2017, read with Rule 20 of the OGST Rules, allows for cancellation of registration by the taxpayer in certain situations, like closure of business, turnover falling below threshold for registration, transfer of business/ merger/ amalgamation, change of PAN, non-commencement of business within the stipulated time period and death of the proprietor. The taxpayer applying for cancellation of registration should apply in REG-16 on the GST common portal, within a period of 30 days of the "occurrence of the event warranting the cancellation".

Section 29(2) of the OGST Act, allows for *suo moto* cancellation of the registration of taxpayer by tax officer on the grounds of contravention of the Acts or Rules by the taxpayer, composition taxpayers not filing return for three consecutive tax periods, normal taxpayers not filing return for continuous period of six months, registered persons not commencing business within six months from date of registration and registration obtained by means of fraud, willful misstatement or suppression of facts.

Section 45 of the OGST Act, requires every registered person other than (a) ISD or a non-resident taxable person or (b) Composition taxable person (Section 10) or (c) persons paying tax under Section 51 - Tax collection at source (TCS) or persons paying tax under Section 52 - Tax deducted at source (TDS), whose registration has been cancelled, to file a final return in GSTR-

10, within three months of the effective date of cancellation or the date of order of cancellation, whichever is later. The purpose of the final return is to ensure that the taxpayer discharges the outstanding liability. In case of non-filing of GSTR -10, the same procedure, as adopted for non-filing of any return, must be followed by the tax officer.

Details of year-wise cancellation of Registrations Certificates (RC) in selected six CT & GST Circles, are shown in **Table 3.3.4**:

Table 3.3.4: Year-wise cancellation of RC in selected circles

Year	No. of applications received for cancellation of RC	*Suo Moto* cancellations initiated by proper officers	REG-20 order passed (dropping the proceedings)	No. of cases in which order of cancellation issued in REG -19
2017-18	126	0	5	11
2018-19	1,113	2,288	72	2,320
2019-20	1,294	5,736	119	5,606
2020-21	709	3,687	297	3,410
Total	**3,242**	**11,711**	**493**	**11,347**

(Source: information furnished by the six selected CT&GST Circles)

As per Section 45 of the Act, GSTR-10 – the final return, has to be filed within three months of the effective date of cancellation or the date of order of cancellation, whichever is later. The last date for furnishing of GSTR-10 by those taxpayers, whose registration had been cancelled on or before 30 September 2018, was extended till 31 December 2018, vide notification No. 58/2018 – Central Tax, dated the 26 October 2018.

As per the OGST Rule 68 of 2017, and as prescribed in Circular No. 129/48/2019-GST dated 24 December 2019, GSTR-3A has to be issued to the taxpayer, where GSTR 10 has not been filed. If the taxpayer still fails to file the final return within 15 days of the receipt of notice, then an assessment order in FORM ASMT-13, under Section 62 of the OGST Act, read with Rule 100 of the OGST Rules, shall have to be issued to determine the liability of the taxpayer under sub-section (5) of Section 29 (*i.e.*, debit ITC equivalent to inputs and inputs contained in semi-finished and finished goods held in stock or capital goods or the output tax payable on such goods, whichever is higher). If the taxpayer files the final return within 30 days from the issue of order ASMT-13, then the said order shall be deemed to have been withdrawn. However, the liability for payment of interest and late fee shall continue. If the said return remains unfurnished, within the statutory period of 30 days from the issue of order ASMT-13, then the Proper Officer may initiate proceedings under Section 78 and recovery under Section 79 of the OGST Act.

It was seen in Audit that, out of 11,347 cancelled cases, 497 taxpayers in three Circles[72] had filed GSTR-10 within three months, from the date of cancellation of Registrations and in 10,850 cases, no GSTR-10 had been filed by the cancelled taxpayers. One Circle Head[73] initiated action against 2,447 taxpayers for non-filing of GSTR-10. But the remaining five Circle Heads had not initiated any action against 8,403 cancelled taxpayers for not filing of GSTR-10.

[72] Barbil, Bhubaneswar-III and Rourkela-II
[73] Bhubaneswar-III

Audit could not derive assurance on action taken by the Department against remaining 8,403 taxpayers, whose registrations had been cancelled, but failed to file the GSTR-10. Non-filing of GSTR-10 would result in non-discharge of tax liability and non-reversal of ITC on stocks held, as on the date of cancellation. This may also result in possible availment of ineligible ITC on goods held in stock on the date of cancellation.

In reply, all the six Circle heads stated that action taken against the defaulting tax payers could be seen from the GSTN back-office application. However, access to view and verify the same on the back-office application, was not provided to Audit.

The matter was reported to the CT&GST and the State Government (January 2023). Their replies had not been received (October 2023)

Recommendation:

2. **The CT&GST may provide complete access to the GST backend application and database to audit for verification of the system-based functions (like cancellation, etc.) undertaken by the circles.**

3.3.6.5 Action on DGARM Reports

A. Status at the State Level

Audit requested (January 2022) the Commissioner of CT & GST for information on the overall action taken on DGARM Reports at the State level. However, no reply had been received (October 2023).

B. Status at the six Circles covered by Audit

Audit sought information on the action taken on DGARM Reports, received by the six Circles. In response, five Circles- Cuttack-II, Bhubaneswar-II, Bhubaneswar-III, Barbil and Koraput, stated that they had not received any DGARM Reports during FYs 2017-18 to 2020-21. In the remaining circle *i.e.* Rourkela-II, two DGARM Reports had been received during 2020-21, out of which, in one case, no action was required and in another case, action had already been initiated.

3.3.7 Oversight on tax payments

3.3.7.1 Analysis of the GST returns- Centralised Audit (Limited Audit)

Audit analysed GST returns data pertaining to FY 2017-18, as made available by GSTN. Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 15 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

The following seven GST returns[74] were considered, for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data:

[8] GSTR-1, GSTR-3B, GSTR-4 (taxpayers under the Composition scheme), GSTR-6 (Input service distributor), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual Return)

- GSTR-1: monthly return furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.
- GSTR-3B: monthly summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers, except those specified under Section 39(1) of the Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- GSTR-6: monthly return for Input Service Distributors, providing the details of their distributed input tax credit and inward supplies.
- GSTR-8: monthly return to be filed by the e-commerce operators, who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- GSTR-9: annual return to be filed by all registered persons other than an Input Service Distributor (ISD), Tax Deductor at Source/Tax Collector at Source, Casual Taxable Person, and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year, along with turnover and audit details for the same.
- GSTR-9C: annual audit form for all taxpayers, having a turnover above ₹2 crore in financial year 2017-18. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.
- GSTR-2A: a system-generated statement of inward supplies for a recipient. It contains the details of all B2B transactions of suppliers declared in their Form GSTR-1 / 5, ISD details from GSTR 6, details from GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry, as received from ICEGATE Portal of Indian Customs

The data analysis pertaining to the 15 identified parameters and the extent of deviations/ inconsistencies observed *i.e.* sample for Centralised Audit, are summarised in **Table 3.3.5**.

Table 3.3.5: Summary of data analysis

Sl. No.	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
1	Mismatch in ITC availed	ITC, available as per GSTR 2A with all its amendments, was compared with the ITC, availed in GSTR 3B in Table 4A(5) (accrued on domestic supplies), considering the reversals in Table 4B(2), but including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR 9	25	138.93
2	Irregular passing on ITC without discharging the tax liability (filling of GSTR-1 without filling GSTR-3B)	Taxpayers, who have not filed GSTR 3B, but have filed GSTR 1 or where GSTR 2A was available, indicating taxpayers carrying on the business without discharging tax.	25	4.24

Sl. No.	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
3	Mismatch in ITC availed under Reverse Charge Mechanism (RCM)	RCM payments in GSTR 9 Table 4G (tax payable) was compared with ITC availed in GSTR 9 Table 6C, 6D and 6F (ITC availed). In cases, where GSTR 9 was not available, RCM payment in GSTR 3B Table 3.1(d) was compared with GSTR 3B 4(A)(2) and 4A(3). Greater of the difference in GSTR 9 and GSTR 3B, was considered, where both were available.	30	25.71
4	Mismatch in ITC availed under RCM without payment of tax	RCM payments in GSTR 3B Table 3.1(d) was compared with ITC availed in GSTR 9 Table 6C, 6D and 6F. In cases, where GSTR 9 was not available, the check was restricted within GSTR 3B - tax discharged in Table 3.1(d) vis-à-vis ITC availed Table 4A (2) and 4A (3).	4	1.12
5	Mismatch of ITC between Annual Audited Financial Statement and Annual Return for the year 2017-18 (12F of GSTR 9C)	Positive figure in GSTR 9C Table 12F and examination of reasons, provided in Table 13 for mismatch	25	264.12
6	Mismatch of ITC between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 14T of GSTR 9C)	Positive figure in GSTR 9C Table 14T and examination of reasons provided in Table 15 for mismatch	6	131.20
7	Incorrect ISD credit availed by the recipients	ISD credit availed (as per table 4A(4) of GSTR-3B/table-6G of GSTR-9 minus ISD credit distributed (as per table (5A+8A+9A) of GSTR-6	25	16.82
8	Short reversal of ISD credit	ISD credit reversed by the recipient (As per table 7B of GSTR-9) minus Credit reversed by the input service distributor (as per table (8A+9A) of GSTR-6	2	0.0017
9	Mismatch of taxable turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 7G of GSTR 9C)	Negative figure in GSTR 9C Table 7G and examination of reasons provided in Table 8 for mismatch	16	334.05
10	Mismatch of turnover between Annual Audited Financial Statement and	Negative figure in GSTR 9C Table 5R and examination of reasons provided in Table 6 for mismatch	25	2717.38

Sl. No.	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
	Annual Return for the year 2017-18(5R of GSTR-9C)			
11	Undischarged Tax liability	The greater of tax liability between GSTR 1 (Tables 4 to 11) and GSTR 9 (Tables 4N, 10 and 11) was compared with tax paid details in GSTR 3B Tables 3.1(a) and 3.1(b). In cases where GSTR 9 was not available GSTR 3B tax paid was compared with GSTR 1 liability. The amendments and advance adjustments declared in GSTR 1 and 9 were duly considered.	25	98.12
12	Mismatch in the tax payable and tax paid as per Annual Return for the year 2017-18 (Table 9R of GSTR 9C)	Negative figure in GSTR 9C Table 9R and examination of reasons provided in Table 10 for mismatch	25	39.31
13	Short/non-payment of interest on delay payment of tax	Interest calculated at the rate of 18 *per cent* on cash portion of tax payment on delayed filing of GSTR-3B vis-à-vis interest declared in GSTR 3B	25	34.41
14	Taxpayers under composition levy scheme availing e-commerce facility	e-commerce GSTR 8 became effective from 1 October 2018 when TCS provisions became effective. GSTINs declared in GSTR 8 who are also filing GSTR 4 under composition scheme.	5	NMV[75]
15	Non-filer (Returns not filed for consecutive six months- but not cancelled)	Non-filing of returns for last six months	1	NMV
	Total		**264**	**3805.41**

Audit queries were issued to the respective Circles (April 2022) without further scrutiny of taxpayer's records. The audit checks in these cases were limited to verifying the CT&GST's action on the identified deviations/mismatches. Initial responses in all cases have been received from the CT&GST.

3.3.7.2 Results of Centralised Audit (Limited Audit)

Based on the responses received from the Department, to the Audit queries, the extent to which each of the 15 parameters translated into compliance deviations, is summarised in **Table 3.3.6**.

[75] NMV: Non-Money Value

Table 3.3.6: Summary of deficiencies

(Amount: ₹ in crore)

Audit Dimension	Cases where reply received		CT&GST's reply, accepted by Audit					
			Data entry errors		Action taken before query		Other valid explanations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Mismatch in ITC availed	25	138.93	0	0	0	0	0	0
Irregular passing on ITC without discharging the tax liability (filling of GSTR-1 without filling GSTR-3B)	25	4.24	0	0	0	0	0	0
Mismatch in ITC availed under RCM	30	25.71	1	0.32	2	1.75	0	0
Mismatch in ITC availed under RCM without payment of tax	4	1.12	1	0.29	0	0	0	0
Mismatch of ITC between Annual Audited Financial Statement and Annual Return for the year 2017-18 (12F of GSTR 9C)	25	264.12	1	2.84	1	1.11	0	0
Mismatch of ITC between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 14T of GSTR 9C)	6	131.20	0	0	0	0	0	0
Incorrect ISD credit availed by the recipients	25	16.82	1	0.65	0	0	0	0
Short reversal of ISD credit	2	0.0017	0	0	0	0	0	0
Mismatch of taxable turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 7G of GSTR 9C)	16	334.05	0	0	2	33.68	0	0
Mismatch of turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18 (5R of GSTR 9C)	25	2717.38	0	0	3	73.48	0	0
Undischarged Tax liability	25	98.12	0	0	7	20.06	0	0
Mismatch in the tax payable and tax paid as per Annual Return for the year 2017-18 (Table 9R of GSTR 9C)	25	39.31	0	0	5	3.74	0	0
Short/ non-payment of interest on delay in payment of tax	25	34.41	0	0	3	19.35	0	0

Audit Dimension	Cases where reply received		CT&GST's reply, accepted by Audit					
			Data entry errors		Action taken before query		Other valid explanations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Taxpayers under composition levy scheme availing e-commerce facility	5	0	0	0	1	0	0	0
Non-filer (returns not filed for consecutive six months- but not cancelled)	1	0	0	0	1	0	0	0
Total	**264**	**3805.41**	**4**	**4.10**	**25**	**153.17**	**0**	**0**

Compliance deviations *(Amount: ₹ in crore)*															
Accepted by CT&GST including cases where action had not been initiated								CT&GST's reply not acceptable to Audit (Rebuttal)		Total		CT&GST reply not furnished with appropriate documentary evidence		CT&GST Stated they are examining the AQ	
Recovered		SCN issued[76]		ASMT-10		Under correspondence with taxpayer									
No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
0	0	5	23.69	10	55.67	0	0	0	0	15	79.36	2	10.77	8	48.80
1	0.03	9	0.48	11	0.59	2	3.10	0	0	23	4.20	2	0.03	0	0
0	0	8	2.79	15	14.01	1	0.40	0	0	24	17.20	3	6.44	0	0
0	0	1	0.48	2	0.35	0	0	0	0	3	0.83	0	0	0	0
0	0	3	5.94	8	15.97	1	100.51	0	0	12	122.42	2	61.21	9	76.54
0	0	0	0	0	0	1	16.01	0	0	1	16.01	0	0	5	115.19
0	0	2	0.55	7	8.62	2	0.28	0	0	11	9.45	1	0.10	12	6.62
0	0	0	0	1	0.00	0	0	0	0	1	0	0	0	1	0
0	0	4	66.70	6	119.18	0	0	0	0	10	185.88	2	86.05	2	28.44
0	0	1	247.25	14	1881.47	0	0	0	0	15	2128.72	3	165.38	4	349.80
0	0	8	40.21	5	15.03	0	0	0	0	13	55.24	0	0	5	22.82
0	0	4	2.96	9	10.52	0	0	0	0	13	13.48	2	1.82	5	20.27
0	0	1	0.59	19	13.64	0	0	0	0	20	14.23	1	0.13	1	0.70
0	0	0	0	2	0	0	0	0	0	2	0	0	0	2	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1	0.03	46	391.64	109	2135.05	7	120.30	0	0	163	2647.02	18	331.93	54	669.18

Summary of results of Centralised Audit

Audit noticed deviations from the provisions of the Act in 163 cases, involving short levy of tax / inconsistencies / mismatches of ₹2,647.02 crore, constituting 61.74 *per cent* of the 264 cases of inconsistencies/ mismatches in data pointed out by Audit.

Relatively higher rates of deviations were noticed in risk parameters such as Mismatches in ITC availed under RCM, passing on ITC without discharging the tax liability, short/ non-payment of interest on delayed payment of tax and mismatch of turnover between Annual Audited Financial Statement and Annual Return for the year.

[76] Show cause notices were issued in 46 cases under 11 dimensions involving money value of ₹ 391.64 crore.

In 25 cases out of the 264 cases pointed out by Audit, constituting 9.47 *per cent*, the Department had already proactively initiated action prior to Audit scrutiny.

In 54 cases out of the 264 cases pointed out by Audit, constituting 20.45 per cent, the Department stated that it was still examining the inconsistencies/ mismatches amounting to ₹669.18 crore. Out of these 54 cases under examination, 30 cases involving an amount of ₹530.99 crore, were under the process of Tax Audit.

In 18 cases out of the 264 cases pointed out by Audit, constituting 6.82 per cent, though the Department did not accept the deviations pointed out by Audit, its contention was not borne out by evidence, and was thus not amenable to verification by Audit.

Table 3.3.7: Top case for each dimension of Centralised Audit (compliance deviation pertaining to cases of recovery, ASMT-10, show cause notice issued and under correspondence with taxpayer)

Sl. No.	Dimension	GSTIN	Jurisdictional Circle	Mismatch (₹ in crore)	Action taken
1	Mismatch in ITC availed	21**********1ZW	Cuttack-II	18.54	ASMT 10 issued
2	Irregular passing on ITC without discharging the tax liability (filling of GSTR-1 without filling GSTR-3B)	21**********1ZR	Bhubaneswar-IV	0.20	ASMT-10 issued
3	Mismatch in ITC availed under RCM	21**********2Z8	Bhubaneswar-I	5.26	ASMT 10 issued
4	Mismatch in ITC availed under Reverse Charge Mechanism (RCM) without payment of tax	21**********1ZY	Bhubaneswar-IV	0.48	DRC-01 issued
5	Mismatch of ITC between Annual Audited Financial Statement and Annual Return for the year 2017-18 (12F of GSTR 9C)	21**********1ZF	Jajpur	57.85	No specific compliance furnished.
6	Mismatch of ITC between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 14T of GSTR 9C)	21**********1Z3	Bhubaneswar-III	59.22	Tax Audit under process
7	Incorrect ISD credit availed by the recipients	21**********1ZG	Bhubaneswar-I	6.68	ASMT-10 issued
8	Short reversal of ISD credit	21**********1ZV	Bhubaneswar-II	0.0017	ASMT-10 issued
9	Mismatch of taxable turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 7G of GSTR 9C)	21**********1Z8	Jagatsinghpur	66.67	The case is under process
10	Mismatch of turnover between Annual Audited Financial Statement and Annual Return for the year	21**********2ZQ	Bhubaneswar-I	1220.43	ASMT-10 Issued

Sl. No.	Dimension	GSTIN	Jurisdictional Circle	Mismatch (₹ in crore)	Action taken
	2017-18(5R of GSTR-9C)				
11	Undischarged tax liabil1ity	21**********1Z 0	Jagatsinghpur	10.65	DRC-01 Issued.
12	Mismatch in the tax payable and tax paid as per Annual Return for the year 2017-18 (Table 9R of GSTR 9C)	21**********1Z 4	Angul	9.99	Tax Audit under process
13	Short/ non-payment of interest on delay payment of tax	21**********1Z H	Jajpur	2.05	DRC-07 issued

Illustrative cases for each highest value case from each dimension for the above table

(i) Dimension-Mismatch in ITC availed

GSTR 2A is a purchase related dynamic tax return, that is automatically generated for each business by the GST portal, whereas GSTR 3B is a monthly return, in which summary of outward supplies along with ITC declared and payment of tax are self-declared by the taxpayer.

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR 3B and GSTR 2A for FY 2017-18, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer. The methodology adopted was to compare the ITC available as per GSTR 2A with all its amendments and the ITC availed in GSTR 3B in Table 4A (5)[77] excluding the reversals Table 4B (2)[78] but including the ITC availed in the subsequent year 2018-19, from Table 8C of GSTR 9.

Audit observed that, in case of a taxpayer, under Cuttack-II Circle, the ITC available as per GSTR 2A was ₹15.45 crore and the ITC availed in table 4A (5) of GSTR 3B was ₹33.99 crore (including the ITC ₹ 0.17crore availed in the subsequent year 2018-19 from Table 8C of GSTR 9). This resulted in mismatch of ITC availed amounting to ₹18.54 crore. The irregularity was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle head informed (November 2022) that ASMT-10 had been issued on 20 May 2022 seeking the reasons for the discrepancy. The matter was reported to the CT&GST and the State Government (January 2023). Further progress in this regard was awaited (October 2023).

(ii) Dimension – Irregular passing of ITC without discharging the tax liability (filing of GSTR 1 without filing GSTR 3B)

As per Section 61 of the OGST Act, 2017 read with the Rule-99 of OGST Rules, 2017, the proper officer may scrutinise the return and related particulars furnished by the registered taxpayers to verify the correctness of the return and inform him of the discrepancies noticed, if any, in such manner as may be prescribed and seek his explanation thereto.

