

2.5 Information Technology audit of computerisation of PAO functions and preparation of Appropriation and Finance Accounts of GNCTD

The Information Technology audit was conducted to review the implementation of computerization in the accounting organisation of GNCTD for core functions of PAOs and preparation of Appropriation and Finance Accounts. The significant audit findings are as under:

Highlights

- *COMPACT PAO 2000 was adopted for accounting functions of PAOs of GNCTD without a feasibility study and an archaic system continued where significant functions of accounting continued to be performed manually.*

(Paragraph 2.5.7.1)

- *CONTACT SOFTWARE did not have facility for budget and expenditure control. Preparation of Appropriation and Finance Accounts from CONTACT data was manual. No common interface amongst key stakeholders existed for collection, presentation and utilization of key financial information on a real time basis, resulting in delays in the decision making process.*

(Paragraph 2.5.7.1)

- *In the absence of User Manuals, Operational Manuals and System Manuals and general lack of trained staff, the COMPACT could not be utilised optimally. PAOs relied more on their manual records or the data of compilation available on MS-Excel for MIS purposes.*

(Paragraphs 2.5.7.3 and 2.5.7.4)

- *Department did not have any Disaster Recovery Plan indicating frequency of taking back up of data, its location of storage and restoration.*

(Paragraph 2.5.7.7)

- *Data analysis showed cases of data inconsistencies which indicated the extent of reliability of the data.*

(Paragraph 2.5.8.1)

2.5.1 Introduction

The Principal Accounts Office (Pr.AO) of the GNCTD prepares Appropriation Accounts and Finance Accounts of GNCTD every year. He also prepares Statements of Central Transactions containing transactions relating to Public Accounts and retirement and pensionary benefits of employees of GNCTD which are rendered to the Controller General of Accounts (CGA), Ministry of Finance (MoF), GoI, to be included in Central Accounts.

In the late 1980s, National Informatics Centre (NIC) developed CONTACT software in DBASE in consultation with the office of CGA, MoF and it was introduced in the accounting organisation of GNCTD for use by Pr.AO. NIC also developed COMPACT (Comprehensive Pay and Accounts) PAO 2000 in consultation with the CGA, MoF in WINDOWS NT Ver. 4 environment with SQL Server 7.0 at the back end and Visual Basic 6.0 at the front end and it was introduced in the year 2002-03 to computerise all the major accounting functions of PAOs of GNCTD i.e. pre-check, compilation of accounts, GPF, Budget and Pension. The intended objectives of COMPACT were increasing the reporting and querying capabilities, more management information, reducing the time taken in compilation of accounts, generation of different reports and returns in compatible form for CONTACT, integrating the different sections of PAO, historical data maintenance etc.

2.5.2 Organisation set up

The Accounts organisation in the Government of National Capital Territory of Delhi (GNCTD), functions under the overall supervision of the Chief Secretary, GNCTD who is assisted by the Principal Secretary (Finance), Secretary (Finance), the Controller of Accounts, Deputy Controller of Accounts and 25 Pay and Accounts Officers.

The Pr.AO receives monthly accounts from 23 PAOs covering 1650 Drawing and Disbursing Officers (DDOs). In addition, two PAOs (IV and XVI) covering 37 DDOs, deal with the accounts of the Delhi Police and submit monthly accounts directly to the Pr.AO of the Ministry of Home Affairs, GoI, online on e-lekha for their incorporation in the Central Government Accounts.

As per the existing system in GNCTD, one PAO deals with multiple Departments and one Department is attended to by multiple PAOs. However, there is no inter-linking between these 25 PAOs for operations and every PAO functions in isolation for its assigned DDOs.

2.5.3 Audit objectives

The objectives of IT audit were to assess whether:

- alignment of beginning of IT processes and end of manual processes are perfect and proper, and
- data generated by the operating of the system is reliable.

