

~~account holder for adding the unpaid interest to the principal for calculation of future interest.~~

~~Thus, HTD suffered loss of interest of Rs. 20.13 lakh due to belated claim of annual interest.~~

~~The Ministry stated (July 2006) that a constant liaison was now being maintained between HTD and the post office to monitor the due dates and timely withdrawal of interest. It added that the investment decisions were taken by the Institute's investment committee on the basis of surplus funds and safety and liquidity of the investment and, therefore, all withdrawn interests might or might not be re-investible depending on cash flows. It also stated that Audit had calculated interest on interest which was hypothetical only and that the Institute had got the due interest from the post office for the complete period of investment. The reply is not tenable as had the Institute claimed the interest timely, it could have been gainfully re-invested even at rates higher than the term deposit rates, to generate further returns.~~

Indian Institute of Technology, Kharagpur

6.5 Shortcomings in the computerised payroll accounting system resulted in incorrect payment of salary, pension and irregular disbursements of advances

- * **The Indian Institute of Technology at Kharagpur implemented the Payroll Accounting System (PAS) developed in-house for computation of salary of the staff in 1989. IT Audit of the system revealed several deficiencies such as lack of documentation, lack of proper inbuilt validation checks, non-incorporation of business rules in the online system leading to inadequate data integrity, reliability and security.**
- * **The documentation of the System, physical access controls, and security against natural disasters were inadequate.**
- * **Non-incorporation of business rules combined with lack of proper input and validation controls resulted in over/under payment of salary, pension and irregular disbursement of advances.**

6.5.1. Introduction

The Indian Institute of Technology at Kharagpur (Institute) is the first in the chain of five IITs established by the Government of India in 1950, with the specific purpose of providing technical education of internationally recognised standards of excellence. The Institute has extensive computing facilities with Mainframe, Mini, Micro computers and PCs which are connected in a network.

The Institute implemented the Payroll Accounting System (PAS) for computation of salary of the staff in 1989. Subsequently, in the year 1995 the system was transformed to Sybase with APT¹ interface. In the year 2003, the system was converted to object based module with Power Builder-7 at front-end and Sybase at back-end. The Web-based MIS and Personal Information System were developed in VB/Java Script and ASP with IIS (web server). The package was developed in-house. The Administrative Computer Service Support Center (ACSSC) under the Registrar of the Institute looks after the implementation and maintenance of the system.

The salient functional features of the PAS *inter alia* includes:

- computation of salary of the staff of the institute;
- maintaining the provident fund accounts of employees;
- accounting of interest-bearing advance and
- pension accounting.

6.5.2 Audit Findings

Data for the period from April 2004 to July 2005 (which was extended to earlier periods wherever required) was analysed using IDEA²-2001, MS-Excel and dbase-IV wherever required to get the targeted outputs. Manual records of the institute were cross checked wherever required. The audit findings are discussed in the following paragraphs.

6.5.2.1 General controls

The system was developed in-house in 1989. Audit analysis revealed the following deficiencies relating to general controls.

- * The institute did not have any documented IT-policy in respect of computerisation.
- * User Manual, Programme, Flowcharts, Data Flow Diagram, File layout, Source code etc. were not available.
- * No documented duty list for the users was available.
- * Lack of personnel training policy resulted in dependence on few individuals.

¹ Application Programming Tool

² Interactive Data Extraction and Analysis – Computer Aided Auditing Tool

- * Physical access controls were inadequate and Log book for usage were not maintained exposing the system to unauthorised use.
- * Adequate protection against fire and lightning did not exist, making the system vulnerable.
- * Although backup of the data was being done twice a week, no monitoring was done and backup data were stored in the same location making it vulnerable.

The Institute replied (July 2006) that the observations made by audit were noted and would be taken care of in the proposed comprehensive Enterprise Resource Planning solution.

