

Paragraphs

6.11 Information Technology audit of payroll system in Delhi Transport Corporation

In May 1998 Delhi Transport Corporation engaged M/S Binary Systems Ltd. to develop an application software for its payroll preparation. An audit of the computerisation of Payroll system revealed the following:

Deficiencies in System Development

The firm developed the application based on Oracle 8.04 at backend and Developer 2000 at front-end, and in-house preparation of payroll commenced from January 2000. Despite this there remained several discrepancies in the software. This resulted in non-generation of critical reports like Employees' Pension Scheme Reports, Provident Fund Updation Reports and Provident Fund Contributions Slips of each employee. Consequently, much of this work continued to be done manually despite expenditure of Rs. 7.30 lakh paid to the firm. Though the Management had issued a notice for breach of contract in January 2001 to the firm, it failed to ensure action to rectify the deficiencies.

Lack of physical and logical access controls

The Payroll system was also marked by a lack of adequate physical and logical controls to safeguard against unauthorized access, theft and damage. Audit scrutiny revealed that:

- (a) no physical access register was being maintained to guard against unauthorized access to the computer system;
- (b) only a single password was being used by all the users and even the administrative password was not kept confidential;
- (c) the passwords were not being changed periodically.

Government stated in October 2004 that DTC had taken precautions to ensure physical and logical security and that access registers were being maintained and passwords set appropriately. Audit scrutiny of the reply revealed that instructions requiring maintenance of access registers, security passwords and for taking backup on regular basis were issued only in July 2004 after it was pointed out in audit.

Deficient application software

Audit analysis of the programs used for purposes of calculation of basic pay, City Compensatory Allowance (CCA), Dearness Allowance (DA) and House Rent Allowance (HRA) revealed several deficiencies and inaccuracies which undermined both the utility as well as the reliability of the application.

Test check of CCA, DA and HRA payments made during 2003 and 2004, using Computer Assisted Audit Techniques (SQL¹ and IDEA²), revealed that the calculations arrived at were not in consonance with the admissible rates or the prescribed formula as detailed below:

- * In 1030 cases amounting to Rs. 24.83 lakh, the CCA was not in consonance with the admissible rates.
- * In 7363 cases out of 3, 67,737 cases amounting to Rs. 1.18 crore, the HRA calculation was not equal to the amount arrived at by the stipulated formula.
- * Similarly in 1,53,179 cases out of 3,92,610 cases, the DA calculation was not according to the prescribed formula.

Management stated in June 2004 that the differences were due to adjustments done at the unit level on account of payments of arrears and the existing software did not have a feature enabling calculation of arrears. Government further stated in October 2004 that there were no extra payments as there were three manual level checks to guard against the same. It is clear that the data generated by the application system cannot be relied upon and manual checks have to be conducted thus defeating the very purpose of a computerized payroll system.

Audit scrutiny also revealed that the 'Basic Pay' fixed was more than the maximum of the time scale in case of 118 drivers due to grant of next scale under Assured Career Progression (ACP) scheme. Management while admitting the error stated in July 2004 that the dates of joining had since been rectified in all the cases and only 20 cases remained entitled for the next higher scale under the ACP scheme. It was evident in audit that the system did not have the inbuilt validation checks to eliminate these errors. Further, the system did not have any provision to record and exhibit Stagnation Increment and Dearness Pay.

¹ Structured query language

² Interactive Data Extraction and Analysis.

Further, it was noticed in audit that minus balances were being exhibited under Contributory Provident Fund of 639 employees. Management informed in July 2004 that most of these cases pertained to final payment wherein interest calculation had been added to the total amount of provident fund dues which resulted in the minus balances; format of the report for calculation of interest on PF contribution was yet to be modified.

It was clear that the system lacked effective validation checks and was highly dependent on manual checking and verification during all stages of data processing from preparation of source documents to final verification of pay bills.

The Government while accepting the audit observation that the payroll system was not fully operational, stated in October 2004 that in light of the audit observations and the discrepancies in the present software, the Corporation was considering either procuring a fresh payroll software from NIC or outsourcing the application to some outside agency.

6.12. Deficiencies in Internal Control/Internal Audit System in Power Sector Companies

6.12.1 Internal Control

Introduction

Internal control is an integral part of an all pervasive process designed and effected by the management of an organisation to achieve its specified objectives ethically, economically and efficiently. It helps in creating reliable financial and management information system besides effective decision making.

The internal control systems, procedures and mechanisms in power sector companies of the Government of NCT of Delhi were evaluated with a view to assessing whether the existing systems were adequate, effective and fulfilled the intended purpose.

6.12.2 In July 2002, the Delhi Vidyut Board (DVB) was unbundled and the following power sector companies were formed under the control of Government of NCT of Delhi for carrying out the business of generation and transmission of power: