

CHAPTER I

INTRODUCTION

CHAPTER-I INTRODUCTION

1.1 Evolution of the Integrated Financial Management System-Kerala

Department of Finance (DoF) of Government of Kerala (GoK) is the custodian of State exchequer and is responsible for (i) overall management of State finances from budget preparation to allocation, (ii) budget control through continuous monitoring of expenditure and revenue and (iii) ensuring that debt obligations are met. The Directorate of Treasuries keeps accounts of receipts and payments made to/ by the State Government/ Departments and plays a key role in supporting the Department of Finance in passing bills as per budget provision and generation of monthly accounts.

The computerisation of treasury processes in Kerala began in 2000 with a distributed standalone system called Treasury Information System (TIS) which laid the foundation for more advanced systems. By 2014, the State transitioned to a centralised system viz. Core Financial Management System (CFMS), significantly enhancing the efficiency and integration of financial operations. Building on the progress of CFMS, the Department of Finance launched the Integrated Financial Management System-Kerala (IFMS-K) project in 2015-16, aiming to further streamline and modernise treasury functions. IFMS-K aims to achieve effective financial management for the State by integrating the financial transactions of the State Government with all key stakeholders, including Department of Finance, Department of Treasuries, different Administrative and line Departments, Accountant General (Accounts & Entitlement) [AG(A&E)]¹, Reserve Bank of India (RBI), and various banks. The project aimed to enhance the efficiency of budgeting processes, improve cash flow management, strengthen Management Information Systems (MIS), ensure greater accuracy and timeliness in accounts preparation, promote transparency and efficiency in public delivery systems and improve financial and human resource management.

1.2 Organisational Structure

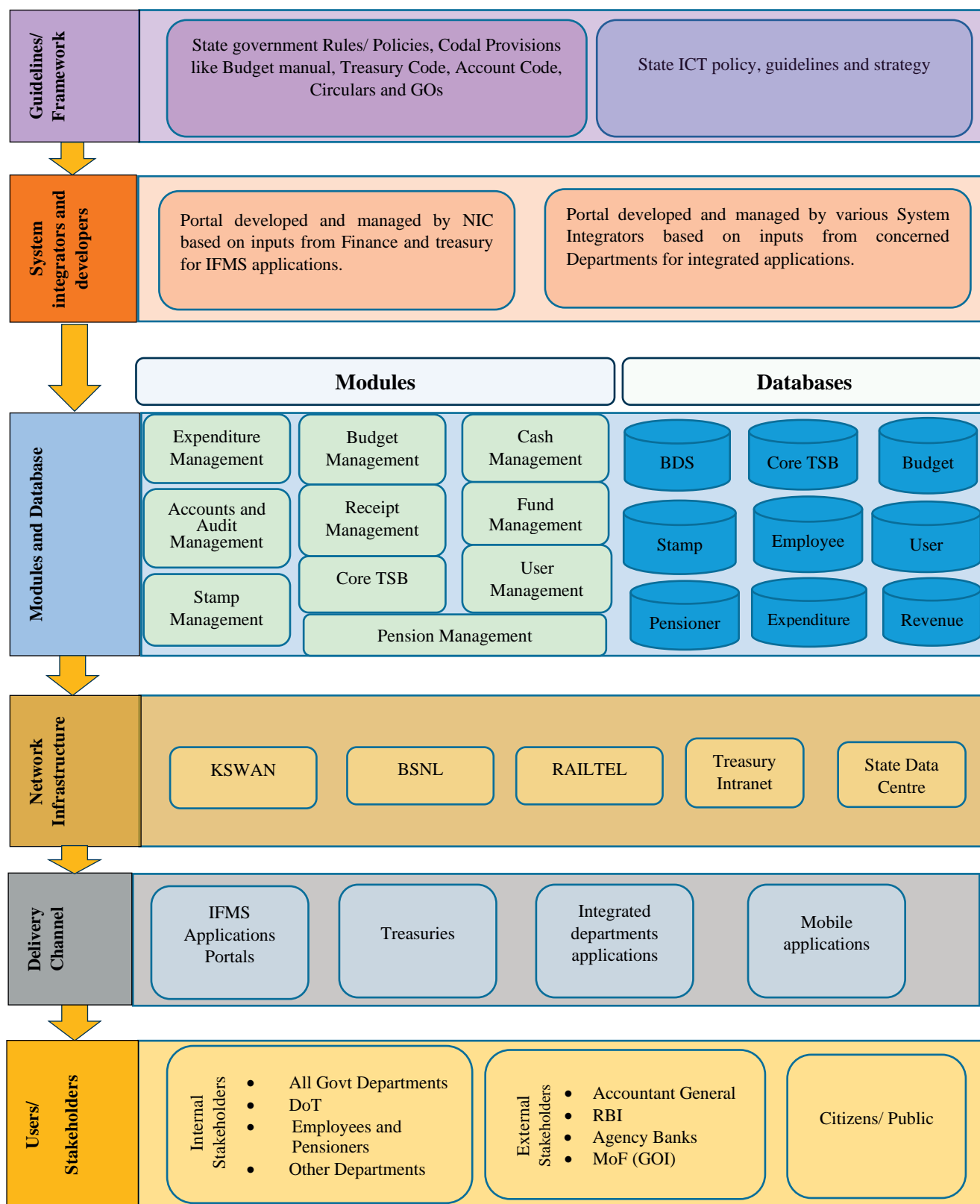
The Additional Chief Secretary, Department of Finance, leads and oversees the department at Government level, to ensure that implementation of the project aligns with the State's financial goals and policies. The Department of Treasuries, under the administrative control of the Department of Finance, plays a crucial role in the project, being primarily responsible for the receipt and payment of money on behalf of Government and maintaining accounts.

