

## Chapter-II

### Performance Audit

#### GOVERNANCE REFORMS AND PUBLIC GRIEVANCES DEPARTMENT

### Information Systems Audit of e-Procurement

#### 2.1 Background

Procurement is one of the important functions in all Government departments, where a large amount of funds is spent towards floating and processing various types of tenders covering Goods, Works and Services across the country.

Electronic Procurement (e-Procurement) is the use of information and communication technology by buyers in conducting their procurement processes with suppliers for acquisition of goods, works and services. A generic e-Procurement software solution, as a part of Mission Mode Projects (MMP) under National e-Governance Plan, called Government e-Procurement System of National Informatics Centre (GePNIC), was developed (July 2007) by the National Informatics Centre (NIC) to cater to the procurement/tendering requirements of Government departments and organisations. The system aims at enhancing transparency in all activities relating to tendering process and non-discrimination amongst bidders. It enables open and fair access to tender documents, clarifications, secure online bid submission and access to status of bid opening events to all from any place on 24x7 basis.

#### *Technology*

The GePNIC was developed by NIC using Java/J2EE technology working on Linux Operating System (RHEL 9.x) with PostgreSQL database (Version 12.x) as Open Source Tool. The size of the database including the associate documents storage used for storing of Punjab e-Procurement data was 12 TB as of August 2024. The primary site of the e-Procurement portal of NIC is located at the National Data Centre at Shastri Park, New Delhi and the Disaster Recovery site is at the National Data Centre, Hyderabad.

#### 2.2 Implementation of e-Procurement System in Punjab

In the State of Punjab, GePNIC was initially implemented (July 2010) in Public Works Department (Buildings and Roads) (PWD-B&R), whereas other Departments used a different solution (Tender Wizard<sup>1</sup>) for online procurement

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<sup>1</sup> Developed by M/s. ITILtd. and implemented by Punjab Information and Communication Technology Corporation Limited (PICTC) in September 2010.

till 15 January 2018. For the implementation of GePNIC across all Departments in the State, the Punjab State e-Governance Society (PSeGS)<sup>2</sup> was designated (June 2017) as an implementing agency (IA) of the Department of Governance Reforms and Public Grievances (DGRPG), the nodal Department. Eventually, Government of Punjab (GoP) decided (November 2017) its complete switchover with effect from January 2018 after the portal was made live on 14 November 2017. The System was rolled out in 2,111 procurement entities including PSUs/Boards/Corporations across the Departments in the State (November 2022).

### **2.3 Modules of e-Procurement**

In GePNIC, there are four main modules *viz.* –

- Vendor Registration
- e-Tendering
- e-Auction
- Reports

The details along with description of the modules are given in **Appendix 2.1**.

### **2.4 Objectives of e-Procurement System**

The following benefits are envisaged for procuring entities and bidders:

#### **Procuring entities**

- Complete transparency
- Standardised procurement process
- System aided evaluation
- Reduces litigation
- Vendor performance portfolio
- Shortens procurement cycle
- Reduces human error
- Dynamic Reports

#### **Bidders**

- Simple and user friendly
- Drill down tender details
- Self-enrolment

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<sup>2</sup> The primary objective of the Punjab State e-Governance Society (PSEGS) is to administer the implementation of e-Governance projects for the overall benefit of the citizens and public by setting up the necessary administrative, financial, legal and technical framework, implementation mechanism and resources in the State of Punjab.

- Anonymous bid submission
- Alerts – SMS, email, mobile application
- Re-submission/Withdrawal
- Online bid tracking
- Online payments/refunds

The workflow of e-Procurement system is depicted in **Chart 2.1**.

**Chart 2.1: Workflow diagram of e-Procurement system**



Source: GePNIC profile

## 2.5 Audit Objectives

The audit objectives for carrying out the Information Systems Audit of e-Procurement system were to assess:

- whether the e-Procurement system was fully implemented and was being utilised efficiently to achieve its objectives of promoting competition, transparency and accountability;
- whether the business rules were adequately mapped into the system;
- whether data in the system was complete, reliable and the integrity of data was maintained; and
- whether adequate controls were built up into the system.

## 2.6 Audit Scope and Methodology

In all, 45 Departments/Organisations (2,111 procurement entities) under GoP published 1,85,920 tenders<sup>3</sup> through the e-Procurement Portal during the period

<sup>3</sup> Threshold value for publishing a tender online was kept as ₹ five lakh and above.

2018-19 to 2022-23; Department-wise detail thereof is given in **Appendix 2.2**. The 'IS Audit of e-Procurement' in Punjab covering five years' period from April 2018 to March 2023 was conducted between August 2023 and June 2024.

The following methodology was adopted for IS Audit:

- Analysis of database using the data dump<sup>4</sup> in respect of 1.86 lakh tenders published by 2,111 procurement entities, through Computer Assisted Audit Techniques (CAATs);
- Examination of related documents/records in respect of 494 tenders published by 111 procuring entities under 14 selected departments<sup>5</sup> of GoP (**Appendix 2.3**), stationed in six Districts<sup>6</sup> to corroborate the results of data analysis;
- Analysis of Application Controls and User Interface;
- Analysis of Security Controls; and
- Examination of records/information relating to GePNIC provided by PSeGS (IA) under DGRPG, GoP.

An entry conference was held (August 2023) with the Director, DGRPG and Nodal Officers of the selected Departments<sup>7</sup> wherein audit objectives, criteria, and scope of audit were discussed. An exit conference to discuss the audit findings with the Nodal Department was held on 19 November 2024 and replies have been incorporated in this report.

The Information Systems Audit of Implementation of e-Procurement system (GePNIC) in Public Works Department (Buildings & Roads) covering the period July 2010 to December 2016 was included in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017. Compliance made with respect to the recommendations of the Public Accounts Committee was also examined and the status was incorporated under relevant paragraphs.

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<sup>4</sup> Provided by the Department of Governance Reforms and Public Grievances (DGRPG), GoP.

<sup>5</sup> **Sampling:** (i) 14 Departments and six Districts (including Chandigarh) were selected using Random Sampling method based on number of published tenders; and (ii) 494 tenders (out of 1.51 lakh tenders) were selected using Stratified Random Sampling method, besides 72 related tenders on judgmental basis across 111 procuring entities.

<sup>6</sup> (i) Fatehgarh Sahib; (ii) Ludhiana; (iii) Patiala; (iv) Rupnagar; (v) SAS Nagar along with (vi) Chandigarh.

<sup>7</sup> (i) Finance; (ii) Excise and Taxation; (iii) Water resources; (iv) Forests and Wildlife Preservation; and (v) Public Works (B&R).

## 2.7 Audit Criteria

The audit criteria were derived from the following sources:

- e-Procurement guidelines issued by Standardization Testing and Quality Certification (STQC) Directorate, Department of Information Technology, Government of India (GoI);
- NIC Project Proposal;
- Guidelines issued by Government of India for Compliance to Quality Requirements of e-Procurement System;
- Guidelines issued by Central Vigilance Commission (CVC), Government of India on e-tendering solutions;
- Departmental Orders;
- The Punjab Transparency in Public Procurement Act, 2019;
- The Punjab Transparency in Public Procurement Rules, 2022;
- Punjab Financial Rules;
- Competition Act, 2002;
- Information Technology Act, 2008;
- Disaster Recovery Best Practices issued by Ministry of Electronics and Information Technology (MeiTY), GoI; and
- Software Development and Re-Engineering Guidelines of MeitY, GoI (Version 2.1).

## 2.8 Acknowledgement

Audit acknowledges the cooperation extended by the State Government, DGRPG, NIC and the selected Departments/field units in conducting the IS Audit.

## Audit Findings

### 2.9 Portal Implementation and Utilisation

The implementation of a single and unified<sup>8</sup> e-Procurement Portal in the State was a much-needed control measure. The Nodal Department constituted (September 2017) a Project Management Unit (PMU) to monitor/oversee various activities of implementation of GePNIC project and to overcome bottlenecks/operational issues for timely completion of the tasks/activities in hand.

<sup>8</sup> Earlier there were two e-Procurement systems being implemented in the State since July 2010 viz. GePNIC (PWD-B&R only) and Tender Wizard (other Departments).

The deficiencies in the implementation and utilisation of the e-Procurement system at the level of procuring entities and user departments are brought out in the succeeding Paragraphs of this Report.

## **2.9.1 Project Management and Planning**

### **2.9.1.1 Selection of System Integrator**

Prior to implementation of NIC e-Procurement System in Punjab, Departments other than PWD (B&R)<sup>9</sup> were using a different system (Tender Wizard<sup>10</sup>) for procurement since July 2010.

The contract with the previous System Integrator<sup>11</sup> (SI) concluded in July 2015, however, the system remained operational until the new SI was finalised (January 2018).

The Nodal Department (DGRPG) considered two proposals in July 2016:

- i) NIC's proposal for implementing GePNIC, which was already in use by PWD (B&R) in the State of Punjab; and
- ii) Proposal for selecting a new agency through an open competitive process.

Eventually, after considering the potential drawbacks<sup>12</sup> of selection of new SI through open competition, the Department approved (July 2017) the proposal of NIC for implementation of GePNIC across all Departments of the State, at a project cost of ₹ 5.08 crore<sup>13</sup> for a period of three years, which was extended for six years' period till July 2026 at an additional cost of ₹ 7.65 crore (excluding manpower<sup>14</sup>). Audit noticed that an amount of ₹ 11.34 crore (including charges towards manpower support) had been paid to NIC till 2023-24.

### **2.9.1.2 Absence of Memorandum of Understanding with NIC**

Software Development and Re-Engineering Guidelines of MeitY, GoI provides that the solution architecture is a key differentiator for product like solutions. A well architected solution gives it robustness for reusability (in code, configurations, databases, services, etc.), enhancements and interoperability. Thus, a well-established Service Contract should be adopted as good architecture principle and accordingly a contractual agreement between the

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<sup>9</sup> e-Procurement System developed by NIC was being used in PWD (B&R) since July 2010.

<sup>10</sup> Developed by M/s. ITI Ltd. and implemented by Punjab Information and Communication Technology Corporation Limited (PICTC) in September 2010.

<sup>11</sup> M/s. ITI Ltd.

<sup>12</sup> (i) Time-consuming process of 8-9 months; (ii) Difficult to predict any operation risks or software glitches; (iii) Security aspects w.r.t. hosting of software and database; and (iv) Multiplicity of agencies and software across departments as PWD (B&R) would not migrate to new software being satisfied with GePNIC; etc.

<sup>13</sup> ₹ 3.40 towards GePNIC software/hardware charges with backend and operational support; and ₹ 1.68 crore towards manpower support.

<sup>14</sup> Manpower support was to be provided as per actual requirement and valid empanelment prevalent for the purpose in NICS.

Application Owner (Government Department at Centre/State or any Private Player) and the Application Provider (Government Department or independent entities which host and provide services through e-Gov AppStore) over the period of Application Lifecycle (for example: Product Development + Replication + Hosting + Operation and Maintenance) is essential. The contracts related to licenses, source code, etc., will also be a part of such agreements.

Audit observed (November 2022) that though DGRPG was designated as the Nodal Department for implementation of e-Procurement system in the State of Punjab, no formal agreement or MoU was executed with NIC defining the roles and responsibilities of the stakeholders and NIC, even after lapse of more than six years of accepting the proposal of NIC (July 2017).

Mention was made in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 (Paragraph 3.12.2.1) regarding non-execution of Agreement or Memorandum of Understanding (MoU) with NIC. The NIC while apprising that e-Procurement system was being implemented in other Departments of the State, assured (October 2017) to execute the requisite MoU in respect of implementation of e-Procurement system. Further, Public Accounts Committee (PAC) while discussing the Paragraph had recommended (December 2022) that the Department should implement all the provisions of IT policy.

Furthermore, it was observed (July 2024) that timeline was not adhered to in respect of the following activities by NIC:

- **Delay in Registration Fee Module:** The incorporation of the Registration Fee Module in the GePNIC portal, due by September 2017, was completed only in March 2020, resulting in a delay of over two years affecting the timely collection and management of registration fees; and
- **Non-Implementation of Multiple Payment Gateways:** Despite a request (February 2022), NIC had not implemented multiple payment gateways as of May 2024. The system continues to rely solely on SBI's payment gateway, despite recurring service issues. The absence of alternative gateways increases the risk of transaction failures due to technical glitches (as discussed in **Paragraph 2.10.3**), compromising procurement reliability.

Thus, the lack of a formal agreement between DGRPG and NIC, despite over six years of inaction, had resulted in absence of accountability and clarity in roles, contributing to critical delays on the part of NIC in modifying the portal and addressing payment gateway issues. Further, despite inconsistent

performance, NIC was paid (July 2017-August 2023) ₹ 11.34 crore up to March 2024 (as discussed in the preceding paragraph) without enforcing any time-bound accountability or withholding any amount for the delayed services.