2.5.4 Audit scope and methodology

IT Audit included the review of:

- Implementation of computerization since its inception in 2002-03,

- Accounting tasks performed by six²⁸ selected PAOs of GNCTD on COMPACT PAO 2000 software along with manual records maintained for the year 2012-13,
- Uploading and processing of data in the CONTACT software at Pr.AO and segregation of transactions relating to Public Accounts and Consolidated Fund of India for its onward submission to the CGA, MoF, GoI for the year 2012-13,
- Final output i.e. Appropriation Accounts and Finance Accounts of GNCTD in the Principal Accounts Office for the year 2012-13,

A draft report was issued in November 2013 to the Principal Secretary, (Finance) seeking Government's views on the report. The replies of the Principal Accounts Office and PAOs have been incorporated in the relevant paragraphs.

2.5.5 Audit criteria

The audit criteria was drawn from the following sources:

- Provisions of Civil Accounts Manual, Receipts and Payments Rules and General Financial Rules,
- Manuals, programme methods or policies and procedures for introduction and implementation of the IT system, and
- Generally accepted best practices of an IT system e.g. COBIT.

2.5.6 Work flow charts

The work flow charts for processing of bills and their accounting in PAOs, and preparation of Appropriation Accounts and Finance Accounts are shown in **Annexure-2.5.1 and Annexure-2.5.2.**

Audit findings

2.5.7 Lack of General IT Controls

2.5.7.1 Alignment of solution with business rules and needs

(A) COMPACT

COMPACT was introduced to computerise major accounting functions of PAOs of GNCTD i.e. pre-check, compilation of accounts, GPF, Budget and Pension. Scrutiny of process of computerisation revealed shortcomings which are discussed in succeeding paragraphs:

²⁸PAO-IV, VI, IX, XV, XXI, XXIII (based on the number of DDOs-2 PAOs with highest number of DDOs i.e. PAO-IX and PAO-XXIII, 1 PAO with medium number of DDOs i.e. PAO-XV, 1 PAO with lowest number of DDOs i.e. PAO-VI, 1 PAO dealing with Delhi Police and submitting accounts directly to CGA, MOF i.e. PAO-IV and 1 PAO dealing with the receipts i.e. PAO-XXI)

(a) Non-integration of specific functions of GNCTD in COMPACT:

COMPACT PAO 2000 software was developed by NIC, keeping in view the functional requirements of PAOs of the Central Government only. It was adopted for the PAOs of GNCTD in 2002-03, although there were specific accounting functions of GNCTD such as transactions relating to Public Accounts, retirement, pensionary benefits and allocation of accounting tasks. The GNCTD before adopting COMPACT did not carry out a feasibility study and integrate these specific functions into COMPACT so that the entire accounting functions are carried out only in COMPACT.

Even after 10 years of its implementation, the required modalities/solutions were not provided in COMPACT for separate Central and State receipts and expenditure reports. The efforts of the Pr.AO for consolidation of PAOs' COMPACT data on e-lekha also did not materialise due to non-bifurcation of accounts.

The Controller of Accounts accepted (January 2014) that COMPACT was implemented in the PAOs of GNCTD without conducting proper feasibility study. The preparation and consolidation of accounts through COMPACT and e-lekha could not be achieved due to their inability to bifurcate accounts into Consolidated Fund and the Public Accounts.

(b) Stand-alone system: The COMPACT software was being operated in 25 PAOs on stand-alone servers. There was no connectivity between these 25 PAOs for operations. The reports generated by PAOs could provide information only on receipts realised and expenditure incurred by their DDOs under a particular head of account and that too on a monthly basis, when accounts for the month were compiled. PAOs or Pr.AO could provide only DDO-wise information of receipts and expenditure. There was no mechanism in place to generate any report on progressive expenditure or receipts of a department. Also, no real time information on progressive expenditure or receipts under a particular head of account for effective monitoring of expenditure was available.

