

MINISTRY OF STEEL

CHAPTER: IX

Steel Authority of India Limited

Functioning of Invoicing System of Bokaro Steel Plant

Highlights

Lack of physical access controls, environment controls made the System and data unsafe against un-authorized access, fire *etc.*

(Para 9.2.1)

Lack of input controls and validation checks affected the completeness, accuracy and integrity of the data.

(Para 9.2.5 and 9.2.6)

Lack of integration of the system, multiple data entries of the same source data were made in the system and the preparation of invoices was delayed.

(Para 9.2.6)

9.1 Introduction

Bokaro Steel Plant (BSP) of Steel Authority of India Limited (Company) registered a turn over of Rs.12037.57 crore during 2007-08. Invoices in respect of its products are prepared in invoicing section on the basis of data received from different departments/sections.

Company's IT vision aimed to apply information technology to fulfill the information needs across the organisation. Accordingly, Invoicing System of BSP was computerised with a *File Server System* using *Oracle9i* developed in house.

The Movement Plan of the products and the pricing of various products of the Company are controlled by Central Marketing Organisation (CMO) Kolkata. Accordingly a Dispatch Advice (DA) is prepared in the system against the movement plan. The products after getting Test Certificates (TC) from R & C Laboratory are transported to their locations either by rail or road. An invoice is prepared in the system on the basis of movement plan, dispatch advice, test certificate, railway receipt (RR), price circular, rebate *etc.*

9.2 Audit findings

Audit of the system was conducted (April and June 2008) with the data available in the invoicing system for the period January 2007 to December 2007. The following were observed:

9.2.1 Physical access controls

The invoices are prepared through the invoicing system at the Electronic Data Processing (EDP) Centre. It was observed that:

- (i) No security guards were provided at the EDP centre. The entry to EDP centre was not restricted to avoid any unauthorised access to the system and to prevent data manipulation, theft of data and hardware; and
- (ii) The EDP centre was not made fire proof and the fire alarm system provided was also found to be not working making the installations at high risk.

The Ministry stated (February 2009) that security is maintained through CISF, entry to Data Centre would further be restricted and controlled through ACCESS Control System with the implementation of ERP. Ministry further stated that fire proof wall and the fire alarm system would also be provided.

9.2.2 Logical access controls

- (i) User identifications of retired employees (two numbers) and the transferred employees (three numbers) continued to exist in the system indicating deficient security control and thus making the system vulnerable.
- (ii) The regular change of passwords could not be ensured as the details were not available in the system.

The Ministry stated (February 2009) that the advice of audit will be implemented.

9.2.3 Change management control

The pricing of the products and their revision as received from CMO Kolkata in hard copies, were fed at invoicing system of BSP manually. This delayed the raising of invoices and also led to risks of incorrect data entry as well.

The Ministry stated (February 2009) that the software at BSL and CMO are on different platform, as such, the price circular information can not be transmitted on line into the invoicing system.

It however, reiterated that both the systems at CMO and BSL should be integrated to avoid manual intervention.

9.2.4 Inadequate connectivity and subsequent manual intervention

- (i) It would be possible to issue invoices within one day if the data was available on line and manual intervention was avoided. This could also result in saving of two days out of three days average time taken for issue of an invoice and subsequent reduction in sales outstanding in debtors. Further, services of employees deployed for collection of DAs manually, could be utilised elsewhere.
- (ii) Since traffic section was not connected to the system the freight details were to be entered into the system manually which led to the risk of input errors.

The Ministry stated (February 2009) that the delay in issue of invoice is not due to inadequate connectivity but due to delay in receipt of DAs/TC. Further, traffic section is well connected to the system.

The contention of the Ministry is not acceptable as DAs/TCs etc. are still manually collected by the traffic department and the abnormal delay in receipt of DA/TC could be avoided if the DA/TCs are transmitted through the system.

9.2.5 Input controls

Input controls ensure that the data received for processing is authentic, complete, correct and without duplication. Data analysis revealed the following discrepancies due to insufficient input controls built in the system.

- (i) There were 74 gaps in invoice numbers though these were generated through the system. Further analysis revealed that deletion was due to diversion of materials to other locations. However, the reasons for deletions were not recorded in the data base.

The Ministry stated (February 2009) that the gaps were due to permanent deletion of invoices due to various reasons and further stated that the system will be rectified to show the status of the deleted invoices instead of deletion.

- (ii) RR numbers were not indicated against 151 out of 79600 invoices prepared during the year 2007-08 though the transport mode was rail.

The Ministry stated (February 2009) that RR Numbers were not required in case of internal consumption, dispatch to Marafari stockyard through own wagons & road dispatch.

The reply of the Ministry is not acceptable since the cases pointed out were related to dispatch of materials through railway wagons for sale through branches of CMO and not intended for internal consumption.

- (iii) In 4363, out of 30656 records, the name of the customer was not indicated though All India Party Code was allotted; and

The Ministry stated (February 2009) that the party codes mentioned by audit are the internal departmental codes relating to various departments/shops of BSL and not the All India Party Codes and hence names are not appearing.

The contention of the Ministry is not acceptable as it required manual interventions at the time of preparing invoices and this could be avoided if the details were available in the database.

- (iv) The invoice numbers were not indicated against 42 DAs though details regarding RR were available in the system. On further analysis it was revealed that due to change of destination, invoices were deleted without deleting the relevant DAs.

The Ministry stated (February 2009) that care would be taken to delete the DAs from the DA Table at the time of permanent deletion of invoices from the Invoice Table due to change of destination.

However, the invoices and related DAs may be rendered inactive and flagged to ensure audit trail instead of deletion.

9.2.6 Validation controls

Absence of connectivity among various sections using the system necessitated repeated manual inputs which due to absence of validation checks resulted in discrepancies and non uniformity of data. It was also noticed that corrections were made manually in the system at the time of issue of invoices which made the system unreliable. The discrepancies were as follows:

- (i) In 127 cases, different RR numbers with same dates were found to be entered against the same invoice numbers;
- (ii) Normally the date of invoice should not be prior to the date of RR. It was however, observed that in 10 cases of direct sales through CMO, invoice date was prior to the RR date which varied between 1 to 63 days; and
- (iii) Differences in weights of dispatched quantity (net weight) were noticed between DAs and the respective Invoices due to lack of integration and validation controls.

The Ministry stated (February 2009) that these discrepancies were due to non flow of corrected data from invoice data to DA/RR data; left out data at the time of monthly closing and agreed to avoid such discrepancies in future. The Ministry also stated that invoicing system is being utilised effectively and efficiently and however necessary steps were being taken to make the controls effective and to minimise the manual intervention.

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Countersigned

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