Despite the assurance given by NIC (October 2017) and recommendation of PAC (December 2022), the Nodal Department was yet (November 2024) to execute the MoU to ensure legal binding, accountability and clarity in roles for avoiding disparity/dispute with the System Integrator.

The Nodal Department replied (November 2024) that the matter regarding MoU would be taken up with NIC.

### **2.9.1.3 Absence of Functional Directorate of Procurement Policy and Enforcement**

As per Section 45 (1) and (3) of the Punjab Transparency in Public Procurement Act, 2019 (PTPP Act), the State Government shall establish a Directorate of Procurement Policy and Enforcement (DPPE) which shall be headed by an officer not below the rank of a Special Secretary to the State Government. The DPPE shall *inter alia* discharge functions viz. (a) to maintain and update the State Public Procurement Portal<sup>15</sup> (SPPP) set up under Section 43; (b) to arrange for training and certification; (c) to recommend to the State Government measures for effective implementation of the provisions of this Act; (d) to provide guidance, consistent with the provisions of this Act and the rules and guidelines made thereunder, to the procuring entities with respect to the matter relating to public procurement; (e) to study different methods of public procurement and prepare and recommend standard bidding documents, pre-qualification documents or bidder registration documents; and (f) to discharge such other functions, as may be assigned to it by the State Government.

Audit observed that GoP had decided (September 2020) to establish DPPE in accordance with the provisions of PTPP Act. However, even though the SPPP was functional from July 2023, the Directorate was not made functional, as the Department was still in the process of creating requisite posts to make it functional (November 2024). In the absence thereof, effective implementation and utilisation of e-Procurement System in line with the provisions of the PTPP Act could not be ensured as is evident from various deficiencies as discussed in the succeeding paragraphs of this Report.

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<sup>15</sup> Primary objective of SPPP is to provide a single point access to the information on procurements made across various procuring entities covered under PTPP Act. Each procuring entity shall cause the procurement related information to be published as required under this Act or the rules and guidelines made thereunder on SPPP.

The Nodal Department clarified (November 2024) that this matter would be addressed by the Department of Finance.

## 2.9.2 Utilisation of e-Procurement Portal

As of March 2023, 45 Departments/Organisations and their procurement entities had utilised the GePNIC portal and a total of 1.86 lakh tenders valued at ₹ 1,15,407 crore were published during 2018-2023. It was, however, noticed that even amongst the procurement entities which had migrated to GePNIC, utilisation of the portal was partial. Despite specific instructions (September 2017) mandating all procuring entities in the State to carry out all procurements through GePNIC portal from January 2018, 16 (out of 45) procuring Departments/Organisations<sup>16</sup> on-boarded to GePNIC portal with delays, between April 2018 and March 2023. Audit reviewed the level and effectiveness in utilisation of GePNIC portal, correlating data analysis with tender records being maintained by the procurement entities and findings thereof are discussed in the succeeding paragraphs.

### 2.9.2.1 Inadequate Publicity and Language Support for Tenders Published

Section 28(5) of the PTPP Act read with Rule 21(1) and (3) of PTPP Rules, 2022 stipulate that open competitive bidding shall be the default mode of procurement where an attempt is made to attract the widest possible competition in a fair and transparent manner by inviting tenders through advertisement and advertisement of the bidding under this method shall be published by the procuring entity on the State Public Procurement Portal (SPPP), on the Departmental website and through indicative publication in a newspaper, or any other method notified by the State Government from time to time. Further, Rule 33(7) specifies that due publicity shall be given for every auction to attract maximum bidders so as to get the highest value of the public asset to be disposed of.

Audit observed that in 64<sup>17</sup> selected tenders published by three out of 14 test-checked departments, DNIT was published on the portal in a single language i.e. Punjabi only. Data analysis of these 64 sampled tenders revealed

<sup>16</sup> (i) Punjab Agricultural University (15-04-2018); (ii) Department of Employment Generation and Training (27-04-2018); (iii) Department of Personnel (02-05-2018); (iv) Department of Information and Public Relations (01-06-2018); (v) Department of Elections (09-08-2018); (vi) Department of Power (07-09-2018); (vii) ADB Funded Projects (25-02-2019); (viii) Department of Mines and Geology (06-03-2019); (ix) Department of General Administration (28-01-2020); (x) Department of Civil Aviation (11-06-2020); (xi) Punjab Remote Sensing Centre (03-02-2021); (xii) Department of Labour (22-02-2021); (xiii) Punjab Cricket Association (23-08-2021); (xiv) Bhakra Beas Management Board (29-09-2021); (xv) Department of Excise and Taxation (14-02-2022); and (xvi) NICDC Punjab Industrial Corridor Development Corporation Limited (20-03-2023).

<sup>17</sup> Department of Forests and Wildlife Preservation (40); Department of Sports and Youth Services (20); and Department of Agriculture (4).

that the participation of bidders from other States was only nine *per cent*. Publishing of tenders in at least 2-3 different languages (Punjabi, English and Hindi) would have allowed the tender to reach a greater number of potential bidders.

The Department of Forests and Wildlife Preservation assured (May 2024) that the advertisements as well as terms and conditions of DNIT would be published in newspapers and on the portal in three languages. The Department of Sports and Youth Services and Department of Agriculture did not respond to this Audit observation.

The Nodal Department stated (November 2024) that publishing of tenders in newspapers was being handled by the Department of Information and Public Relations. The Department further stated that necessary advisory to the user Departments in this regard had been issued.

### **2.9.2.2 Manual Intervention in Tendering Process**

Mention was made in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 (Paragraph 3.12.4.1) regarding non-updating the tender status and proceedings of technical and financial committees on the portal. The Department assured (October 2018) that instructions were issued to Tender Inviting Authorities (TIA) for uploading Award of Contract (AoC) on the system and matter was taken up with NIC for generating the minutes by the system.

GePNIC workflow envisages sequential step-by-step progress through different stages of tender, concluding on AoC to the successful bidder. Therefore, achieving AoC stage through online tendering process ensures complete and effective use of GePNIC portal. The stage-wise activities to be carried out during the tendering process are detailed in **Table 2.1**.

**Table 2.1: Stage-wise activities to be carried out during tendering process**

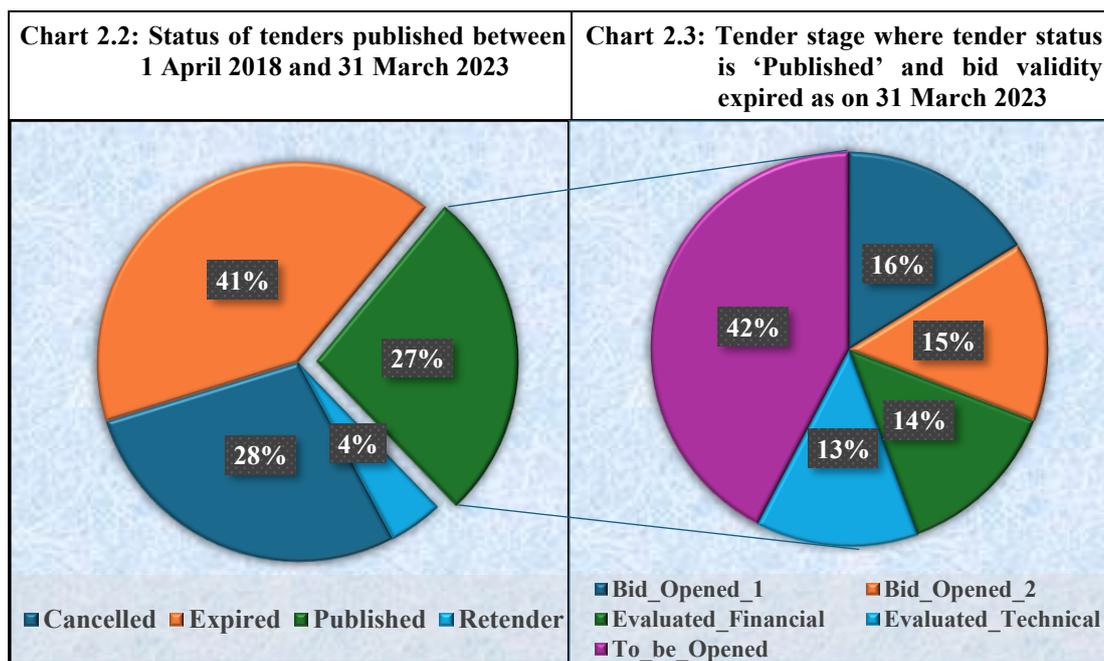
<b>Tender Status*</b>	<b>Stage</b>	<b>Activity to be carried out</b>
Published	To be Opened	No activity is carried out
	Bid opening (Bid Opened 1)	Bids are opened online, and number of bids and payment details are checked
	Technical Evaluation	Bids are checked against the technical criteria specified in the tender document
	Financial bid opening (Bid Opened 2)	Opening of financial bids of technically qualified bidders
	Financial Evaluation	The bill of quantity (BoQ) of each bidder is opened and L1 bidder identified from the system generated comparative chart, where BoQ template is used
Expired	Award of Contract	After identification of L1 bidder, contract value and the date of contract are entered in the system

Source: GePNIC Manuals and Brochure

\* Tender Status gets updated as 'Cancelled' when tender has been cancelled; and 'Retender' when tender has been opted for retendering using system feature.

Data analysis revealed (May 2024) that only 0.76 lakh out of 1.86 lakh (41 per cent) of the tenders published on the portal during 2018-2023 were processed up to AoC stage, 28 per cent were cancelled, 27 per cent showing status as 'published' and four per cent were retendered, as depicted in **Chart 2.2**.

Out of 27 per cent (0.50 lakh out of 1.86 lakh) tenders with status as 'Published', 23 per cent (0.43 lakh out of 1.86 lakh) tenders where bid validity had expired, the portal did not reflect their actual status. Rather, it was showing the tenders lying at different stages of processing, as depicted in **Chart 2.3**.



Source: GePNIC database

Examination of physically maintained records in respect of 494 test-checked tenders revealed that:

- The contract had been awarded in 294 tenders, but status thereof was shown as 'Expired' on the portal. Besides, there were six tenders which were awarded offline. Their status had not been updated in the portal as awarded.
- In 30 tenders, the tender stage had not been updated, whereas in 55 tenders, the status had been updated on the portal with delays (ranging between 14 to 2021 days), thereby not only depicting incorrect status of tender on the portal but also leading to pending settlement of ₹ 54.95 crore, as discussed in **Paragraph 2.10.3.3**.

This deficiency in the MIS Report for status of tenders had arisen since the tenders were processed manually till the stage of AoC, without updating the corresponding stages in the portal, as discussed in **Paragraph 2.10.9.2(ii)**.

Although the procuring entities had published the tenders on the e-Procurement portal, the key business processes for bid evaluation, negotiation and award of contract were being carried out manually outside the system. This continued manual processing had resulted in bypassing of application controls for these processes and hence, instances of irregularities in the processes of bid evaluation and award of contract, as discussed in **Paragraph 2.9.3**.

The Nodal Department replied (November 2024) that necessary advisory to the user Departments in this regard had been issued.

Further, the inconsistencies in 28 *per cent* cancelled tenders (0.52 lakh out of 1.86 lakh) are discussed in the succeeding Paragraphs.

**(i) Deficiencies in planning led to cancellation of tenders**

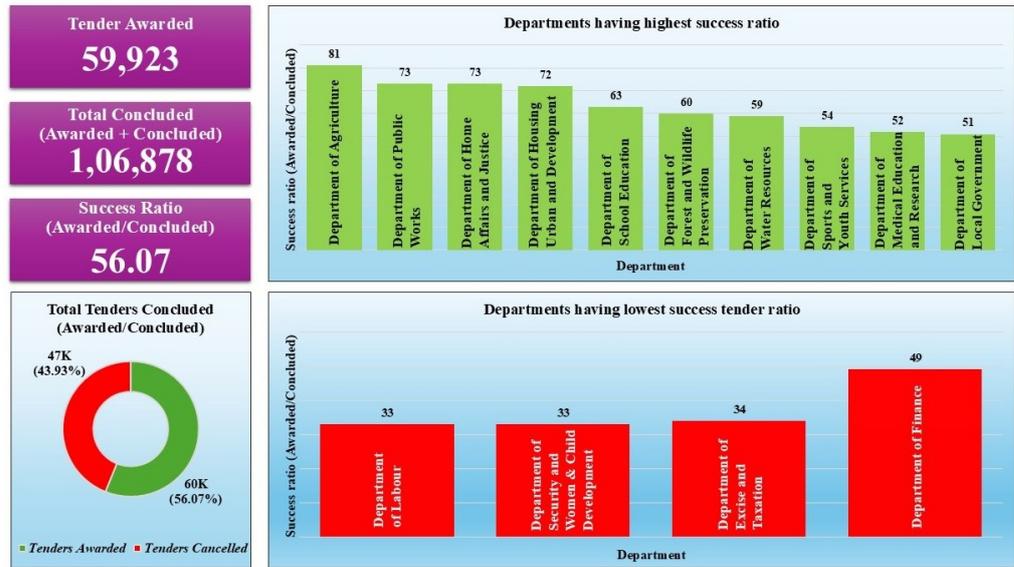
Section 25 of PTPP Act stipulates that a procuring entity may, for reasons to be recorded in writing, cancel the process of procurement initiated by it; the procuring entity shall not open any bids or proposals after taking a decision to cancel the procurement and shall return such unopened bids or proposals; and the decision of the procuring entity to cancel the procurement along with the reason to do so shall be immediately communicated to all the bidders who participated in the procurement process. If the bidder whose bid has been accepted as successful fails to sign any written procurement contract as required or fails to provide any required security for the performance of the contract, the procuring entity may cancel the procurement process.

