

- ~~Initiating suitable action to ensure implementation of only permissible works in the identified border villages.~~
- ~~Initiating advance action to ensure obtaining statutory clearances, expeditious completion of works and proper utilisation of assets created under the programme.~~
- ~~Initiating a monitoring mechanism as prescribed in the guidelines to avoid recurrence of the deficiencies pointed out in audit.~~

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT

5.4 Sikkim Integrated Financial Management System (SIFMS)

The Finance, Revenue and Expenditure Department initiated SIFMS in 2008-09 with the objective to provide real-time data and to make the accounting system of the Government more transparent and accurate. Audit disclosed that the objective of SIFMS had not been achieved as of November 2017 due to non-linking/interface of SIFMS with bank and VLC database of Senior Deputy Accountant General (Accounts & Entitlements), non-mapping of business rules and orders. The Department obtained approval of the Chief Minister in March 2017 to develop a new system. However, as of November 2017 neither concrete action was taken to develop the new system nor corrective action undertaken to set right the defects in the existing system even after a lapse of eight months. Thus, the objectives envisaged were not achieved.

Highlights

Lack of satisfactory documentation not only created void in understanding the system with respect to 'what it should be' but also hindered trouble free operation and maintenance of the system.

(Paragraph 5.4.7.1.1)

Non-application of various controls and non-conducting of third party test indicated weak system control mechanisms in the SIFMS.

(Paragraph 5.4.7.2)

Non-mapping of applicable rules into the system had resulted in short realisation of Government revenue.

(Paragraph 5.4.7.3.3)

The objective of integrating the latest technology in Government accounting for improved transparency and accuracy and to get the status of receipts and payments on real time basis to get the cash balance available with the Bank, was not fully achieved.

(Paragraph 5.4.7.4)

5.4.1 Introduction

The Finance, Revenue and Expenditure Department (FRED) with support of the National Informatics Centre (NIC) had developed (1998) the Pay and Accounts software for use in all the district Pay and Accounts Offices (PAO). To overcome shortcomings in the PAO software, Sikkim Integrated Financial Management System (SIFMS) project was initiated in 2008-09.

The SIFMS was designed to provide real-time financial position of the State through online updation and consolidation of receipts and expenditure of the State Government. It was envisaged that all the key divisions, i.e. PAOs, Budget, General Provident Fund, Accounts, self-cheque drawing departments relating to state finances would be linked together to a centralised system, which could ultimately be made available in a consolidated format on real time basis. The major modules of SIFMS are- (i) Budget Module to enable the user to enter the head wise budget provision for the year, (ii) Pay and Accounts Module wherein on receipt of bills from the Drawing and Disbursement Officers of the State Government, Departmental bills are processed and cheques generated for payment (iii) Loans and Borrowings Module for maintenance of Loans and Borrowings activities of the Government and (iv) Compilation Module to generate various reports regarding expenditure and receipts of the Government. Besides, an additional module for Pension, Group Insurance and Provident Fund (PGIPF) was also developed and integrated to SIFMS. A trial run of the SIFMS was carried out on 1 December 2012 in all the PAOs and self-cheque drawing departments. Results of trial run was not on record. The Department reported that the system has been operational since the trial run, except the Loans and Borrowings Module. Deficiencies noticed in the operation of the system have been brought out under Audit findings.

The system was developed by M/s HK Infoware Pvt. Ltd., Kolkata and annual maintenance was also done by the same company upto March 2015, after which it was taken over by the IT cell of FRED.

The SIFMS project was implemented at a total cost of ₹ 6.66 crore comprising ₹ 1.66 crore for computerisation of FRED, funded by Department of Information Technology under Ministry of Communication and Information Technology, GoI and ₹ 5 crore for setting up of Employees and Pensioners Database implemented by Directorate of Pension, Group Insurance and Provident Fund (PGIPF) under FRED funded by the Thirteenth Finance Commission.

The SIFMS application was developed using .NET Technology - VS 2008 with the Database in SQL SERVER 2008 R2. The database and the application was hosted at the State Data Centre, Gangtok.