Besides above limitations, the existing stand alone systems also gave rise to certain practices which were clear subversion of the system. Some of the instances of such practices are given below:

(i) Audit observed that AAOs and PAOs were scrutinizing the bills manually and posted their remarks on the face of bills. However, the passing of bills in the pre-check module of COMPACT was left to dealing hands/ Assistant Programmers, who passed these bills in bulk using passwords of AAOs and PAOs. It was seen that 3074 bills (**Annexure-2.5.3**) were cleared in pre-check module of COMPACT passing through three stages of dealing hand, AAO and PAO within a short period of five minutes.

Audit scrutiny showed cases where bills objected to by AAO or PAO manually, were passed on the pre-check module of COMPACT. The errors came to notice only at the time of assigning cheque numbers to such bills in the system. As per the system, once a bill is passed on COMPACT, a cheque number has to be assigned to it. However, wrongly passed bills were not allotted cheque numbers. To overcome this problem, dummy cheque numbers

were given to these bills, and printouts were also taken to complete the process. Thereafter, entries for cancellation of dummy cheque numbers were passed in the COMPACT and budget was restored. When the corrected bill came next time, it was entered in the system with slight modification in its number with a suffix and passed for the second time.

Scrutiny of COMPACT data for 2012-13 showed that list of outstanding cheques as on 31 March 2013, included 228²⁹ dummy cheque numbers involving ₹ 5.20 crore (**Annexure-2.5.4**). This meant that dummy cheque numbers were not cancelled, indicating a weak budget control mechanism.

The department stated (January 2014) that all dummy cheques were cancelled and the expenditure was returned back. The reply is factually incorrect as there were 228 specific cases where dummy cheques were not cancelled as on 31 March 2013.

(ii) Four³⁰ out of five selected paying PAOs did not enter the details of receipts into the COMPACT and all records relating to receipts was manual. PAO-IV was entering head-wise receipts in lump sum in COMPACT, instead of challan-wise entry, as received from public sector banks.

In case of PAO-VI, the cheques for refunds were not being issued through COMPACT, but manually and as such, no data for these cheques was entered into the COMPACT. Thus, no effective control was exercisable on receipts and refunds through COMPACT.

The department stated (January 2014) that matter was being pursued with the accredited banks for supplying receipt scrolls in soft copy which could be directly incorporated in COMPACT.

(iii) In all the five selected paying PAOs, there were some cases of issue of cheques manually. Audit observed that 2132 cheques, included in the authorised list of cheques issued to four selected PAOs³¹, were not found in the list of cheques issued in COMPACT. Due to this, the exercise of encircling of cheque and reconciliation with the bank scrolls, conducted through COMPACT stood compromised. Thus, balances under two major heads, 8658: Suspense-PSB Balance and 8670: Cheques and Bills and details of outstanding cheques on COMPACT were not reliable.

The department stated (January 2014) that only on rare occasions data of manually issued cheques was not entered in COMPACT due to non-functioning of hardware. The reply of the department is not acceptable as there were 2132 cases where data was not entered in COMPACT which meant that data in COMPACT was not complete and reliable.

²⁹ (PAO-XXIII: 101 cheques amounting ₹ 17710639 and PAO-IV: 127 cheques amounting ₹ 34294080).

³⁰ PAOs-VI, IX, XV & XXIII

³¹ PAOs-IV, VI, XV & XXIII. PAO-IX did not furnish the authorised list of cheques used during 2012-13.

(iv) The DDO-wise and head-wise annual budget is entered manually into the Budget Module of COMPACT. The expenditure of DDOs under particular head of accounts is restricted within the budget allocated. However, some payments like pension, leave encashment, gratuity, etc. are charged to MH 2071 of the Consolidated Fund of India, as provision for these payments is not made in the State Budget. In the absence of any budget for every such payment, the system flashes a red signal indicating less or non availability of budget. But these payments were made anyway quite regularly from the user ID of PAO, as COMPACT had the provision to override the budget by PAO.