Data analysis of 1,85,920 published tenders revealed that 52,046 tenders (28 *per cent*) were cancelled over five years (2018-2023), thereby showing overall portal success ratio of 59 *per cent*<sup>18</sup>. The analysis of portal success ratio (56 *per cent*) in respect of 14 selected departments is depicted in **Chart 2.4**.

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<sup>18</sup> Portal success ratio is the ratio between total number of tenders awarded and total number of tenders concluded (tender awarded + tender cancelled) x 100.

Chart 2.4: Portal success ratio of selected departments



Source: GePNIC database

Further examination of records related to 114 selected tenders which were cancelled at various stages of tender processing revealed the following:

Some of the important cases where the tenders were cancelled due to improper planning and inefficiencies are discussed in **Table 2.2**.

Table 2.2: Cancellation of tenders due to improper planning and inefficiencies

Sr. No.	Name of work (Entity)	Date of publishing	Date of cancellation	Reason for cancellation	Reply of department
1.	Construction of Standard Police Station building (Punjab Police Housing Corporation - PPHC)	August 2019	March 2020	Land for the site was not available	PPHC stated (August 2024) that the tenders were called on the assurance of the Police Department to provide requisite land. But due to non-provision of land, the tender was cancelled.
2.	Supply and installation of machinery and equipment (Department of Medical Education and Research - DMER)	November 2022	September 2023	Faculty for operating the machine was not available	DMER stated (December 2023) that in future certification would be sought from the institutions regarding the availability of staff for use of machines.
3.	Lining and relining of water course with underground pipeline/brick lining of Outlet RD (Department of Water Resources)	October 2021	March 2022	Non-availability of requisite funds	The Department stated (April 2024) that sanction was obtained in anticipation of receipt of funds from the Government. Subsequently, the tenders were cancelled due to non-receipt of funds. It was added that proactive measures would be taken in future for smooth and efficient tender process.

Source: Departmental record

Further, it was noticed that 28 tenders pertaining to 9<sup>19</sup> out of 14 test-checked departments were cancelled without quoting any specific reasons<sup>20</sup> on the portal as well as the tender records.

During tender processing in the above cases, an amount of ₹ 15.38 lakh on account of earnest money (₹ 14.65 lakh), tender fee (₹ 0.21 lakh) and processing fee (₹ 0.52 lakh) remained blocked with the entity/departments concerned. Of this, an amount of ₹ 14.65 lakh towards earnest money was refunded to the bidders after 5-9 months. Tender and Processing Fees were not refunded to the bidders even though it was a lapse on the part of the departments, as bids were opened before cancellation. Withholding any part of the bidders' money can deter participation and undermine the credibility of the tendering process.

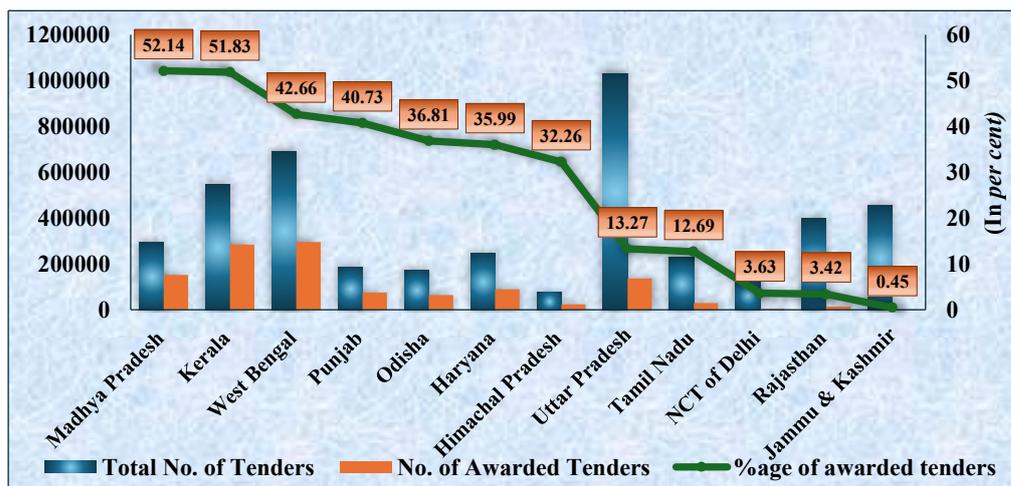
Cancellation of nearly one-fourth of published tenders indicated deficiencies in planning and due diligence in the procurement process, prior to publication of tenders.

The Nodal Department stated (November 2024) that necessary advisory to the user departments in this regard had been issued.

**(ii) Status of updating of published tenders in comparison with other State Governments**

A comparison of tenders published *vis-à-vis* updation of their AoC status on the portal by GoP and other State Governments who published more than 10,000 tenders in each of the years during 2018-19 to 2022-23 was carried out using the data available in the GePNIC Dashboard<sup>21</sup>. The outcome of the comparison is depicted in **Chart 2.5**.

**Chart 2.5: State-wise comparison of tenders published *vis-à-vis* tenders awarded during the period 2018-2023.**



Source: Dashboard of GePNIC

<sup>19</sup> (i) Agriculture (1); (ii) Excise and Taxation (2); (iii) Finance (1); (iv) Forests and Wildlife Preservation (1); (v) Home Affairs and Justice (2); (vi) Local Government (6); (vii) Medical Education and Research (3); (viii) Sports and Youth Services (9); and (ix) Water Resources (3).

<sup>20</sup> In majority cases, “administrative reasons” were quoted in the corrigendum.

<sup>21</sup> <https://eprocure.gov.in/eprocdashboard/>

**Chart 2.5** shows that out of 12 States, Punjab stood in fourth position as it updated the status as ‘AoC’ only in respect of 41 *per cent* of the tenders published in the Portal though five years had passed since its implementation (January 2018).

This situation had arisen since the portal was utilised as originally intended only up to the stage of bid opening. All subsequent business processes – bid evaluation, negotiation and award of contract had been carried out manually, outside the system.

### 2.9.2.3 Deficiency in Application Controls to Enforce Uploading of Tender Summary Reports in the Portal

The e-Procurement portal provides for uploading of summary reports capturing required details of each stage of the tender for maintaining transparency in tender processing and for future reference. The next stage in the tender processing can only be achieved on completion of the preceding stage and uploading of the related summary report. Stage-wise details of summary reports required to be uploaded on the portal are given in **Table 2.3**.

**Table 2.3** Details of summary reports to be uploaded

Stage	Summary to be uploaded	Details in the summary
Bid opening	Bid opening summary (Optional)	Number of bids and other requisite details, minutes of bid opening, etc.
Technical evaluation	Technical evaluation summary (Mandatory)	List of qualified bidders who will be eligible for opening of financial bids along with reasons of bids accepted/rejected in technical evaluation
Financial bid opening	Financial bid opening summary (Optional)	Overall summary along with minutes of opening of financial bids
Financial evaluation	Financial evaluation summary (Mandatory)	Position of the bidders (L1, L2, etc.) is uploaded
Award of Contract	AoC Summary (Mandatory)	Letter of Acceptance (LoA)/work order is uploaded

Source: GePNIC Manuals & Brochure

Test-checking of 494 tenders and MIS reports showed that summary reports at various stages of tender processing were not uploaded on the e-Procurement portal, as detailed in **Table 2.4**.

**Table 2.4: Non-uploading of summary reports on portal**

Mandatory stage summary	Total number of tenders passed this stage	Number of tenders (out of column 2) without actual summary reports	Remarks
(1)	(2)	(3)	(4)
Technical evaluation summary	357	66	Instead of technical evaluation summary report, orders related to formation of Tender Evaluation Committee or irrelevant/blank documents were uploaded on the portal
Financial evaluation summary	305	120	Instead of price bid evaluation summary report, irrelevant/ blank documents were uploaded
Award of Contract	294	51	Instead of AoC, irrelevant documents were uploaded

Source: GePNIC database

Audit noticed that during technical/financial bid opening, uploading of opening summary is optional. In case of non-uploading of opening summary, the tender stage did not get updated and kept showing ‘opening in progress’ even after opening/decryption of all bids. In these cases, the bid opening stages (technical/financial) got updated/closed only after completion of technical/financial evaluation stages and after uploading of the required summary report. The detailed analysis is given in **Paragraph 2.10.9.2(ii)**.

It was further noticed that description of link in the portal for uploading technical/financial summary reports had been displayed as ‘Committee Details Upload’, as depicted in **Figure 2.1**.

**Figure 2.1: Picture showing ‘Committee Details Upload text’ on GePNIC portal**

The screenshot displays the 'BID EVALUATION' section of the GePNIC portal. The left sidebar contains a navigation menu with categories: Master Management, User Management, Tender Management, Bid Opening, Bid Evaluation, and Corrigendum. The main content area is titled 'BID EVALUATION' and shows 'Bid Evaluation -> Technical Evaluation'. The form includes the following fields and information:

- Organisation Chain : NIC Org||NIC\_Dept
- Tender Reference Number : 2015/NIFM/51159/E3ES
- Tender Id : 2015\_NIC\_36669\_1
- Tender Title : Supply of Items to setting computer lab at NIFM
- Packet Description : Technical
- Committee Chairperson Type: \*  Internal  External
- Committee Chairperson Name \*
- Committee Members
- Only pdf files are permitted to upload.
- Committee Details Upload \*
- Financial Bid Opening Date \*  At  00  00
- Buttons:

Source: User Manual of GePNIC

This deficiency in application control was the reason that the users, instead of uploading technical/financial evaluation summary reports, had instead only uploaded orders related to formation of committee/other irrelevant documents. The Nodal Department assured (June 2024) to rectify the discrepancy in subsequent versions of the application.

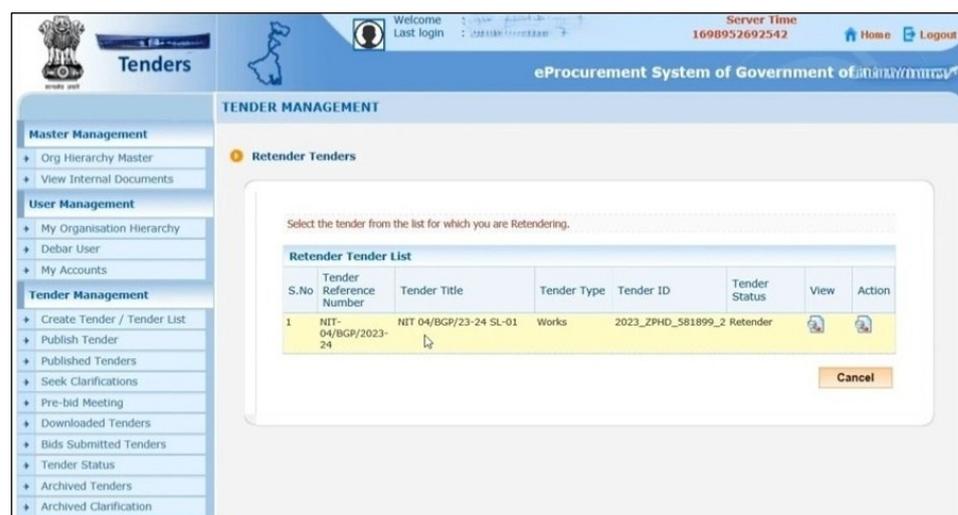
Non-uploading of the evaluation reports rendered the IT system incomplete, impairing transparency and objectivity of the tender processing and propagating dependence on manual records.

The Nodal Department stated (November 2024) that necessary advisory to the user departments in this regard had been issued.

#### 2.9.2.4 Non-utilisation of 'Retender' Functionality

GePNIC portal has the 'Retender' functionality for user Departments, to maintain a trail of related tenders published earlier so that applicable business rules for such re-tenders can be followed, as depicted in **Figure 2.2**.

**Figure 2.2: Picture showing 'Retender' feature on GePNIC portal**



Source: GePNIC manual

Audit observed that the 'Retender' functionality had been used in respect of 8,128 published tenders during 2018-2023. However, while analysing the tenders on the basis of the tender inviting authority, tender value and tender title data fields, it was observed that out of the total 1,85,920 published tenders during the period, 22,756 tenders were republished multiple times, either by cancelling the previously published tenders or without updating the status. However, 'Retender' functionality was not used in any of these tenders.