5.4.1.1 Objectives of SIFMS

The objectives of SIFMS were as follows:

- To integrate latest technology in Government accounting to make Government accounting more transparent and accurate;

- To get the status of receipts and payments immediately and thus the cash balance available with the bank;
- To get department-wise financial information as and when required for submission to the Ministry of Finance;
- To get detailed information on receipt and expenditure for reconciliation of expenditure with the records maintained in the Office of the Accountant General; and
- To get scheme-wise information.

5.4.2 Organisational set-up

The Principal Secretary, FRED assisted by the Controller of Accounts, the Principal Director and the Additional Director (SIFMS) was responsible for implementation of SIFMS.

5.4.3 Audit objective

The Audit of SIFMS was conducted with the objective to assess whether:

- Planning and budgeting, including system development process and procedures were adequate and effective;
- Information Technology (IT) controls were adequate and effective thereby ensuring data completeness, accuracy, reliability and integrity;
- Business rules, as stipulated by the Sikkim Financial Rules, Hand books and other relevant rules and orders were correctly mapped on to the computerised system; and
- Objectives of SIFMS were achieved.

5.4.4 Audit criteria

Audit findings were benchmarked against the criteria in the following documents:

- Sikkim Service Rule, 1979 as amended;
- Sikkim Public Works Department Code and Manual, 2009;
- Notification and circulars issued by the State Government /Department from time to time;
- User Requirement Specifications; and
- System Requirement Specifications.

5.4.5 Scope of Audit and Audit methodology

The audit on implementation of SIFMS covering the period from 2012 -13 to 2016-17¹⁰ was conducted through scrutiny of records and data extraction/data analysis at the

¹⁰ Initially covered 2012-13 to 2015-16, and later updated upto 2016-17.

Secretariat Office, all five PAOs, PGIPIF and Offices of user departments¹¹. An entry conference with the Principal Secretary and officers of FRED was held on 22 June 2016, wherein audit objectives, scope of audit, audit methodology and audit criteria were explained. An exit conference was held on 08 November 2016 with the Principal Secretary and officers of FRED. The audit was updated upto 2016-17 during July-September 2017. The replies received have been appropriately incorporated at appropriate places in the Report.

5.4.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the FRED in providing necessary access to data, information and records for audit.

5.4.7 Audit findings

5.4.7.1 Planning

5.4.7.1.1 Systems Development

System Development Life Cycle (SDLC) is a structured approach that divides an information system development project into distinct stages from establishing the feasibility to carrying out post implementation reviews and this is used to convert a management need into an application system. While developing an IT system, it is necessary to adopt a SDLC approach with a methodology governing the process of developing, acquiring, implementing, evaluating and maintaining computerised information systems and related technology with documentation at all stages.

Audit scrutiny revealed that there was no evidence to suggest that any structured approach for development of SIFMS was adopted. Non-adoption of structured approach to project development resulted in non-involvement of the users as no User Requirement Specifications (URS) were prepared. Source code, which is vital to modify the programme as and when required, was also not available with the Department. Absence of these mandatory records and lack of documentation created a void in understanding of the system with respect to “what it should be”. It also hindered trouble free operation and resulted in a number of deficiencies affecting the functioning of the system which failed to deliver the intended objectives as brought out in the succeeding paragraphs. Audit could not assess the adequacy and effectiveness of the system development process and procedure comprehensively. Further, the user requirements or the proposed architecture of the software could not be verified by Audit.

The FRED responded that the Department did not have any of the above documents referred to by audit. Hence, it had issued letter to Information Technology Department for copies of the required documents. However, till August 2017 only the soft copy of the User Manual and System Requirement Specifications were produced to Audit.

¹¹ Raj Bhawan (Governor), Land Revenue and Disaster Management, Sikkim Legislative Assembly, Sikkim State Lotteries, Sikkim Nationalised Transport.

5.4.7.2 System security and control mechanism

5.4.7.2.1 Logical Access Controls

Logical access controls are the measures and procedures aimed at protecting computer resources (data, programs and terminals) against unauthorised access attempts in the system.

Scrutiny of the system controls revealed the following:

- There was no documented Information System Security Policy and Password Policy.
- The SIFMS did not have the provision to restrict the number of invalid login attempts which exposed the system to the risk of unauthorised use.
- “Session time out” application should be effectively set in order to invalidate a user session after a certain interval of inactivity in order to safeguard against any unauthorised access. But there was no such provision in the system as observed by Audit during testing of system.