However, it was observed that the list of overridden bills contained payments made on other object heads such as salaries, office expenses, medical and other charges, which meant that PAOs allowed payments of certain bills without availability of budget, using the facility for overriding of budget.

The department stated (January 2014) that in certain cases bills were admitted on the authorisation of the Finance Department (FD) pending allocation of budget at Revised Estimate (RE) stage, using the overriding of budget facility provided in COMPACT at the PAO level. However, the reply was not supported with documents showing authorisation from FD.

(c) Non-mapping of business rules: Audit noted that there was no system for checks in passing the bills in the COMPACT software (in line with the Civil Accounts Manual, GFRs and Receipts and Payment Rules). This was being done manually by a dealing hand, AAO and PAO. There was, therefore, a possibility of bills of similar nature with similar deficiencies being passed or rejected depending on the discretion and knowledge of the processing officers about the relevant rules and COMPACT had no role to play in this area.

(d) Non-compatibility of General Provident Fund (GPF) Module: Audit observed that the GPF module of the COMPACT software was not being used by the PAOs of GNCTD, as it was not compatible with their practical requirements. For maintenance of GPF accounts of employees of GNCTD, PAOs were using new GPF software - 'GPF Information System' developed by the NIC as per their requirements.

(e) Non-provision of certain accounting functions in COMPACT: The COMPACT did not have provision for the following functions:

- clearing of valuables entries after the banks have credited them, thereby these entries remained outstanding in the system at the end of the year,
- watching the recovery of long term advances like HBA and MCA, and
- watching the submission of DC bills against AC bills before allowing next batch of AC advances.

(f) Non-availability of date-wise data of addition, transfer or deletion of DDOs: As per the prevailing system, the PAOs exercise area-wise jurisdiction over DDOs, as they are allocated to PAOs based on their location. Due to administrative reasons or creation of new DDOs, there were cases of transfer, addition or deletion of DDOs assigned to PAOs. The DDO master data on the COMPACT software did not contain date-wise data of these

changes and, hence, the effective date of transfer or addition of a DDO with a particular PAO could not be ascertained from the COMPACT software.

(B) CONTACT

The CONTACT software does not facilitate bifurcation of combined accounts of the Consolidated Fund of State and the Public Accounts and the Consolidated Fund of India, generated by the COMPACT. The PAOs, therefore, have to prepare separate data of transactions for the Consolidated Fund of State and the Public Accounts and the Consolidated Fund of India in the MS-Excel sheets. The representatives from PAOs visit the Pr.AO on monthly basis and manually feed their MS-Excel data into the CONTACT on a stand-alone computer, separately for the Consolidated Fund of State and the Public Accounts and the Consolidated Fund of India, in drives C (State) and D (Centre) respectively. The entire data is then consolidated accordingly. The CONTACT generates the annual progressive consolidated accounts for the financial year separately for the Consolidated Fund of State, from which Appropriation and Finance Accounts of GNCTD are prepared. The CONTACT also generates a text file for the Public Accounts and the Consolidated Fund of India, which are uploaded onto e-lekha every month for incorporation in the accounts of the Central Government.

The shortcomings in the above process of preparation of Appropriation and Finance Accounts are discussed in the succeeding paragraphs:

(a) No provision for exercising control on expenditure against budget:

Audit observed that there was no provision to feed or upload the head-wise figures of budget as per Detailed Demand for Grants (DDG) into the CONTACT software and, hence, it did not provide the facility for verification of bookings under correct heads of accounts or bookings exceeding the available budget under a particular head of account, to exercise effective control over expenditure *vis-a-vis* budget. The Pr.AO, therefore, has to do the exercise manually with the help of DDG, Supplementary Demand for Grants (SDG), Re-appropriation and Surrender Orders etc.