¹ Abbreviations used in this report are listed in the Glossary.

1.3 System Architecture

Development of the IFMS-K suite of applications was entrusted to the National Informatics Centre (NIC). IFMS-K designed as a centralised web-based financial accounting system integrating transactions among the stakeholders and the public. Multiple Database Management Systems (DBMS) ranging from proprietary systems like IBM's DB2, which forms the backbone of all treasury applications to open-source alternatives such as PostgreSQL and Maria DB are brought together in IFMS-K. The network infrastructure comprises KSWAN, BSNL, Treasury Intranet, Railtel and the State Data Centre. IFMS-K provides access to users through web portals and mobile applications, serving both internal stakeholders and the public.

The overall solution architecture of IFMS-K is given in **Exhibit 1.1**.

Exhibit 1.1- Architecture of IFMS-K

(Source: DPR on CFMS).

1.4 Modules of IFMS-K suite of applications

To ensure interaction between multiple systems within the departments² and with other stakeholding departments/ agencies, and to promote a unified approach to managing the State's finances, ten modules were developed in IFMS-K suite of applications based on basic functionality and 18 applications were developed under these modules. The modules and their applications are given in **Table 1.1**.

Table 1.1
Statement showing various modules and its applications

Sl. No.	Modules	Applications
1.	Budget Management	BMS (Budget Monitoring System)
		Budget 2.0
		BAMS (Budget Allocation and Monitoring System)
2.	Receipt Management	e-Treasury
		CREDIT (Cash Remittance and Deposit in Treasury)
3.	Expenditure Management	BIMS (Bill Information and Management System)
		SPARK (Service and Payroll Administrative Repository for Kerala)
		CoreTIS (Core Treasury Information System)
		EMLI (Effective Management of Issuance of Letters of Credit)
		BDS (Bill Discounting System)
4.	Accounts and Audit Management	iAMS (Integrated Accounts Management System) - (middleware solution for pushing data to the VLC and rendering accounts to AG)
5.	Cash Management	WaMS (Ways and Means System)
		iSoFT (Information System of Financial Transactions)
6.	Fund Management	e-Ledger (Electronic Ledger Management System)
7.	Core Treasury Savings Bank	Core TSB (Treasury Savings Bank)
8.	Pension Management	PIMS (Pension Information and Management System)
9.	User Management	UMAS (User Management and Administration System)
10.	Stamp Management	CRA (Central Record Keeping Agency) E-stamping

² Department of Finance and Department of Treasuries.

1.5 Audit Objectives

The Performance Audit (PA) on IFMS-K sought to ascertain whether:

- i. project planning, system development and implementation procedures were adequate and effective;
- ii. objective of the system to bring effective financial control over budget allocation, receipt and expenditure management of the State Government was achieved; and
- iii. Information System Controls and Security Controls in place were adequate and effective in asset safeguarding and ensuring data integrity and provide for secure and uninterrupted treasury operations.

1.6 Audit Criteria

The criteria for PA were derived mainly from

- Kerala Financial Code
- Kerala Treasury Code
- Kerala Budget Manual
- Kerala Service Rules
- To-be and Functional Requirement Specification (FRS) document of IFMS-K
- Generally accepted principles of Information Systems Governance, development and maintenance
- Government Orders, Notifications, Guidelines and Circulars issued by the State Government/ Government of India from time to time.

1.7 Audit scope and methodology

The PA was conducted during April 2022 to June 2023, September 2023 to October 2023 and June 2024 to July 2024 covering the period 2016-17 to 2022-23. Audit focused on five modules and its 12 applications relating to Department of Finance and Department of Treasuries for detailed scrutiny.

The module and application wise details are as given in **Table 1.2**.

Table 1.2
Modules and applications examined in Performance Audit

Module	Application	Managed by
Budget Management	BMS Budget 2.0 BAMS	Department of Finance
Receipt Management	e-Treasury CREDIT	Department of Treasuries
Expenditure Management	BiMS CoreTIS	Department of Treasuries
	BDS SPARK EMLI	Department of Finance
Accounts and Audit Management	iAMS	Department of Treasuries
Core TSB	Core TSB	

Audit methodology included the following.

- Analysis of documents related to project implementation
- Analysis of data from the databases of selected modules
- Analysis of application controls
- Test check of records of selected treasuries

Audit objectives, criteria and scope were discussed with the Principal Secretary, Department of Finance in an Entry Conference (June 2022). An Exit Conference was conducted (February 2023) with the Principal Secretary, Department of Finance and the findings were discussed.

For detailed scrutiny, out of the 23 District Treasuries in the State, six³ District Treasuries were selected based on expenditure booked for the period 2018-21. 12⁴ sub-treasuries out of 61 sub-treasuries under the selected six District Treasuries were also selected. e-Treasury, being the online facility for revenue collection of GoK was also selected for scrutiny. Field units were visited to identify manual intervention due to incomplete integration and to gain insight on data collection process.

³ District Treasury Thiruvananthapuram, Thrissur, Kollam, Malappuram, Wayanad and Pala.

⁴ Sub Treasury Kuravilangad, Kollam, Vythiri, Chelakkara, Wandoor, Meenachil, Varkala, Sulthan Bathery, Chavakkad, Perinthalmanna, Vellayambalam and Pension Payment Sub Treasury Kollam.

1.8 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the State Government and NIC in the conduct of this Performance Audit.

1.9 Report structure

The audit findings are grouped under the following chapters:

- Chapter II : Project Planning, Development and Implementation
- Chapter III : Budget Management
- Chapter IV : Receipt Management
- Chapter V : Expenditure Management
- Chapter VI : Accounts and Audit Management
- Chapter VII : Core Treasury Savings Bank (TSB)
- Chapter VIII : Information System Security Controls