The FRED stated (July 2017) that on the basis of the suggestions and queries raised by Audit, the Department felt it necessary to replace the present SIFMS application. Accordingly, Chief Minister’s token approval for development of a new SIFMS application was obtained (March 2017).

5.4.7.2.2 Physical Controls

Physical control of a system is required to prevent unauthorised access and interference to IT services. To meet this objective, computer equipment and the information should be protected from unauthorised users and protected from environmental damages caused by fire, water etc.

Scrutiny of the IT Cell of FRED and PAO offices revealed the following:

- Preventive measures like fire extinguishers, air conditioned machines, etc. were not available. Fire extinguishers were found in place only in PAO (HQ).
- Physical access to the site and individual personal computers were not regulated.

The FRED stated (October 2016) that the requirements pointed out by Audit had been noted. However, till August 2017, only an AC system was provided to the IT Cell of FRED.

5.4.7.2.3 Change Management Controls

To minimise the likelihood of disruption, unauthorised alterations and errors getting into the application package, a management system which provided for the analysis, implementation and follow-up of all changes requested, was to be in place. However, no such system was put in place with details of requirement for change and their completion.

The FRED accepted the audit point and added that the records had been maintained using axosoft application. However, details regarding the request for change, specification of change, completion of acceptance testing, etc. were not available in axosoft application. Further, till the date of audit (August 2017), no document was maintained by the Department.

5.4.7.2.4 System testing was not done

Only System Developers who had created the software were able to test the program. No third party independent testing of the system to identify design flaws was performed for better assurance on the reliability.

The FRED stated that independent testing of the software would be done at a later stage as some modules were still pending. However, till August 2017, such testing had not been done.

5.4.7.2.5 Business Continuity Plan and Disaster Recovery Plan

The objective of having a Business Continuity and Disaster Recovery Plan is to ensure that the organisation can accomplish its mission and it will not lose the capability to process, retrieve and protect information in the event of an interruption or disaster leading to temporary or permanent loss of computer facilities.

Audit noticed that while the database and the application had been hosted at the State Data Centre, Gangtok, the disaster recovery site of State Data Centre was created at the National Data Centre, New Delhi. However, they were not tested periodically in disaster simulation exercises to determine whether recovery plans would work as intended. IT personnel were also not trained to respond effectively in emergency situations.

The FRED stated that the Information Technology Department handles all aspects of disaster management and that it would organise a mock drill on disaster management and recovery plans with proper documents. Further, FRED stated (September 2017) that the State Data Centre (SDC) at Gangtok was shut down due to massive landslide of 21 July 2017. However, the data had been successfully retrieved from the National Data Centre, New Delhi and they could run the SIFMS through NIC within two days after the occurrence of the natural calamity. Audit noticed that as per the report submitted by IT Cell of FRED, the SIFMS application was restored after four and not two days. Further, no time was stipulated for recovery exercise.

5.4.7.2.6 Training and man power management

The Management, in a computerised environment, must ensure that the organisation ran with sufficient, competent and trustworthy data management personnel because IT personnel who were aware of control weaknesses could alter transaction/data with an ulterior motive. IT cell in the FRED was constituted to enable instant support and updation to SIFMS and to provide support in cases of failure of hardware, network related issues, antivirus and other system failures. IT cell for SIFMS was manned by Joint Director (additional charge), Senior Scientist-C from NIC, Assistant Director (IT), two Accounts Clerks and four programmers (on temporary basis). The vital IT cell, responsible for handling the data of finances of the entire State being manned by temporary programmers was fraught with the risk of interfering in the security and integrity of the data. The SIFMS deserves the services of full time IT programmers with knowledge on financial and Government accounting rules.

The FRED assured that they would explore the possibility of appointing regular manpower in the IT cell. However, till November 2017 the Department had not initiated any action for appointment of regular manpower in the IT cell.

5.4.7.3. System design deficiencies

5.4.7.3.1 Absence of validation checks in the application

Prior to passing of bills, thorough verification of sanction orders, powers of sanctioning authority and necessary documentary proof etc. were to be examined. The System however, had no provision in the application to indicate whether validation checks have been carried out or not before passing the bills.