(b) Deficient system for detection of errors of misclassification: After carrying out the above manual exercise of control over expenditure against budget and correcting the mistakes of mis-classification, under/over booking of expenditure or receipts etc., the Pr.AO forwards the compiled and corrected data of progressive consolidated accounts in the CONTACT Software, to various PAOs for reconciliation on quarterly basis. In the month of April, the progressive consolidated accounts for the financial year are prepared separately for the Consolidated Fund of State and the Public Accounts and the Consolidated Fund of India. The check to ascertain correctness of annual accounts is that balancing figures of receipts and expenditure booked under MH 8450 for the Consolidated Fund of State and that for the Public Accounts and the Consolidated Fund of India, are matched.

Though the accounts stand balanced and matched, the PAOs prepare the Supplementary-I of accounts from the annual consolidated accounts after carrying out the corrections of mis-classifications etc., noticed by them as a result of reconciliation with the DDOs. After preparation of the

Supplementary-I, the Pr.AO carries out a reconciliation of Supplementary-I *vis-à-vis* the manual records (i.e. DDG, SDG, Recovery of expenditure, Re-appropriation and Surrender Orders etc.) and Supplementary-II (and if required, Supplementary III or IV) are prepared after carrying out the corrections for mis-classifications etc. noticed by Pr.AO. The final corrected copy is known as S042-Supplementary Accounts.

Audit noted that the above system of finding mistakes of classification and correcting them by comparing the PAOs data with the manual records was limited to the heads of accounts in which the mistake of booking was apparent due to nil provision in the head of account or excess booking as compared to allotted budget. This system could not detect cases of mis-classification in the heads of accounts where there were savings and, therefore, booked expenditure did not have the effect of exceeding the allotted budget. This meant that even after reconciliation at multiple stages, there was a possibility of mis-classifications going un-noticed, as detected by Audit in case of PAO-XV and PAO-XXIII (discussed in paragraph 2.5.8.2) or booking of capital expenditure under revenue heads as discussed below:.

As per Rule 8 of the Delegation of Financial Power Rules, 1978, object heads such as 51-Motor Vehicles, 52-Machinery and Equipment and 53-Major Works, fall under the Object Class-6 (acquisition of capital assets and other capital expenditure). However, analysis of the CONTACT software data of actual expenditure for the year 2012-13, revealed that in 91 cases, an expenditure of ₹ 87.67 crore was incorrectly classified as revenue expenditure, instead of capital expenditure as detailed in **Table 2.5.1**.

Table 2.5.1
Expenditure of capital nature booked under revenue head

(In ₹)

Sl. No.	Object Head	No. of cases	Amount
1.	51-Motor Vehicles	25	63045493
2.	52-Machinery and Equipment	64	730541849
3.	53-Major Works	02	83139776
	Total	91	876727118

(c) Limited use of CONTACT in preparation of Appropriation and Finance Accounts: The end products of the CONTACT software are Statement of Central Transactions (SCT) separately for the Consolidated Fund of State and for the Public Accounts and the Consolidated Fund of India, which only give the Minor head-wise data of actual receipts and expenditure for the financial year.

Audit observed that the process of preparation of the Appropriation Accounts and the Finance Accounts of GNCTD in the prescribed format was executed on MS-EXCEL. In this process, the data of actual receipts and expenditure as provided by CONTACT had to be converted from Minor head-wise to Sub-head-wise by manual additions. The other data required for this process was derived from other sources like DDG, SDG, Re-appropriation and Surrender Orders etc. The process is time consuming and, therefore, the time-line given for preparation of Appropriation Accounts and Finance Accounts could never

be adhered to. For instance, for the year 2012-13, the prescribed date was 16 July 2013, but the accounts were finalised up to 16 September 2013.

(d) Supply of inadequate information to Planning and Finance Departments: Audit observed that the data was supplied to the Planning and Finance Departments in the form of hard copy on a monthly basis, which contained only head-wise details of receipts and expenditure and not Department-wise. Real time data was not available with these Departments for real time budgetary control over expenditure.