Analysis of data for the period 2018-2023 further revealed that an amount of ₹ 59.26 lakh on account of processing fee (₹ 6.65 lakh), tender fee (₹ 4.32 lakh) and earnest money deposit (₹ 48.29 lakh) pertaining to 729 bidders who had participated in 490 such tenders were pending for refund (March 2023).

The Nodal Department had not issued executive instructions to mandate the utilisation of the ‘Retender’ functionality and as a result, the system was not in a position to accurately track the number of times a tender had been republished on the portal. In turn, this meant that the business rules for specifying the applicable time for submission of bids and minimum technical qualifying bid conditions laid down for such re-tenders in the PTPP Rules could not be enforced by the system, as discussed in **Paragraphs 2.10.1.1 and 2.10.1.3**.

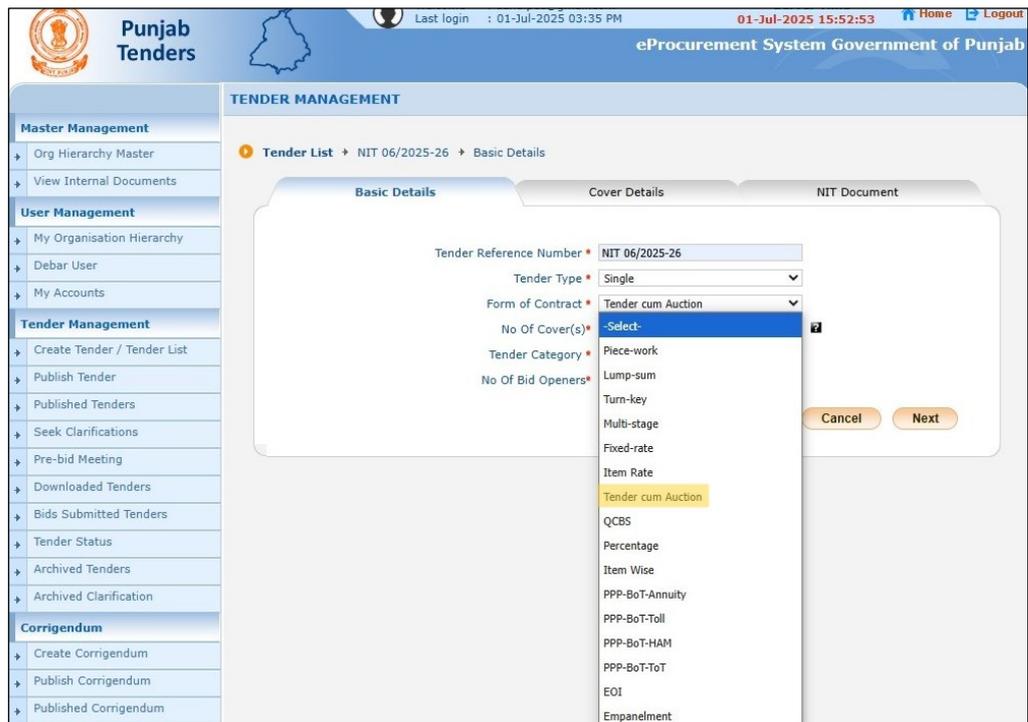
The Nodal Department stated (November 2024) that necessary advisory to the user departments in this regard had been issued and that the user departments would be provided training on the ‘Retender’ functionality.

### 2.9.2.5 Non-utilisation of ‘Tender-cum-Auction’ feature

Rule 33(6) of PTPP Rules stipulates that disposal of assets shall be done by way of e-auction through e-Procurement portal or any other open auction mode adopted by the State Government.

GePNIC portal had the functionality for ‘Tender-cum-Auction’ (**Figure 2.3**).

**Figure 2.3: Picture showing ‘Tender-cum-Auction’ feature in form of contract**



Source: GePNIC manual

Data analysis in respect of tenders published on GePNIC portal revealed that the Department of Excise and Taxation had published 691 tenders for auction of liquor vends and the Department of Forests and Wildlife Preservation had published 81 tenders for sale of trees during the period April 2018 to March 2023. However, neither of the two departments utilised the

‘Tender-cum-Auction’ feature. Instead, they opted for the open tender approach for auction purposes, despite the fact that this functionality had been available and previously used by six<sup>22</sup> procuring entities since 2019.

The Nodal Department stated (May 2024) that ‘Tender-cum-Auction’ was an optional functionality that could be configured by the user Departments. The Department of Forests and Wildlife Preservation accepted the Audit Observation and stated (May-2024) that NIC had been approached to configure ‘Tender-cum-Auction’ functionality for that Department. The Department of Excise and Taxation did not respond to the Audit Observation.

This indicated that user Departments were not aware of the set of functionalities in the system and hence had processed auctions by utilising the Tender business processes.

The Nodal Department stated (November 2024) that necessary advisory to the user departments in this regard had been issued and that the user departments would be provided training on this functionality. It was further stated that configuration of the ‘Tender-cum-Auction’ functionality by default for all user Departments shall be explored.

#### **2.9.2.6 Irregular Submission of Documents by Bidders Outside the Portal**

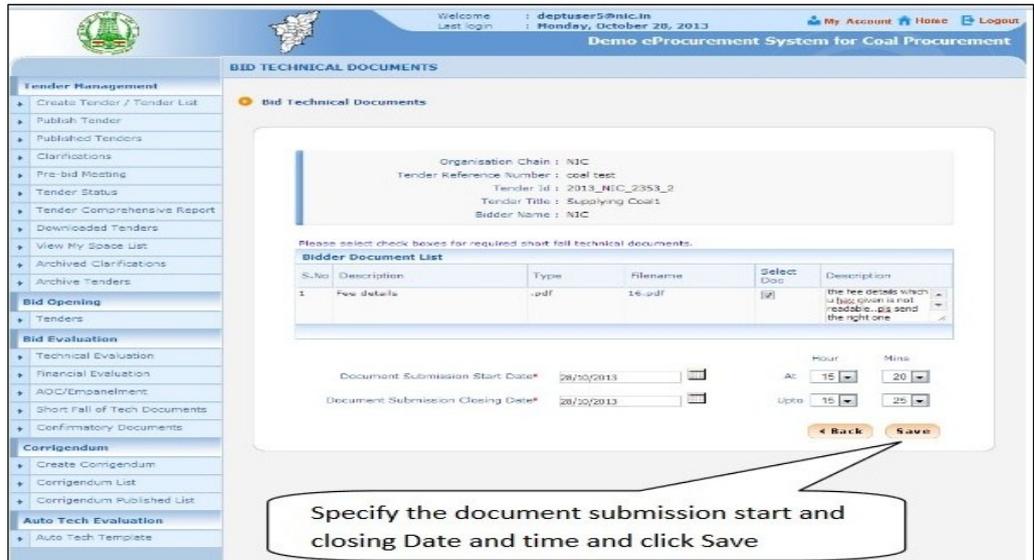
Rule 16 (Appendix 4) of PTPP specifies that relevant bidders can simultaneously take part in bid opening online and can see the resultant bids of all bidders. The system automatically generates a technical scrutiny report and commercial scrutiny report in case of techno-commercial bid opening and a price comparative statement in case of price bid opening which can also be seen by participating bidders online. Any document not enclosed by the bidder (referred to as a shortfall document) may be asked for by the procuring entity and submitted by the bidder online, provided it does not vitiate the tendering process.

The functionality for demanding shortfall documents was available in the GePNIC (**Figure 2.4**). The Bid Evaluator (departmental user) can demand the shortfall documents from the specific bidders and only these bidders can upload the documents through portal.

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<sup>22</sup> (i) Bhakra Beas Management Board (256); (ii) General Administration (5); (iii) Housing and Urban Development (2); (iv) Power (1,143); (v) School Education (2); and (vi) Governance Reforms (12).

Figure 2.4: Picture showing feature for demanding shortfall documents



Source: GePNIC manual

Audit observed that in 36 out of 494 sampled tenders pertaining to six departments<sup>23</sup>, shortfall documents had been submitted by bidders outside the GePNIC portal, through email or other means, in contravention of the provisions *ibid*.

This communication with bidders through channels outside the system indicated a major control risk, since it created avoidable scope for selective communication with bidders who had not submitted the full set of documents. In the absence of utilising the functionality within the system, there was no assurance that a level playing field had been maintained during bid evaluation and that all bidders had been provided uniform and fair opportunities to submit the shortfall documents. This resulted in diminished transparency in the trail of documentation for the bid evaluation process, with risks of extension of undue benefit to favored bidders.

The Nodal Department stated (November 2024) that necessary advisory to the user departments in this regard had been issued and that the user departments would be provided training regarding this matter.

### 2.9.3 Deficiencies in Internal Controls for e-Procurement

Internal controls for business processes include formal policies and practices for risk management, compliance with internal procedures and instructions; external legislation and regulations; periodic and ad-hoc management reports; progress checks; and revision of plans and audits, evaluations, and monitoring.

<sup>23</sup> (i) Agriculture (4); (ii) Finance (3); (iii) Housing and Urban Development (6); (iv) Home affairs and Justice (17); (v) Medical Education and Research (1); and (vi) Public Works (B&R) (5).

Without these internal controls, organisations face the risk of non-compliance with the extant statutory framework.

The deficiencies noticed during e-Procurement are discussed in the following paragraphs:

**(i) Non-preparation of Annual Procurement Plan**

Section 9 of PTPP Act stipulates that the procuring entity shall prepare an annual procurement plan before/at the beginning of every financial year. A procuring entity shall take into consideration the matter specified in Section 8(2) of the Act while preparing its annual procurement plan in a rational manner and in particular shall avoid emergency procurement, wherever possible; aggregate its requirements, wherever possible, both within the procuring entity and between procuring entities, to obtain value for money and reduce procurement costs; avoid splitting of procurement; and integrate its procurement budget with its expenditure programme.

It was, however, observed that none of the test-checked procurement entities had prepared an annual procurement plan in line with the provisions of the Act *ibid*.

**(ii) Non-maintenance of records**

Rule 3 of PTPP Rules, 2022 provides that subject to the provisions of Section 6 of PTPP Act, all procuring entities shall, in addition to the records specified in sub-section (1) of the said section, maintain and preserve in safe custody the registers or databases as specified in Form 'A'<sup>24</sup> in electronic and physical form as official records.

It was observed that only tender register among the prescribed registers was maintained and even this was done by 61<sup>25</sup> out of 111 sampled procuring entities.

**(iii) Offline processing of tenders**

Rule 16 (Appendix 4) of the PTPP Rules stipulates that the bidders shall submit their techno-commercial bids and price bids online. Bidders will have to upload scanned copies of various documents required for eligibility and all other documents as specified in the notice inviting bid, techno-commercial bid in envelope-I and financial bid in envelope-II.

Audit observed that two departments *viz.* Department of Medical Education and Research; and Department of Social Security and Women & Child Development (DSSWCD) demanded/accepted offline bids in two out of

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<sup>24</sup> Vendor/Contractor Register; Procurement Register; Procurement Order Guard Register; Procurement Order Progress Register; Stock Register and Asset Register.

<sup>25</sup> Ten test-checked entities did not furnish the requisite information/reply.

494 sampled tenders each valuing more than ₹ five lakh, in contravention of the Rules *ibid*.

The DMER stated (October 2023) that only online bids were considered and offline bids rejected. The reply was not satisfactory as out of three offline bids, one bid had been accepted (though not qualified as L1 and two bids were rejected on other grounds *viz.* one for non-submission of EMD and second on technical ground).

The DSSWCD stated (May 2024) that due to lack of time, the Department cancelled the online tenders and subsequently processed the tenders on the basis of offline quotations.

**(iv) Irregularities in offline processes for technical and financial bid evaluation**

In 122 out of 494 sample tenders, Audit noticed irregularities in the offline processes for technical and financial bid evaluation, based on the conditions of DNIT and provisions under PTPP Act and Rules. The details are below:

- In 10 tenders, no justification was given for rejection of technical bids.
- There was disparity in evaluation in two tenders published (October 2021 and March 2022) by the Department of Agriculture (Punjab Mandi Board, Mohali), as the bid was technically accepted in one case and rejected in another, based on non-submission of similar documents in tendering document.
- In 29 tenders, bidders were technically qualified despite shortfall in documentation uploaded with technical bids (**Appendix 2.4**). No record was available in support of subsequent submission of these shortfall documents from the bidders (online or offline mode). Of these, in one tender published (December 2021) by the Department of Local Government (Municipal Council, Nayagaon), the bid was technically accepted and the tender was awarded even though none of the documents demanded in DNIT was uploaded by the bidder. MC, Nayagaon did not furnish any reply regarding submission of shortfall documents even in offline mode by the bidder.
- In three tenders published (January 2019 – October 2020) by the Department of Agriculture, works were awarded despite non-submission of relevant enlistment document<sup>26</sup> by the bidders.