The FRED stated that all the required measures for validation and controls would be adopted by IT cell to overcome such defects. However, no measures were taken for validation and control by the Department till the date of audit (August 2017).

5.4.7.3.2 Data inconsistencies

The IT application should have in-built controls which automatically check whether the data entered is accurate and valid. The accuracy of data input to system can be controlled by incorporating computerised validation checks on the data presented to the system. Analysis of various data of SIFMS (August 2017) revealed that invalid and incorrect data were entered into the system due to lack of validation checks in the software as detailed below:

GPF Master

- In 15 cases (out of 28,863 cases), the date of birth was same as date of appointment.
- In 95 cases, date of appointment was before the date of birth.
- Employee ID is a system generated unique number. However, in 3,097 cases, Employee ID was blank. In 4,611 cases, basic pay was zero.
- Department ID No: 99 denotes unknown departments which was assigned to 75 subscribers as their attachment to the Department was not known.

Bill Master

- Bill date was later than the voucher date in 358 cases (out of 1,58,359 cases) during 2014-15, 615 cases (out of 1,52,023 cases) during 2015-16 and 515 cases (out of 1,48,868 cases) of during 2016-17.
- Bill amounts were less than amount paid in three cases during 2014-15, six cases each in 2015-16 and 2016-17.
- Bill receipt date was later than the voucher date in 281 cases during 2014-15, 87 cases during 2015-16 and two cases during 2016-17.

Demand view information table

- In demand view information table, the surrendered amount was more than the budget provision (scheme amount including supplementary) in seven cases (out of 994

surrendered cases) during 2014-15, eight cases (out of 1,228 surrendered cases) during 2015-16 and 42 cases (out of 1,262 surrendered cases) during 2016-17.

Department Master Table

- Human Resources Development Department (HRDD) was allotted more than one Department ID (i.e. Dept ID 7162 and 164).

The FRED stated that PGIPF would take up the issue for needful action and also stated that departmental ID for HRDD was 7 and the ID No. 162 and 164 found in the database were the trial data and needed cleansing. This indicated that instead of migrating the new features after testing in test environment, the production server was being used for testing.

Thus, there was lack of validation checks to reject entry of invalid and inaccurate data rendering the data incomplete and unreliable.

5.4.7.3.3 *Business rules not mapped*

Incorporating business rules to computerised processes helps to establish a direct correlation between computerised systems and business activities besides ensuring compliance with applicable rules. The following instances of violation of business rules were noticed:

(i) *General Provident Fund (GPF)*

GPF subscriptions in 1,479 out of 4,12,355 cases (2014-15) and 1,395 out of 3,99,486 (2015-16) was more than the basic pay and in 4,332 cases (2014-15) and 3,012 cases (2015-16) was less than the prescribed rate of 6 *per cent* of the basic pay.

The FRED stated (October 2016) that the less/excess deductions of GPF as pointed by Audit was noted and data was rectified by the concerned PAOs in conformity with the prevailing norms. Audit observed that, instead of the rectification of erroneous data, the application should have been modified with proper mapping of rules so that excess/less GPF subscription would be rejected by the system itself. Thus, the problem persisted as during 2016-17 also, in 293 cases (out of 4,55,141 cases), GPF subscription was more than basic pay and in 373 cases, GPF subscription was less than 6 *per cent* of the basic pay.

(ii) *Service Rule*

State Government servant retires on the last day of month after he/she attains 58 years. However, this was not mapped in the system. Hence, the system could not restrict entry of service details of Government servant even after attaining 58 years of age. Ideally, the system should also have a provision for exception of the said control through authorisation in case of extension of service of any Government employee. Scrutiny of records at PGIPF revealed that nine persons (five and four persons during 2015-16 and 2016-17 respectively) received salary even after the due date of retirement.

(iii) *Profession Tax*

Salary bill data of 2015-16 revealed that in 962 cases (out of 3,99,486) profession tax was deducted less than what was stipulated under the Act.