(e) Loss of source data during consolidation: There was a limitation in CONTACT, as and when the PAOs data was merged to create monthly consolidated accounts or progressive consolidated accounts, the input PAO-wise data got lost in the process and only consolidated monthly and progressive accounts could be retrieved, from the database after the process of consolidation. Therefore, a print out of PAO-wise data had to be taken to keep the record, as soft copy could not be retrieved from CONTACT.

The department stated (January 2014) that provision for preparation of seamless Finance and Appropriation Accounts and real time availability of data to Planning and Finance Department is scheduled to be covered in the proposed Integrated Financial Accounting and Management System (IFAMS).

2.5.7.2 Role of Core Committee (IT)

It was seen that a Core Committee was formed in September 2003 under the chairmanship of the Controller of Accounts, to monitor the progress of computerisation and networking of Accounting Organization. However, the information regarding agenda of the meetings of the Committee, minutes of meeting etc. were not found on record beyond 2003-04 to suggest that changes, modifications and up-gradations of hardware and software in the context of COMPACT, were being monitored by the Committee. Thus, the role of the Committee in steering the IT direction and alignment with organisation goals could not be assessed in audit.

2.5.7.3 System documentation

An organisation should have documented standard operating procedures (SOPs) for all computer systems to ensure their correct and secure operations. However, the user manual, operation manual and system manual, as part of SOPs were not available in respect of CONTACT software in six test checked PAOs and the Pr.AO.

2.5.7.4 Training

The IT Department of GNCTD technically cleared (March 2006) a proposal for setting up of a Computer Training Lab in the Pr.AO with an estimated cost of ₹ 39 lakh. However, no formal training infrastructure was created thereafter. Audit noted that no training calendar was in place but 'in-house training programmes' were arranged as and when required for the officials.

All the six selected PAOs stated (June 2013) that no training was provided to their staff including Assistant Programmers³² on COMPACT. The officials of PAOs and Pr.AO were routinely transferred and the new incumbents had to learn 'on the job' as there was no facility for training.

2.5.7.5 Change management procedure were not framed

Audit observed that the First version (1.0) of the COMPACT Software was released by NIC on 17 September 2001 and the latest version (6.01) on 12 February 2010. The changes/modifications in the system were carried out in patches as released by NIC from time to time.

The NIC brought changes in the COMPACT software as per the requirements of CGA, MoF. No documentation of changes/modifications carried out and their authentication by a competent authority at the GNCTD level was maintained. In the absence of a recorded policy or procedure, the Management was unable to ensure that (i) all the functional difficulties faced by various PAOs of GNCTD were addressed in the latest version of software, and (ii) the latest version of the software was being used simultaneously at all levels. This increased the risk of unauthorized data modification, unauthorized change in functionality or necessary changes not being effected.

2.5.7.6 IT System Security

(a) **Physical Access Control:** The objective of Physical Access Control is to prevent unauthorised access and interference with IT services. IT assets should be protected from environmental damage caused by fire, water, humidity, earthquake, electrical power fluctuation, load shedding etc. Audit observed that separate cell in PAOs was not available for IT operations to ensure restriction on physical access to IT systems by unauthorised persons. The arrangements for environmental controls to safeguard against anticipated and unanticipated extremes were also not found in place in any of the PAOs. Even UPSs with adequate battery back up were not installed in adequate numbers as compared to the computer machines in use, to avoid data loss or corruption due to power failure.

The department stated (January 2014) that the servers had been hosted in the room of the PAOs and hence were secured and without any access to outsiders. The reply is not acceptable as there were no separate rooms for servers. Moreover, PAOs being public dealing offices, entry is not restricted for outsiders.