77 All other eligible ITC
78 Other ITC reversed

At the data level, audit identified those taxpayers who have not filed GSTR 3B but have filed GSTR 1 or whose GSTR 2A was available. GSTR 3B return is the only instrument through which the liability is offset and ITC is availed. The very availability of GSTR 1 and 2A and non-filing of R3B indicates that the taxpayers had undertaken/carried on the business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC. All these cases, therefore, warrant further investigation.

Audit analysed the datasets pertaining to relevant fields in the GSTR 1, 2A of 21*******1ZR and noticed that the taxpayer had not filed even a single GSTR 3B in 2017-18. The non-filing of GSTR-3B had resulted in avoidance of discharging their respective tax liabilities of ₹ 0.20 crore during the year 2017-18.

The matter was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle head stated (August 2022) that ASMT-10 had been issued to the taxpayer (July 2022). Further progress in this regard was awaited (August 2023).

(iii) Dimension – Mismatch in ITC availed under Reverse Charge Mechanism

Reverse Charge Mechanism (RCM) the liability to pay tax is fixed on the recipient of supply of goods or services instead of the supplier or provider in respect of certain categories of goods or services or both under Section 9(3) or Section 9(4) of the OGST Act, 2017 and under sub-section (3) or sub-section (4) of Section 5 of the IGST Act, 2017.

GSTR-9 is an annual return to be filed once for each financial year, by the registered taxpayers who were regular taxpayers, including SEZ units and SEZ developers. The taxpayers are required to furnish details of purchases, sales, input tax credit or refund claimed or demand created, *etc*.

To analyse the veracity of ITC availed on tax paid under RCM for the year 2017-18, the datasets pertaining to GSTR 3B and annual return GSTR 9 were compared to check whether the ITC availed on RCM was restricted to the extent of tax paid. The methodology adopted was to compare the RCM payments in GSTR 3B Table 3.1(d)[79] with ITC availed in GSTR 9 Table 6C[80], 6D[81] and 6F[82]. In cases where GSTR 9 was not available, the check was restricted within GSTR 3B where the tax discharged part in R3B Table 3.1(d) was compared with the ITC availing part of R3B 4A (2)[83] and 4A (3)[84].

Audit observed that in case of taxpayer M/s Odisha Tourism Development Corporation Limited under Bhubaneswar-I Circle, the ITC available in Table 3.1(d) of GSTR 3B was Nil and the ITC availed in Table 4A (2) & (3) of GSTR 3B was ₹5.26 crore resulting in mismatch of ITC availed amounting to ₹5.26 crore. The irregularity was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle head

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79 Inward supplies (liable to reverse charge)
80 Inward supplies receive from unregistered persons liable to reverse charge
81 Inward supplies received from registered persons liable to reverse charge
82 Import of services
83 Import of services
84 Inward supplies (liable to reverse charge)

informed (September 2022) that ASMT-10 seeking the reasons for the discrepancy had been issued to the taxpayer on 10 June 2022 and the taxpayer had complied in ASMT-11 which was under verification.

The matter was reported to the Department (January 2023); their reply had not been received (October 2023).

(iv) Dimension– Mismatch in ITC availed under Reverse Charge Mechanism (RCM) without payment of tax

The extent of availing of ITC under RCM for the year 2017-18 without discharging equivalent tax liability or, in other words, short payment of tax under RCM was analysed by comparing the datasets pertaining to GSTR 3B and annual return GSTR 9 to check whether the tax has been discharged fully on the activities/transactions under RCM. In cases where GSTR 9 was filed, the RCM payments in Table 4G[85] was compared with ITC availed in Table 6C, 6D and 6F. In cases where GSTR 9 was not available, RCM payments in GSTR 3B Table 3.1(d)[86] was compared with GSTR 3B 4(A) (2)[87] and 4A (3)[88].

Audit observed that in case of taxpayer M/s Life Insurance Corporation of India, Odisha under Bhubaneswar-IV Circle, the RCM payments in table 4G of GSTR 9 was ₹107.37 crore (GSTR 3B also shows RCM payment of ₹107.37 crore) and the ITC availed in table (6C+6D+6F) of GSTR 9 was ₹107.85 crore. This resulted in mismatch in ITC availed on RCM without payment of tax amounting to ₹0.48 crore. The irregularity was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle head stated that DRC-01A had been issued[89] to the taxpayer for ₹ 0.90 crore (August 2022)

The matter was reported to the Department and the State Government (January 2023); their reply had not been received (October 2023).

(v) Dimension - Mismatch of ITC between Annual Audited Financial Statement and Annual Return for the year 2017-18 (12F of GSTR 9C)

Table 12 of GSTR 9C reconciles ITC declared in annual return (GSTR9) with ITC availed as per the audited Annual financial statement or books of accounts. Column 12F of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under the rule 80(3) of OGST Rules in form GSTR 9C for the FY 2017-18 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the Financial Statements.

Unreconciled ITC of ₹ 57.85 crore declared in Table 12F of GSTR 9C, being Mismatch of ITC availed in GST returns from eligible ITC based on financial statements, in case of, M/s Jindal Stainless Limited under Jajpur Circle, was noticed and communicated to the concerned Circle and the Commissioner of

85 Inward supplies on which tax is to be paid on reverse charge basis
86 Inward supplies (liable to be reverse charge)
87 Import of services
88 Inward supplies liable to be reverse charge other than Import of Goods and Services
89 Tax of ₹ 47,81,274 + Interest of ₹37,11,316 + Penalty of ₹4,78,128, total = ₹89,70,718

CT & GST (August 2022). In response, the CT&GST did not provide a specific reply.

The matter was once again reported to the CT&GST and the State Government (January 2023); their reply had not been received (October 2023).

(vi) Dimension - Mismatch of ITC between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 14T of GSTR 9C)

Table 14 of GSTR 9C reconciles ITC declared in annual return (GSTR9) with ITC availed on expenses as per the audited Annual Financial Statement or books of accounts. Column 14T of this table deals with unreconciled ITC.

The certified reconciliation statements submitted by the taxpayer, as required under the rule 80(3) of OGST Rules in form GSTR 9C for the FY 2017-18 were analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the expenses reported in the Financial Statements.

Unreconciled ITC of ₹ 59.22 crore declared in Table 14T of GSTR 9C, being ITC availed in GST returns in excess of eligible ITC based on expenses reported in financial statements, in case of, M/s Dhamara Port Company Limited under Bhubaneswar-III Circle, was noticed and communicated (August 2022) to the concerned Circle and the Commissioner of CT & GST . In response, the Circle head stated (October 2022) that the Audit of the taxpayer was under process. The matter was reported to the CT&GST and the State Government (January 2023); their reply had not been received (October 2023).