The FRED stated (October 2016) that less deduction of profession tax as pointed by Audit would be recovered from the employees in subsequent payment. Reply was not acceptable as modification of the application is required where the system itself calculates on the basis of the salaries/wages paid. However, the application was not modified (August 2017) as evident from the fact that during 2016-17, in 895 cases (out of 4,55,141) profession tax was deducted less than what was stipulated under the Act.

(iv) Licence Fee

Analysis of salary bill data of 2014-15 and 2015-16 revealed that in 3,590 cases (out of 4,12,355) and 2,731 cases (out of 3,99,486) respectively, licence fees were not deducted as per rule from the salary bills of employees concerned who were not paid house rent allowances.

The FRED stated (October 2016) that less deduction of licence fee as pointed by Audit would be recovered from the employees in subsequent payment. Reply was not acceptable as modification of the application is required so that any bill with less licence fee was rejected by the system itself or else the licence fee would be calculated by the system itself on the basis of the class of quarter allotted to the Government servant. Further scrutiny revealed (August 2017) that the Department had not modified/rectified the application as in 2,306 cases (out of 4,55,141) licence fees were not deducted from the employees who were not paid house rent allowances during 2016-17.

(v) Advances

No control was mapped in SIFMS for the forfeiture of travelling allowance (TA) advances or recovery from the pay in respect of those who failed to claim within the prescribed time limit as per SFR 216(2). Resultantly, a considerable amount of TA advances were lying unadjusted for more than one year.

The FRED stated (October 2016) that measures would be taken to overcome the defect. However, till the date of audit (August 2017) measures had not been taken to overcome the defect.

(vi) Contributory pension scheme

Improper mapping of the salary bill with Government rules resulted in deduction of less than 10 *per cent* monthly contribution for pension scheme for all the new Government employees (i.e. employed under Defined Contributory Pension Scheme since 1 April 2006) in 24,200 cases (out of 4,12,355) in 2014-15 and 25,360 cases (out of 3,99,486) in 2015-16.

Scrutiny revealed (August 2017) that the Department had not modified/rectified the application for deduction of monthly contribution for pension scheme as, monthly contribution for pension scheme was less than 10 *per cent* in 24,234 cases (out of 4,55,141) during 2016-17.

5.4.7.3.4 Budgetary control

Sikkim Financial Rules provides for control of expenditure against the sanctioned grants and appropriations. Further, the control of expenditure within the approved grant or

appropriation was one of the major functions of the SIFMS. However, SIFMS could not administer effective budgetary control.

(i) Excess expenditure

➤ As per Appropriation Accounts of 2015-16, there was excess expenditure over the budget provisions as shown below:

(i) Grant 3-Building and Housing Department (Heads of Account-4059-01-51-03-31-Development of Infrastructure Facilities for Judiciary including Gram Nyayalayas): There was excess expenditure of ₹ 1.35 crore due to acceptance of surrender of ₹ 25.63 crore by the System as against the actual saving amount of ₹ 24.28 crore on the last working day (31 March 2016) which resulted in erroneous recording of excess surrender which was not restricted by the system.

(ii) Grant-12 Forestry and Environment Management (Wild Life Preservation): There was excess expenditure of ₹ 21.95 lakh (2015-16) due to wrong budget provision mapped in SIFMS i.e. increase in budget provision which allowed expenditure beyond actual budget allotment.

The FRED stated (October 2016) that utilisation was made against the provision under the vote on accounts while no provision was made in the budget under the same head of accounts resulting in excess expenditure. The FRED also added that the software was in the development stage and the Department would address the issue during further development of the software. The reply was not tenable since the excess was due to excess surrender/expenditure as elaborated in the above para. Further, it was seen that the Department had not taken any steps to rectify the software as there were excess expenditure over the budget provision noticed in the Appropriation Accounts of 2016-17 as shown below:

(i) Grant -34 Roads and Bridge (Head of Account-3054-04-105-052-71 maintenance and Repairs of road machineries): There was an excess expenditure of ₹ 1.10 lakh.

(ii) Grant-38 Social justice, Empowerment and Welfare (Heads of Account-2236-02-101-Special Nutrition Programmes): There was excess expenditure of ₹ 1.58 lakh.

(iii) Grant-41 Urban Development and Housing (Head of Account-4217-03-051-78-Project Schemes for benefit of N.E. Region and Sikkim): There was excess expenditure of ₹ 5.64 lakh.

