CHAPTER IV: MINISTRY OF COMMERCE AND INDUSTRY

Government E-Marketplace

4.1   Information Systems Audit of Government E-Marketplace

4.1.1   Introduction

Since 1951, the Directorate General of Supplies and Disposal (DGS&D), the Central Purchase Organisation of the Government of India (GoI), provided a single point of contact for government users and suppliers for procurement of commonly used goods. DGS&D functioned as an attached office under the Department of Commerce, Ministry of Commerce and Industry.

In order to improve operational processes, in February 2016, a one-stop shop was envisaged in the form of an online end-to-end procurement system for Government buyers. Based on the recommendations of a Group of Secretaries, it was decided to set up a dedicated e-market for different goods and services procured by Government Organisations/ Departments/ PSUs. Subsequently, the Government e-Marketplace (GeM) was incorporated on 17 May 2017 under the Companies Act 2013 and, in turn, DGS&D was wound up on 31 October 2017. The GeM Special Purpose Vehicle (SPV) is responsible for building, operating and maintaining the GeM platform, which provides an end-to-end online marketplace for Central and State Government Ministries/ Departments, Central & State Public Undertakings (CPSUs & SPSUs), autonomous institutions and Statutory & Constitutional Bodies, for procurement of common use goods and services.

The GeM application (new version) (also termed as GeM Version 3.0) has been operational since 26 January 2018. Purchases through GeM by Government users have been authorised and made mandatory by the Ministry of Finance vide Rule (No. 149) in the General Financial Rules, 2017.

The Government envisaged (April 2017) that in the setting up and funding of the GeM SPV as the National Public Procurement Portal, GeM SPV shall provide an end-to-end online marketplace for Central and State Government Ministries/ Departments, Central and State PSUs, autonomous institutions and local bodies, for procurement of common use goods and services in a transparent and efficient manner. GeM shall be professionally managed with a Managed Service Provider (MSP), who would be responsible for development, management and operation of the marketplace and shall be under the overall control of the SPV.

The justification for the GeM SPV included the drawbacks in the Rate Contract System of DGS&D (such as no demand aggregation, encourages cartelisation, being restricted to only products, limited to only firms registered with DGS&D or NSIC[1], non-integration of payment process, delayed payments, non-dynamic prices, limited scale of operations of Rate Contracts).

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[1]   *NSIC: The National Small Industries Corporation Limited*

As per the approval of the competent authority in Government (April 2017), GeM is a scalable system and being complete online, transparent and system driven, takes care of the problems encountered with the Rate Contract system. GeM covers the entire procurement process chain, right from vendor registration, item selection by buyer, supply order generation, and receipt of goods/ services by the consignees, to online payment to the vendor.

For large orders, the system automatically directs buyers to bidding/ reverse auction and the entire process would be completed online and in a completely secure environment. Price comparison with prominent e-Commerce portals is also made available by GeM in order to bring about price transparency.

The option for demand aggregation on GeM allows the Government users to extract the best price in the market, thereby making public procurement more efficient.
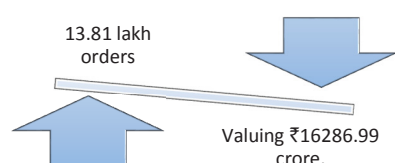

Figure 4.1.1: Orders placed on GeM

In terms of business through GeM Version 3.0, upto March 2019, total 13.81 lakh orders valuing ₹16,286.99 crore[2] were placed through GeM by various buyer organisations[3].

Further, till this time, approx. 8.85 lakh products and 0.07 lakh services were available for procurement[4].
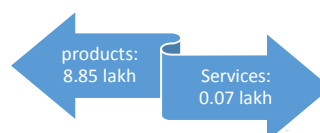

Figure 4.1.2: Number of products and services

4.1.2 Organisation structure

GeM is headed by a Chief Executive Officer who is supported by seven Additional Chief Executive Officers, one Chief Technical Officer and 12 Deputy Chief Executive Officers. These officers are further assisted by executives and staff who look after all the modules and operations of GeM application.

4.1.3 Development and Implementation of GeM application

GeM pilot phase was developed by DGS&D with the technical assistance of National e-Governance Division (NeGD). NeGD was involved as part of Project Management Unit for operational aspects of GeM pilot phase. The pilot, expected to function till a full-fledged GeM was made operational, was launched on 09 August 2016 with a limited set of functionalities of the GeM solution, catering to only 120 products categories and one service category.

Thereafter, for the full-fledged version of GeM application, DGS&D engaged M/s PWC, through limited tendering, at a cost of ₹49.36 lakh (March 2016) for preparing the Detailed

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2   *excluding orders which were under demand creation stage*
3   *As of 30 March 2020, this cumulative value had increased to 38.38 lakh orders (including orders under demand creation stage) valuing ₹51,467 crore, reflecting a substantial increase from the position as of March 2019*
4   *As of 30 March 2020, this had increased to 22.00 lakh products and 0.25 lakh services*

Project Report (DPR) and Request for Proposal (RFP) for selection of a suitable MSP. DPR and draft RFP were submitted by M/s PWC in July 2016 and January 2017 respectively. On the basis of open tendering, a consortium of M/s Intellect Design Arena Limited (along with partner M/s Infibeam Incorporation Ltd), with M/s Tata Communications Limited as Network Service Provider, was selected as the MSP and agreement was signed on 31 August 2017 for design, development, implementation, operation and maintenance of GeM application.

As per the terms of the RFP, the project was divided into two phases – Phase 1 and 2 were to be achieved within six and ten months respectively of signing of the agreements, followed by operations and maintenance of the application by MSP for five years. Phase-1 covered application development for the e-Commerce Marketplace, e-Contracting, e-Tendering, CRM Implementation, Technical Helpdesk & Contact Centre, and limited buyer, seller, products and services management, while Phase-2 covered the remaining functionalities and scope.

Phase 1 went live on 26 January 2018 (i.e one month before the scheduled date) whereas Phase 2 go-live was achieved in December 2018.

4.1.3.1 Modules implemented in GeM: In order to automate various processes involved in e-procurement, apart from other supporting modules[5], following modules have been implemented which are directly related to procurement through GeM:
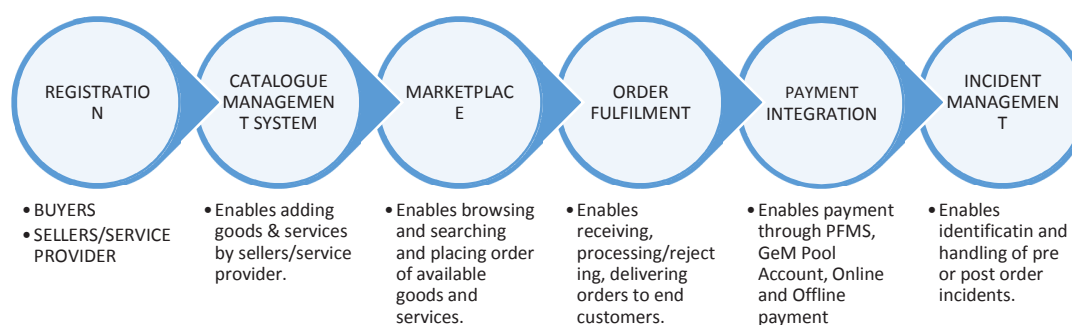

Figure 4.1.3: Modules implemented in GeM

4.1.3.2 Process involved in GeM: Procurement process in GeM begins with the registration of buyers/ sellers and ends at payment to vendors, in case no incidents are raised against the said order. The stages in the process are shown diagrammatically in Figure 4.1.4.
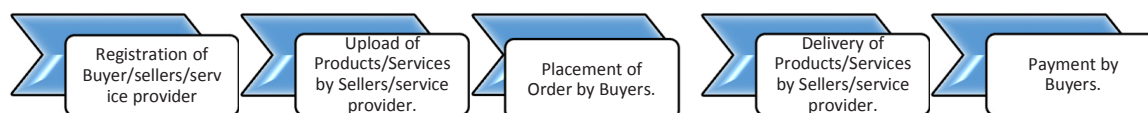

Figure 4.1.4: Procurement procedure on GeM

GeM platform provides three primary buying modes – Direct Purchase for orders upto ₹50,000 (now ₹25,000) Direct Purchase with L_1 for orders between ₹50,000 to ₹30,00,000 (now ₹25,000 to ₹5,00,000) and e-bid/ Reverse Auction (RA) which allows buyers to conduct an electronic bid for the goods and services on the platform (mandatory for order values above ₹30,00,000 (now ₹5,00,000).

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[5] *Such as 'Rating of Buyers and Sellers/ service provider' and 'GeM Analytical Dashboards'*

4.1.4   Audit Objectives, Scope and Methodology

The objectives of the audit were to assess whether the:

- rules, regulations and procedures of Government of India in relation with the Government procurement and the user and other stakeholders' requirements were assessed and duly incorporated in the development and implementation of GeM;

- envisaged objectives were achieved;

- functional, quality and security requirements for e-procurement systems, as specified in the RFP, GoI guidelines, GFR were implemented; and

- general and application controls for meeting the functional and non-functional requirements were adequate and effective.

For attainment of the above audit objectives, Audit analysed data of key modules[6] of GeM, for the period from Phase-I Go-live of GeM version 3.0, i.e. 26 January 2018, upto 31 March 2019 (including migrated data). Samples of data were also analysed as per requirement. Additionally, Audit examined certain records relating to development, implementation and operation of GeM application version 3.0. The audit scope did not cover the contracting process for selection of the MSP.

4.1.5   Audit Criteria

Audit criteria were drawn from:

- Agenda and minutes of the meeting held by competent authority in Government for approval of the GeM SPV (April 2017).

- GoI MEITY guidelines for compliance to quality requirements of eProcurement systems (August 2011); Other directives, instructions, policies, rules and procedures laid down in connection with Information Technology, Public procurement and third-party information.

- GeM documents like RFP, MSP agreement, System Requirement Specifications, etc.

- Business Requirement Documents for different modules and other technical documents like manuals, policies etc.

4.1.6   Audit findings

Audit findings based on assessment of attainment of these requirements have been elaborated in the ensuing paras.

4.1.6.1   Non-compliance to GoI Directives for Compliance with Guidelines for e-Procurement Systems and RFP provisions relating to Benchmarking and Disaster Recovery Drill

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[6]   *Registration, Catalogue Management System, Marketplace, Order fulfilment, Payment Integration, Incident Management*

(i) *STQC audit for compliance with "Guidelines for compliance to Quality requirements of e Procurement Systems" of Ministry of Electronics & Information Technology not conducted*

Para 5.3.1.1 of the RFP stipulated that the MSP shall provision the e-Procurement Solution in compliance to the published guidelines of Standardization Testing & Quality Certification (STQC) Directorate, Ministry of Electronics & Information Technology (MEITY)[7] on 'Compliance to Quality Requirements of e-Procurement Systems'.