(vii) Dimension - Incorrect ISD credit availed by the recipient

To analyse whether the ITC availed by the taxpayer is in excess of that transferred by the Input Service Distributor (ISD), ITC availed as declared in the returns of the taxpayer is compared with the ITC transferred by the ISD in their GSTR 6. The methodology adopted was to compare Table 6G[90] of GSTR-9 or Table 4(A)(4)[91] of GSTR-3B of the recipient taxpayers under the jurisdiction of the State with the sum of Table 5A[92], Table 8A[93], and Table 9A[94] of GSTR 6 of the respective ISD.

In case of a taxpayer, under Bhubaneswar-I Circle, Audit observed that the ITC availed in Table 6G of GSTR 9 was ₹ 6.68 crore and the ITC transferred by the ISD in Table (5A+8A+9A) of GSTR 6 was Nil. This resulted in mismatch in availment of ITC transferred by the ISD amounting to ₹ 6.68 crore. The irregularity was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle head intimated that ASMT-10 seeking the reasons for the discrepancy had been issued to the taxpayer (10 June 2022).

[90] ITC received from ISD
[91] Inward supplies from ISD
[92] Distribution of the amounts of eligible ITC for the tax period
[93] Mismatch of ITC reclaimed and distributed
[94] Redistribution of ITC distributed to a wrong recipient

The matter was reported to the CT&GST and the State Government (January 2023); their reply had not been received (October 2023).

(viii) Dimension – Short reversal of ISD Credit

As per Section 61 of the OGST Act, 2017 read with the Rule-99 of OGST Rules, 2017, the proper officer may scrutinize the return and related particulars furnished by the registered taxpayers to verify the correctness of the return and inform him of the discrepancies noticed, if any, in such manner as may be prescribed and seek his explanation thereto.

In order to analyze whether the ITC reversals made by the ISD in their GSTR 6 have been rightly reversed by the respective recipients of the credit, the adjustments made by the ISDs in their GSTR-6 are compared with the ITC reversals of the recipients declared in their annual return.

The methodology adopted was to compare Table 7B of the GSTR 9 of the respective recipients with the sum of Table 8A (negative figures only) + Table 9A (negative figures only) of GSTR-6 of the ISDs for the respective GSTINs. If Table-7B of GSTR-9 is null or zero, Table 7H is taken into account.

Audit examined the datasets pertaining to ISD credit reversals as per GSTR-9 of the recipient and GSTR-6 of the input service distributors in respect of M/s United India Insurance Company Limited having GSTIN 21**********1ZV under Bhubaneswar-II Circle and noticed that incorrect ISD credit of ₹ 17,115 had not been reversed by the recipient. The matter was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle head stated (September 2022) that ASMT-10 had been issued to the taxpayer (August 2022) and also intimated to Tax audit.

The matter was reported to the CT&GST and the State Government (January 2023); their reply had not been received (October 2023).

(ix) Dimension - Mismatch of Taxable turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 7G of GSTR 9C)

Table 7 of GSTR 9C is the reconciliation of taxable turnover. Column 7G of this table captures the unreconciled taxable turnover between the annual return GSTR 9 and that declared in the financial statement for the year after the requisite adjustments.

The certified reconciliation statement submitted by the taxpayer as required under the rule 80(3) of OGST Rules in Form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases where the turnover in GSTR 9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of taxable supplies. It could also be on account of non-reporting of both taxable and exempted supplies

Audit query on Undischarged Taxable Turnover in Table 7G of GSTR-9C, amounting to ₹ 66.67 crore was issued in respect of taxpayer, M/s The Cuttack District Co-operative Milk Producer Union Limited under Jagatsinghpur Circle, which was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle head stated that intimation issued to the taxpayer on 13 December 2022 for production of books of account for verification.

The matter was reported to the CT&GST and the State Government (January 2023); their reply had not been received (October 2023).

(x) Dimension - Mismatch of Turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18 (5R of GSTR-9C)

Table 5 of GSTR 9 C is the reconciliation of turnover declared in audited annual financial statement with turnover declared in annual turnover (GSTR 9). Column 5R of this table captures the unreconciled turnover between the Annual Return GSTR 9, and that declared in the Financial Statement for the year after the requisite adjustments.

The certified reconciliation statement submitted by the taxpayer as required under rule 80(3) of OGST Rules in form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases where the turnover declared in GSTR 9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of supplies leading to evasion or short payment of tax. It could also be a case of non-reporting of both taxable and exempted supplies.

Audit query on unreconciled turnover in Table 5R of GSTR-9C, amounting to ₹ 1,220.43 crore was issued in respect of taxpayer, M/s Prasar Bharati Broadcasting Corporation of India under Bhubaneswar-I Circle and communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Department stated (September 2022) that ASMT 10 had been issued to the taxpayer on 12 September 2022.

The matter was reported to the CT&GST and the State Government (January 2023); their reply had not been received (October 2023).

(xi) Dimension - Undischarged Tax liability

GSTR 1 depicts the monthly details of outward supplies of goods or services. This details also assessed by the taxpayer and mentioned in annual return GSTR 9 in the relevant columns. Further, taxable value and tax paid thereof also shown in GSTR 3B.

To analyse the undischarged tax liability, relevant data were extracted from GSTR 1 and GSTR 9 for the year 2017-18 and the tax payable in these returns was compared with the tax paid as declared in GSTR 9. Where GSTR 9 was not available, a comparison of tax payable between GSTR 1 and GSTR 3B was resorted to. The amendments and advance adjustments declared in GSTR 1 and 9 were also considered for this purpose.

For the algorithm, Tables 4 to 11 of GSTR 1 and Tables 4N, 10 and 11 of GSTR 9 were considered. The greater of the tax liability between GSTR 1 and GSTR 9 was compared with the tax paid declared in Tables 9 and 14 of GSTR 9 to identify the short payment of tax. In the case of GSTR 3B, tables 3.1(a)[95]

[95] Outward taxable supplies (other than zero rated, nil rated and exempted)

and 3.1(b)[96] were taken into account. Audit observed that in case of taxpayer M/s B B Associates under Jagatsinghpur Circle, the tax payable in Table 4 to 11 of GSTR 1 was ₹11.25 crore and the tax payable declared in tables 3.1(a) & 3.1 (b) of GSTR 3B was ₹0.61crore. This resulted in mismatch of tax liability amounting to ₹10.65 crore between GSTR 1 and GSTR 3B which was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022).

In response, the Circle head, Jagatsinghpur stated (December 2022) that DRC - 01 had been issued to the taxpayer. Further progress in this regard was awaited (October 2023).

(xii) Dimension - Mismatch in the tax payable and Tax paid as per Annual Return for the year 2017-18 (Table 9R of GSTR 9C)

The certified reconciliation statement submitted by the taxpayer as required under rule 80(3) of OGST Rules in form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in tax paid between the Annual Return and the books of account. Table 9 of the form 9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per the Annual Return GSTR 9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *vice versa* or incorrect levy of CGST/SGST/IGST. There can also be situations wherein supplies/tax declared are reduced through amendments (net of debit notes/credit notes) in respect of the 2017-18 transactions carried out in the subsequent year from April to September 2018. Consequential interest payments – both short payments and payments under incorrect heads - also need to be examined in this regard.