(iv) Grant- 43 Panchayati Raj Institutions (Head of Account-2515-101 Panchyati Raj): There was excess expenditure of ₹ 4.41 lakh.

➤ Analysis of SIFMS data of Demand View Information for the year 2016-17 revealed that there were excess expenditure on Capital Outlay in 8 cases. Similarly there were excess Revenue Expenditure (excluding Salaries, Wages, and Muster Rolls) in 227 cases during 2016-17.

(ii) Incorrect re-appropriation

As per Rule 85(1) of Sikkim Financial Rules, re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation shall be sanctioned by the FRED at any time before the close of the financial year to which such grant or appropriation relates. Thus, the transfer of funds should be equal. However, as per 'Demand View Information Table', re-appropriation for the year 2014-15 and 2015-16 was not equal in six grants¹² and four grants¹³ respectively. This should have been checked and disallowed by the System.

The FRED stated (October 2016) that the software was in the development stage and the Department would address the issue during further development of software. However, it was seen that the system was not rectified as re-appropriations were not equal in the 'Demand View Information Table' in respect of three grants¹⁴ during 2016-17.

5.4.7.4. Reliability of Data

PAOs had been submitting monthly accounts to the Senior Deputy Accountant General (Accounts & Entitlement) based on which monthly accounts of the State Government were compiled and subsequently Finance and Appropriation Accounts were prepared each year. Cross checking of the returns for the years 2015-16 and 2016-17 submitted to the Senior Deputy Accountant General (A&E) with the data generated by the SIFMS disclosed various discrepancies as detailed below:

- The Receipts and expenditure figures tallied as per Form 80 (Monthly Accounts) submitted to the office of Senior Deputy Accountant General (A&E) except in four cases (two cases during 2015-16 and two cases during 2016-17) in the SIFMS. However, the system instead of giving warning on non-tallying of data, generated the wrong statement. The cases of receipt and expenditure where the data did not tally in the SIFMS was attributable to non-depiction of reissued cancelled cheque in the SIFMS and depiction of wrong amount of profession tax.
- Progressive expenditure figure shown in Form 74(A) (Classified Abstract of Expenditure) submitted to Senior Deputy Accountant General (A&E) differed with Form 74 generated by SIFMS.
- Form 79 (Schedule of Deposits) submitted to Senior Deputy Accountant General (A&E) differed from those generated through SIFMS.
- Deductions of storage charges pertaining to departments with no stores were made and shown credited to head of account: 0059.80.800.02.00.00 (Other Receipts) i.e. Public Works Department in Form 80 generated by SIFMS instead of other receipts of concerned Department. This was due to non-provision of other receipts in the Form generated by the SIFMS.

¹²Grants.- 10-Finance Revenue and Expenditure Department, 11- Food, Civil Supplies and Consumer Affairs Department, 15- Horticulture & Cash Crops Management Department, 34- Roads and Bridges, 41-Urban Development and Housing Department and 43-Panchayati Raj Institutions.

¹³ Grants 6- Ecclesiastical, 8- Election, 10-Finance Revenue and Expenditure Department and 34- Roads and Bridges.

¹⁴ Grants-14- Home, 28- Personnel, Administrative reforms, Training and PG and 31-Energy and Power.

- In 'Demand View Information' the budget provision under head of account: 2202-80-001-60-00-50 during 2015-16 was shown as ₹ 9.77 crore whereas in Form 74(A) generated by SIFMS it showed ₹ 9.81 crore. Further, expenditure in Form 74(A) was shown as ₹ 0.88 lakh whereas as per 'Demand View Information', the expenditure was ₹ 9.77 crore. Similarly, during 2016-17 under head of account 2702-60-45-74, the budget provision in 'Demand View Information' was shown as ₹ 1,600 crore. However, in Form 74(A) generated from SIFMS, it was shown as ₹ 2.28 crore. Further, the expenditure in Form 74(A) was shown as ₹ 50.83 lakh whereas as per Demand View Information, the expenditure was ₹ 224.38 crore. All these cases pointed to compilation error in SIFMS.
- There were discrepancies in Form 51 (Schedule of monthly settlement with bank) generated by SIFMS as against the manually prepared Form 51 submitted to Senior Deputy Accountant General (A&E). This was due to absence of linkages between SIFMS and the bank.
- CPAO (HQ) submitted works accounts showing an adverse balance of ₹ 61.00 crore (negative) in Form 51 in respect of Tourism (Plan) pertaining to the month of February 2016. Further, similar adverse opening balance was earlier noticed in the month of September 2015 amounting to (-) ₹ 60.09 crore. Erroneous depictions of adverse balances ought not to have been accepted/generated by the SIFMS and should have been warned before generation.