The Punjab Mandi Board, Patiala stated (June 2024) that no contractor having enlistment of building work participated in the tendering process so the work was awarded accordingly. The reply of the Board was not

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<sup>26</sup> Punjab Mandi Board, Patiala for enlistment document in respect of building work (two tenders); and District Soil Conservation Officer for enlistment document from the Agriculture Department (one tender).

satisfactory as analysis of bidders' documents revealed that other participating bidders had submitted the enlistment for building works. The District Soil Conservation Officer, Patiala did not respond to the Audit observation.

- Section 23 read with Rule 16 of the PTPP Act/Rules prescribes that when the bids are being opened, concerned bidders can simultaneously take part in bid opening online and can see the resultant bids of all bidders. The system automatically generates technical/financial comparative reports which can also be seen by participating bidders online.

In two tenders published (March 2021 and March 2022) by the Department of Labour, one of the bidders had uploaded password-protected technical bids. The bids were technically accepted and the contract was awarded against one tender (May 2021) to the same bidder. However, due to password protected technical bids, the documents were not accessible to other bidders, thereby impairing the objective of the bid opening process. Subsequently, this bidder was blacklisted (September 2023) due to submission of invalid/forged EPFO certificate uploaded along with the respective tender (March 2021), as discussed in **Paragraph 2.9.5(ii)**.

- In one tender published (April 2020) by the Department of Water Resources (Sidhwan Canal Division, Ludhiana), bid was financially accepted even though EMD was not deposited by the bidder.

The Department stated (December 2023) that the work had been completed satisfactorily and there was no loss to the State exchequer. The reply of the Department was not satisfactory since the work should not have been awarded without the bidder first depositing the EMD.

- Out of 91 tenders, system templates for Bill of Quantity (BoQ) (item rate/lump sum/percentage rate) developed by NIC were not used in 34 tenders. In other 57 tenders, incorrect system template was chosen, in the absence of which the auto-generated financial evaluation summary/comparative statement could not be generated and the financial evaluation was done offline. Of these, 27 tenders were published by the Department of Forest for sale of trees, where L1 BoQ instead of H1 template was chosen, thereby leading to generation of L1 BoQ comparative statement. Thus, the Department had to resort to manual calculations for financial evaluation.

The Department replied (May 2024) that correct BoQ template was adopted in the tendering process from February 2023 onwards.

- In one tender for appointment of statutory auditor published (June 2020) by the Department of School Education, the financial evaluation in

respect of eight bidders was done manually instead of through the portal. As per the manual comparative statement prepared by the department, the total audit fee of L1 was ₹4,99,006 whereas L9 stands out to ₹15,35,47,500. However, further negotiations were held with selective four bidders only and the contract was awarded to L9 for ₹ 88,500.

The Department stated (March 2024) that bidders had misinterpreted the BoQ template and hence the committee had to finalise the financial bid evaluation manually. The Department, however, did not provide an explanation (April 2024) for holding negotiations with the selective bidders only.

- In one tender published (July 2019) by the Department of Finance (Directorate of Punjab State Lotteries), BoQ template used for submitting the financial bids was prepared by the Department itself on the plea that NIC template limited the input up to two decimal places whereas they required value up to four decimal places. However, it was observed that one of the bidders had uploaded the financial bid in its own designed BoQ template with two decimal places, which was accepted by the department and the work was awarded to the same bidder.

The Department stated (May 2024) that none of the contents of the financial bid were changed, therefore, the bid was accepted. The reply of the Department was not satisfactory since the NIC template itself could have been used if such flexibility in BoQ template was acceptable.

- In three tenders published (June 2019 – May 2020) by the Department of Medical Education and Research, discrepancy related to imposition of different rates of Goods and Services Tax (GST) on the same product was observed. The BoQ template should have been designed duly incorporating the correct GST rate to avoid quoting different rates for the same item by the bidders. However, all three tenders were awarded ignoring this fact. In one of the tenders, the contract was given to a bidder who quoted 'zero' GST, while others quoted 12 *per cent* and 18 *per cent*, yet the supply order subsequently included GST in addition to the quoted price.

GST laws generally mandate a single GST rate for a specific product or service, ensuring uniformity and fairness in taxation. Imposing multiple GST rates for the same product may potentially lead to non-compliance with GST laws and regulations.

The Department while admitting the audit observation stated (October 2023) that a letter for recovery of GST paid to the bidder had been issued. It was added that GST rate would be checked and verified for uniformity in future.

These above instances of irregularities had arisen due to the manual, offline processing of bid evaluation and award of contract outside the GePNIC, thereby bypassing application controls.

**(v) Control deficiencies**

Audit reviewed the functionalities in the system, and noticed the following severe control deficiencies:

- i. The system did not have application controls to ensure that bidders could only submit bids as per the pre-defined data formats for the tender. As a result, the bidders could potentially make modifications to the Bill of Quantity/ Work Estimates specified in the tender. There was also the risk that bidders could submit irrelevant information in the uploaded documents, in the absence of data fields having clear validation controls.
- ii. Functionality and application controls to ensure that technical evaluation of bids has to be completed only through system workflow, even if the Bid Evaluation Committee conducts its proceedings in offline mode, had not been implemented.
- iii. Functionality and application controls to ensure that based on specified data fields for each technical bid criteria, the user has to specify qualified/not qualified status at the end of the technical evaluation, had not been implemented.
- iv. Functionality and application controls to ensure that the results of the evaluation of technical bids and results of qualified/not qualified are communicated by the system to all the participating bidders before financial bids are evaluated, had not been implemented.
- v. Functionality and application controls to ensure that financial evaluation of bids has to be completed only through system workflow, even if the Bid Evaluation Committee conducts its proceedings in offline mode, had not been implemented.
- vi. Functionality and application controls to ensure that based on specified data fields for financial bid criteria, the system computes L1, L2, H1, H2, etc., and it is not left to the users to determine, had not been implemented.
- vii. Functionality and application controls to ensure that the results of the evaluation of financial bids (L1, L2, etc. computed by the system along with decision made by the financial bid evaluation committee) are communicated by the system to all the participating bidders before award of contract, had not been implemented.
- viii. Functionality and application controls to ensure that award of contract has to be completed only through system workflow, had not been implemented.

Therefore, significant business processes such as tender evaluation (both technical and financial), negotiation with vendors, and award of contract are still being carried out manually, instead of through the e-Procurement system. As a result, the objective of eliminating human interface for these key processes had not been achieved. The responsibility for ensuring compliance with rules had not shifted from the individual Departmental users to the application, even after the implementation of the e-Procurement system.

The Nodal Department stated (November 2024) that necessary advisory to the user departments in this regard had been issued.

#### **2.9.4 Offline Collection of Earnest Money Deposit**

As per Clause 3 “Bid Submission” of the PTPP Rules, Bid Security (EMD) shall be submitted in electronic form online (NEFT/RTGS/Internet Banking or any other mode available on the e-Procurement portal).

Audit observed that four<sup>27</sup> of the test-checked departments/procuring entities accepted EMD in 46 tenders through offline mode [Demand Draft (DD), etc.] by modifying DNIT conditions, in contravention of the Rules *ibid*.

The DNIT in respect of six sampled tenders published (July 2022-March 2023) by the Department of Excise and Taxation<sup>28</sup> for auction of liquor vends specified, “the DD has to be deposited with concerned Assistant Commissioner (Excise) Range and receipt is to be obtained for uploading in the technical bid cover”. It was, however, noticed that the dates of DDs (receipts issued by the Department were uploaded with the technical bid) preceded the tender publish dates. This discrepancy indicated apparent prior knowledge of these tenders by the bidders, which raises questions on preferential communication with these bidders before publication of tenders.

The Excise Officer (East Range), Ludhiana stated (December 2023) that the bidders could have made these DDs based on earlier published tenders. The DDs were accepted due to their validity in force at the time of submission. The response was not satisfactory as the DDs had been submitted in response to the tenders with dates prior to publication date, indicating the risks of preferential treatment extended to those bidders.

The Nodal Department stated (November 2024) that necessary advisory to the user departments in this regard had been issued.

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<sup>27</sup> (i) Excise and Taxation (35); (ii) Punjab Infrastructure Development Board (PIDB) (8); (iii) Director, Social Security and Women & Child Development (2); and (iv) Director, Research and Medical Education (1).

<sup>28</sup> (i) Additional Commissioner (Excise) Ludhiana (East and West Range) (5); and (ii) Additional Commissioner (Excise), Sangrur Range (1).

### 2.9.5 Absence of Functionality to Blacklist/Debar Bidders

Section 26 (1 to 10) of the PTPP Act, 2019 prescribes that a procuring entity shall have the power to blacklist a bidder for a specified time from participating in public procurement proceedings and inform, in writing, all procuring entities of such actions. A bidder who has been blacklisted and/or debarred from taking part in public procurement by an international organisation or by Government of India or any other State Government, shall automatically be blacklisted from participating in public procurement in the State for such period as is debarred by that international organisation or Government of India or any other State Government, as the case may be. Further, a procuring entity shall keep and maintain a record of all blacklisted firms in such manner, as may be prescribed. The bidder blacklisted under this section shall not be eligible to bid through a new supplies, contracting or consulting or services firm for the purpose of public procurement during the period of blacklisting. All procuring entities shall not procure from, contract with or engage a bidder who has been blacklisted from participating in public procurement proceedings pursuant to this Act and the procuring entity shall inform the relevant professional bodies, if applicable, upon blacklisting a bidder.

Analysis of GePNIC database and relevant information obtained from the test-checked procuring entities revealed that the details of blacklisted/debarred bidders were not available/updated on the portal as was evident from the list of 10 bidders blacklisted/debarred (May 2017-September 2023) found available on the website of the Department of Public Works (B&R); besides debarring two bidders one each by the Department of Water Resources (February 2022) and the Department of Agriculture (June 2022). The Nodal Department did not furnish any response regarding the integration of GePNIC portal with other State Governments portals for the functionality to blacklist such bidders from participating in public procurement in the State of Punjab (February 2025). The discrepancies regarding blacklisting/debarring of bidders have been elaborated in the succeeding paragraphs.

#### (i) *Participation of bidders after blacklisting*

Audit observed that the bidders had not made disclosures regarding their blacklisting by the Department(s), as required by the DNIT and the Departments had not verified the status from their other portals, at the time of processing the bids submitted as detailed below:

- Department of Water Resources (DWR) debarred (February 2022) one bidder by simply issuing a letter from participating in public procurement for a period of one year, but made no such changes in GePNIC. Analysis of GePNIC database revealed that the bidder was

able to participate in 10 tenders published (October 2021<sup>29</sup>-May 2022) by DWR and 38 tenders published (April-December 2022) by other three departments<sup>30</sup>, of which six tenders were awarded (May-July 2022) to the debarred bidder, which included one tender awarded (May 2022) by DWR, which itself debarred the bidder.

The Department attributed (April 2024) the reasons for not debarring the bidder to lack of awareness/training of staff. The response indicated that the burden of compliance had not shifted from individual users to the system, despite the implementation of the e-Procurement application.

- The Agriculture Department debarred (June 2022) one bidder from participating in public procurement for a period of one year. Analysis of GePNIC database revealed that the bidder was able to participate in 15 tenders published (November 2022-March 2023) by DWR, in which the bidder qualified<sup>31</sup> the technical evaluation (11 tenders) and financial evaluation (4 tenders) processes.

Due to the absence of integration with other portals on which the details of blacklisted vendors had been maintained, the functionality for debarring such blacklisted vendors (including by any other Department apart from the one publishing the tender) from participating in tenders on GePNIC had not been implemented.

#### ***(ii) Delay in blacklisting of bidders***

The Department of Labour, on the basis of a complaint received (April 2021) regarding submission of invalid/forged EPFO certificate uploaded along with a tender for supply of manpower published in March 2021 (contract awarded in May 2021), blacklisted (September 2023) the bidder for three years, after a delay of more than two years i.e. after expiry of the concerned contract (31 March 2023). Analysis of data further revealed that during the intervening period, the bidder had participated in 30 other tenders published by eight departments<sup>32</sup>, which included Department of Labour (two tenders) too. Of these, five contracts (Department of Cooperation) had been awarded to the bidder, thereby enabling the contractor to continue to participate for more than two years. Even after blacklisting the bidders in September 2023, details thereof had not been mapped into the GePNIC portal (September 2024).

The Department stated (September 2024) that the details of blacklisted bidders would be mapped into the portal in future.

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<sup>29</sup> Bid in respect of one tender published in October 2021 was submitted in March 2022.

<sup>30</sup> (i) Local Government (35); (ii) Agriculture (2); and (iii) Housing and Urban Development (1).

<sup>31</sup> No tender was awarded to the bidder.

