

CHAPTER VI
ACCOUNTS AND AUDIT
MANAGEMENT

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ACCOUNTS AND AUDIT MANAGEMENT

Integrated Accounts Management System (iAMS) is envisaged to streamline the preparation and submission of treasury account to the AG (A&E). There is a risk of backend access to the database of iAMS, which allows stored procedures to be executed by manually editing 'date' variables. Further, the system lacks capability to reconcile GST transactions which resulted in unreconciled amount of GST.

6.1 Introduction

Accounts Management is a systematic process of recording the monthly accounts received from treasuries and verifying the account information obtained. Integrated Accounts Management System (iAMS) is utilised to streamline the preparation and submission of Treasury accounts to the AG (A&E). After completing closing procedures of treasury such as day close, cash close, treasury close *etc.*, the system facilitates transfer of data to the VLC system of the Accountant General through the iAMS.

IFMS-K envisaged that AG (A&E) should be able to prepare Monthly Accounts through the system itself and furnish the same online to Department of Finance.

6.2 Risk due to execution of back end script for monthly e-Treasury accounts

The monthly consolidation of the accounts of e-Treasury (Core Treasury) is transferred electronically to the VLC system for the preparation of monthly accounts. Audit noticed that consolidation process is done through execution of a set of scripts and stored procedures provided by NIC in the backend. Scripts and database stored procedure were executed every month after editing the defined date range manually in the backend of CoreTIS, TSB and GRASKL databases.

Audit observed that backend access of database for execution of script and stored procedures for manually editing the 'date' variables poses risk of data errors and manipulation.

The issue has been rectified at the instance of Audit and Government stated (November 2024) that monthly consolidation of e-Treasury accounts is processed through the iAMS application now.

6.3 Short/ Excess credit of SGST revenue due to non-reconciliation of GST transactions

The Central government simplified the indirect taxation system with the introduction of Goods and Services Tax (GST) by integrating the tax systems of the Central and State Governments. The key agencies involved in the process of GST transactions are Goods and Services Tax Network (GSTN), Banks and the Reserve Bank of India (RBI).

The components of GST include:

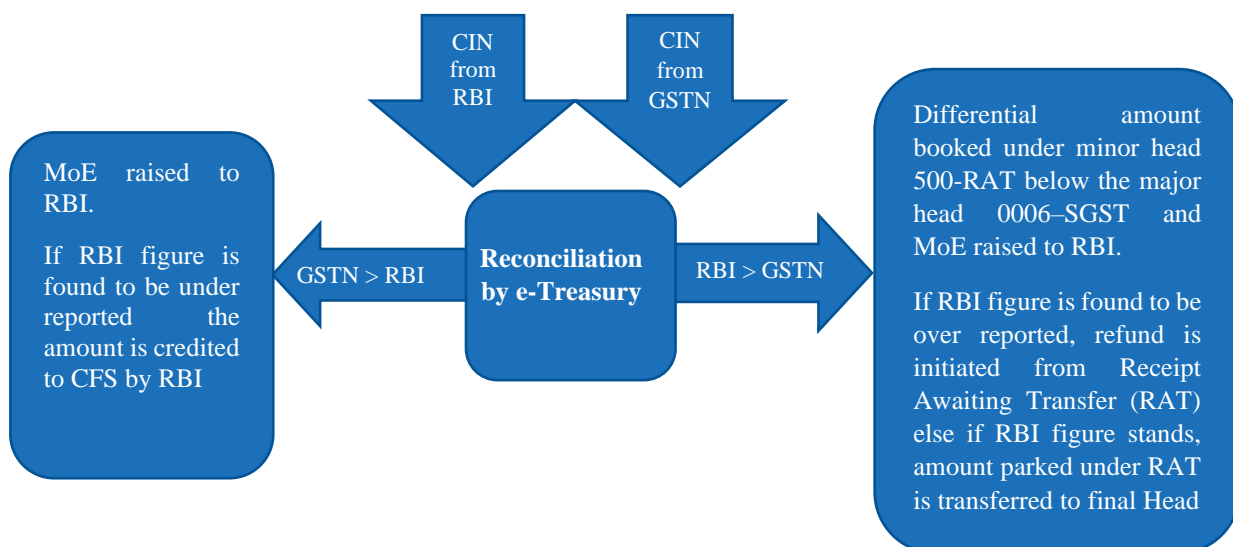
1. State Goods and Services Tax (SGST): This portion of tax collected is entirely receivable by the State and accounted under Major Head 0006.
2. Central Goods and Services Tax (CGST): This portion of tax collected is initially retained by the Central Government under Major Head 0005 and is later shared between the Central and State Governments as per the recommendations of the Finance Commission.
3. Integrated Goods and Services Tax (IGST): This portion of tax collected by the Central Government under Major Head 0008 is equally shared between the Central and State Governments depending on the final destination of goods or services delivered.