The FRED admitted (October 2016) that there were some discrepancies in the report modules. It also assured that the issue would be taken care of and rectified accordingly. However, similar discrepancies in the forms generated by SIFMS were noticed during March 2017 for an amount of (-) ₹ 13.46 crore.

- Expenditure data of 38 selected Major Heads extracted from 'Bill Master' for the year 2016-17 were compared with the amount booked in the Office of the Senior Deputy Accountant General (A&E). However, expenditure in 34, out of 38 Major Heads, did not tally. Voucher wise analysis revealed that the difference was mainly due to three reasons in the Bill Master: (i) the total bill amount (advance plus balance amount) as shown in detailed contingent bills was incorrectly reflected in the gross amount field instead of reflecting only the balance amount (i.e., total bill amount – advance), (ii) deductions from salary bills (i.e., GPF, recovery of excess payment or advances etc.) were not included in the gross amount and (iii) some of the vouchers were not captured while extracting the actual expenditure from SIFMS due to some technical reasons.

Thereafter, IT Cell of FRED also extracted the expenditure of 38 Major Heads from various table of SIFMS and found that the expenditure in respect of only 24 Major Heads tallied with the books of the Senior Deputy Accountant General (A&E).

Further, even the expenditure data of 'Bill Master' and 'Demand View Information' (both within the SIFMS) did not tally.

This indicated that SIFMS which was expected to generate or give financial information accurately and conveniently as and when required did not deliver the required information.

5.4.7.5 Other deficiencies in System

- The Treasury interface was not linked with Voucher Level Computerisation (VLC) database in the Senior Deputy Accountant General (A&E). Due to this, there was duplication of work in the office of the Senior Deputy Accountant General (A&E) where monthly accounts figures submitted by the Treasuries have to be re-entered into the VLC system instead of processing from soft copies.
- In four cases in South district for the year 2015-16, payments were made from the head of account: 2851-00-003-61-45-14 (Rent, Rates and Taxes) relating to East district and in four cases, expenditure was incurred from the head of accounts: 2851-00-003-61-60-14 (Rent, Rates and Taxes) which was not found in Demand for Grants.

The FRED accepted (October 2016) the Audit observation and noted it for future compliance.

5.4.8 Current status of SIFMS

FRED stated (September 2017) that the new version of SIFMS, based on audit observations, was being developed. Accordingly, it obtained (March 2017) token approval from the Chief Minister to develop a new version of SIFMS.

Audit, however, observed that neither details of modus-operandi nor the cabinet approval was obtained by the Department as of November 2017. Hence, the Department did not take appropriate action to either rectify the deficiencies pointed out in the system by Audit or to develop the new system as approved by the Chief Minister even though eight months had lapsed. Thus, the system as of November 2017 failed to fulfil the objectives of providing real-time data and make the accounting system transparent and accurate.

5.4.9 Conclusion

The Department initiated SIFMS in 2008-09 with the objective to provide real-time data and to make the accounting system of the Government more transparent and accurate. Audit disclosed that the objective of SIFMS had not been achieved as of November 2017 due to non-linking/interface of SIFMS with bank and VLC database of Sr. Deputy Accountant General (A&E), non-mapping of business rules and orders. The Department obtained token approval of the Chief Minister to develop a new system. However, as of November 2017 neither concrete action to develop the new system nor corrective action to rectify the defects in the system were taken even after a lapse of eight months. Thus, the objective envisaged had not been achieved.

5.4.10 Recommendation

The Department should initiate urgent measures to expedite the development of the new SIFMS to achieve its intended objective to provide real-time data and to make the accounting system of the Government more transparent and accurate.