<sup>32</sup> (i) Agriculture (1); (ii) Animal Husbandry, Dairy Development & Fisheries (1); (iii) Cooperation (20); (iv) Health and Family Welfare (2); (v) Labour (2); (vi) Medical Education and Research (1); (vii) Science, Technology and Environment (2); and (viii) Transport (1).

The Nodal Department stated (November 2024) that necessary advisory to the user Departments in this regard had been issued and that the user departments would be provided training regarding this matter.

### 2.9.6 Training and Support for e-Procurement Portal

Implementation Guidelines for e-Procurement<sup>33</sup> (July 2011) provide for initial as well as continuous training and handholding support, to the identified department users, as per the needs at a defined minimum level through Facility Management Personnel (FMP). Further, the activities defined to be carried out by the Implementing States included Extensive Trainings for Department User and Bidders to be conducted by FMP teams. NIC in its project proposal (July 2016) had provisioned for imparting department-wise training, both for officials and bidders.

Audit observed that out of 111 sampled procurement entities, training had been imparted to the users of only 32 procurement entities who were currently using the portal. Inadequate training and lack of awareness were one of the reasons attributed by the sampled procurement entities for non-updating the stages of tender processing and partial/improper usage on the Portal, as discussed in **Paragraphs 2.9.2.3, 2.9.2.4, 2.9.2.5 and 2.9.2.6.**

Further, awareness amongst the bidders for switching over to the e-Procurement system was not adequate, as seen from the fact that all the existing bidders (available in the previous system – ‘Tender Wizard’) had not registered themselves on the e-Procurement portal. Training for a few bidders had been imparted on one occasion in the year 2022.

Data analysis of 1.86 lakh tenders published on the portal during the period 2018-2023 revealed that bids had been received in respect of 1.36 lakh tenders only, wherein only one or two bids were received in 48 *per cent* of the tenders (as detailed in **Table 2.5**). The number of bids received against each tender ranged between 1 and 234 bids<sup>34</sup>.

**Table 2.5: Details of number of bids received against each tender**

Number of bids received	Number of tenders	Per cent
Single bid	31,697	23
Two bids	34,527	25
Three bids	36,810	27
More than three bids	33,241	25
<b>Total</b>	<b>1,36,275</b>	<b>100</b>

Source: GePNIC database

The Nodal Department stated (June 2024) that during the roll out of GePNIC in Punjab, comprehensive training programs were organised for all the department

<sup>33</sup> Implementation Guidelines for e-Procurement rollout in States as a Mission Mode Project under National e-Governance Plan.

<sup>34</sup> In one instance/tender, 2,277 bids were received.

users. It was emphasised that these users would inform vendors participating in their tenders to switch to the new system. For assistance and training, vendors were directed to approach the NIC helpdesk.

The reply of the Nodal Department was not satisfactory since adequate training for bidders had not been imparted at the time of roll out of GePNIC in Punjab and the training had only been imparted once to 207 bidders in the year 2022 out of the total 33,256 bidders registered during the period from 2018-2023.

Training should be conducted at regular intervals for all the departments and bidders, and role-based self-learning modules should be developed to provide ease of access to different categories of users.

The Nodal Department (November 2024) stated that trainings were conducted as per requirements received from the user departments and bidders. The Department agreed to organise more training sessions for the departmental users and bidders.

## **2.10 Portal Effectiveness**

PTPP Act establishes the legal framework for public procurement processes. Its aim is to ensure that public entities deliver intended outcomes efficiently, economically, and with integrity. The Act emphasises transparency, accountability, fair and equitable treatment to bidders, thereby fostering public confidence in good governance and addressed related or incidental matters. The PTPP Rules were framed under the powers conferred by the Section 60 (1) of the PTPP Act for procurement of goods, execution of works and hiring of consultants.

Audit noticed deficiencies in mapping the provisions of the PTPP Act and its associated Rules into the portal, resulting in absence of necessary application controls to enforce the applicable business rules. The observations arising from the tendering process of 494 sampled tenders are detailed in the following paragraphs.

### **2.10.1 Non-mapping of Business Rules**

#### **2.10.1.1 Inadequate Time given for Bid Submission**

As per Section 11 of the PTPP Act, each procuring entity must pre-determine a reasonable time frame for completing various stages of the procurement process. This time frame should be clearly specified in the pre-qualification documents, bidder registration documents, or bidding documents, as applicable.

Prior to coming into force the PTPP Rules in 2022, GoP<sup>35</sup> had issued instructions (February 2018) containing timelines for submission of bids as detailed in **Table 2.6**.

**Table 2.6: Timelines for submission of bids**

Tender Value of Works (In ₹)	Recommended Days
5 lakh and above up to 50 lakh	10
50 lakh and above up to 2 crores	15
Above 2 crore	21

Source: Instructions issued by the Chief Engineer, Punjab Roads and Bridges Development Board (PRBDB)

Rule 7, along with Appendices 1 and 2 of the PTPP Rules, specifies the time frames for all procurement activities<sup>36</sup> and stages. It also allows procuring entities to shorten the time frame for any stage of the procurement process, except for the bid submission period. The number of days prescribed for submission of bids for single stage (Two envelope) as per Appendix 1 (for Goods) and Appendix 2 (for works and Non-consulting services) of the PTPP Rules<sup>37</sup> are detailed in **Table 2.7**.

**Table 2.7: Days prescribed for submission of bids**

Goods in Open Competitive Bidding		Works and non-consulting services in Open Competitive Bidding	
Tender Value (In ₹)	Time in days recommended for submission of bids	Tender Value (In ₹)	Time in days recommended for submission of bids
Up to one Crore	21	Up to 50 lakh	10 (First Instance)
			7 (Second/Third instance of bidding)
1 Crore and above up to 10 Crore	30	50 Lakh and above up to 2 Crore	15 (First instance)
			14 (Second/Third instance of bidding)
10 Crore and above up to 100 Crore	30	2 Crore and above up to 100 Crore	21 (First/Second/Third instance of bidding)
Above 100 Crore	45	Above 100 Crore	45 (First/Second/Third instance of bidding)

Source: Appendix 1 and Appendix 2 of the Punjab Transparency in Public Procurement Rules, 2022

Mention about the provisions of the notification (July 1996) not mapped in the System, thereby giving inadequate time to contractors for bidding was made in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended

<sup>35</sup> Through the Chief Engineer (PRBDB) on the advice of Technical Advisor to Chief Minister of Punjab vide memo no. 10738-48 dated 21.02.2018.

<sup>36</sup> Except Consulting services.

<sup>37</sup> Came into effect from 7 January 2022.

31 March 2017 (Paragraph 3.12.3.1). Despite assurance (October 2018) of PWD (B&R) to the Public Accounts Committee that NIC would update the required functionality in the next version, the same irregularities were again noticed, as detailed in the succeeding paragraphs.

Audit analysis of GePNIC database revealed that neither the timelines prescribed by the GoP nor the timelines laid down in PTPP Rules were mapped in the system, as detailed in **Table 2.8**. However, to ascertain the days allowed in 1,85,920 tenders published during 2018-2023, Audit benchmarked the days prescribed for bidding by PWD in tenders published on or before 7 January 2022 and days prescribed in PTPP Rules for tenders published after 7 January 2022. The results of audit analysis are detailed in **Table 2.8**.

**Table 2.8: Tenders allowing less than prescribed days for submission of bids**

	Tenders published	Tenders with less than prescribed days		Range of shortfall (in days)
		Overall (In per cent)	Test-checked	
Prior to PTPP Rules	1,56,415	48,604 (31%)	148	1 to 18
After PTPP Rules	29,505	12,162 (41%)	89	1 to 44
<b>Total</b>	<b>1,85,920</b>	<b>60,766 (33%)</b>		

Source: GePNIC database

As is evident from the table above, in about one third of the tenders, time allowed for submission of bids was less than the days prescribed by GoP/PTPP Rules. The percentage of tenders published with lesser time allowed for submission of bids increased from 31 per cent to 41 per cent in the later period and the time allowed was lesser by up to 44 days. Some instances have been mentioned below:

(i) Audit noticed that 12 of the test-checked tenders valued at ₹ 420 crore (having reserve price between ₹ 22.29 crore and ₹ 58.90 crore) for sale of retail liquor licenses were published by four Excise & Taxation Officers<sup>38</sup> (ETOs). Though these tenders were published in June 2022 and March 2023 i.e. after coming the PTPP Rules in force, less than a single<sup>39</sup> day was provided for submission of bids, against the prescribed period of 21 days.

The ETOs did not respond to the Audit observation (February 2025).

(ii) Audit noticed that five tenders valued at ₹ 181.93 crore (having reserve price between ₹ 22.29 crore and ₹ 56.88 crore) for sale of retail liquor licenses published (June 2022 and March 2023) by ETOs of Jalandhar and Patiala, multiple corrigenda were issued to extend the bid submission time ranging from 15 minutes to 180 minutes.

<sup>38</sup> ETOs at Ferozepur, Jalandhar, Ludhiana and Patiala.

<sup>39</sup> Bid submission time ranged between 45 minutes to 9 hours 40 minutes.

Thus, due to non-mapping of timelines prescribed in the instructions issued by the GoP and PTPP Rules, the system was incapable of streamlining the tendering process, especially the bid submission period.

The Nodal Department admitted (May 2024) the facts and assured to take up the matter with NIC for configuring the bid submission period conforming to PTPP Rules. During the Exit Conference (November 2024), the Nodal Department further stated that necessary advisory to user Departments in this regard has been issued. It was also stated that the matter regarding necessary changes in the portal including the provision to upload the necessary approval in case of a short tender period will be taken up with NIC.

### 2.10.1.2 Time Taken for Processing of Tenders

Reduction in tender processing time is also one of the main objectives of the e-Procurement system. The date on which related documents are uploaded to the system is recorded as the date of the activity in the e-Procurement System. However, for the Award of Contract update, a separate field for the contract date is also required to be input by the user.

(A) Of the 1.86 lakh tenders published during 2018-2023, the details of processing of 0.50 lakh tenders (27 per cent) were not found updated on the GePNIC portal. In the absence of details of proceedings after publishing of tenders, Audit could not analyse the actual time taken in processing these 0.50 lakh tenders. GePNIC portal showed 0.52 lakh tenders as cancelled and 0.08 lakh as re-tendered. Audit of the remaining 0.76 lakh tenders where AoC was issued, disclosed that in 0.25 lakh tenders (33 per cent), determined on the basis of contract date, date of issue of AoC was after the bid validity period by up to 18 months in 94 per cent tenders as detailed in **Table 2.9**.

**Table 2.9: Number of months in processing of tenders beyond bid validity**

Sr. No.	Delay in months	Number of tenders
1.	Up to 3 months	14,593
2.	3 to 6 months	4,319
3.	6 to 9 months	2,354
4.	9 to 12 months	1,289
5.	12 to 15 months	865
6.	15 to 18 months	608
7.	Above 18 months	1,437
<b>Total</b>		<b>25,465</b>

Source: GePNIC database

The delays ranging from one day to 1,631 days in the issue of AoC beyond the bid validity across 25,465 tenders, suggested that the GePNIC portal did not have application controls to ensure that AoC date was within the bid validity period. Since the Award of Contract (AoC) was issued manually and the date of upload of AoC on the portal may not be the same as actual date of contract,

the system was not in a position to facilitate effective monitoring of the status of the tenders by senior authorities.

Audit noticed that in three of the test-checked tenders published by Greater Ludhiana Area Development Authority (GLADA) (2) and Department of School Education (1), AoC was issued after expiration of bid validity, as detailed in **Table 2.10**. Two tenders had to be cancelled since the bidders refused to accept the AoC as the bid validity period had expired. Out of these two cancelled tenders, one tender was republished twice<sup>40</sup> by GLADA and AoC was issued at rates one *per cent* below the DNIT rate as against 17.99 *per cent* below the DNIT rates offered by the previous bidder who had refused to accept the AoC since the bid validity period had expired.

**Table 2.10: Cases of awarding of contract after expiration of bid validity**

Particulars	Greater Ludhiana Area Development Authority	DG, School Education
Number of tenders in which AoC issued after bid validity	2	1
Number of tenders in which AoC not accepted	1	1
Bid validity	11 September 2018	29 March 2022
AoC issued on	28 September 2018	7 October 2022

Source: GePNIC database

The Nodal Department stated (October 2023) that the GePNIC was a workflow-based software. After Technical & Financial evaluation, the user department issues AoC offline and uploads it later. A check for bid validity in GePNIC may result in an incomplete workflow as it will restrict the user department to issue AoC after the bid validity, whereas it is the user department's discretion to award the contract after the bid validity period. The Department of School Education replied (May 2024) that the bid validity for this tender was fixed from opening of commercial bid. It further stated that due care would be taken in future in this regard. The tender was not canceled as no option for cancelling the tender was available after AoC stage.

**(B)** PTPP Rules (Appendix 2 and 3) prescribe time frame for procurement activities in open competitive bidding process for works and non-consulting/consulting services.