As per the 'Guidelines for compliance to Quality requirements of e-Procurement Systems issued by STQC Directorate on 31 August 2011, the audit for certification of the entire e-Procurement solution shall be undertaken after its deployment and prior to its usage. This was also reiterated by CVC vide its circular dated 12 January 2012. Ministry of Finance, Department of Expenditure vide its OM of 3 September 2012 reiterated that e-procurement solutions meet the requirements under these guidelines and further stipulated that testing of the e-procurement solutions shall be conducted by STQC. The focus of the guidelines is mainly on e-Tendering (i.e. tendering with encrypted bids, the equivalent of which in the manual context would be 'sealed bids').

However, audit observed that such STQC audit for compliance with the above cited guidelines of August 2011 (endorsed by CVC and Ministry of Finance) was not conducted. GeM SPV had provided two audit certificates/ reports from STQC dated August 2018 and December 2018, whose scope was not, however, in compliance with the GoI guidelines. Further, Management stated (May 2020) that STQC carried out a CVC & IT Act Compliance and Security Process Audit of GeM in August 2019, and its scope was in line with CVC circular number 29/9/09 dated 17 September 2009 & 18/04/2010 dated 26 April 2010 and IT Act 2000 (ITAA 2008). However, the report required GeM to address some areas and after submission of response, GeM is in discussion with STQC for issues of final certificate.

The Management response is not acceptable. There was no STQC audit, demonstrating full compliance with the "Guidelines for compliance to Quality requirements of e Procurement Systems" of Meity, and mandated by CVC in January 2012 and Ministry of Finance in September 2012. Even the STQC Report of August 2019 referred to by Management (which does not cover the scope, as mentioned above) indicates numerous deficiencies in key areas, and cannot be treated as compliant. In the absence of such compliance with the Guidelines, as evidenced by a satisfactory STQC Report, the GeM platform is not compliant, and Audit is unable to derive assurance about the authenticity, non-repudiability and integrity of the e-bidding module of GeM, especially considering that procurement through the e-bidding mode of GeM comprises more than 37 *per cent* of total value of procurement from GeM.

(ii) *Non-benchmarking of the application as per the requisite number of users resulting in frequent break-down of GeM application*

Clause 5.3.2.7 of RFP requires that the system be benchmarked as per the estimated buyers and sellers/ service providers upto 2 lakh and 4 lakh respectively at the time of Go live of application with growth of 20 *per cent* per year. RFP further detailed that estimated

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[7] *Erstwhile Ministry of Communications & Information Technology*

concurrent users at peak load would be 7,500 in number with year-on-year growth of 20 *per cent* for the first three years and 25 *per cent* for the next two years. In this regard, Audit observed that the benchmarking, to be conducted by a third party, was not conducted with estimated number of users. Instead, performance and load testing as per requirement of clause 5.3.2.5[8] of the RFP, was done through a third party (January 2019). The deviation was as follows:

Table 4.1.1: Details of User load to be tested against actually tested by MSP

Particulars	User load to be tested as per RFP	User load actually tested
At the time of go live of phase 2	15,000 users	600-900 users
Every year after phase 2	5 times of actual concurrent users	Yet to be done

It is pertinent to mention that, upto March 2019, there were 2.37 lakh registered buyers and 2.32 lakh sellers/ service providers at GeM, out of which 1.85 lakh buyer and 2.23 lakh sellers/ service provider are active (as per the data provided by GeM management). Also, the average numbers of concurrent users using GeM application ranged between 1,500 and 1,750. However, the performance was tested on only 600 to 900 concurrent users. Audit further observed that the GeM application broke down frequently while using the portal and messages such as "The website is under heavy load, we are sorry many people are accessing this website at the same time", "502 bad gateway", we are sorry but something went wrong" were displayed Since the application was not benchmarked as per the required level and load testing was also done on lesser than actual number of concurrent users, GeM management would be unable to take pre-emptive action against issues of breakdown in the application which are bound to occur.

Management vide its reply (February 2020) stated that a comprehensive benchmarking exercise will be conducted by third party and further assured that KPMG has been selected for performing performance audit, security audit, systems audit and application audit.

Audit notes this response of Management but reiterates that this audit cannot be a substitute for the audit of compliance with the GoI e-procurement guidelines, which has to be done only through STQC.

(iii)   *Non-conducting of Disaster Recovery Drills*

Clause 10.8.9.3 of RFP pertaining to cloud service SLA required MSP to conduct at least two Disaster Recovery Drills in a year (once every six months). This was to be monitored every six months and the liquidated damages were to be levied in the quarter following the end of the six-month period. However, Audit observed that since implementation of GeM version 3.0, no drills were conducted till audit and no liquidated damages were collected from the

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[8]   *The MSP shall provide the testing strategy including the traceability matrix and relevant test cases and shall also conduct the testing of various components of the software developed/ customised along with the solution as a whole. The testing should be comprehensive and should be carried out at each stage of development as well as implementation*

MSP. Non-conducting disaster recovery drill might result in an unwarranted situation of application and data loss.

Management vide its reply (July, October 2019 & February 2020) stated that DC-DR drill was conducted in August 2019 and second drill was conducted in January 2020. Management further stated that appropriate liquidated damages for this would be applicable on the MSP.

4.1.6.2 Flawed Process of Registration

The GeM registration process (of buyers and sellers/ service providers) was expected to be driven by principles of ease, convenience and minimal data entry.

Upto 31 March 2019, total 2.37 lakh buyers were registered on GeM, out of which 1.85 lakh were treated as 'active' whereas out of these, only 24.32 *per cent*[9] buyers placed orders through GeM.

Figure 4.1.5: Registration & Participation of Buyers and sellers (in lakh)

Similarly, total 2.32 lakh sellers/ service providers were registered on GeM, out of which 2.23 lakh were treated as 'active'[10] by the system. However, Audit found that during this period, only 17.04 *per cent*[11] sellers/ service providers participated for orders/ bids and 13.45 *per cent*[12] seller got orders.

A. Buyer Registration

User authentication, as per GeM Buyer Registration Manual, is through AADHAAR. The Primary user (Head of the Department - HoD), after registration, would authorise various users[13] based on their roles and responsibilities as part of the procurement process of a particular organisation.

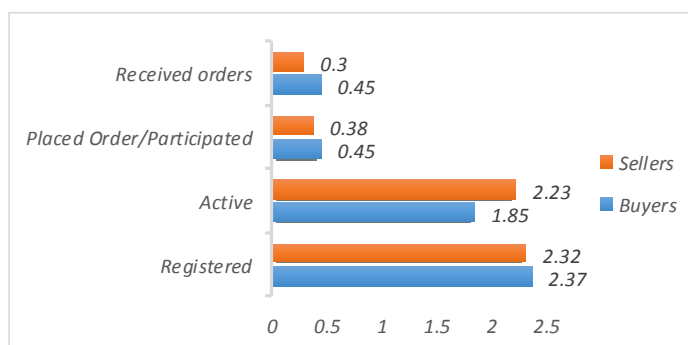The process of primary user registration includes the following steps:

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[9]   *0.45 lakh*
[10]   *All successfully registered users are marked as 'active' status*
[11]   *0.38 lakh*
[12]   *0.30 lakh*
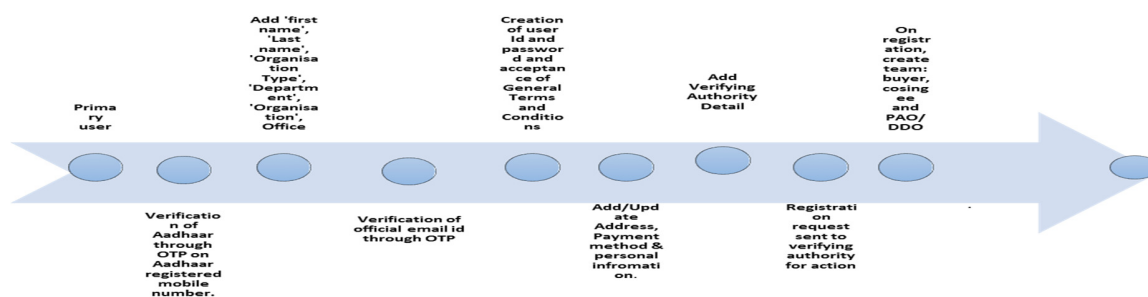[13]   *Buyer, Consignee and PAO/ DDO*

Figure 4.1.6: Steps in Primary User Registration

i)   Non mapping of 'verifying' and 'competent authority' resulting in absence of controls on registration of Government user

Buyer Registration Manual of GeM required an organisation to have following users and roles, on GeM:

Table 4.1 2: User-wise roles in GeM

Users	Designation	Responsibility/role
Competent Authority	Secretary/ Principal Secretary/ Managing Director/ Chief Managing Director/ Chief Executive Office/ Chairman/ DG/ Director and JS (for central ministry) or Principal Secretary (for state).	Will be notified (through email) when verifying authority and primary users are added.
Verifying Authority	Under Secretary/ Equivalent or above nominated by competent authority.	Responsible for approving the registration of all primary users.
Primary User	Deputy Secretary or above, Head of the Office at Sub Centre/ Unit/ Branch of Government Organisation/ PSU/ Autonomous Bodies / Local Bodies/ Constitution Bodies/ Statutory Bodies Director/ Equivalent Officer	Creates and manages all secondary users.
Secondary Users: Buyer, Consignee & Paying Authority	As defined by Primary User	Can search, view catalogue, place order, bid, receive/ reject consignment and release payment, as per the role assigned by primary user.

Audit observed that this process was vulnerable as it had weak controls. In order to test the process and controls related to registration, an Audit Team member, tried to register as a primary buyer on the GeM portal with *'.gov'* id. After feeding basic details like Aadhaar number, name etc, he entered his counterpart's *'.gov'* email id (having same designation) as 'verifiers email'. As per registration process, an email was sent to 'Verifying Authority' for intimation and after 48 hours, the registration was considered as 'deemed approved' (in case no action is taken or if not deactivated). Hence, Audit team member was successfully able to register himself as a 'Primary User' on GeM Portal. Further, roles of 'buyer', 'consignee' and 'PAO/ DDO' were also easily added by the Audit team member.

In this regard, Audit noted that:

•   As per the registration manual, only an official, not below, the rank of an 'Under Secretary' or 'Head of Office' can hold the role of verifying authority. GeM did not have an

automated mechanism for verifying or enforcing this condition; hence, risk of application accepting users who may be below the rank of 'Under Secretary' or 'Head of Office' as 'Verifying Authority', unless verified and enforced manually, existed.

• Confirmatory emails were being sent to 'Competent Authority' only in case of 'Ministries' and 'States' since other organisations (Central/ State PSUs and Autonomous bodies) were not yet mapped.

Thus, checks to ensure that only those officials who have been authorised to make public procurements get registered on GeM as primary user, were not adequate and needed further strengthening. Any official of any designation, even if terminated or retired, having a *'.gov'* (Government) id could register on GeM portal and make procurement. Other than check through the *'.gov'* email id, no other check/ control was in place to ensure exclusive participation of an authorised government employee, and therefore, once a user is successfully registered on GeM, the system would be unable to stop the user from making procurements. Also, the additional checks implemented with regard to competent authority need further strengthening in a manner that the email sent to 'verifying authority' and 'competent authority' allow registration only when it is actually 'approved' or 'accepted' by them and not on the basis of 'deemed approval'.

Management vide its reply (February 2020) assured that process of maker checker, wherein HoD registration would be enabled only after receiving approval of Verifying Authority would be implemented on GeM as in the case of CGDA users.

ii) *Absence of input controls leading to registration without .gov email id in violation of requirements*

Audit examination revealed that out of the total buyers[14], 16.87 *per cent* (40,196 buyers) did not register with a .gov email id as required in the Buyer Registration Manual. Instead, the system allowed these buyers to register with gmail, yahoo or rediffmail id. It is pertinent to mention that these users placed orders amounting to ₹4,349.18 crore, out of which procurement of top three ministries (Ministry of Human Resource Development[15], Ministry of Defence[16] and Ministry of Home Affairs[17]) was ₹446.81 crore.

Thus, due to absence of adequate input control, there existed risk of placement of orders by a person who may not be a government employee. Also, against the requirements of 'Registration Manual' to regularly monitor and re-verify users' accounts, the application did not re-verify or force these buyers to update their email ids with .gov mail before placing an order.

Management vide its reply (February 2020) stated that GeM was integrating with the LDAP[18] Service of NIC, which would allow GeM to validate the e-mail given by users registered with NIC in real time and capture the date of retirement of Government employees. Management

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[14]   *2.37 lakh nos.*
[15]   *Users without .gov or .gembuyer email id – 431 nos. placed orders worth ₹205.71 crore*
[16]   *Users without .gov or .gembuyer email id – 982 nos. placed orders worth ₹127.42 crore*
[17]   *Users without .gov or .gembuyer email id – 375 nos. placed orders worth ₹113.68 crore*
[18]   *LDAP: Lightweight Directory Access Protocol is a method for accessing and maintaining distributed directory information services over an Internet Protocol (IP) network*

further assured that an automated process of introducing users, who have neither "*gov.in*" nor public sector domain-based email, by the Government HOD, would be defined and developed so that GeM buyer domain-based email ids generated by NIC can be assigned to them.

(iii) Absence of validation controls resulting in registration of users beyond age of retirement

In government ministries and departments, the maximum retirement age of an employee is 60[19] years. Audit review showed that due to lack of validation controls in respect of feeding of date of birth of buyers, age of 426 users was found to be more than 60 years to 65 years. Similarly, age of '33' buyers was found to be more than 66 years to 75 years, two buyers were within age of 75 to 95 and 21 buyers were more than 95 years of age. Thus, the application allowed a 'retired official'[20] to get registered on GeM and make procurements and did not revoke access rights after retirement. Case Study 1 is illustrative of the problems associated with this issue and how the application did not block an official after date of his retirement.

> **Case Study 1**
>
> *In X organisation, the primary user retired on 31 July 2018, however, he continued to receive messages and notifications from GeM. His user access privilege was not automatically revoked until September 2019, when the organisation intervened and changed/ updated the primary user.*

GeM is an exclusive procurement portal for government users, therefore, it is imperative that GeM ensure that relevant conditions to check the eligibility of a user are mapped into the system since weaknesses in such controls increases the risk that the application's functioning may be susceptible to compromise.

Management vide its reply (February 2020) assured that GeM would integrate with NIC to validate the email of users registered with NIC, in real time and capture date of retirement of Govt. employee. GeM also assured that it will not allow retired government users to procure and would introduce functionality (in integration with NIC) to send notifications regularly to Government organisation for making alternate arrangements of transferring the accounts of employee three months before retirement or email validation expiry date.

(iv) Absence of validation checks leading to feeding of incorrect mobile numbers

A valid phone number linked to Aadhar number is a pre-requisite for accessing the GeM application. Consequently, the mobile number linked to Aadhar becomes critical for the verification and authentication process since validation is done by sending OTP (One-time Password) on this number. Therefore, the mobile number being fed by the user should be correct, in order to commence this process.

Accordingly, Audit performed different tests on the total 'active users[21]' to see the eligibility of the numbers and/ or verify their correctness. Given that this assessment was not

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[19] *Except central Government doctors and Central Universities professors*
[20] *92 users beyond the age of 60 years were able to place orders through GeM*
[21] *1.86 lakh*

exhaustive and different permutations of inadmissible numbers are possible, the test check revealed:

- In case of 75 users, the mobile number was not fed/ fetched into the system at all[22];

- In 11 cases, the mobile number was below 10 digits[23];

- In the case of 652 users' same mobile number i.e. '9999999999' was fed in[24];

- In other random cases, 28 records with misleading mobile numbers such as '111111111' or '1111112222' etc were found.

Besides the lack of input and validation controls in respect of feeding of mobile number by the users, the absence of a correct mobile number indicated that the verification process would have been incomplete.

Management, in continuation of its earlier reply (October 2019), wherein it stated that these instances occurred mostly when the eSign or Aadhaar services were disrupted and some of the entries were migrated data, confirmed (February 2020) that existing users (from earlier version) are being prompted to correct any incorrect mobile number before transacting through GeM and detailed (through data) that number of such users has been reducing. Management further stated that Aadhaar linked mobile number is verified through OTP and that basic checks pertaining to length of mobile number would be in place.

(v)   *Absence of input control in respect of user organisation leading to non-feeding of 'name of ministry', 'state' and 'name of organisation'*

In the absence of adequate input controls, buyer organisations were able to register without filling even basic details such as name of Ministry/ State, name of organisation, name of office as these fields were not made mandatory in the application. While this resulted in incomplete classification of Ministry-wise/ State-wise data/ orders, for instance, orders amounting to ₹14,145.46 crore[25] could not be mapped to any Ministry/ State, greater vulnerability lies in the fact that the GeM application can be used for non-Government procurements by registered buyers.

Management vide its reply (October 2019 and February 2020) has assured that GeM application is prompting all users who have fed incorrect details of organizational hierarchy to first correct them before transacting on GeM. It further assured that GeM would make it mandatory for all organisations to feed all four levels of hierarchy. Management also stated that as on 30 April 2019 there are only 118 orders valuing ₹1.78 crore, involving 24 users where either Ministry/ State/ Department/ Organisation/ Office is null.

Audit acknowledges Management reply. However, Audit observation pertains to those cases where the field related to Ministry/ States is blank whereas GeM appears to have excluded cases wherein even one level of the four level hierarchy is filled. Therefore, the figures may

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[22]   *6 users out of 75 placed orders through GeM*
[23]   *1 user out of 11 placed order through GeM*
[24]   *57 users out of 652 placed orders through GeM*
[25]   *Blank Entries: ₹7,080.54 crore, entries with 'N/A'- ₹7,064.91 crore[26] Out of 2.41 lakh*

not be comparable, especially as cases of 'null' entry may have been updated during this time. Hence, they would be subject to further verification.

Thus, there were certain deficiencies in input controls relating to buyer details which need to be strengthened and legacy/ migrated data of buyers needs to be cleansed.

B   Seller Registration

With respect to Seller Registration, the Business Requirement Document (BRD) required that the primary seller should be able to register online using AADHAAR or PAN on GeM Portal. The process of registration involves the following steps:
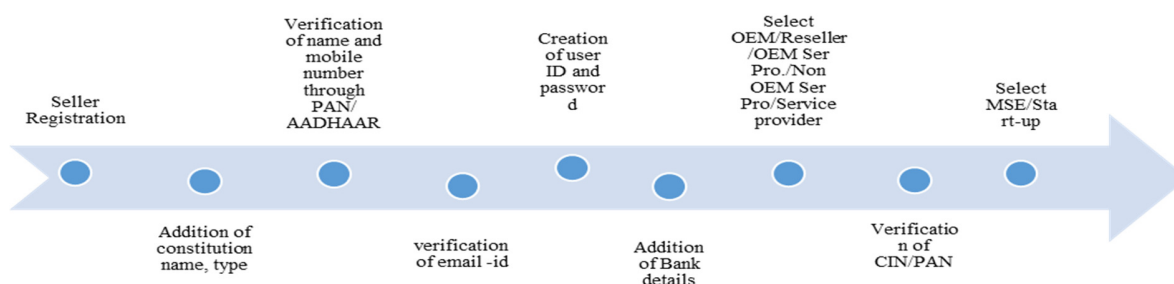

Figure 4.1.7: Steps in Seller Registration

(i)   *Usage of same email ids by multiple sellers/ service provider in absence of validation check*

Para 3.1 of Seller Registration BRD states that, 'Unique Email id check was applicable for primary seller at the time of creating Primary seller account', which implies that one email id is to be used for registration by one primary seller only. However, Audit observed that in violation of this rule, 841 email ids were used by multiple users simultaneously, and within these, 32 email ids were used simultaneously by more than four users. In addition, email id was found to be blank in case of six sellers, despite it being mandatory to operate on GeM. Thus, rule pertaining to 'unique check' on email was not mapped into the application and the email field was not made mandatory for users.

Management vide its reply (February 2020) stated that the GeM application has been prompting all users who have fed duplicate emails to choose one email id when they login and that they are not be allowed to transact unless they make this correction. Further, it has been ensured that only one email id is to be used for registration by one primary seller only. Management also detailed figures comparing status/ position of these users upto October 2019 and upto December 2019 and accepted figures quoted by Audit. Management brought forth that the number of such users were reduced from 841 (upto October 2019) to 194 (by December 2019) and from four (upto October 2019) to zero (by December 2019) and also stated that out of these 194 users, 70 were secondary users.

Management reply is acceptable, however, in respect of secondary users, it is pertinent to mention that out of total registered sellers of 2.32 lakh, there are only 4,834 secondary sellers and out of these cases mentioned by GeM, only 36 *per cent* (approximately) of cases were found to be secondary sellers, implying that the application did not prevent other primary users from using same email id.