(b) **Logical Access Control:** Logical access controls help protect computer resources (data and programs) against unauthorised access and modifications. Control procedures like user access management and passwords help in identification, authentication and non-repudiation. Audit noted weaknesses in the access controls as discussed below:

³² 14 Assistant Programmers were appointed on ad-hoc/contract basis to look after the IT needs (both hardware and software) of the 25 PAOs of GNCTD

- COMPACT allowed login with same user ID in different client machines simultaneously, resulting in deficient access control and lack of in-built user accountability in the system,
- Due to lack of training, PAOs had assigned their access privileges in respect of pre-check and Master module to the dealing hands or Assistant Programmers, which resulted in diluting of level of authorisation,
- In COMPACT, a user could make any number of attempts to login without any restriction. There was no mechanism to restrict the number of login attempts by a user,
- Data entries in the system, made by dealing hands, can be modified by PAO, but the system did not keep any trails of such modifications,
- The provision of automatic expiration of login session of users in case of the system not being used for a defined duration, had not been incorporated in the COMPACT,
- In PAOs, password policy existed but adequate control over periodical password change was not there. The system kept on showing the message on the screen, about same password being used for more than 15 days.

The department stated (January 2014) that NIC would be approached for making provision to safeguard against weaknesses in the access controls.

2.5.7.7 Business continuity and disaster recovery plan

The Pr.AO and PAOs did not have any documented IT policy, business continuity plan and disaster recovery plan for timely action in the event of a disaster leading to temporary or permanent loss of computer facility. Following shortcomings were observed in the back up procedures:

- Back up of the data was not stored at an off-site location, but was kept in the custody of the Assistant Programmer in an open drawer, instead of storing in the weather and fire-proof safe,
- In selected PAOs, either there was no anti-virus available or it was not updated,
- There was no clear cut policy in respect of backup procedure, its retention period, type of backup device, life of the stored media etc.

2.5.8 Inadequacy of input, processing and output controls

2.5.8.1 Data inconsistencies in the COMPACT

As part of audit, data dump of COMPACT of selected five³³ paying PAOs for the period April 2012 to March 2013 was restored (with the approval of NIC), onto a system in read-only form and test checked for inaccuracies, inconsistencies and abnormalities. The test check showed the following:

³³ Back up data of PAO-IV and IX did not contain the data of pre-check module for the year 2012-13

- There were variations in the cheques issued and bank scrolls, as 4651 cheques appeared in the bank scrolls, which were not issued as per the cheque issued data of PAOs,

The department stated (January 2014) that sometimes the cheque numbers fed in COMPACT might vary from those in scroll received from the banks due to manual intervention in COMPACT, but the same was set right at the time of encircling. The reply is not acceptable as even after this exercise of encircling, there were inconsistencies as pointed out by audit.

- Amount of 639 cheques issued did not tally with the amount shown in the bank scrolls,
- In the cheque issued data, 12 cheques were found issued twice and 1723 cheque numbers were either incomplete or not in the authorised list³⁴ of cheque issued,
- 12407 cheques shown outstanding at the end of financial year 2012-13, were neither encashed nor shown as outstanding in the year 2013-14,
- Three cheques shown outstanding at the end of financial year 2012-13, were shown as encashed in the year 2013-14, but the amounts varied,

The department stated (January 2014) that validity of cheque was for a period of three months. Cheques issued between January and March of the financial year, were not presented and same were encashed in the next financial year. This might have resulted in variation of cheques issued and realized during the period April to March. The reply is not acceptable as issues pointed in audit are (i) amount not tallying, (ii) duplicate cheque numbers being used, and (iii) cheques outstanding at the end of the financial year neither getting encashed nor shown as outstanding in the next financial year.

- In some cases (PAOs IV, IX and XV), tokens which were generated and issued as acknowledgement of receipt of the bills, were found with negative numbers in the expenditure control register,
- In the expenditure control register, there were 162 cases of budget balance being more than the budget allotted,
- In six cases, the bills were dated later than the date of token,
- In 101 cases, PAO passed the bill with amount which was more than the amount passed by the dealing hands, without recording justification.

Thus, data of COMPACT was inconsistent and lacked reliability.

