4   Failure of the Authority to use Information Technology as a tool to monitor financial assistance schemes

The Agricultural and Processed Food Products Export Development Authority incurred an expenditure of Rs. 3.11crore on computerisation during the period 1996-2003, but could not properly implement the most critical application of the Financial Assistance Schemes (FAS) as envisaged in the Information Strategy Plan. Thus, the Authority failed to effectively monitor disbursements to exporters under various financial assistance schemes which amounted to Rs. 55.66 crore during the period 1998-2003.

The Agricultural and Processed Food Products Export Development Authority (APEDA) was established by the APEDA Act passed by the Parliament in December 1985. The main function of the Agricultural and Processed Food Products Export Development Authority is to promote the production and development of certain agricultural and food products for export. The Authority provides financial assistance under various schemes to the exporters registered with it.

In 1996-97, the Authority formulated an Information Strategy Plan to automate its critical functions. The main thrust of the plan was to create integrated databases to enable activity monitoring. The Financial Assistance Schemes (FAS) Database was a crucial element to keep track of financial assistance provided to the exporters. Till March 2003, the Authority spent Rs. 3.11 crore on hardware and software including upgradation of software by private parties.

National Informatics Centre developed and implemented in 1998-99 the following databases in Oracle Application - Financial Assistance Schemes, Registration of Exporters, Monthly Party Returns, DGCIS (Director General of Commercial Intelligence and Statistics) Database and Trade Fairs Database. In October 2001, as part of the upgradation process undertaken by the Authority, the following databases viz. Monthly Party Returns and Registration of Exporters were upgraded from Oracle to SQL Server and Active Server Pages. However, FAS was detached from Oracle Database Management System and was maintained on the Lotus Notes workflow software. Audit reviewed (June-July 2003) the implications of this step by analysing the data available.

4.1.1 Delinking of FAS Application from related Applications resulted in irregular payments of Rs 55.66 crore to 804 exporters.

The APEDA Act provided that exporters registered with DGFT (Director General of Foreign Trade), having a valid IE Code, could avail financial assistance under APEDA schemes, provided they registered with the Authority and were allotted a Code (Importer Exporter Code). The exporters registered with the Authority were required to sign an undertaking to provide the monthly details of their exports. Further, in terms of Rule 11 of the Act, if an exporter contravened the provisions of these rules, his registration was liable to be cancelled.

One of the objectives of the Information Strategy Plan was to monitor and ensure that all the exporters seeking assistance submit the monthly exports figures. The Authority had 19663 registered exporters as on 31 March 2003 according to the Exporter Master table in the Registration of Exporters database. However, none of them were sending their Monthly Party Returns on a regular basis.

Audit also cross-checked the data maintained in the Monthly Party Returns Database with the information compiled by the Budget and Finance Division. During the period from April 1998 to March 2003, Rs. 55.66 crore were disbursed to 804 exporters who had not been sending the Monthly Party Returns on a regular basis. The remaining registered exporters (18859) did not avail any assistance under FAS. The registration of the 804 exporters was liable to be cancelled. Out of these exporters, 233 exporters had never updated their Monthly Party Returns but were given assistance aggregating Rs. 11.93 crore. Audit scrutiny further revealed that disbursements of Rs. 15.37 crore were made to 367 exporters who had not even updated information pertaining to their company's profile in the Registration of Exporters' Database.

Audit scrutinized the Exporter Master table being maintained on the SQL Server and identified that the Authority did not have various essential details including IE code in respect of 15000 exporters.

However, the FAS application failed to prompt the user of these facts and that the exporters applying for the assistance were defaulters. This occurred because FAS was not integrated with the Monthly Party Returns Database.

Audit also observed that the Budget and Finance Division was compiling the actual figures of disbursements using another IT Application named Tally and were not relying on the FAS data for accounting purposes. Financial assistance of Rs 55.66 crore (excluding components that are hundred percent implemented by APEDA) was released to the exporters during April 1998 to March 2003 according to the information recorded by the Budget and Finance division. However the FAS application showed a corresponding amount of Rs 21.56 crore only. Hence computerisation failed to achieve effective monitoring.

4.1.2 Ineffective enhancements carried out in FAS Application.

In February 2001, the Authority upgraded the FAS workflow Application through M/s Teamwork Solutions Pvt. Ltd. The enhancements desired were (i) automatic calculation of financial assistance on the basis of project cost, (ii) verifying whether an applicant of financial assistance was registered exporter of the Authority or not and (iii) verification of double payments. Audit scrutiny revealed that none of the enhancements were effective.

For the first enhancement, the project cost field had to be made mandatory. Examination of FAS workflow data by Audit revealed that in 54 applications received during the period February 2001 to March 2003 the project cost was not shown. However, in 23 of these cases, assistance had been given. Further, this amendment also failed to prompt the user when the maximum ceiling or prescribed percentage of the project cost was exceeded. In all, there were 74 cases where the payment released to the exporters in a single instalment was either more than the prescribed maximum percentage of the project cost or more than the maximum ceiling. The database reflected an overpayment of Rs. 1.29 crore.

The second enhancement for confirming that the applicant was a registered exporter of the Authority was also not effective. In all, there were 69 exporters registered more than once by the Authority. Further, according to the Registration department of the Authority, the number of exporters registered during 2001-03 was 2158 whereas the computerised database showed the corresponding figure as 2176 and the ledger account showed a receipt of fee in respect of 2163 exporters only. Hence, despite computerisation, confusion prevailed over the exact number of exporters registered with the Authority.

The third enhancement was effected by providing a history column of assistance taken by exporter, based on the APEDA code. However, the amendment failed to detect overpayments to an exporter irregularly having two or more APEDA codes. This could have been detected through the unique IE Code. Further, there was no column for specifying the year for which the assistance was applicable. In 35 cases during the period from April 1998 to March 2003, assistance was sought by the exporters for the same component more than once during a year and the database revealed payment of Rs. 44.58 lakh in excess of maximum allowed ceiling. As a consequence of these shortcomings, the FAS Application failed to detect overpayments to an exporter under the same component during the same year.

4.1.3 Lack of internal controls rendered the FAS Application unreliable

- ☐ Audit noted that in 78 cases out of 3241 applications received from exporters seeking financial assistance from the Authority during the period from April 1998 to March 2003, requisite data entry was made in the

database after releasing payments amounting to Rs. 90.94 lakh. Hence, all the checks to be carried out by the software were overridden.

☐ The following discrepancies in the FAS data on cheques were noted:

Discrepancy	No. of cases out of a total of 3241 cases
Cheque numbers repeated	33
Cheque numbers repeated with different details	28
Status "Payment Released" but Cheque amount not shown	36
Cheque amount shown but cheque number not shown	24
Cheque date shown but cheque number/amount not shown	1748

Audit identified these discrepancies after comparing the FAS data with the information compiled by the Budget and Finance division.

4.1.4 Conclusion

Thus, even after incurring an expenditure of Rs. 3.11 crore on computerisation, the Authority could not implement the FAS Application as envisaged in the Information Strategy Plan. The Authority failed to use it as a tool to monitor financial assistance schemes on which it incurred an expenditure of Rs. 55.66 crore as disbursements to exporters during 1998-2003.

In reply, the Authority accepted the facts (October 2003) and stated that they were preparing a procedure for ensuring submission of Monthly Party Returns by all APEDA registered exporters and restricting financial assistance to only those exporters who had updated their details at the APEDA website. Further, the Authority also stated that they had formulated new integrated software for financial assistance that would take care of various audit recommendations.

The matter was referred to the Ministry in December 2003; its reply was awaited as of February 2004.