

Executive Summary

AP Comprehensive Financial Management System (CFMS) was rolled out in April 2018 by the Government of Andhra Pradesh. The systems audit of CFMS was taken up to cover the three modules – Expenditure, Receipts and Budget rolled out in first phase of the CFMS and transactions till September 2021.

The CFMS had completed three financial years, 2018-19 to 2020-21, when this audit was planned. All the receipts and payments of the State are being handled through this application from 2nd April 2018. Principal Accountant General (Accounts & Entitlements) (PAG (A&E)), being secondary compiler of accounts, relies on the initial accounts prepared in CFMS by the treasuries. Hence, assurance on the integrity and reliability of transactions processed through and the data generated from the system is essential both for PAG (A&E) and the PAG (Audit), the primary auditor, under the organisation of the CAG.

This Report is mainly based on the documentation and data provided by APCFSS and sample check done by us in user departments. Accounting and reporting requirements to PAG (A&E) were also analysed in this report. The Finance Department and APCFSS did not provide documentation or information on the second objective of Audit on Application Security including Business Continuity. Audit efforts in the direction of gaining assurance on this aspect is not successful.

Significant results of audit that featured in this Report are summarized below:

Non-enabling of ‘duplicate check’ of bills during payment in the CFMS application resulted in excess payments from the exchequer. This also depicts weak processing controls in the application, besides causing excess payments of ₹ 968 crore relating to 1,41,917 bills, between April 2018 and September 2021. The administrative departments were informed of such payments and recommended for recovery, if not done already. Due to non-provision of ‘Limit check’ in the application, excessive pensionary benefits were drawn in respect of 2,545 pensioners, covering 193 Treasury Officers/DDOs between April 2018 and September 2021, involving an amount of ₹ 218.15 crore. The Government needs to investigate the cases of excess drawal of pensionary benefits and fix responsibility on the erring officials. It was noticed that misappropriation of Government Revenue of ₹ 43.09 lakh took place due to a lack of validation between category of beneficiary and type of payment. Thus, lack of validation led to unauthorised change of beneficiary credentials in the CFMS application. It was further noticed that 1,44,493 Personal Deposit (PD) accounts were created through the backend of CFMS without involvement of the Cash and Debt Management Section of Finance Department. Further, PD administrators were not involved / aware of lapsing of funds to the tune of ₹ 71,568.44 crore (carried out as part of year-end activity for the period from March 2019 to March 2021) from PD accounts in 3,41,410 cases, as these were affected by the CFMS backend team. Thus, the system lacked effective design, process and validation controls on creation of multiple PD

accounts, adjustment of amounts, cancellation of bills through a single platform ignoring key process owners, posing a potential risk to the application integrity. The management of Deposit Accounts in CFMS showcased failure in both design and control aspects of the system. Poor assurance on design and control aspects needs to be seen in the context of the significance public account holds as a percentage of total government disbursements (28, 43 and 48 *per cent* respectively for the years 2018-19, 2019-20 and 2020-21 respectively). It is recommended that the Department may incorporate necessary controls to avoid repetitive and excess payments.

An additional table in the database was created and all the bills after completing their formal validations and approval at treasury level and prior to moving to e-Kuber for payment, are kept in /routed through this table. The remarks offered by the Passing authority on certain bills on passing / cancellation *etc.*, are not logical and users who rejected/cancelled the bills were not authorised to do so. Holding the bill, before payment gateway in spite of budget availability shows lack of transparency which defeats the core objective 'transparency' of CFMS application besides violating the State Financial Rules. Implementing workflows based on the rules already in vogue to protect the reliability of the system.

Beneficiary master was not designed as envisaged in the specifications documents of the system. It is found that Aadhaar, though considered mandatory for de-duplication, for all types of beneficiaries, was not available for all the beneficiaries. Beneficiaries that exist in more than one category indicate the possibility of fraudulent transactions. Further, examination of DDO master in the CFMS showed that for 545 DDOs, Aadhaar was not available in the master table. It is recommended that the DTA may review and strengthen their checks to ensure integrity of accounts in view of large-scale data inconsistencies brought out in this report.

In 11,59,025 challans, totalling receipts of ₹ 1,865.73 crore, the receipt notification was received from RBI only after five days or more up to 196 days, even though the settlement period is Transaction day + 1. In 27,031 records between April 2018 and September 2021, involving a sum of ₹ 3.78 crore, bank payment date is after RBI's scroll date to CFMS, which defies logic.

The CFMS data (C-PIN and amount) and the GST data (GST C-PIN and amount) provided by the AP State Commercial Taxes Department were cross-verified and found in 73,596 transactions, C-PINS entered by the various DDOs were not correct. The DDOs in question failed to remit the amount drawn from the government, totalling ₹ 264.33 crore.

The feature of Minus Debit and Minus Credit is not available in the CFMS for accounting of Debt, Deposit, Suspense and Remittance (DDR) Heads of Account. This would result in the inflation of the balances in these heads of account in the Government accounts generated in CFMS. Classification master of CFMS is not in conformity with LMMH prescribed by the Controller General of Accounts. The Time taken by the 2,054

Drawing and Disbursing Officers (DDO) to submit the Detailed Contingent (DC) bills ranged from 1,306 days to 91, although Government prescription was to submit the bills within 90 days. Further, number of Abstract Contingent (AC) bills pending for DC bill shall not be more than two, at any time against each DDO. The pendency against 104 DDOs was, however, more than two and ranging from 35 bills to three bills, in spite of the prescribed bills limitation of two. There were no controls for timeliness and limiting the number of AC bills in the system during the audit period. It is recommended to bring the accounting in line with the accounting rules and codes, in consultation with PAG, as prescribed under Article 3 of Andhra Pradesh Accounts Code.

Thus, due to deficient design and processes and lack of validation controls in the system as summarised above, the CFMS system was not only weak and vulnerable but also failed to provide the envisaged outcomes which included real time information availability, facilitating agility in decision making, speed and certainty of service delivery, convenience to all the Stakeholders, minimal reconciliations and improved financial discipline in the State.