Unreconciled payment of tax declared in Table 9R of GSTR 9C, amounting to ₹ 9.99 crore in case of the taxpayer M/s Spectrum Coal and Power in consortium with Global Coal and Mining under Angul Circle, was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle stated (January 2023) that the taxpayer was under the process of tax audit; their reply had not been received (October 2023).

(xiii) Dimension - Short/non-payment of interest on delay payment of tax

Section 50 of the OGST Act stipulates that every person liable to pay tax in accordance with the provisions of this Act or the rules made there under but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

The extent of short payment of interest on account of delayed remittance of tax during 2017-18 was identified using the tax paid details in GSTR 3B and the date of filing of the GSTR 3B. Only the net tax liability (cash component) has been considered to work out the interest payable.

Audit observed that in case of a taxpayer, under Jajpur Circle, wherein the returns (GSTR 3B) pertaining to the months of July 2017 and September 2017

[96] Outward taxable supplies (Zero rated)

to March 2018 involving tax liability amounting to ₹ 33.37 crore, were filed with delay ranging from 14 to 187 days. This resulted in short payment of interest amounting to ₹ 2.05 crore which was communicated to the concerned Circle and the Commissioner of CT & GST (August 2022). In response, the Circle head intimated (September 2022) that DRC 07 had been issued to the taxpayer to make payment of the interest amount. Further progress in this regard was awaited (October 2023).

Recommendation:

3. **The CT&GST may consider introducing validation controls in GST Returns to curb data entry errors, enhance taxpayers' compliance and facilitate better scrutiny.**

3.3.8 Analysis of causative factors

Considering the CT&GST's response to 264 cases out of the sample of 264 data deviations/inconsistencies, the factors that caused the data deviations/inconsistencies are as follows:

3.3.8.1 Deviations from GST law and rules

Out of the 264 cases summarised in **Table 3.3.6** above, the Department had accepted the audit observations or initiated examination in 163 cases with money value of ₹2,647.02 crore. This amount comprises of Mismatch amount of ₹2,563.89 crore, revenue impact amount of ₹83.13 crore.

As of April 2023, out of these 163 cases, the Department had:

- Recovered ₹0.03 crore in one case.
- Issued SCN in 46 cases involving amount of ₹391.64 crore. This amount comprises of mismatch amount of ₹349.81 crore involving 26 cases and having revenue impact of ₹41.83 crore in 20 cases.
- Issued notices conveying discrepancies to the taxpayers in Form ASMT-10 in 109 cases involving amount of ₹2,135.05 crore. This amount includes mismatch amount of ₹2,097.16 crore involving 64 cases and revenue impact of ₹37.89 crore involving 45 cases.
- Initiated correspondence with the respective taxpayers in seven cases involving tax effect of ₹120.30 crore. This amount includes mismatch amount of ₹116.92 crore involving three cases and revenue impact of ₹3.38 crore involving four cases.

The top ten accepted cases are featured below:

Table 3.3.8: Top ten cases accepted with action initiated by the Department

Sl. No.	GSTIN	Commission-erate	Dimension	Mismatch (₹ in crore)	Action taken
1	21**********2ZQ	Bhubaneswar-I Circle	Mismatch of Turnover between Annual Audited Financial	1220.43	ASMT-10 issued
2	21**********1ZA	Bhubaneswar-IV Circle		302.92	ASMT-10 issued

Sl. No.	GSTIN	Commission-erate	Dimension	Mismatch (₹ in crore)	Action taken
			Statement and Annual Return for the year 2017-18(5R of GSTR-9C)		
3	21**********1Z7	Bhubaneswar-IV Circle	Mismatch of Turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18	247.25	DRC-01 issued
4	21**********1ZE	Bhubaneswar-I Circle	Mismatch of Turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18(5R of GSTR-9C)	36.36	ASMT-10 issued
5	21**********1Z3	Bhubaneswar-I Circle		27.91	ASMT-10 issued
6	21**********1Z9	Cuttack-II Circle		25.81	ASMT-10 issued
7	21**********1ZU	Cuttack-II Circle	Mismatch of Taxable turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18 (Table 7G of GSTR 9C)	24.41	DRC 07- issued
8	21**********2ZS	Cuttack-II Circle	Mismatch of Turnover between Annual Audited Financial Statement and Annual Return for the year 2017-18(5R of GSTR-	24.12	ASMT-10 issued
9	21**********1ZK	Cuttack-I East		23.70	ASMT-10 issued
10	21**********1ZB	Balasore Circle		23.56	ASMT-10 issued

Sl. No.	GSTIN	Commission-erate	Dimension	Mismatch (₹ in crore)	Action taken
			9C)		

3.3.8.2 Action initiated by the Department prior to issue of Audit Queries

As summarized in **Table 3.3.6** above, the Department had already taken action in 25 cases, constituting 9.47 *per cent* of the 264 cases pointed out by Audit. The details are furnished in ***Appendix 3.3.2***.

Recommendation:

4. The Department may initiate remedial action for all the compliance deviations brought out in this Report, before they get time-barred.

3.3.9 Detailed Audit

In a self-assessment regime, the onus of compliance with law is on the taxpayer. The role of the CT&GST is to establish and maintain an efficient tax administration mechanism to provide oversight. With finite level of resources, for an effective tax administration, to ensure compliance with law and collection of revenue, an efficient governance mechanism is essential. An IT driven compliance model enables maintaining a non-discretionary regime of governance on scale and facilitates a targeted approach to enforce compliance.

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/ deviations in GST returns through State level data analysis, a detailed audit of GST returns was also conducted as a part of this audit. A risk-based sample of 50 taxpayers was selected for this part of the review. The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers as part of the GSTR 9C and other records available in the back-end system to identify potential risk areas, inconsistencies/deviations and red flags. Based on desk review results, Detailed Audit was conducted in the State CT & GST field formations by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices, *etc.* to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

As brought out in the previous paragraphs detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the State CT & GST field formations. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisation of ITC and discharge of tax payments. The audit findings are therefore categorised under a) Returns, b) Utilisation of ITC and c) Discharge of tax liability.

I. Scope limitation (non-production of records)

Inspite of requisition and follow-up, Circles did not produce taxpayers' granular records such as annual financial statement (Balance sheet, Profit & Loss accounts, journal and ledgers, Auditor's report, invoices, *etc*.) as detailed in **Table 3.3.9**. Consequently, in these cases, audit was restricted to the returns filed by the taxpayers for analysis and comments on the deviations in the nature of mismatch in ITC, mismatch in tax liabilities and mismatch in turnover were made in 89 instances amounting to ₹110.24 crore, which constituted a significant scope limitation.

Returns

(a) Non-payment of interest by taxpayers

Audit examined returns filed in GSTR-3B by the 50 selected taxpayers and noticed that 30 taxpayers across 18 CT & GST Circles had either filed their returns belatedly or paid the taxes with delays, and hence interest of ₹0.61 crore was due from these taxpayers **(*Appendix 3.3.3*)**.