(ii) **Absence of input validation in respect of 'experience' of sellers/ service provider leading to feeding of unrealistic information**

Para no. 4.8 of Seller Registration BRD pertaining to 'Experience' requires that 'Seller should be able to enter total experience as well as experience with Government and that the experience will be used as filter criteria by Buyers' while searching catalogues on GeM. BRD further stated that 'Total Year of Experience' would be populated from 'Date of Incorporation'. However, Audit observed that no input validation was implemented in the application in this regard which resulted in experience data of unreasonable period such as '1 crore years', '15 lakh years' etc. In 16 cases, the experience was found to be more than 100 years, out of which in 10 cases, the experience was more than 1,000 years.

Thus, experience was not populated with date of incorporation and due to absence of validation checks, sellers'/ service providers with misleading information were operating on GeM. This may also compromise the technical evaluation process, in case experience is a selection parameter.

Management, in continuation of its earlier reply (October 2019) wherein it had indicated that there were necessary checks to handle validation in respect of 'experience' for migrated/ existing seller further submitted (February 2020) that 'filter' of seller experience has been removed from the marketplace so it cannot impact the selection process. This would be verified in future audits.

(iii) **Non-classification of type of organisation due to absence of input control**

Seller Registration BRD requires that a primary seller be registered either as proprietor, partnership firm, Company, Trust or Society, State or Central Government.
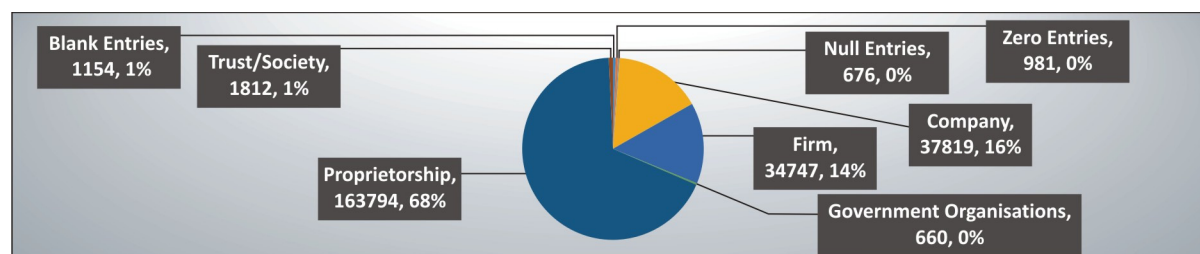

Figure 4.1.8: Types of Organisations on GeM

However, audit observed that in 1,154 cases[26], the 'constitution type' was blank, in 981 cases, the field was filled with '0' and in case of 676 cases the field was filled with 'N'. Thus, total 2,811 sellers'/ service provider did not feed the 'constitution type' as the field was not made mandatory. This resultantly led to bypassing of verification and various checks (CIN

> *Case Study - 2*
>
> *Audit received one feedback wherein a buyer organisation placed an order through Direct Purchase for procurement of 13 UPS. The order was accepted by the seller, however, no delivery was received against the order within 15 days. In absence of any contact number of seller and the address being local, buyer reached the office address of the seller. Here, it was ascertained that the Seller's registered name included ''construction company'' whereas on GeM, the seller was registered for selling IT hardware.*

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[26] *Out of 2.41 lakh*

verification, PAN verification and other third-party verification etc.) in the respective constitution type. Case Study 2 is illustrative of the problems associated with this issue and how performance of GeM is exposed to reputational risk on this account.

Management vide its reply (October 2019 and February 2020) stated that MSP had been tasked with regular cleansing of such data and sellers'/ service providers with incomplete profile shall not be able to transact.

In respect of case study 2, it stated that the name of the company may not actually reflect the entire business spectrum of the seller and that there is no legal bar for anyone to sell products which, intuitively, may not be in tune with the company's name, provided that the activities of the company are otherwise in consonance with the extant laws and rules and regulations. While management's reply is noted, it is imperative that the system may be improved in such a manner that sellers with misleading or incorrect information are duly flagged through data analytics reports for follow-up and seller investigation.

(iv) *Inadequate verification of credentials of sellers'/ service provider and incomplete integration with third parties*

• Permanent Account Number (PAN) issued by the Income Tax Department is an identifier for the "person" with the Tax Department and is mandatory for taxpayers and is to be quoted for specified financial transactions. Para no. 4.2 of Seller Registration BRD, pertaining to 'PAN' verification requires that GeM, once integrated with the Income Tax database, would cross verify PAN number and 'name' entered by the user. However, it was observed that, in 42.79 *per cent*[27] of records the 'PAN number' remained 'unverified' by the system due to feeding of incorrect PAN number or non-feeding of the same. Further, in 36.96 *per cent*[28] of records, the PAN 'name' through PAN card was not fed/ fetched by the system. Further, GeM also did not verify the information fed by the sellers'/ service provider and allowed sellers'/ service provider to operate and transact through GeM despite incomplete profile.

Management vide its reply (October 2019 and February 2020) stated that additional checks have been added to ensure the correctness of PAN format and PAN name for any older data existing in the system and this process is fully and exclusively automated such that users are allowed to transact only if the PAN information is complete and verified through the PAN database and that all those sellers who have not fed PAN numbers are prompted by GeM for correction before transacting on GeM.

• Para 4.3 of Seller Registration BRD pertaining to 'Key Person' verification required that GeM, integrated with Income Tax database, would cross verify 'Key Person' based on PAN Number, authorised Person Name, ITR Type, Acknowledgement Number and Assessment Year. However, it was observed that in 81.34 *per cent*[29] of records, the name of 'authorised person' was found to be blank. Thus, the system had neither auto-captured nor verified the details.

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[27] *96,106 out of 2.25 lakh sellers/ service provider*
[28] *79,417 out of 2.15 lakh sellers/ service provider*
[29] *1,78,285 out of 2.19 lakh sellers/ service provider*

Management vide its reply (October 2019 and February 2020) stated that this gap would get plugged over a period of time as and when these database owners synchronise with Aadhaar. Due to limitations related to integration and non-synchronisation of names between Aadhaar and ITR databases, key person verification feature although present had to be relaxed as a mandatory requirement. It further assured to explore to get key Person's e-mail data from MCA21 or Income Tax databases wherein the Key persons will be notified of registration of their company on the GeM Portal.

- Para 4 of Seller Registration BRD required that, in case of Company, the system would prompt for the Corporate Identity Number (CIN) and thereafter, the system would automatically validate CIN with MCA21[30] and also fetch 'date of incorporation' from the MCA21 database. Audit observed that in 36.12 *per cent*[31] cases of sellers'/ service providers registered as companies, the CIN number was not fed into the system implying that the field was not mandatory for users. Further, CIN number of only 56.27 *per cent*[32] of sellers'/ service providers was verified. Also, in case of 697 sellers'/ service providers, the date of incorporation was not fetched even after feeding of CIN although the system should have automatically fetched the date of incorporation after getting the CIN number.

Further, Audit compared the 'year' appearing in CIN number[33] with 'date of incorporation (year)' fetched by the GeM application and found that in case of 211 sellers'/ service providers, 'date of incorporation (year)' fetched from MCA21 was not matching with the 'year' of incorporation mentioned in CIN number. Also, in 117 cases, the 'year of incorporation' fetched through system was more than 'year of incorporation' as per CIN number.

Management, stated (October 2019 and February 2020) that these cases pertain to initial versions while the platform was stabilising. Management has further assured that post July 2019, users are allowed to transact only if the CIN information is complete and verified through the MCA database and date of incorporation is being fetched. Also, CIN is mandatory for companies in GeM and additional checks have been added to ensure the correctness of CIN format for any older data existing in the system.

Legacy data was neither updated nor sanitised, in respect of PAN and CIN, for verification of sellers. Thus, the application did not have adequate controls or a fool-proof verification process to prevent access by an unverified seller and there existed risk of misuse of application by an unscrupulous seller. GST numbers of sellers, if the turnover of sellers exceed a certain threshold, may also be included is one of the credentials for registration.

4.1.6.3 Delays at different stages of the procurement process

As per the approval of the competent authority in Government (April 2017) and RFP, GeM portal was expected to make the end-to-end process of procurement faster, bring efficiency and speed.

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[30] *MCA21 is an e-Governance initiative of Ministry of Corporate Affairs (MCA), Government of India that enables easy and secure access to MCA services by corporate entities, professionals and citizens of India*
[31] *13,659 nos of Companies out of total 37,819 Companies*
[32] *21,279 nos of companies*
[33] *CIN is a unique 21 digit alpha-numeric number which also contains the numerals of the year of incorporation*

Audit observed that there were significant delays at different stages of the procurement process, from placement of order to payment to sellers'/ service provider as detailed in the succeeding paras.

A.   Delay in placement of orders

As per the order placement procedure for Direct Purchase, an organisation, after making his selection, places an order on a particular seller.   The BRD pertaining to 'orders' provides that a seller would have five calendar days to accept or reject a Direct Purchase Order. After expiry of five days, in case of no response from seller, the order would get auto cancelled.   Otherwise, the buyer then confirms placement of the order or 'award' the same.   Ideally, this can happen immediately or at least within one day of acceptance by the seller.

> *Case Study 3*
> *An organization placed an order amounting to ₹4,847,259 for procurement of 03 nos of 'LPT1613 cowl chassis 4x2 BS IV of TATA Motors'.   The order was created on 22.09.2018, but was awarded on 15.02.2019, i.e with a lapse of 146 days and the goods were delivered afterwards.*

However, it was seen that there is no control or mapping of any time-limit to ensure confirmation of placement of order by the buyer. Consequently, Audit observed that a total of 12.33 *per cent*[34] of orders valuing ₹792.41 crores were awarded after a delay ranging from more than five days from date of creation of orders up to a maximum of 312 days. Further, 18 orders were awarded after 90 days whereas the complete bid cycle on GeM was 90 days only. It was further observed, that out of these cases of delayed placement of orders, in case of 88.66 *per cent*[35] of orders valuing ₹172.40 crore, the orders placed were below ₹50,000 implying that selection of seller was at the discretion of buyer, even then the orders were not placed in time. Thus, controls to ensure award of order within a specified time period were inadequate.   Case study 3 indicates how the absence of this control has made the procurement process inefficient and prone to unnecessary delay.

Management in its reply (February 2020) stated that these cases are due to buyers amending the order post placement of order subject to consent by seller. The amendment order created carries the carting time of the original order and hence may show a high time difference between order confirmation time and carting time and can be carried out until the expiry of the original delivery period. However, management also assured that in future, along with original date of carting, amended date of order along with amendment number will be attached to the amended order so that the delivery time can be computed by taking the difference between delivery date and amended order date.

Management's claim that these cases are due to 'amendment' could not be verified in absence of details. Further, Management's reply is not borne out by facts that amendment can be made once order is placed and accepted by sellers since audit observation pertains to delay after the order is moved from cart to placement and time taken from placement to award only.