Taxpayers use GST portal for remitting tax due and on completion of payment through banks, a unique identification number called CIN (Challan Identification Number) is generated to identify the challan against which payment is made. The electronic scroll of all the CINs thus generated are shared by GSTN and RBI to the State Accounting Authority (e-Treasury). RBI credits the amount in the Consolidated Fund of the State as per the e-scroll sent to the accounting authority (e-Treasury).

The treasury has to reconcile the SGST figures on the basis of e-scrolls submitted by RBI with the scrolls received from GST portal. If any discrepancy is found, e-Treasury is required to intimate the mismatch to RBI *via* Memorandum of Errors (MoE) for corrective measures. RBI then addresses the issues in MoE and if any amount is receivable by the State, RBI credits the Consolidated Fund of the State. In case of excess credit already provided, a refund procedure would be initiated.

In case of missing CINs in any of the scrolls received by e-Treasury, the reconciliation mechanism involved is depicted in **Exhibit 6.1** below:

Exhibit 6.1
Reconciliation by e-Treasury



Audit noticed from the figures of AG (A&E) that there are differences in the State Goods and Services Tax figures in respect of Government of Kerala between the amount credited to the State's account by RBI and the corresponding amounts booked as receipts by e-Treasury of the State. The year wise split up of differences is depicted below in **Table 6.1**.

Table 6.1
Year wise differences in GST collection

(₹ in crore)			
Year	RBI figure	e-Treasury figure	Difference
2017-18	5,491.67	5,212.79	278.88
2018-19	8,269.92	8,260.52	9.40
2019-20	9,456.52	9,214.04	242.48
2020-21	8,338.23	8,311.38	26.85
2021-22	9,886.75	9,860.06	26.69

(Source: Records of AG (A&E))

Audit analysed (August 2022) data tables of scrolls received from RBI and GSTN for the period from 2017-18 to 2021-22 and noticed the following lapses against which MoEs were not generated by e-Treasury.

- 48,449 CINs amounting to ₹204.72 crore reported by GSTN did not appear in RBI e-scroll indicating probable shortage in SGST credit to the State.
- 7,38,903 CINs with SGST component amounting to ₹5,750.09 crore reported by RBI had no matching CINs in GSTN indicating chances of excess SGST credit received by State.

Government stated (December 2022) that NIC has developed a system for online generation of MoE and on generation certain CINs were found missing and this was intimated to RBI. Later, Government stated (March 2023) that e-Treasury received the required files from RBI and as per this SGST collected by Federal Bank has gone to another state. Final direction from RBI to Federal Bank is awaited to settle the issue. Government further stated (November 2024) that the delay in developing the MoE will not affect the GST revenue of the State.

Based on the reply Audit restored the treasury data including the updated files of RBI and on further analysis (April 2023) observed that:

- a) 3,054 CINs with SGST component amounting to ₹8.16 crore were still missing in RBI scroll up to March 2023. Out of 3,054 CINs, 2,190 CINs amounting to ₹7.17 crore related to transactions of Federal Bank and the remaining 864 CINs amounting to ₹0.99 crore related to six⁴³ banks. The month-wise split up of the missing CINs is detailed in **Table 6.2**.

Table 6.2
Details of SGST component of CINs missing in RBI scroll

Year	Month	No. of CINs	SGST (₹)
2018	September	2	9,850
	December	13	1,56,065
2020	September	4	11,778
	December	2	5,000
2021	February	1	35,642
	July	2	540
2022	April	1	35,011
	November	1,065	3,11,00,402
	December	1,125	4,05,98,637
2023	March	839	96,56,543
Total		3,054	8,16,09,468

(Source: GRASKL database).

- b) 8,43,230 CINs with SGST component amounting to ₹6,521.12 crore (**Appendix 6.1**) reported by RBI have no matching CINs in the data shared by GSTN as detailed in **Table 6.3**.

⁴³ Canara Bank -100, IDBI-3, SBI-3, Bank of Maharashtra-4, UCO Bank-15 and RBI -739.

Table 6.3
Details of RBI CINs with no matching CIN in e-treasury

Year	No. of RBI CINs with no matching CIN in e-Treasury	SGST (₹ in crore)
2017-18	32,535	189.87
2018-19	68,742	529.83
2019-20	2,10,814	1,378.54
2020-21	3,448	4.84
2021-22	4,25,660	3,665.98
2022-23	1,02,031	752.06
Total	8,43,230	6,521.12

(Source: GRASKL database).

The replies of Government are not tenable as failure on the part of Director of Treasuries under the administrative control of Department of Finance to make timely reconciliation of GST receipts reported by GSTN and RBI resulted in non-compliance with guidelines and loss of GST revenue to the State. Further, absence of functionality in IFMS-K system to automatically reconcile scrolls from both the RBI and GSTN, and to generate Memorandum of Error (MoE) based on such reconciliation, highlights a system deficiency.

Recommendation No. 30

Government should enhance the IFMS-K system to enable automatic reconciliation of scrolls from the RBI and GSTN, facilitating the generation of a Memorandum of Error.

