FINANCE DEPARTMENT

3.6   Teachers' Provident Fund Accounting System

Highlights

The Controller of Accounts responsible for maintaining the General Provident Fund Accounts of employees of aided educational institutions and primary school teachers developed an application software through the National Informatics Centre which had weak general IT controls. While no IT security policy was formulated, various necessary validation controls were not incorporated in the software. Besides, huge amounts were lying in challan suspense due to lack of any system of speedy clearance depriving the subscribers of their deserved benefits.

∗   **In the absence of formal IT policy, Controller of Accounts procured IT hardware and software for second phase computerisation worth Rs. 21.28 lakh which was kept idle for more than seven months for want of completion of the IT infrastructure facility.**

(Paragraph 3.6.6)

∗   **No policy regarding IT Security including password policy exists.**

(Paragraph 3.6.6)

∗   **Analysis revealed an inconsistent database resulting in incomplete and unreliable data. Several validation controls were not incorporated in the software.**

(Paragraphs 3.6.7)

∗   **The database showed unposted GPF credits of Rs.41.82 crore under challan suspense and withdrawals of Rs.3.10 crore under voucher suspense.**

(Paragraph 3.6.8)

3.6.1   Introduction

The Controller of Accounts (CA) under the Finance Department of Government of Orissa is responsible for maintaining the General Provident Fund (GPF) Accounts of the 2.20 lakh employees of Aided Educational Institutions and Primary school teachers of the State. The Controller of

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∗ The abbreviations used in this review have been listed in the glossary in Appendix-XXXVI at page 225.

Accounts has adopted the computerisation system from 2002 for maintaining GPF accounts of college employees for the year 1999-2000 onwards and the GPF accounts of other categories of employees for the year 2001-02 onwards. The Information Technology (IT) system was developed by National Informatics Center (NIC), Bhubaneswar who also provided technical support and guidance for its better development. As on the date of audit, the NIC not only gave guidance but also managed the entire facility under their direct supervision. Most of the responsibilities of the CA in this regard were carried out by the NIC.

3.6.2 Objective

The objective of computerisation was to ensure accuracy and speedy accounting of GPF Accounts.

3.6.3 Organisational set up

The Controller of Accounts is the head of the organisation constituted under Finance Department of the Government of Orissa and entrusted with the responsibility of maintenance of GPF accounts of employees of aided educational institutions and primary school teachers and finalising the pensionary benefits to the retired employees. He is assisted by one Deputy Controller of Accounts, three Assistant Controllers and other subordinate staff in the discharge of his duties.

3.6.4 Application Software in use

The following application systems developed through NIC are in operation in Controller of Accounts, Bhubaneswar.

Teachers' Provident Fund Accounting System (TPFAS)

The Teachers' Provident Fund Accounting System application software is used for processing the accounts and issue of statement of accounts to the subscribers of GPF.

Information on GPF subscriptions, other deposits (arrears of dearness allowances and pay) and recoveries of temporary withdrawals as furnished by the aided educational institutions, through the Treasuries in the form of debit vouchers for withdrawals and treasury challans for subscriptions of GPF are captured into the system. The system finally generates the Annual GPF Account Slip of the subscribers for transmission to the concerned institutions through their Drawing and Disbursing Officers (DDOs).

System flow diagram of Teachers Provident Fund Accounting System
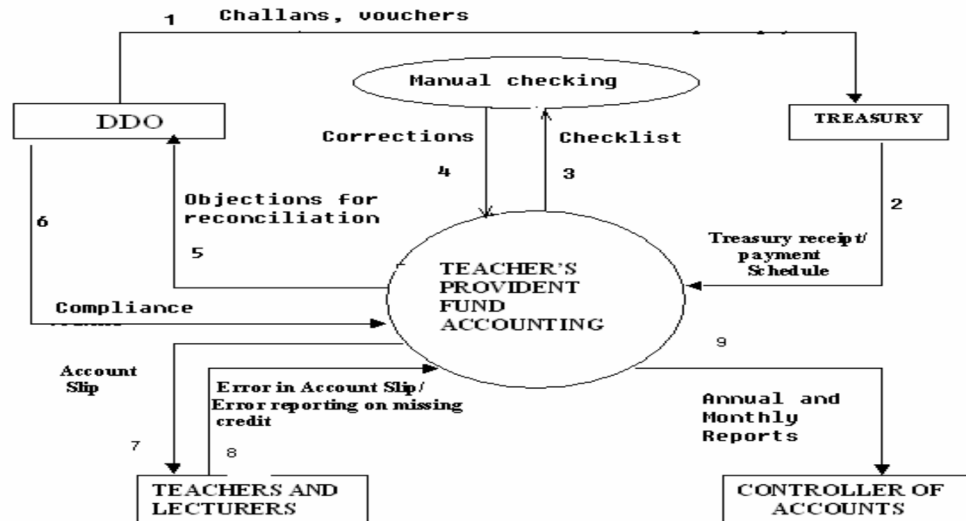
The Audit covered the evaluation of general IT controls that established a framework for controlling the design, security and use of computer programmes in the organisation.