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[34]   *1,38,837 orders out of 11,25,392 orders*
[35]   *1,23,096 orders out of 1,38,837 orders*

B.   Delay in delivery of products

Business requirement document pertaining to Direct Purchase (Marketplace) requires that the buyer should get an option to enter the delivery days for purchase and the maximum delivery days for direct purchase should be 15 days unless a different value is configured for the category, e.g. for automobiles.

However, an analysis of data revealed that in 39.64 *per cent*[36] of the total orders placed upto March 2019, the delivery was either not initiated or was delayed beyond the prescribed time. The maximum delay was as much as 418 days. Case study 4 shows that a seller supplied a small item of stationery after more than a year. Since GeM is mandatory for government purchases, there has to be a high level of reliability assured in delivery otherwise the convenience of

> **Case Study 4**
> *X organisation placed an order for 20 pieces of 'Tape 2 Inch Transparent' on 09.03.2018 for ₹860. The order was accepted by the seller on 09.03.2018, however, the delivery of the item was made on 01.05.2019 (418 days) which was accepted by the buyer.*

electronic ordering would dissipate, especially in the case of small items/ items required for routine functioning.

Management stated (May 2019, October 2019 and February 2020) that more than 71 *per cent* orders have been delivered till date out of which 78 *per cent* of orders have been delivered on time.   Management has further assured to improve the same.

Management has further reiterated that GeM application allows the buyer to apply "Seller rating" filter in market place to exclude sellers who have low ratings in the Direct Purchase mode of procurement

Management's reply is acknowledged; however, management's reply in respect of rating

> **Case Study 5**
> *Audit received feedback from one buyer organisation stating that while procuring 'Desktop' through 'Direct Purchase' the system selected L_1 who had rating of 1.37 points (out of 5) and was suspended once and disabled twice.*

overlooks the fact that L_1 selection through GeM application is not affected by usage of filter on 'seller rating' as even after selection of a specific rating, the same is overlooked by the application and the L_1 selected by application may not hold the specified rating. Thus, seller rating loses its significance as indicated in Case study 5. On the contrary, sellers are allowed to reject an order based on the rating of buyers.

C.   Delay in payment to sellers'/ service providers

Ministry of Finance OM titled 'Procedure for payment to Sellers/ Suppliers in Government e-Marketplace' (dated 20 September 2016), required that the time taken for payment should not exceed 10 days including holidays.   Further, Micro, Small and Medium Enterprises Development (MSMED), Act 2006 provided that, for the goods and services supplied by the MSME units, the buyer is to make payment within 45 days.

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[36]   *1,93,850 & 2,52,161 orders of delayed and non delivered orders respectively out of total 11,25,392 order for goods*

However, Audit observed that upto 31 March 2019, total 10.29 lakh CRACs[37] valuing ₹6,780.36 crore were issued. However, in more than 50 *per cent* of the cases no payment was made at all. Payments 'within time'[38] were made only in case of 3.79[39] *per cent* CRACs valuing ₹298.12 crore cases and in rest of the cases, either payments were not made at all or were delayed beyond an unreasonable period as detailed below:

Table 4.1.3: Cases of delay in payments

Cases wherein payments were made, including delayed payment		Cases wherein payment was made after prescribed time		Cases wherein no payment was made		Cases of delay in payment to MSE vendor
per cent	value in ₹ crore	*per cent*	value in ₹crore	*per cent*	value in ₹ crore	*per cent*
49.08[40]	3,308.18	45.29[41]	3,010.05	50.92[42]	**3,785.04**	69.11[43]

The delay in payment ranged to an unreasonable period of 439 days (as illustrated in case study 6) and in cases wherein no payments were made, the pendency ranged to 415[44] days. Further, in violation of MSE (Micro and Small Enterprises) Act, the delay to MSE vendor ranged to 436 days. Audit noted that non-updation of payment status by buyers could be one reason for these figures.

> *Case Study 6*
> *X organization placed an order amounting to ₹46,000 for procurement of 250 nos. of 'JK COPIER A4 75 GSM (A4 size papers)'. Order was awarded to seller on 16.02.2018, the delivery of the product was made on 25.02.2018, however, the payment was made on 11.05.2019, after a delay of 439 days.*

The issue of lack of timely payment to sellers has been flagged by GeM in its GeM Quality Reports, in particular the reports for Jan-March 2019 and for Apr-June 2019. The recommendations of the Committee of Secretaries on GeM (May 2018) also indicated that the Standing Committee of GeM (SCoGem) of the buyer Ministries/ Departments should ensure that all purchases are done through GeM platforms and timely payments are made.

Management in its reply (October 2019 and February 2020) stated that that payment is a service level commitment of the buyer agency and it is exclusively a function of their internal processes and completely outside the purview of GeM SPV; the SCoGeMs headed by AS/ JS & FA are mandated to ensure that buyer service levels are adhered to. It is a change management issue of overall government systems and will take time; upto September 2019 the percentage of timely payments has increased to 25 *per cent*. Department of Expenditure has also issued fresh instruction (23 January 2020) regarding procedure for

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[37] *As per the existing procedure on GeM, the payment advice on GeM would be prepared after generation of Consignee Receipt and Acceptance Certificate (CRAC) by the buyer*
[38] *Within 10 days*
[39] *38,506 CRACs out of 10.29 lakh*
[40] *5.05 lakh CRACs*
[41] *4.66 lakh CRACs out of 10.29 lakh*
[42] *5.24 lakh CRACs*
[43] *0.94 lakh CRACs out of 1.36 lakh CRACS*
[44] *Cases wherein CRACs have been issued but payments have been pending (excluding CRAC issued after 31 March 2019)*

payments on GeM. Management has further stated that GeM is going to release Auto Debit 80-20 facility for non-PFMS entities, wherein the complete bill will be released within 45 days in two parts and is also working with Central PSUs for integrating their ERP systems. Also, the system would now close the payment which are due post-CRAC for more than 60 days as buyers do not update the offline payment status on the GeM portal. Management has further iterated that GeM has introduced a dynamic GeM Rating System wherein performance of both buyers and sellers is measured.

In Audit opinion, low rating for buyers, in itself, will not be sufficient to expedite payments.

Thus, there were significant delays from placement of orders, to delivery of goods to delay in payment. The average procurement time (time taken from creation of orders to payments) on GeM application was 136.31 days and in cases wherein payment was not even initiated, the average time remained 118 days (pending upto 31 March 2019). Thus, the objective of providing an efficient and speedy platform for procurement was not fully achieved.

Management in its reply (October 2019 and February 2020) stated that in case of 'Direct Purchase', median time taken from cart to order placement is less than a day, median time from order placement to delivery is eight days and from delivery to CRAC generation is four days. In the case of Bid, median time from Bid submission to order placement is 12 days, Median Delivery Time after placement of Order in Bid/ RA is 18 days and from Delivery to CRAC generation in Bid/ RA is eight days.

In Audit's view, delay in payments is a serious systemic issue which impacts the achievements of objectives of GeM. While GeM SPV needs to take continuous, pro-active action to follow up such delays with the buyers and sellers, Ministry of Commerce should take up the issue with Ministry of Finance to issue instructions to all Government entities to mandatorily ensure timely payment of dues.

Overall, as pointed out by audit in the preceding paras, the performance of GeM needs further improvement although we also note that such improvement in performance requires the collaboration of all stakeholders (including buyer Departments/ entities and sellers).

4.1.6.4 Inadequate controls to ensure achievement of transparency in procurement process as envisaged

Government e-Marketplace was envisaged to provide end-to-end online marketplace for procurement of common use goods and services in a transparent and efficient manner. Further, as per the RFP issued for selection of MSP, the GeM was to act as a public procurement platform between suppliers and buyers, by providing them a common, unified, and transparent Government to Business (G2B) portal for supply and procurement of goods and services registered with GeM. However, the following deficiencies were observed in the application which led to non-achievement of these objectives:

A. Placement of orders repeatedly to same seller

Audit observed that orders[45] valuing ₹1,206.45 crore were placed more than 20 times by the same buyer organisation repeatedly to same suppliers during the period January 2018 to March 2019. Further, buyers also placed orders[46] valuing ₹117.41 crore more than 100 times to same seller and 30 buyer organization gave more than 200 orders to same seller (as elaborated through case study 7). Thus, the system did not have checks to ensure transparency and control favouritism.

> *Case Study 7*
>
> *X organisation repeatedly placed 558 orders valuing ₹2.81 crore on same vendor from January 2018 to March 2019 for procurement of 'Cartridge' or 'toner'. The highest value of order was ₹12.78 lakh and the lowest was ₹569. Interestingly, total orders placed by the said buyer during this period were 687.*

Hence, the application may develop in-built controls to ensure that ceilings over which value of orders repeatedly placed on the same seller may be implemented, to avoid splitting of orders below the GFR specified thresholds.

Management (October 2019 and February 2020) stated that it is a mark of transparency on GeM that this information is centrally available for the first time. Management further assured that controls such as masking of identity of seller, provision of Dashboard to competent authority of buyers to control favourism, fortnightly alerts to such buyers and reduction in limit of direct purchase from ₹50,000 to ₹25,000, through an amendment in the GFR dated 2 April 2019. Management further stated that Business Rule wherein Buyers cannot place the order of same product in the same week to the same seller in Direct Purchase has been implemented in the application.

B. Invitation for participation in bids to single sellers'/ service provider

As per RFP, GeM system was envisioned to promote procurement of standardised products and services which would in turn reduce/ eliminate the malpractices from the procurement process including bid rigging such as making product specifications very 'specific'. However, a test check of data pertaining to bid notifications sent to sellers/ service provider for participation, revealed that out of 31,993 bids, in 256 bids, the notifications were sent to 'one single seller' whereas the item procured through these bids included items such as desktops, writing and printing papers, battery cells, chairs, computers server, drinking water cooler, Notebook-laptop, etc for which there may be several sellers/ service providers on GeM.

> *Case Study 8*
>
> *XYZ organisation published a bid for procurement of 100 over bed tables (hospital beds) valuing ₹10.51 lakh. The notification was sent to a single seller instead of all the seller selling similar items. Against the bid, single participation was received from the only seller who received the notification and order was consequently awarded to that seller.*

This indicated that the buyers were able to select the parameters in such a manner that GeM system sent the notification to a single seller despite availability of several sellers'/ service provider (as indicated in case study 8).

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[45]   *3,25,925 cases*
[46]   *37,572 cases*

Management stated (October 2019 and February 2020) that GeM has already put limits on turnover requirement for resellers and review of Additional Terms & Conditions library on a periodic basis is undertaken to ensure no restrictive conditions are allowed for bids. Further, requests for the addition of any additional terms and conditions are included only with the approval of the competent authority within the buyer's organisation. Any corrigendum uploaded for bids are vetted through GeM legal team. Further, the process has been improved so that notification goes a larger group of sellers; the filter of turnover to determine the eligibility of seller has been relaxed.