6.5.2.2 Non-incorporation of business rules and inadequate application controls

Data analysis revealed that the business rules have not been duly incorporated and the system lacked proper input controls and validation checks in different modules thereby resulting in over/under payment of salary, pension and irregular disbursement of advances are detailed below:

- * In 472 cases, HBA amounting to Rs. 6.22 crore was granted more than once leading to undue financial benefit and blockade of funds.
- * In 679 cases, the Provident Fund subscription exceeded the total emoluments of the employee for that month and interest was also allowed to the tune of Rs. 1.15 lakh during the period from March 2002 to July, 2005 on such amounts which was irregular.
- * 216 employees were allowed to subscribe during previous three months of service resulting in excess payment of interest of Rs. 24,731.
- * Five officials other than the regular cashier were irregularly allowed to draw cash handling allowance from August 1997 to July 2005 resulting in excess payment of Rs. 91,000.
- * Pension after deducting the commuted value was paid short in respect of three retired employees resulting in short-payment of Rs. 14,000.
- * HRA was paid to five employees from November, 2004 to June, 2005 though they were provided accommodation during the period. Further scrutiny revealed that the data base was not updated with

current allotment and the duration of transport allowance and did not have any built in validation checks to prevent such irregular payments.

- * Three re-employed employees were paid excess House Rent Allowance Rs. 12,213.
- * Salary paid to an employee, who was on EOL for 9 days from 16-10-2004 to 24-10-2004 (Rs. 5,806) was yet to be recovered (November 2006) indicating that the system has no inbuilt controls to deduct proportionate amount from the employee after such spells of leave. It was also seen that the system could not compute salary for fractional months.
- * An employee, who was in the pay scale of Rs. 12000-420-18300, was paid salary (July 2004) by adopting basic pay as Rs. 23,000. This indicated absence of validation checks in the system.
- * Arrears of Cycle Maintenance Allowance for six months (January to June 2004) was paid to 147 staff in August, 2004, although for April, 2004 this allowance had already been paid. This resulted in overpayment of Rs. 4,410. Similarly there was an overpayment of Rs. 180 towards Cycle Maintenance Allowance to an employee from July 2004 to December 2004.

While accepting the observations, the Institute stated (July 2006) that the necessary corrective steps have been taken/are being taken.

6.5.2.3 Non-utilisation of MIS and PIS module

MIS and Personal Information System based on data warehouse concept was developed in-house in 2003. It was noticed that the data were not updated in the server and hence the objective of development of such system was not achieved. The Institute has assured (July 2006) that the MIS & PIS modules would be operationalised when the integrated ERP solutions is developed.

6.5.3. Conclusion and recommendations

The Payroll Accounting system lacked validation checks in many vital aspects. As a result data integrity, reliability and safety across the system were inadequate. Though, the institute depends on the system for disbursement of pay & allowances, advances, pension to its employees, the business rules were not correctly mapped.

The Institute needs to plug the loopholes and implement the system in a more efficient way.

The matter was referred to the Ministry in January 2007; their reply was awaited as of January 2007.

National Council of Educational Research and Training

6.6 Delays in procurement process leading to excess expenditure

~~The National Council of Educational Research and Training did not take timely action to procure paper to meet its requirement for printing text books for the year 2005-06. This resulted in extra expenditure of Rs. 1.04 crore.~~

~~The National Council of Educational Research and Training (Council) has been printing text books for classes I to XII for distribution to Central Board of Secondary Education schools all over the country. Its Publication Department (PD) works out the annual requirement of text and cover paper for use in printing of text books.~~

~~Audit ascertained (April 2006) that PD assessed total requirement of 23,000 Metric Tonnes (MTs) and 1450 MTs of text paper and cover paper respectively to meet the requirement of text books for Chhattisgarh, Haryana and Jharkhand for the year 2005-06 and submitted a proposal which was to be placed before the Finance Committee's (FC) meeting scheduled to be held on 25 June 2004. The proposed meeting did not take place as scheduled and was finally held on 2 September 2004. FC in its meeting authorised PD for procurement of only 3000 MTs of text paper and 100 MTs of cover paper at the Directorate General of Supplies and Disposals (DGS&D) rates. FC also recommended that the proposal for deciding the mode of further procurement of paper be placed in its next meeting after examining the paper purchase policy of the Ministry. Audit noticed that these recommendations of FC were communicated to the PD after one month on 4 October 2004. In the meanwhile, the rate contract of DGS&D expired on 13 September 2004. Subsequently the Council took up the matter with the Ministry who advised that the old DGS&D rates may be offered to Hindustan Paper Corporation Limited (HPC), a central Public Sector Undertaking, for procurement of 3000 MTs of paper and the balance quantity be procured through open tendering system. Accordingly, the Council approached HPC on 26 October 2004 offering them the rate of Rs. 27,052 (old DGS&D rate including Rs. 250 per MT for water marking) for the supply of printing paper. HPC accepted the~~