The scope of audit also included analysis of IT application controls specific to Teachers Provident Fund Accounting System (TPFAS) and data analysis using Interactive Data Extraction and Analysis (IDEA) package.

Assessment of Controls

3.6.6 *Audit findings on the General IT Controls*

Lack of formulated and documented IT policy

Though the Controller of Accounts had developed critical IT application, it was yet to formulate and document a formal IT policy incorporating the time frame, key performance indicators and cost benefit analysis for developing various systems. No planning/steering committee with clear roles and responsibilities existed to manage their IT systems in a systematic manner.

Lack of such policy was obvious in the manner in which the Controller of Accounts procured IT hardware and software worth Rs.21.28 lakh for second

phase of computerisation which was kept idle for more than seven months for want of completion of the requisite IT infrastructure facility. Audit scrutiny revealed that while the hardware and software was procured in July 2004, efforts to setup the infrastructure were made only in August 2004. The same was installed after seven months in April 2005.

Lack of system documentation

It was seen that no System design documentation / System Manual was made available by the developer in respect of the IT Applications making the organisation totally dependent upon the software provider for all changes/ modifications to be made in the system.

Inadequate Access Control mechanism

Scrutiny revealed that there was no well-defined and documented password policy. Password control procedures like restriction on unsuccessful login attempts by the users or automatic lapse of password after a predefined period and periodical change of passwords after certain period were non-existent.

The Controller of Accounts accepted the audit observations for future guidance.

Lack of adequate Disaster Recovery and Business Continuity Plan

There was no well documented 'Disaster Recovery and Business Continuity Plan' outlining the action to be undertaken immediately after a disaster and to effectively ensure that information processing capability can be resumed at the earliest.

Moreover, the entire data entry work is being done by a private contractor and in event of sudden stoppage of work by the contractor; the entire system would be brought to a standstill as the management did not have adequately trained manpower to handle such crisis.

The Controller of Accounts while admitting the fact noted the audit observations for future guidance.

3.6.7   Audit observations on Application Controls

Processing errors

Analysis of database of TPFAS revealed that in 18 cases, the amount credited to the accounts of concerned subscribers was less by Rs.28480 and in 34 cases the same was in excess of Rs.34957 due to totalling mistakes.

Lack of processing controls to ensure correctness of totalling in the database led to such errors.

The management stated that the GPF deduction Schedule contained subscription, recovery, other deposits and the total amount (i.e. the total of these items). In very few cases the sum of subscription, recovery and other

deposits did not agree with the figures indicated in the total column. Since the total of the figures indicated in the total column agreed with the amount credited as per the Treasury challan, the figures in the total column had been accounted for.

The reply was not tenable since the totalling mistakes did exist in the database and was also accepted by the CA indicating lack of processing controls.

Non-validation of data leading to inconsistencies

Analysis of the Master database revealed that due to non-validation of data, several inconsistencies crept into the systems which are discussed in the succeeding paragraphs.

Duplicate vouchers through same treasury amounting Rs.5.08 lakh

An analysis of the database revealed that in the case of eight vouchers, four were assigned duplicate voucher numbers with different amounts and different dates by the treasuries and were posted to the subscribers' accounts. Due to absence of data validation for non-acceptance of duplicate voucher number at the time of data entry, a treasury voucher having same number was being posted twice and remained undetected by the system.

The management stated that more than one voucher number in question had been assigned at the Treasury level. The reply was not acceptable since vouchers were to be numbered consecutively in a separate monthly series as per Rule 34 of the Orissa Treasury Code, Volume-I and the acceptance of duplicate voucher numbers by the system was due to lack of validation control.

Underage persons joining the service

As per Rule 52 A of Orissa Service Code, the minimum age limit for entry into government service shall not be below twenty-one years in the case of gazetted government servants in class-I, class-II or class-III service. Database revealed that 25361 employees joined service before attaining the age of 21 years. Absence of validation control on date of joining and date of birth fields led to inconsistent database.

The CA stated that the master database was prepared on the basis of information furnished by the DDOs. The reply was not tenable since wrong/ abnormal data were also available in the database with reference to the data furnished by the concerned DDOs.