After issue of Audit queries to that effect, necessary action has been taken by the concerned Circles to recover ₹ 0.18 crore from 12 taxpayers.

Interest amount of ₹0.43 crore had not yet been discharged by 19 taxpayers in 13 circles **(*Appendix 3.3.4*)**.

Illustrative case:

An assesse, GSTIN- 21**********1Z2, under Cuttack-I City Circle had filed the returns of October 2017 to February 2018, belatedly in October 2018 to January 2019 respectively, and paid the tax dues in these returns by debiting the Cash Ledger. However, interest amounting to ₹ 0.19 crore was not paid. When this was pointed out, the CT&GST stated that the compliance to the audit query would be submitted after verification of the books of accounts of the taxpayer. Further action taken in this regard was still awaited (October 2023).

II. Data entry errors

Out of the 50 taxpayers' returns examined, Audit observed data entry mistakes made by taxpayers while filing GST returns in two cases.

The errors resulted in discrepancy between ITC availed in GSTR-3B and ITC accrued in GSTR-2A and discrepancy in declaration of zero-rated supply turnover as exempted supply turnover. The cases are described briefly below.

(a) A GSTIN-21A**********1ZY holder, under Mayurbhanj CT & GST Circle, had a mismatch of ₹747.26 lakh between ITC availed in GSTR 3B and ITC accrued in GSTR 2A. On this being pointed out (November 2022), the Department stated (November 2022) that the taxpayer had inadvertently carried forward the ITC availed in the GSTR-3B for the month of March 2018. However, the same had been reversed in the month of September 2018, without utilising the ITC. The reply was found to be correct.

(b) Holder of GSTIN-21**********1ZX under Rourkela-II CT & GST Circle, had exhibited turnover of ₹13.74 crore under exempted supply turnover in the GSTR-3B but the corresponding ITC of ₹157.35 lakh had not been reversed. On this being pointed out (October 2022), the Department stated (October 2022) that the taxpayer had erroneously disclosed the zero-rated supply turnover as exempted supply turnover in the GSTR-3B but the same has been rectified subsequently in GSTR-9. The matter was verified with the relevant financial records of the taxpayer and the reply was found to be correct.

III Utilisation of Input Tax Credit

Input Tax Credit (ITC) means GST paid by a taxable person on purchase of goods and/or services that are used in the course or furtherance of business. To avoid cascading effect of taxes, credit of taxes paid on input supplies can be used to set-off for payment of taxes on outward supplies.

Section 16 of OGST Act, 2017 provides that every registered person shall be entitled to take credit of input tax charged on any supply of goods or services or both to him/ her which are used or intended to be used in course of furtherance of his/ her business and said amount shall be credited to the electronics credit ledger of such person. Section 17 of OGST Act provides for restriction in availing ITC, which are attributable to the purpose of his business. Rule 36 to Rule 45 of OGST Rules, 2017 prescribes the procedures for availing and reversal of ITC.

(a) Non reversal/ short reversal of ITC

Section 17(2) of the Act read with Rule 42 and 43 of the Rules states that where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

Audit examined the GSTR-3B filed by 50 taxpayers and noticed short reversal of ITC amounting to ₹2.78 crore in five cases due to incorrect application of Rule 42 and 43 (***Appendix 3.3.5***).

Illustrative case:

Holder of GSTIN-21**********1ZP under Cuttack-I Central Circle, is in the business of executing works contracts. The taxpayer had disclosed total turnover of ₹45.64 crore for FY 2017-18, out of which ₹40.21 crore was exempted turnover which constitutes 88 per cent of the total turnover. As the taxpayer had availed total ITC of ₹1.63 crore, ITC of ₹1.43 crore (88 *per cent* of total ITC availed) was to be reversed on account of exempted turnover. Audit observed that the taxpayer had not reversed the ITC on account of exempted turnover. On this being pointed out (October 2022), the CT&GST replied that the compliance to the audit observation would be submitted after necessary verification. Further, reply from the Department on this issue, is still awaited (August 2023).

IV. Discharge of tax liability

The taxable event in case of GST is supply of goods and/or services. Section 9 of the OGST Act is the charging section authorising levy and collection of tax called Central/State Goods and Services Tax on all intra-State supplies of goods or services or both, except on supply of alcoholic liquor for human consumption, on value determined under Section 15 of the Act ibid and at such rates not exceeding 20 per cent under each Act, *i.e.*, CGST Act and SGST Act. Section 5 of the IGST vests levy and collection of IGST on interstate supply of goods and services with Central Government with maximum rate of 40 *per cent*.

Under Section 8 of the GST (Compensation to States) Act, 2017, a Cess is levied on all inter-state and intra-state supply of such goods or services or both which are listed in the schedule of the said Act such as tobacco products, aerated drinks, cigarettes, vehicles, *etc*. Section 9(4) of the CGST Act and Sections 5(3) and 5(4) of the IGST Act provide for reverse charge levy on certain goods or services, wherein the recipient instead of supplier becomes liable to pay tax.

(a) Irregular disclosure of non-GST/ zero rated supply turnover

Out of the 50 cases examined, Audit observed irregularities in the disclosure of turnover of ₹10.78 crore as non-GST supplies and zero rated supplies in two cases. The taxpayers had not supplied items belonging to the non-GST supply turnover nor effected zero rated supplies during the year 2017-18, as verified from the GSTN portal. The tax implication on account of such irregular disclosure worked out to ₹1.40 crore.

1. Holder of GSTIN-21**********1ZO under Cuttack-I Central Circle had declared non-GST turnover of ₹9.84 crore for FY 2017-18. Audit observed the turnover declared as non-GST was irregular as the taxpayer was engaged in works contract business, in this case outward supply of non-GST items were not to be excluded from the total turnover for calculating the tax liability. Such irregular disclosure had tax implication of ₹1.23 crore as worked out at the rate of 5 *per cent*, 12 *per cent* and 18 *per cent*. On this being pointed out (October 2022), the CT&GST replied that compliance to the audit observation would be submitted after necessary verification. Further reply from the CT&GST was still awaited (October 2023).
2. Holder of GSTIN-21**********1ZP under Jajpur Circle had declared the zero-rated supply turnover of ₹0.94 crore for FY 2017-18. Audit observed the turnover declared as zero-rated supply turnover was irregular. The taxpayer was engaged in works contract business and not effected any zero-rated supply. Therefore, the turnover declared as zero-rated supply should not have been excluded from the total turnover for the purpose of calculating the tax liability. Such irregular disclosure had tax implication of ₹0.17 crore as worked out at the tax rate of 18 *Per cent*. On this being pointed out (September 2022), the CT&GST replied that this issue had already been included in the departmental tax audit report which had been served to the taxpayer. Further reply from the CT&GST was still awaited (October 2023).