Audit analysis of 29,722 tenders published during 2022-2023 revealed that there had been delays in processing the tenders at each stage as exhibited in **Table 2.11**.

<sup>40</sup> Republished on 05-04-2022 (No bid received) and then again on 18-04-2022 (5 bids).

**Table 2.11: Delays in processing of tenders before and after PTPP Rules**

Tender Stage	Number of tenders		
	Reaching this stage	Where delay was observed (per cent)	Range of Delay (in days)
Technical Opening	14,567	11,546 (79.26)	1 to 353
Technical Evaluation	14,851	4,116 (27.72)	1 to 340
Financial Opening	13,594	4,596 (33.80)	1 to 379
Financial Evaluation	10,089	4,949 (49.05)	1 to 377
Issue of Award of Contract	8,764	4,322 (49.43)	1 to 367

Source: GePNIC database

As is evident from the table above, the processing of a significant number of tenders was delayed at different stages of the tendering process and the number of tenders that suffered delays ranged between 28 per cent and 79 per cent. The delay in days was up to 379 days.

Audit observed that despite coming the PTPP Rules into existence, out of the 40 test-checked tenders published by the Excise Department in June 2022 and March 2023, in 12 tenders (30 per cent) valued at ₹ 420 crore the entire tendering process from publishing of the tenders on the portal to issue of AoCs was completed in a single day.

Audit further observed that GePNIC had no provision to flag stage-wise delay except for at the stage of issue of AoC. This deficiency is substantiated from the fact that activities critical to tendering process were being done manually outside the system as has been discussed in **Paragraph 2.9.3**.

The Nodal Department stated (June 2024) that GePNIC is a generic software. While the PTPP Rules provide a standard framework, individual departments may have their own procurement policies and procedures, which could lead to potential misalignment. It was added that it was the responsibility of the Tender Inviting Authorities to ensure compliance with rules. The Nodal Department stated (November 2024) to have issued necessary advisory to the user departments.

The response of the Nodal Department was not satisfactory as it only indicated that the application was being utilised only for workflow processing without the requisite application controls to enforce key business rules. This in turn meant that the burden of compliance had not shifted from individual users to the system, even after the implementation of the GePNIC application and hence, the full benefits of implementation had not yet been realised.

### 2.10.1.3 Opening of the Tender Despite Inadequate Number of Bids

According to Rule 21 (6) to (9) of the PTPP Rules, the number of bidders qualifying in the technical evaluation must be at least two. If this condition is

not met during the first bidding, the process must be cancelled, financial bids should not be opened, and fresh bids may be invited with the same or modified criteria as may be decided by the procuring entity. This process may be repeated to have at least two qualifying bidders. If, after the third bidding, the condition is still not met, the competent authority may choose to proceed with a single bid, provided that the reason for this decision is documented in writing.

Audit of test-checked tenders revealed that the relevant instructions were not mapped in GePNIC. It was also noticed that the system lacked the mechanism to track the number of times a particular tender was re-published, and therefore it was not in a position to facilitate compliance with the requirement of having a minimum of two qualifying bidders.

Since the system did not have the provision to identify republished tenders, Audit identified such tenders based on tender publish date and across three levels *viz.* **Level 1:** procuring entity, **Level 2:** tender title and **Level 3:** tender value. The data analysis disclosed the following discrepancies:

(A) Of the 45 departments/organisations, 23 procuring entities received a single bid in 965 tenders published after implementation of PTPP Rules, as detailed in **Appendix 2.5**. Instead of republishing these tenders due to lack of minimum of two qualifying bidders, these departments irregularly opened the single bid in the first instance. Audit further observed that 20 procuring entities processed 559 of these tenders without attempting republishing of tender and had issued AoC to the single bidder.

Prior to implementation of the PTPP Rules in January 2022, departments followed their own set of instructions issued in this regard.

(B) Similarly, 26 of the test-checked tenders published by three departments<sup>41</sup> were processed despite receiving single bid in the first instance without attempting republishing of tender and issued the AoC in all these tenders.

(C) Prior to the PTPP Rules coming into existence on 7 January 2022, the tendering process in the Department of Local Government was being governed by the instructions notified on 2 August 2018 which prescribed the condition of receipt of minimum three valid technical bids to open the financial bids in the first attempt.

During 2018-2023, the Department of Local Government published 1,12,152 tenders. Analysis of these tenders disclosed that technical bids in 5,331 tenders were opened by the Department between 2 August 2018 and 7 January 2022 despite there being fewer than three technical bids. Of these, financial bids were also opened in 4,784 tenders and AoC was issued in 3,410 tenders in violation of the notification *ibid*.

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<sup>41</sup> Department of Excise (22); Department of Home Affairs and Justice-Punjab Police Housing Corporation (3); and Department of Local Government-Municipal Council, Sirhind (1).

- (D) PWD prescribed<sup>42</sup> (February 2018) that technical bid of tenders where single bid was received in the first instance shall not be opened. Even in cases where a single bid qualifies the technical evaluation, the financial bid shall not be opened in the first instance.

The matter of 'Opening of single bid in first instance' had been previously reported in Paragraph 3.12.3.2 of the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017. PWD (B&R) had then assured (October 2018) the PAC that instructions regarding non-opening of single bid in first instance have been issued in February 2018. However, Audit noticed that tenders with single bids were still being irregularly opened and processed for issue of award.

Analysis of data related to the 9,516 tenders published by the PWD (B&R) revealed that though 1,130 tenders had been published in the first instance and had received a single bid in response, the Department had irregularly proceeded with evaluation of the single technical and financial bid and issued AoC in 383 tenders.

Similarly, in 424 tenders financial bid was opened even though only a single bid had qualified the technical evaluation in these tenders. The Department, in contravention of the instructions, issued AoC in 397 tenders.

The Nodal Department accepted (October 2023) that there were no application controls implemented in the e-Procurement portal to restrict the award of contract to a single bidder in the first instance. The Nodal Department further stated that the decision to award a contract to a single bidder had been taken by the concerned departments. The Nodal Department stated (November 2024) that necessary advisory to the user departments had been issued.

The response of the Nodal Department was not satisfactory as the instructions for the user Departments already existed. Accordingly, it was the GePNIC that needed to be integrated with existing business rules to realise full benefits.

### **2.10.2 Non-mapping of Validation Controls in Enrolment Process of Users**

To utilise GePNIC, both the Departmental Users and the bidders were required to register themselves on GePNIC in their respective roles. During the online registration through the e-Procurement Portal, the bidder is required to input mandatory information related to email ID, mobile number, registration number, PAN, GSTIN etc. Use of Digital Signatures was mandatory for bidders

<sup>42</sup> By Chief Engineer, Punjab Roads and Bridges Development Board in consultation with the Advisor (Technical) to the Honorable Chief Minister of Punjab.

during submission of bids online and for the Departmental users to process bids-opening, evaluation and issue of AoC.

GePNIC stores data of registered users in a table titled ‘gep\_user’. Analysis of data in “gep\_user” revealed that during the period from 2018-2023, there were 37,958 registered users - 4,702 Departmental users and 33,256 bidders. Discrepancies noticed in mandatory fields are discussed in the following paragraphs:

**(a) Date of verification not captured in user table**

Audit observed that no process was established for verifying bidders' credentials used for registration on the e-Procurement portal. The user table “gep\_user,” which includes a field “verified date”, was found to be blank, in the absence of which the actual verification date of registered users could not be ascertained.

Similarly, in the field “verified by” of the same table, the NIC admin<sup>43</sup> was listed as the verifier instead of the Nodal Department or the Tender Inviting Authority (TIA), which could have conducted the credential verification based on the documentation submitted by the bidder for registration. Due to the absence of proper verification, the following deficiencies were identified:

**(i) Common credentials used by multiple users for registration**

Data analysis of table “gep\_user”, by Audit indicated that the same email ID/mobile number/PAN was used by more than one user for registration on GePNIC, as detailed in **Table 2.12**.

**Table 2.12: Common credentials used by multiple users for registration**

Credential used	Departmental users registered	Number of credentials used	Users with common credentials		Bidders registered	Number of credentials used	Users with common credentials	
			Min	Max			Min	Max
Email ID	1,432	397	2	14	4,411	1,418	2	214
Mobile Number	1,697	692	2	9	7,877	3,262	2	83
PAN	NA	NA	NA	NA	7,994	3,473	2	135

Source: GePNIC database

Audit analysis revealed that up to 214 bidders were registered by using a common email ID, 83 bidders had the same mobile number, and 135 bidders had used an identical PAN Number. This indicated a major deficiency in application controls to uniquely identify users and perform de-duplication by verification of users. This deficiency undermined the objective of ensuring maintenance of fairness and transparency in the procurement process.

<sup>43</sup> Verified by superadmin@nic.in in case of 1,250 bidders and sysadmin@nic.in in case of 10,773 bidders.

In a fair and competitive bidding environment, each bidder was expected to independently submit their bids. Submission of bids with bidders sharing the same mobile number/email ID/PAN was indicative of a material risk of collusion and lack of confidentiality of bids, which may severely undermine the objectives and efficacy of price discovery through open market competition for public procurement.

Audit noticed that the e-Procurement system did not have any functionality to generate system alerts/MIS Reports during the bid evaluation process for the Tender Inviting Authority/Head of the Department highlighting such common mobile number/email ID/PAN had been used by multiple bidders for bid submission. This was a crucial application control, but was absent in the system.

Audit also noticed that 37 mobile numbers and 16 email IDs were found to be common between the Department users and the registered bidders.

**(ii) Invalid values stored as registration number**

For registration, bidders have been categorised as ‘Tenderer’ and ‘Corporate’. The GePNIC has a mandatory field to input registration number by all bidders seeking registration.

Registration number field was made mandatory for all bidders, without specific requirements based on the bidder type. For corporate bidders, the Corporate Identification Number (CIN) was required, while for other classes of bidders, the relevant registration numbers specific to their category were to be mandated. Audit noticed that the GePNIC lacked validation checks, allowing users to input invalid values in place of a valid registration number and that these users had still been permitted by the system to register as bidders.

The system should ensure that all bidders are appropriately identified and their details are consistent with regulatory requirements, thereby improving the accuracy and efficiency of the registration process.

**(iii) Non-validation of GSTIN**

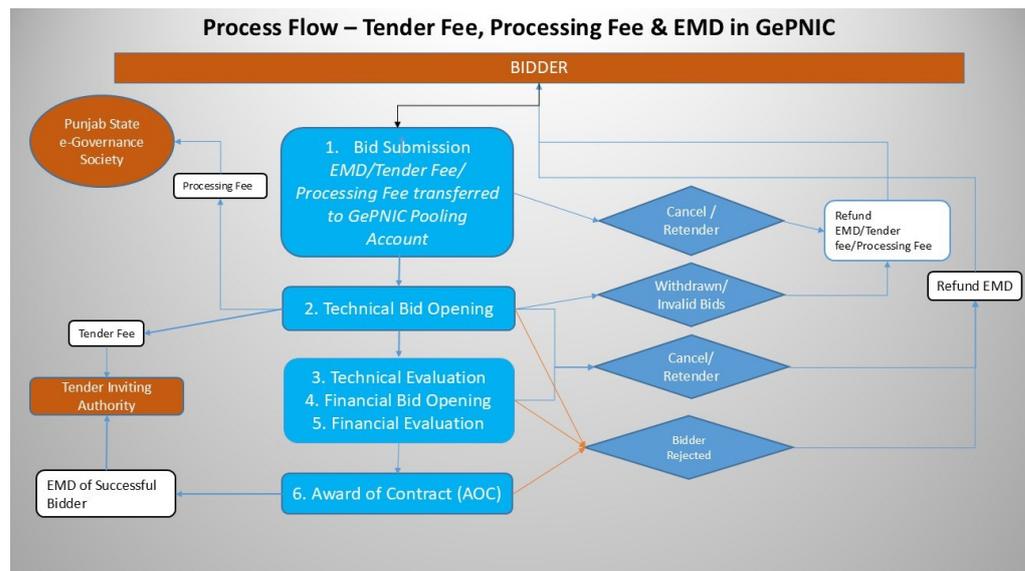
The bidders having a GSTIN (Goods and Services Tax Identification Number)<sup>44</sup> were required to fill this unique 15-digit alphanumeric identifier in user profile (**Figure 2.5**).

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<sup>44</sup> GSTIN is granted to firms in India that are registered under the Goods and Services Tax (GST) regime.



Figure 2.6: Process flow for bid fees in GePNIC



Source: Departmental records

- a) **Tender fee:** The tender fee is collected from bidders at the time of bid submission as per the amount fixed by the Tender Inviting Authority (TIA). In case of cancellation of tender or retendering before any stage is completed on the portal, tender fee is refunded to the bidder. However, after the first bid opening stage, it is transferred to TIA.
- b) **Processing Fee:** The processing fee is charged by the Nodal Department<sup>47</sup> at the time of submission of bid. The processing fee is refunded to the bidder if the tender is cancelled or retendered before any stage is completed on the portal. However, after the first bid opening stage, it is transferred to Punjab State e-Governance Society (PSeGS).
- c) **Earnest Money Deposit (EMD):** Earnest money is collected from bidders upon submission of each bid as fixed by the TIA. The EMD is refunded to the bidder upon rejection of the bid at any stage and the EMD of the successful bidder is transferred to the Tender Inviting Authority upon completion of the Award of Contract stage on the portal.