Inconsistent Database

Test check of 105 final withdrawal cases with Master database revealed that names of 16 subscribers were not matching with the names in Master database and the details of 10 subscribers were not available in Master database. Thus the data maintained in the Master table was incomplete and unreliable which

might result in incorrect processing of transactions. The management replied that action was being taken to rectify the mistakes.

Incomplete Data

Analysis of database revealed that 76074 out of 210427 records maintained were not assigned the required treasury and DDO codes for location of the subscriber. The system does not have any validation controls for these requirements.

The CA stated that a general index of the subscribers was being maintained with permanent / non-changeable information such as account number, name of subscribers, date of birth and data variable information such as district and DDO codes were of no use. The reply was not tenable as maintenance of this information facilitates the location and identification of the subscriber along with the treasury/DDO and in respect of missing credits/debits the information was crucial.

3.6.8   Analytical Review of Database

Incorrect Status of Accounts due to challan suspense and voucher suspense

GPF subscriptions/credits received through treasury challans which remained unposted for want of details such as Account Number, name of subscriber etc. were kept under 'suspense' account called "challan suspense". Analysis of TPFAS database for the period 1999-2002 revealed that GPF subscriptions/ credits amounting to Rs.41.82 crore (17601 challans) pertaining to 68285 subscribers as detailed below were lying under challan suspense although the GPF accounts were finalised up to 2001-02.

Year	Number of treasury challans	Number of Subscribers involved	Total amount kept under suspense (Rupees in crore)	Total Subscribers (as per master database)	Total amount of subscription (Rupees in crore)
1999-2000	513	741	0.80	14316	38.52
2000-01	784	895	1.35	14316	42.42
2001-02	16304	66649	39.67	210427	817.12
Total	**17601**	**68285**	**41.82**		

Similarly, all the treasury vouchers on account of withdrawals from the GPF which could not be posted in the individual subscriber's accounts for want of detailed information or mismatch between the name of the subscriber and the account number were being kept under the suspense account "voucher suspense". Analysis of TPFAS database for the year 2001-02 revealed that withdrawals of Rs.3.10 crore from GPF Accounts relating to 812 vouchers (823 subscribers) were kept under voucher suspense. Keeping the vouchers unposted without debiting the subscribers' accounts had inflated the closing balance of the concerned subscribers.

The CA replied that un-posted credits/withdrawals were due to receipt of erroneous or incomplete challans/vouchers from the DDOs or the treasuries.

The reply was not tenable as 44 cases of voucher suspense (Rs.16,52,492) were due to difference in the names between that in the database and the vouchers even though the names were identical both in the vouchers and the ledgers. This indicated that the master data had data entry errors.

Irregular keeping of final payment vouchers under suspense of Rs.17.29 lakh

The CA had been authorising the final payment of GPF to the retired/dependents of deceased subscribers after finalisatioin of the amount due from their accounts through the concerned DDOs. On receipt of the vouchers relating to such final payment from the treasuries, the CA had to account for the amount of final payment and close the accounts after verifying the amount authorised.

Test check of original vouchers of final payment cases for the year 2001-02 also revealed that 46 final payment vouchers amounting to Rs.17.29 lakh were kept under voucher suspense without debiting the same from the subscribers' accounts. Keeping these accounts live for long was fraught with the risk of making inadvertent authorisations again besides the risk of payments made to unauthorised persons remaining undetected.

The CA stated that the correct position of suspense figures would be arrived at after deducting the amounts drawn as final payment of GPF.

Thus, inadequate monitoring and follow up leading to increase in challan/ voucher suspense is not only depriving the subscribers of getting correct account slips but was also fraught with the risk of excess withdrawals by the subscribers.

The CA stated that the challan suspense would be cleared by making a special drive and that withdrawals would be duly accounted for in course of regular maintenance of GPF accounts.

3.6.9 Conclusion

The Teachers Provident Fund Accounting System (TPFAS) has weak general IT controls. Various necessary validation controls are not incorporated in the application resulting in data inconsistency.

An IT policy including IT security policy should have been formulated and documented to ensure proper functioning and maintenance of the system. The outsourcing agency also did not furnish vital documents such as source codes and documentation of the IT System.

Huge amounts lying under Challan suspense due to lack of any system of speedy clearance of the same has deprived subscribers of their deserved benefits of timely issue of accurate account slips.

Finally, the aim and objective of computerisation since April 2002 was to ensure accuracy and speedy completion of the GPF Accounts and issuance of accounts slips to the subscribers. But the same has not yet been achieved since the management had issued the account slips to the subscribers only for 2001-02. The accounts for 2002-03 were still under progress.