C. Non-masking of names of service providers

Audit observed that the name of the 'Service providers', while selecting services, were not 'masked' and, therefore buyers were able to see the names of the service provider and could easily select the same service provider again and again, thereby defeating the purpose of transparency.

Management vide its reply (February 2020) has accepted the audit observation and assured to mask the names of service providers in the marketplace.

4.1.6.5 Deficiencies with regard to economy and price reasonability

Audit observed certain deficiencies with regard to price reasonability and economy as detailed below.

i. Sale of products at abnormally low prices

Audit observed that certain products were available at an extremely low rate raising concerns about the quality and authenticity of the offered product. Also, due to extremely low prices, such products had potential of getting selected as L_1 by the application. Test check revealed that 'compatible cartridge' was available at ₹30 (with market price being ₹9,000); similarly, a trolley bag was available at ₹67 (with its market price being ₹1,455).

Thus, an effective and real-time in built-mechanism in the application needs to be evolved to control these irregularities in such a manner that abnormal changes by the seller in order to become L_1 are detected in real-time, and investigated.

Management vide its reply (February 2020) has assured that GeM is in the process of evolving such real time controls and apart from other steps, GeM would ensure price range determination on category/ product level and on *per cent* discount, monitoring of price change during bidding, display the tag of authorised Reseller/ OEM, explore the movement of categories from Q3 to Q2 on case to case basis, evolve system of periodic health reports on sellers/ OEMs/ categories and products and identification of products with abnormally low or high prices product with use of tool. Management further stated that GeM is making it necessary for OEMs to get assessed and developing additional functionalities to ensure market sanity.

ii.   Procurement of goods at higher rates in case the quantity to be procured is not available with L₁ (Direct Purchase)

Audit observed that, at the time of selection of items, L_1 rates were shown to the buyer along with the stock available with L_1. In case, the quantity required by the buyer was more than the stock available with L_1, the L_1 gets changed and new L_1 would be available at higher rates than the earlier L_1 due to availability of similar/ same products at different rates. There is no option to obtain the lower quantity from the old L_1 and additional quantity from another vendor. Although this functionality was not required to be implemented by BRD/ RFP, however, lack of this option in GeM application results in procurement of items at higher rates.

Management without refuting audit observation stated (October 2019 and February 2020) that GeM places high emphasis on ensuring price reasonability and it has provisioned many tools on the platform. A buyer can view past trends and price of the product which is available on other e-commerce portals. Management further stated that savings from the portal have been consistently above 25 *per cent* for Top-10 categories (excluding automobiles).

Management reply is appreciable, however, buyers may be provided more options to achieve economy in procurement as in instant cases, the prices of same product were found to be varied and different due to which although L_2 happened to have requisite quantity however, his prices were more than L_1. Further, past trends and price comparison with other e-commerce websites may be made available for all the products on GeM as it is not available for all the products presently.

iii.   Variation in prices of same product

Audit observed that there were variations in the price offered on GeM for the same item on the same day. Same departments placed orders at different prices for same item on same date. The variation in 'offered price' ranged from ₹139 to as high as ₹6,000 for same item (as illustrated in case study 9).

> *Case Study 9*
> *A department ordered 'meeting tables' for ₹23,181 and ₹17,181 on the same day. Similarly, 'Steel clothes Locker' were ordered for ₹24,000 and for ₹21,159 on the same day by the same department.*

Management contented that that these items were large volume/ heavy weight furniture items and being freight intensive, the prices were therefore very sensitive to location of consignee also. There was therefore, very strong possibility that rate of even the same item with exactly same specification can vary significantly based on consignee location etc. However, Audit review showed that the system did not allow the buyer to choose seller from same or nearby location which resulted in loading of extra cost for distance. Further, in such instances, the application may prompt/ encourage buyers to club their orders in order to achieve economy and discounts in prices. Further, the reply did not address the cases where the same department has got different prices on the same day for same consignee location.

Management vide its further reply (February 2020) assured that GeM currently provides information on last procurement price in marketplace and will enhance the functionality to provide more information to buyers as suggested by Audit.

iv.   Variation in market and offered prices and resultant increase in 'savings'

Variations were also observed in 'Market Price' shown at GeM marketplace and in price offered for sale through bid. A test review of 131 orders considered as "demand aggregation" by GeM due to their high value (above ₹20 crores) revealed that the variation between market price and offered price were as high as ₹1.72 crore[47] with the highest difference being 93.07 *per cent*. In 22 cases[48] out of 131, the price variation was more than ₹2 lakh. Similarly, in 12 cases, the variation was more than ₹10 lakh.

Such drastic change in price by sellers resultantly increased the 'savings' which GeM claimed to achieve after implementation of version 3.0 in its quarterly GeM Quality Report (published on its website), as the 'savings' are calculated on the basis of difference between market price and offered price. Since GeM is the exclusive procurement portal for government organisations, actual economies and savings achieved by buyer organisations should be reflected rather than notional savings based on dated figures. Thus, these figures would better evaluate the efficiency and effectiveness of the platform. Hence, the methodology for calculation of 'savings' on GeM does not appear to be robust and needs further review.

Management vide its reply (February 2020) stated that GeM has requested IIM Lucknow to develop a framework for calculation of savings on GeM and assess the savings occurring due to procurement from GeM and this work is in progress.

This also raises concerns about the quality of product being offered, especially in cases where a product is offered after a reduction of more than 93 *per cent* on market price are raised.

In view of the concerns raised about the price reasonability and related quality {Para (i), (ii) and (iv)}, GeM management may identify such transactions and carry out a detailed analysis of the factors giving rise to such cases, develop a tool to detect the irregularities and associated vendors in real-time and also review the outcomes in such situations and take appropriate action, if needed. These transactions may also be flagged to the buyer organisations so that they can rectify deficiencies at their end.

4.1.6.6   Non-mapping of conditions of Catalog Management

Catalog Management System (CMS), in GeM, details the process of new 'product category', definition of technical parameters, approval/ rejection of Product Catalogue. It further details process of seller authorisation such as 'Original Equipment Manufacturer' (OEM) or 'Authorised Reseller'. However, Audit observed that following conditions of catalogue management were not mapped in the application.

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[47]   *Item-full HD video conferencing system*
[48]   *Items such as UPS, routers, Diesel Generators, servers, firewall etc.*

i. Non-integration with validity of OEM authorisation leading to product/ brand status remaining 'active' despite expiry of validity

An analysis of data pertaining to OEM authorisation revealed that from January 2018 to March 2019, total 65,234 brands/ products requested or were approved for OEM authorisation out of which 51,557 were 'active' and 13,672 were 'inactive'. It was observed that validity of authorisation in respect of 5,669 product/ brands had 'expired'. However, due to non-mapping of conditions of BRD and inadequate integration, the status of these product/ brands was appearing as 'Active' signifying that these products were available for 'sale' on GeM despite expiry of their authorisation from respective OEM. Thus, there is inadequate integration with validity period of the product/ brand authorisation with OEM and may lead to sale of an unauthorised product or through an unauthorised seller through GeM.

Management in its reply (October 2019 and February 2020) stated that GeM would implement a functionality to notify OEM of all authorisations due for expiry/ expired so that OEMs can take necessary action as required wherein OEMs would have the option to renew/ remove authorisation of such sellers and all the sellers that have expired authorisation codes would be highlighted on the OEM's Panel. Further, steps are being taken to put in place an appeal mechanism for authorised resellers not being permitted by OEMs to onboard on GeM.

ii. Non-mapping of conditions pertaining to approval of 'brand'

Catalog Management System requires that the entire catalog uploaded by the sellers'/ service providers is to be validated by the CMS team before being published on Marketplace. In respect of Brand Approval, the user could 'approve', 'reject', 'put on-hold' the requested brand within 15 days.

In this regard, a test check of data revealed that 1,146 brands were 'requested' for approval; however, the condition pertaining to approval of brand within 15 days was not mapped which led to unreasonable delay in approval of the brands. The details of delay in approval, rejection and pendency in respect of brand approval are as follows:

Table 4.1.4: Details of approval of brands and delays in approval

Status of approval	Number of brands	Number of brands delayed	Range of delay
Approved	636	398	Up to 85 days
Pending	502	370	More than 80 days
Rejected	8	1	Up to 23 days

Management in its reply (June, October 2019 and February 2020) stated that sometimes sellers'/ service provider upload incomplete documents for which GeM team needs to guide the sellers'/ service provider to submit correct documents before approving or rejecting a request. Also, in some cases, the correspondence with seller goes in multiple iterations, as sellers'/ service providers take a long time to arrange the correct documents. However, management assured that changes such as upload of document, website link at the time of brand application itself, requisition and submission of additional supporting documents through approval panel/ seller panel, restriction on submission of brand in category upto three

times, and introduction of an automated queue management system ensuring one by one approval by members would be implemented.

iii.   Ineffective utilisation of Incident Management System due to non-mapping of conditions

BRD pertaining to 'Incident Management' (IM), details the overall framework for identification and handling of incidents[49] raised because of deviations on GeM portal at both pre-order[50] and post-order stages. The procedure for resolution of incidents involves the following stages:
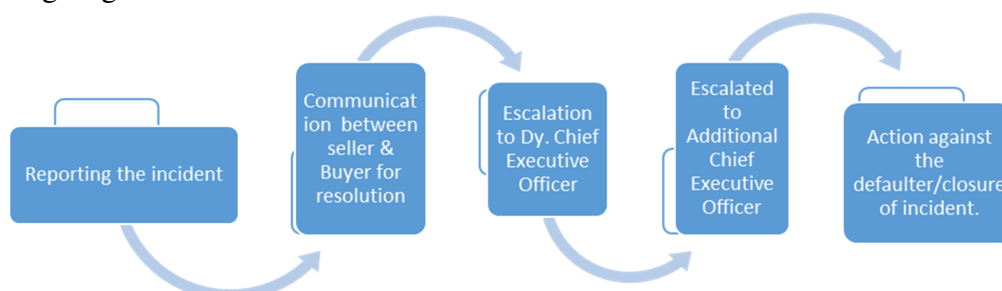

Figure 4.1.9: Stages involved in resolution of incidents

The deviations are categorised on the basis of severity as 'Mild'[51], 'Serious'[52] and 'Severe'[53] incidents. Upto 31 March 2019, 93,222 incidents, raised against 55,984[54] orders, were reported through 'Incidents Management Module'. Out of total incidents, 39,460 incidents were raised against the buyers while 49,948 incidents were raised against sellers'/ service providers.
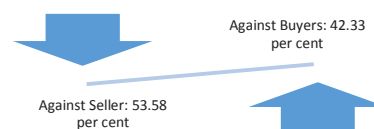

Figure 4.1.10: Incidents raised

• Delayed resolution of incidents

Audit observed that there were abnormal delays in resolution of incidents. Out of total incidents reported upto 31 March 2019, only 51.92 *per cent*[55] of incidents were 'closed' and rest 48.08 *per cent* incidents were pending (upto April 2019) for final resolution. The details are as follows:

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[49]   *deviations from the terms and conditions of procurement on GeM, including general terms and conditions, special terms and conditions*
[50]   *Registration, Product Listing, Procurement Process etc.*
[51]   *Mild incidents such as incomplete or unintentional erroneous submissions of information*
[52]   *Serious incidents such as non-delivery for direct/ L₁ purchases, mis-declaration of Government Transaction experience or financial information, supply of inferior/ substandard quality, furnishing inaccurate, false, misleading or forged documents*
[53]   *Severe incidents such as non-delivery of product/ services after successful bidding, seller withdraws/ modifies/ impairs/ derogate from bid in any respect, fails to furnish requisite PBG, registration with fake identity, indulgence in any anti competitive behavior or cartel formation, corrupt influence, mis-declaration of MRP*
[54]   *excluding incidents without any order number reference*
[55]   *48,399 out of 93,222*

Table 4.1.5: Details of resolution of incidents.