(V) *All other observations relating to Utilisation of ITC and discharge of tax liabilities, where granular records were not produced to Audit and only mismatch details through data analysis, are available*:

Table 3.3.9: Mismatch of ITC, Tax liability and Turnover

Sl. No.	Parameter	No. of cases	No. of Circles	Amount of mismatch (₹ in crore)	Remarks
Utilisation of Input Tax Credit					
1.	ITC availed in the GSTR 3B was compared with the ITC available in the GSTR 2A to identify the mismatch in availing of ITC. (***Appendix 3.3.6***)	37	18	33.37	On these cases being pointed out (between August 2022 and November 2022), CT&GST replied (between Aug 2022 and Dec 2022) that in eight cases ASMT-10 has been issued, in four cases DRC-01 had been issued, in one case DRC-01A issued, one case was under NCLT. In other 23 cases the Department assured (between August 2022 and November 2022), to verify the cases and intimate. Further replies were awaited (October 2023).
2.	Ineligible ITC was identified on verification of the GSTR-3B filed by the taxpayer. The taxpayer had availed ITC of ₹ 0.05 crore towards cess even though no item had been supplied on which cess was leviable.	1	1	0.05	On this being pointed out (October 2022), Department replied (October 2022) that compliance to the audit observation would be submitted after necessary verification. Further replies were awaited (October 2023).
3.	Mismatch of ITC was identified on verification of the Table-12 of GSTR-9C where ITC availed as per the Annual Audited Financial Statement was compared with ITC availed as per annual return in GSTR-9. (***Appendix 3.3.7***)	7	6	4.91	On these cases being pointed out (August 2022 to November 2022), Department replied (Nov 2022) that in one case ASMT-10 had been issued. In the remaining six cases Department assured (between Sept 2022 and Nov 2022) to submit the compliance after due verification. Further reply was awaited (October 2023).
Discharge of tax liability					
4.	Tax liabilities mismatch identified based on the comparison of the greater of the two tax liabilities declared in the GSTR 1 and	32	16	37.42	On these cases being pointed out (August 2022 to November 2022), the Department replied (between October 2022 and January 2023) that ASMT-10 has been issued in two cases,

Sl. No.	Parameter	No. of cases	No. of Circles	Amount of mismatch (₹ in crore)	Remarks
	GSTR 9 with the payment of tax discharged in the GSTR 3B. (***Appendix 3.3.8***)				DRC-07 issued in two cases, DRC-01A issued in six cases. In the remaining 22 cases, Department assured to verify the cases and intimate. Further replies were awaited (October 2023).
5.	Mismatch in turnover was identified on verification of the Table-5R of GSTR-9C where turnover declared as per the Annual Audited Financial Statement was compared with that of the annual return in GSTR-9. (***Appendix 3.3.9***)	4	4	28.73	On these cases being pointed out (August 2022 to November 2022), the Department replied (November 2022) that ASMT-10 had been issued in one case. In other three cases, Department assured (between October 2022 and November 2022) to verify the cases and intimate. Further replies were awaited (October 2023).
6.	Mismatch in taxable turnover was identified on verification of the Table-7G of GSTR-9C where taxable turnover declared as per the Annual Audited Financial Statement was compared with that of the annual return in GSTR-9. (***Appendix-3.3.10***)	3	3	2.77	On these cases being pointed out (August 2022 to November 2022), the Department replied (November 2022) that DRC-01A had been issued in one case. In other 02 cases, Department assured (October 2022) to verify the cases and intimate. Further replies were awaited (October 2023).
7.	Mismatch in payment of tax was identified on verification of the Table-9R of GSTR-9C where rate-wise tax liability declared was compared with payment of tax declared in the annual return in GSTR-9. (***Appendix 3.3.11***)	5	5	2.99	On these cases were pointed out (August 2022 to November 2022), the Department replied (between November 2022 and January 2023) that DRC-01A had been issued in one case and ASMT-10 issued in one case. In other three cases, Department assured (Sept 2022) to verify the cases and intimate. Further replies were awaited (October 2023).

3.3.10. Conclusion

The Subject Specific Compliance Audit (SSCA) on Department Oversight on GST Payments and Return Filing was undertaken with the objectives of assessing the adequacy of the system in monitoring return filing and tax payments, extent of compliance and Departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for FY 2017-18. The SSCA entailed assessing the oversight functions of State CT & GST jurisdictional formations at two levels – at the data level through data queries and at the functional level with a deeper detailed audit of both Circles and of the GST returns, which involved accessing taxpayer records. The audit sample therefore comprised 264 taxpayers' data with high value inconsistencies across 15 parameters selected through data queries and 50 taxpayers selected on risk assessment for detailed audit of GST returns for FY 2017-18.

Out of the 264 taxpayers' data with high value inconsistencies, Audit noticed that

- In 162 cases (61.36 *per cent*), there were deviations from the provisions of the Act involving short levy of tax / inconsistencies / mismatches of ₹2,647.00 crore. This amount includes mismatches of ₹2564 crore and revenue impact amount of ₹ 83 crore. Relatively higher rates of deviations were noticed in risk parameters such as Mismatches in ITC availed under RCM, passing on ITC without discharging the tax liability, Short/ Non-payment of interest on delayed payment of tax and Mismatch of Turnover between Annual Audited Financial Statement and Annual Return for the year.
- In one case recovery of ₹0.03 crore, noticed for Irregular passing on ITC without discharging the tax liability
- In 46 cases SCN were issued involving amount of ₹391.64 crore. This amount comprises of mismatch amount of ₹349.81 crore involving 26 cases and having revenue impact of ₹41.83 crore in 20 cases.
- In 30 cases (11.36 *per cent*), the Department had already proactively initiated action prior to Audit scrutiny.
- In 54 cases (20.45 *per cent*), the Department stated that it was still examining the inconsistencies/ mismatches amounting to ₹669.18 crore.
- In the remaining 18 cases (6.82 *per cent*), though the Department did not accept the deviations pointed out by Audit, its contention was not borne out by evidence, and was thus not amenable to verification by Audit.

Out of the 50 taxpayers' returns which were examined in detail, Audit noticed that

- In 37 cases (74 *per cent*) there was mismatch / irregular availing of ITC amounting to ₹33.37 crore.
- In five cases (10 *per cent*), taxpayers had either not reversed or short reversed ITC amounting to ₹2.78 crore.
- In seven cases (14 *per cent*), there was a mismatch of ₹4.91 crore in the ITC availed by the taxpayers as declared in the Annual Audited Financial Accounts and ITC availed, as disclosed in the annual return.

- In 32 cases (64 *per cent*), there was irregular discharge of tax liability amounting to ₹37.42 crore arising from comparing the liabilities declared in GSTR-1 and GSTR-9.
- In five cases (10 *per cent*), there was mismatch in the rate-wise tax payable and tax paid as declared in the annual return in GSTR-9, amounting to ₹2.99 crore.
- In two cases (4 *per cent*), there were irregularities in the disclosure of turnover as Non-GST supplies and Zero rated supplies, with tax implication amounting to ₹1.40 crore.

During review of the oversight functions of the six Circles important details like monitoring of return filing, scrutiny and taxpayer compliance were not provided.