2.5.8.2 Monthly accounts compilation - lack of controls

As discussed earlier, the PAOs (except PAO-IV and XVI) compiled monthly accounts not on COMPACT, but on MS-Excel. After getting through pre-check section on COMPACT, the passed bills for a month are distributed among the dealing hands, where it is manually entered against allotted DDOs and the heads of accounts in the MS-Excel sheet. Thereafter, the data is

³⁴ Authorised list of cheques used during the year 2012-13 is still awaited from PAO-IX.

compiled for preparation of monthly accounts by balancing the receipts and expenditure (both Central and State) after taking into account the amounts lying in the MH 8658-PSB Suspense (Receipt and Payment), 8658-PAO Suspense and 8670-Cheques and Bills. The accounts are tallied by matching expenditure and receipts balances. Tallied monthly account of receipts and expenditure is entered in the CONTACT software of the Pr.AO, for incorporation in the Appropriation and Finance Accounts.

It was noticed that the dealing hands entered the amount of expenditure under heads of accounts as per information on bills recorded by DDOs. It was observed that heads of accounts recorded by DDOs on the face of bills varied from that on sanction letters. Though, after initial entry by dealing hands in the excel sheet, data was processed at the end of the AAO (Compilation), but latter just compared and reconciled the gross amount of expenditure, as per COMPACT and the MS-EXCEL and did not check individual entries. As such, if dealing hand enters the expenditure under an incorrect head of account, there is a risk of going it unnoticed at the AAO/PAO level. Thus, there was lack of audit trails to ensure accountability for the actions performed by the users.

While compiling monthly accounts, reconciliation was carried out in PAOs with concerned DDOs to correct any variation or anomaly through transfer entries etc. However, a cross verification of bills, conducted by Audit for the month of March 2013, pertaining to the selected DDOs with the entries made by the dealing hands in MS-Excel sheet in the PAOs, revealed that in four cases there were variations in the heads of accounts to be booked as per the bills submitted by DDOs, sanction orders and actually booked in the PAO (**Annexure 2.5.5**), which the PAOs concerned³⁵ had confirmed except PAO-VI who did not provide the relevant records to Audit for cross-verification.

The department stated (January 2014) that existing sanction process and bill entry in the Excel is manual and it was likely that certain mistakes were committed which were subsequently set right on reconciliation of accounts. The reply is not acceptable as in above four cases, the error of misclassification could not be detected even at the time of reconciliation of accounts.

2.5.9 Conclusion

Even after a lapse of more than 10 years of introduction of computerisation through COMPACT in accounting organization of GNCTD, system was not working to its full potential. Software in use was not compatible with the practical requirements of PAOs. The deficiencies in the system and limitations of the data generated by the applications, resulted in development of alternate manual applications and the significant amount of work continued to be done manually. The lack of audit trails in the original as well as alternatively developed manual applications made it difficult to ensure accountability for

³⁵ PAO-XV and PAO-XXIII

actions performed by the users. There was no documented policy regarding Back Up, Disaster Recovery and Business Continuity, Change Management, Physical and Logical Access to IT Assets etc.

2.5.10 Recommendations

The Department should make efforts for:

- generation of text file from COMPACT software in compatible form for CONTACT software as per the requirements of the Pr. AO with bifurcation of accounts,
- generation of soft copy of receipt scrolls from the public sector banks so that the receipt data could be uploaded onto COMPACT,
- ensuring mapping of all the business rules in the computerised environment and computerising of left out features in the COMPACT software, so that minimum manual intervention is required,
- compulsory data entry relating to all receipts and payments into the COMPACT software,
- providing regular training to the PAOs' staff and the Assistant Programmers for effective use of all features of the software in use, and
- formulating a well-defined policy for data back-up, anti-virus software, disaster recovery and strengthening physical access and logical access controls to avoid unauthorised access and manipulation or corruption of data.

The audit findings were referred to the Government in November 2013; their reply has not been received (February 2014).