Type of Incident	Total incidents reported	Total incidents resolved after prescribed period	Percentage of incidents resolved after prescribed time[56]	Longest resolution time in one incident
Mild	2,232	1,645	**73.70**	283 days
Serious	65,320	35,369	**54.15**	338 days
Severe	21,772	13,475	**61.89**	336 days

Thus, in the absence of automatic escalation to the appropriate authority based on pre-specified conditions, eg. type of incident, time elapsed from receipt, etc, there were prolonged delays in resolution of the incidents, and thus, the incident management mechanism loses its effectiveness as a deterrent. Further, it allows the defaulter buyers/ sellers to operate on GeM even during the period of consideration of incident which is lasting upto 6 - 10 months.

Management vide its reply (October 2019 and February 2020) stated that the auto-escalation and auto-show cause notice in case of non-delivery of products and services for Direct Purchase, quality related issues of product/ service and submission of forged documents to GeM is being implemented and activities such as auto-closure of non-escalated incidents due for escalation, imposition of auto-penalty for system identifiable deviations is also under development to enhance the effectiveness of the IM portal.

The GeM Handbook (July 2018) states that while GeM provides the platform for dispute resolution and incident management, GeM is, at the crux of it all, only a platform. Thus, GeM is limited to taking administrative action, ranging from deviations recorded against the seller/ buyer to blocking or suspending of the defaulting buyer/ seller account and a blacklisting recommendation to the Board/ Ministry of Commerce. Nevertheless, Audit believes that the GeM SPV needs to take such administrative action to the fullest extent possible.

- **Non-categorisation of level of severity of incidents**

As per the procedure, types of incidents were classified into 'Mild', 'Serious' or 'Severe' on the basis of level of severity. However, Audit observed that field referring to 'severity level' of the incident was not automatically populated on the basis of type of incidents reported by the users, this left severity level of 58 incidents 'blank', i.e. undefined by the system. The resolution time and procedure to be followed for resolution of an incident depended upon 'severity' of incidents, therefore, in absence of such categorisation, the resolution time got adversely affected.

Management vide its reply (February 2020) stated that the system has been evolved now and stabilised and no incident can be created without selecting a reason and these reasons populate severity of incident in the table; so now such cases do not occur.

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[56]   *25, 24 and 22 days in case of mild, serious and severe incidents respectively*

iv.   Non-mapping of functionalites as per requirements of GoI, GFR & RFP

Audit observed that following requirements of GoI, GFR and RFP were not developed and implemented in the GeM application.

• ***Exclusive procurement of items reserved for Micro and Small Enterprise:*** Although MSE vendors with their respective products have been identified on GeM portal, however, 358 items, reserved for exclusive procurement (20 *per cent* annual target) from MSEs as required under the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 were not been mapped or linked in the system.

• ***'Option clause' of Manual for Procurement of Goods, 2017 (Ministry of Finance):*** The 'Option Clause' of 'Manual for Procurement of Goods, 2017' specifies that the purchaser retains the right to place orders for an additional quantity (increase/ decrease) upto a specified percentage (25 to 30 *per cent*) of the originally contracted quantity at the same rate and terms of the contract, during the currency of the contract. It further provides that this clause and percentage should be part of the Bid Document and the contract for raw materials/ consumables of regular and year-on-year recurrent requirements and all tenders of value above ₹50 lakh should invariably include this clause.

Audit observed that though the requisite conditions of 'option clause' were mentioned in the terms and conditions of the bidding process, however, the process for availing this option was not mapped in the application for procurement through bidding. Therefore, the buyer could not increase the quantity of product selected at the time of bidding as the option for the same was not available in the application.

• ***Functionality for buy back:*** The provision of Buy-Back offer to replace the existing old items with new procurements through buy-back mode, especially in case of electronics items, e-waste or hazardous items, as required under Rule 176 of GFR, was not mapped.

• ***Forward Auction:*** 'Forward Auction' functionality was not developed for users as required in RFP.

• ***Demand aggregation:*** Demand aggregation was projected as one of GeM's goal in the RFP to maintain equilibrium between demand and supply, enabling bulk purchase by allowing buyer to participate in cycle of Demand Aggregation and put their demand requirements in the portal enabling vendors to offer the products and best offer prices in the portal which would result in more competitive prices. Audit observed that functionality relating to Demand Aggregation was not implemented on GeM portal and the option to put the request for participating in cycle of Demand Aggregation by buyer was not available on the portal.

• ***Provisions pertaining to QR Code:*** RFP required that in order to facilitate effective tracking of goods within GeM system, system would have functionality of generating GeM specific QR-Code for the various goods transacted through GeM platform. It further stated that vendors shall be required to print the GeM QR-Code and affix the same on the supplied goods and vendors may have their own QR-code/ bar code that may be additionally affixed

on the supplied goods. However, the said functionality was not made available which would lead to inability of user to track the ordered item.

• ***Inadequate implementation of e-EMD and e-PBG:*** Audit observed that, though, GFR 170 and 171 did not provide for any monetary restriction on value of orders in obtaining EMD and PBG from seller, on GeM application, option for EMD was not available for orders having value less than 25 lakh and option for PBG was not available for orders having value less than 30 lakh. It was also observed that EMD was not automated.

• ***GeM ios application***: RFP required that the MSP shall create a GeM Mobile App (both for Android and iOS) in Phase-2 which would include access to Plain Buy, Plain L$_1$ Buy, Reverse Auction, Forward Auction, Demand Aggregation, etc. However, mobile app for iOS supported phones was yet to be rolled out.

Management vide its reply (May, October 2019 and February 2020) has assured that necessary steps to implement/ enable all the above functionalities/ compliances are already in process except in case of e-EMD & e-PBG wherein it has replied that in compliance to Rule 170 (iii)[57] of GFR, provision has been made in GeM 'General Terms & Conditions' to obtain Bid Securing Declaration of all sellers.

Management reply in respect of e-EMD and e-PBG overlooks the fact that GFR does not put restriction on value of order. Further, provision mentioned in Rule 170 (iii) is an 'option' available in place of 'bid security' and does not take away the right to obtain bid security implying that buyers may be provided with both the options.

v.   Deficiences and lack of functionalities in 'marketplace'

GeM was intended to provide an end to end system, seamless process flow and standardised specifications; however, Audit found certain deficiencies:

a.   Limited development of functionality of 'Price Comparison' and 'Price Trend':

Para 3.2 of BRD on 'Market place' related to price reasonability states that buyer should have provision to view price trends basis, the purchase history of a product and category on GeM. It further provides that the buyer should have the provision to view prices of the same or a similar product on different marketplaces.

However, a test check revealed that the link to trends and comparisons was not implemented exhaustively for all the items available on GeM and was available for limited products. Price comparison feature was not available for categories such as office furniture (almirah), operating system software, etc. Also, the trend of entire 'category' was shown instead of trend of 'individual' items[58] thereby making the comparison invalid and of limited use. Test check also revealed that despite availability of comparison link, no comparison was shown

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[57]   ***In place of Bid security, the Ministries/ Departments may require bidders to sign a Bid Securing declaration accepting that if they withdraw or modify their bids during the period of validity, or if they are awarded the contract and they fail to sign the contract, or to submit a performance security before the deadline defined in the request for bids document, they will be suspended for the period of time specified in the request for bids documents from being eligible to submit bids for contracts with the entity that invited the bids.***

[58]   ***A scooty was compared with bikes such as Bullet***

while clicking on 'comparison link' in respect of items such as AC, Television, Desktop, Laptop and projector. Thus, the functionality of trends and comparisons is not exhaustive and needs enhancements.

Management vide its reply (May, October 2019 and February 2020) assured that it has implemented price comparison for 32 categories and is in the process of implementing for other most relevant categories in stages. Management has further stated that enhanced version of price trends on basis of similar matching products is available for 72 categories and will be implemented for remaining categories.

b. *Non display of breakup of installation and commissioning charges*

Audit observed that the prices of some goods requiring installation and commissioning were shown inclusive of installation and commissioning charges whereas prices of similar other goods were shown exclusive of these charges. As procurement of items are largely affected by 'price', therefore in the case of items which are shown exclusive of installation and commissioning charges, the buyer would find it hard to ascertain the probable amount of these charges. Therefore, Audit is of the opinion that the charges of installation and commissioning, whether inclusive or not, may be specifically mentioned along with cost of product as it causes inconvenience to buyers if such products are selected as L_1 by GeM application.

Management vide its reply (February 2020) stated that enhancement in respect of providing breakup of installing and commissioning cost has already initiated.

c. *Non-availability of the application in any other language except English*

As per sub para 2 of clause 10.2.4 of RFP, the portal should have multi-lingual capabilities with regional, localisation and unicode support and one of the key features would be the ability of showing the content in multiple languages.

Audit observed that, although there is a language drop down menu at the top bar of the home page, however, on choosing 'Hindi' language option, only 'login page' was available in Hindi language and once the user logged into the application, the content on next page appeared in English language instead of Hindi. Thus, the requirement of providing the portal in various languages, was not implemented on GeM and the application is not catering to regional users in their regional languages. Hence, users are not left with any option but to use the application in 'English' language.

Management (May, October 2019 and February 2020) assured that development of this functionality is prioritised for taking up in April 2020, as this enhancement requires freezing of source code for four to six weeks.

d. *Non-availability of functionality to apply for corrigendum through GeM application*

Sub-clause 4 of Bid Terms and Conditions of clause 7.1 states that buyers can edit buyer specific Additional Terms and Conditions (ATC) for an on-going bid before any participation begins with minimum three days remaining for bid to end and the same would be published

as a corrigendum in the bid and can be viewed by buyers, sellers/ service provider and public with notification to existing participants.

However, Audit observed that there was no option available on buyer's dashboard to initiate the process of issuance of corrigendum and if a buyer wanted to issue corrigendum the buyer had to send an email to GeM for approval for the same. The process causes inconvenience to the user due to manual intervention. In order to eliminate manual intervention, prejudices and subjectivity and ensure availability of complete audit trail, it is essential that the process may be mapped in application itself on the buyer's dashboard.

Management vide its reply (February 2020) confirmed that as per suggestion of audit, in place of e-mail based approval used earlier, the request and approval part has now been made available in application itself in Request Management Module. Thus, corrigendum request process has been fully automated.

e. *Non-display of batch/ year of manufacturing*

While procuring on GeM portal a buyer can see the specifications of the product along with all the features of item. However, the batch or year of manufacturing of the article is not shown which may help in ensuring quality/ expiry of the product, especially those products which are perishable in nature and have limited shelf life. The batch number/ year of manufacture may be intimated to buyer at the time of dispatching the shipment to avoid delay due to rejection of goods at the stage of CRAC and to ensure assurance of adequate quality to buyers in advance which may be ascertained with date of packaging/ manufacturing.

Management (June, October 2019 and February 2020) in its reply stated that since seller inventory information is not maintained on GeM, the stock information is not available to show on the portal. However, management also assured that GeM is working on the implementation of the QR Code which will cater to the suggestion of Audit of making the batch number/ year of manufacture available to the buyer at the time dispatching the shipment.

f. **Inadequate development of functionalities related to various 'filters' and 'sorting'**

Audit observed that sorting on the basis of 'Number of order count' and 'Product/ service rating' was not implemented by GeM and the Product Details Page (PDP) did not show MSE as category and PMA value[59] as required under BRD.

Management vide its reply (February 2020) assured that a revised Business Requirement Document (BRD) is being prepared for simultaneous implementation of MSE and Make in India (erstwhile PMA) based on the latest policies in consultation with the controlling ministries i.e. MSME Ministry and DPIIT and also assured that sorting feature is being enhanced.

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[59] *Preference for domestically manufactured electronic goods*

g. *Difficulties while navigating through the application*

Audit observed that application lacked ease while navigating through the application due to deficiencies in functionalities such as 'switching to previous page' as the application directly logged the user out, application did not respond to 'Enter' button of keyboard. The application did not indicate how long it would take to approve the service while uploading a service. Thus, an uncertainty remained for approval for service and time taken for it. Audit also observed deficiencies in following services resultantly causing inconvenience and lacking ease of usage:

Table 4.1.6

Name of service	Deficiency observed
'Consultancy Services' and 'Application Development Services'	Functionality to add these services was missing despite availability of their 'names' in the drop-down menu.
'Florist', 'Cleaning & Sanitisation' and 'Data & Voice Services'	The tool tip for manner of filling location was not available making it difficult to understand the process of selecting location.
'Back up Service'	Absence of tool tip while feeding information of quantity field in 'estimator' due to which it could not be understood as to what information was to be fed in 'estimator' field.
'Cleaning and Sanitization 2.0'.	The location tabs/ filters in respect of 'Cleaning and Sanitization 2.0' was not available.

As user experience differs, therefore, application must ensure inclusion of easy and understandable terms with adequate tool tips for further support and the easy functionality.

Management in its reply (February 2020) assured to consider all these in the UI/ UX (User Interface/ User Experience) enhancement work which is currently in the design stage in GeM and redesigning of GeM portal is underway.

vi. **Inadequacies in functionalities pertaining to procurement and upload of 'Services'**

GeM was envisioned to introduce functionality of procurement of services as procurements from DGS&D were restricted to products only. Audit found following deficiencies in the existing process of service procurement:

(i) *Inadequate development of services*

As per clause 5.3.2 RFP pertaining to Application Design, Development and Implementation, total 79 services were to be implemented on GeM portal. However, Audit observed that services such as, 'Inspection Service', 'Survey', 'Energy Conservation', 'Custodial', 'Land Record Services', 'Project Management Services', 'Highway Services', 'Bridges and Tunnels', 'Irrigation and other water works' etc. as required in RFP, have not been introduced on GeM portal till now instead services are added on demand of buyers.

Management in its reply (October 2019 and February 2020) stated that services in RFP are defined only in flat form. Service on-boarding is an ongoing exercise on GeM; currently

there are 105 services. Management assured that GeM shall consider implementation of service mentioned in RFP on the basis of periodic review and suitability of services category. However, the management reply that 105 services have been implemented overlooks the fact that the services on GeM have been inflated due to introduction of a sub-services/ category of main service as a separate full-fledged service.

(ii)   Non-verification of nature of vehicles being hired by various Government offices in violation of Ministry of Finance and CVC instructions

To prevent corrupt/ undesirable practices in awarding contracts for hiring of vehicles to Government offices, Ministry of Finance circular dated 23 September 2016 requires that only vehicles registered as taxi or public transport vehicle be hired. However, Audit observed that on GeM portal, there was no mechanism to confirm that the vehicle being provided to Government Offices are private vehicles or registered as taxi vehicles. Further, other related statutory requirements such as vehicle permits, etc. were also not being verified by GeM.

Management in its reply (February 2020) stated that GeM is planning to allow the sellers to attach all statutory documents in the bid for verification by the buyers and that the documents may expire during the tenure of service contract period which will have to be verified by the buyer only. It is, therefore, for the buyer organisations to ensure compliance of the relevant guidelines of Ministry of Finance and CVC.

(iii)   Non-availability of option to upload registration certificate

As per clause 4.1 of SLA of 'Data and Voice Service', the seller needs to be registered with and comply to all the rules and regulations set forth by DoT/ TRAI on time-to-time basis. However, there is no option to add the 'Registration Certificate' at the time of addition of this service by the seller. Thus, the system allowed buyers even without 'Registration Certificate' with TRAI to operate on GeM. These are preliminary verifications and may be undertaken by GeM at the time of registration so as to ensure that only service providers with verified credentials are allowed.

Management in its reply (February 2020) assured to provide the provision to upload registration certificate for Data and Voice service.

(iv)   Deficiency in experience parameters of resources in case of outsourcing of Human Resource Services

While selecting parameters for outsourcing of Human Resource Service, it was observed that in case of selection of 'Experience' of resources, the given options were either '0-3 years', '3-7 year' and 'more than 7 years'. Thus, in the first slab (0-3 years experience), non-experienced (zero experience) resources as well as experienced (above zero experience) resources are lying in the same category. Due to this, the chances of getting a non-experienced resource especially in case of skilled services are equal, even if not desired.

Management vide its reply (July and October 2019) has assured that GeM will re-define experience in case of outsourcing of Human Resource Services in the slabs of 'inexperienced', '> 0 year and < 3 years', '> 3 and < 7 years' and '>7 years'.

4.1.7 Conclusion

GeM was envisaged to bring transparency, speed, efficiency and ease of doing business, curb delay in payment, economy and price reasonability. GeM has been successful in implementing an on-line solution for government procurement. However, the critical requirement of STQC audit for ensuring compliance with the GoI MEITY Guidelines (August 2011) for compliance to Quality Requirements of e-Procurement Systems was not complied with. Hence, Audit is unable to derive assurance about the authenticity, non-repudiability and integrity of the e-bidding mode of GeM (the electronic equivalent of the manual 'sealed bid' process).

Further, the objectives of GeM, as per the approval of the competent authority in Government (April 2017), remain partially achieved since there are numerous delays at different stages of the procurement process, especially with regard to delays in payment. Delay in payments is a serious systemic issue which impacts the achievements of objectives of GeM and needs to be addressed by Ministry of Commerce in coordination with Ministry of Finance. There were also deficiencies in the input controls for buyer and seller registration. Despite being mandatory for all central government offices, high number of dormant or inactive users indicates that universal acceptance may not have been achieved. There were deficiencies in the mapping of the GFR and GoI's other rules and regulations and Business Requirement Documents. There were also significant delays in the incident resolution mechanism. Although GeM had intended to introduce procurement of services through GeM, however, various services were yet to be introduced on GeM.

Audit had noted that the timeframe of six months from the date of signing of the MSP Agreement (31 August 2017) for implementation of Phase-1 was challenging inspite of which the Phase-1 Go-Live of GeM 3.0 was declared prematurely. The deficiencies pointed out in this report, i.e. in obtaining the requisite certification and in various general and application controls, would appear to have required greater due diligence.

As regards economy, Audit felt that the methodology used by GeM to indicate savings did not give an accurate picture. The application lacked ease of usage due to absence of functionalities and assistance. The application was also not benchmarked as per the requisite number of users making the application slow and in continuous breakdown.

4.1.8 Recommendations

• The requirement for STQC audit of compliance with the GoI MEITY Guidelines for Quality Requirements of e-Procurement Systems should be immediately complied with on top priority. Such audits should also be made applicable for new/ amended functionalities to ensure that application releases are released into the production environment only after STQC audit for compliance with the Guidelines is done.

• Ongoing maintenance of seller credibility and market sanity should be a key area of focus for GeM, both through use of analytics reports for outliers/ anomalies as identified in this Report (e.g. unusually low prices, unusual variations/ increases in prices, non-delivery/ extreme delivery delays; other seller incidents etc.) and through strong seller management

teams, with blacklisting being used appropriately to address seller misbehaviour and ensure seller compliance.

• On the buyer side, delayed payment is a critical issue which could adversely impact the performance of the GeM Platform. GeM SPV should closely monitor the implementation of Ministry of Finance instructions on timely payment, and instances of undue delay should be taken up at the highest level with the concerned Department Secretary/ Head of the Organisation for speedy corrective action. Further, Ministry of Commerce may take up the issue with Ministry of Finance to issue specific instructions to all Government entities for mandatorily ensuring timely payment of dues.

• A rigorous data cleansing process for addressing the instances of incomplete/ wrong data of buyers and sellers (including legacy data) needs to be put in place, with clear timelines by which buyers and sellers should be de-activated/ closed for not correcting erroneous data.

• In order to attain economy in procurement, especially in bulk purchases which require aggregation of demand, to ensure availability of genuine quality products, participation from OEMs and authorised sellers need to be increased. This will also ensure timely delivery and will further reduce cases of rejection of products and non-payment.

The para was issued to the Ministry in November 2019; their response was awaited (June 2020).