### 2.10.3.1 Integration of Pooling Account with GePNIC

To manage transactions related to tender fees, processing fees and earnest money deposits (EMD) through GePNIC, the pooling account of the State Bank of India (SBI), previously used by the Public Works Department (PWD), was initially mapped with GePNIC. Subsequently, in November 2017, upon pan-Punjab implementation of GePNIC another current account of the Punjab State e-Governance Society (PSeGS) was integrated, which was replaced with saving pooling account of SBI in November 2018.

<sup>47</sup> Department of Governance Reforms and Public Grievances (DGRPG).

The Nodal Department did not provide details regarding the bank accounts prior to November 2018. As a result, Audit was unable to derive assurance that the outstanding balances from these earlier pooling accounts had been properly accounted for. However, despite seeking specific information about the pooling accounts mapped with GePNIC since its inception, the Nodal Department did not disclose information about the accounts mapped with GePNIC prior to 13 November 2018.

The Nodal Department stated (November 2024) that the matter would be reviewed after discussion with the General Manager (Finance), Punjab State e-Governance Society (PSeGS).

### 2.10.3.2 Un-reconciled Differences between GePNIC and Pooling Account

Rule 2.2 (v) of the Punjab Financial Rules Volume-I prescribes that the receipts paid into Bank and payments made from Bank needs to be regularly reconciled with the office records.

The GePNIC was officially implemented pan-Punjab on 13 November 2017. Since inception (August 2015), GePNIC processed receipts of ₹ 4,130 crore and payments of ₹ 3,773.73 crore up to 31 March 2023 on account of EMD, Tender Fee and Processing Fee. As such there should have been a closing bank balance of ₹ 356.27 crore but as per statement<sup>48</sup>, the bank account had a closing balance of ₹ 184.72 crore (including interest of ₹ 13.92 crore) plus a Fixed Deposit of ₹ 49.84 crore. As such, ₹ 220.64 crore in bank including FD was short by ₹ 135.64 crore, as detailed in **Table 2.13**.

**Table 2.13: Comparison of transactions initiated through GePNIC with bank statement**

*(Amount in ₹)*

Accounts as per GePNIC as on 31 March 2023			
Sr. No.	Particulars	Receipt	Payments
1.	Earnest Money Deposit	39,63,71,57,201	36,10,68,18,293
2.	Tender Fee	77,66,12,144	75,80,30,946
3.	Processing Fee	88,62,99,676	87,24,89,470
	<b>Total</b>	<b>41,30,00,69,021</b>	<b>37,73,73,38,709</b>
4.	Excess of Receipts over Payments		3,56,27,30,312
5.	Actual Bank Balance as per Bank Statement		1,84,72,27,610
6.	Subtract Interest Earned ( <i>as not captured in GePNIC</i> )		13,92,39,845
7.	Net closing Bank Balance (5-6)		1,70,79,87,765
8.	Add Balance of FD		49,83,62,614
9.	<b>Total Bank Balance (7+8)</b>		<b>2,20,63,50,379</b>
	<b>Difference to be reconciled (4-9)</b>		<b>1,35,63,79,933</b>

Source: GePNIC database

<sup>48</sup> The bank statement of the previous pooling account(s) for the period 13 November 2017 to 12 November 2018 was not provided to audit.

Therefore, the difference of ₹ 135.64 crore between the balance reported in GePNIC and the bank statement required reconciliation.

Audit analysis of the bank statements revealed 8,93,834 debit transactions, of which 8,93,810 transactions were system-initiated - identified with branch code '99922'. The remaining 24 transactions amounting to ₹ 154.35 crore were initiated outside GePNIC with different branch code '3246 of SBI, Sector 7, Chandigarh'. The Nodal Department did not provide any additional information/justification for initiation of manual transactions (August 2024). Audit identified a transaction of ₹139.49 crore made on 14 November 2020 for the creation of a fixed deposit. Of this, ₹89.65 crore was transferred to the Pooling Account by partially liquidating the FD on 22 October 2020 thereby leaving ₹ 49.84 crore invested in the Fixed Deposit.

The Nodal Department accepted (May 2024) that no reconciliation had been carried out with the bank. However, it further stated that the bank balance and accounting books balance were the same at the end of the financial year. The reply of the Nodal Department was not satisfactory as transactions carried out on GePNIC were required to be reconciled with the bank statements, where there was a difference of ₹ 135.64 crore.

The prolonged absence of periodic reconciliation had resulted in avoidable risks associated with error and/or deliberate financial mismanagement.

The Nodal Department assured (November 2024) that the matter would be reviewed after discussion with the General Manager (Finance), PSeGS and that engagement of a third party Auditor or a CA firm would be explored to carry out a complete reconciliation.

### **2.10.3.3 Refund of Tender Fee, Processing Fee and the Earnest Money Deposit**

Tender fee and processing fee submitted by the bidders along with submission of bid is refunded in case of cancellation of tender or retendering before any stage is completed on the portal. However, EMD submitted by the bidders along with its bid is refunded to unsuccessful bidders (a) upon rejection of the bid at any stage; (b) upon issue of AoC to successful bidder; and (c) to successful bidder upon furnishing the required performance security after signing the contract.

Audit analysis of 1,85,920 tenders published during 2018-2023 disclosed that the tender status as on 31 March 2023 was as detailed in **Table 2.14**.

Table 2.14: Status of tenders as per GePNIC

Status as per GePNIC	Number of tenders	Stage of tender		
Expired	75,726	Completed all stages		
Published	50,020	Under process		
		Status of published tenders as per GePNIC	Number of Tenders	State of tender
		To_be_Opened	21,725	No stage updated.
		Bid_Opened_1	7,328	Technical bid opened
		Evaluated_Technical	6,911	Tech Evaluation completed
		Bid_Opened_2	7,658	Financial bid opened
		Evaluated_Financial	6,398	Fin Evaluation Completed
		<b>Grand Total</b>	<b>50,020</b>	
Cancelled	52,046	Cancelled at any stage		
Retender	8,128	Retendered		
<b>Total</b>	<b>1,85,920</b>			

Source: GePNIC database

As a result of non-processing/updating of tender stages on the portal, refunds of tender fees, processing fees and earnest money deposits totalling ₹ 54.95 crore were pending for settlement as on 31 March 2023, as discussed in the subsequent paragraphs:

**(i) Blockage of tender fee, processing fee and earnest money deposit in tenders which were not processed**

Audit analysis of the data related to 21,725 ‘to be opened ‘ tenders revealed that as of 31 March 2023, 3,479 bids submitted for 1,924 tenders had exceeded their validity period but neither were the tenders processed even for the initial stage nor were the tender fees, processing fees/EMD amounting to ₹ 4.98 crore<sup>49</sup> refunded. These 3,479 bids also include 153 such bids (amounting to ₹ 31.83 lakh) which were not submitted before the last date for bid submission and were tagged as ‘invalid’ for participation in the tendering process by GePNIC.

The GePNIC is configured to trigger refunds of tender fees and processing fees from the pooling account only upon cancellation or retendering before completion of the first bid-opening stage. Since no such stage was performed and GePNIC did not have any other provision, refunds in these cases were not

<sup>49</sup> Tender Fee: ₹ 24.85 lakh; Processing Fee: ₹ 42.83 lakh; and EMD: ₹ 430.48 lakh.

initiated. As a result, ₹ 4.98 crore submitted by bidders remained unsettled. The age-wise analysis of amount pending for settlement is given in **Table 2.15**.

**Table 2.15: Age-wise amount pending for settlement**

(Amount in ₹)

Year	Number of Tenders (%age)	Tender Fee	Processing Fee	EMD Fee	Grand Total	Change over previous Year (%)
2018-19	547 (28)	5,23,932	9,41,959	43,00,728	57,66,619	
2019-20	290 (15)	2,98,425	4,89,442	27,78,160	35,66,027	-38% ▼
2020-21	337 (18)	2,71,561	7,18,956	37,65,112	47,55,629	33% ▲
2021-22	481 (25)	5,55,591	12,77,325	1,27,02,361	1,45,35,277	206% ▲
2022-23	269 (14)	8,35,116	8,55,673	1,95,01,797	2,11,92,586	46% ▲
<b>Grand Total</b>	<b>1,924 (100)</b>	<b>24,84,625</b>	<b>42,83,355</b>	<b>4,30,48,158</b>	<b>4,98,16,138</b>	

Source: GePNIC database

As is evident from the table above, in 61 *per cent* of the tenders published more than two years ago i.e. during 2018-2021, refunds of tender fees, processing fees and earnest money deposits (EMD) were pending for settlement as on 31 March 2023.

**(ii) Blockage of earnest money deposit**

The GePNIC triggers refund of EMD upon rejection of bid at any stage from technical opening to the issue of AoC to the successful bidder.

Audit analysis of the GePNIC data showed that as on 31 March 2023, EMD amounting to ₹ 49.97 crore deposited along with 11,818 bids submitted by the bidders against 7,618 tenders was yet to be refunded. All these bids were shown as opened and validity of all these bids had expired, but neither were these bids rejected nor were processed till issue of AoC. Since the validity of these bids had expired and AoC was not issued, EMD amounting to ₹ 49.97 crore should have been refunded to the bidders.

The age-wise analysis of amount pending for settlement is given in **Table 2.16**.

**Table 2.16: Showing age-wise amount of EMD pending for settlement**

(Amount in ₹)

Financial Year	Number of Tenders (per cent)	EMD Fee (In ₹)	Change from previous Year (per cent)
2018-19	903 (12)	3,54,07,287	
2019-20	803 (11)	3,79,43,593	7% ▲
2020-21	1,372 (18)	6,06,14,719	60% ▲
2021-22	3,311 (43)	19,16,81,566	216% ▲
2022-23	1,229 (16)	17,40,44,615	-9% ▼
<b>Grand Total</b>	<b>7,618 (100)</b>	<b>49,96,91,780</b>	

Source: GePNIC database

As is evident from the table above, in 41 *per cent* of the tenders published during 2018-2021, refunds of earnest money deposits (EMD) were pending for over two years as on 31 March 2023.

The Nodal Department stated (November 2023) that the system initiates settlement/refund after completion of AoC. The reply was not satisfactory as GePNIC initiated refund/settlement from the first opening of bids stage onwards. Regarding issuing instructions to TIAs for updating tender status on the portal promptly to initiate automated settlements/refunds, the Nodal Department merely stated that this point pertained to TIAs. The reply was not satisfactory as it only highlighted that key application controls to enforce the business rules had not been implemented and that the burden of compliance had not shifted from individual users to the system even after its implementation. However, the Nodal Department further stated (November 2024) that necessary instructions in this regard would be issued.

#### 2.10.3.4 Deficiencies in Processing of Refunds/Settlement

The GePNIC maintains data of refunds to bidders and settlements with TIAs in a table named as '*bid fee refund settlement*' having a column '*updated by*', which remains blank when the GePNIC system updates the table by fetching the transaction data from the SBI pooling account. However, in case of manual intervention, GePNIC captures the ID of the user updating the table in this column.

##### (i) *Delay in processing of refunds*

Audit analysis of data maintained in '*bid fee refund settlement table*' as on 31 March 2023 showed that out of 10,68,675 transactions of refund/settlement initiated by GePNIC, 10,38,232 transactions pertained to the tenders published during 2018-2023. Of these, 5921 transactions either failed or were blank, thereby leaving 10,32,311 transactions wherein refunds/settlements of tender fees, processing fees and EMD were successful. Despite initiation of refund by GePNIC there were delays of up to 1050 days in actual credit of the amount in the bidder/TIA account. The age-wise detail of delays in days in crediting refunds is exhibited in **Table 2.17**.

**Table 2.17: Age-wise detail of delays in crediting refund**

Range of days taken to remit amount	Number of transactions
Up to 7 Days	10,08,742
8 to 30 Days	20,616
31 to 180 Days	1,644
181 to 365 Days	753
366 to 730 Days	480
More than 731 Days	76
<b>Total</b>	<b>10,32,311</b>

Source: GePNIC database

Instance of the system lapse leading to abnormal delay in settlement of refund has been given below:

On 22 February 2020, PUNGRAIN – a State Public Sector Enterprise of the Department of Food Civil Supplies and Consumer Affairs, published a tender for the supply of LDPE black polythene covers, requiring bidders to deposit an Earnest Money Deposit (EMD) of ₹20 lakhs each. The Award of Contracts was issued to six bidders on 31 March 2020, and the system initiated the settlement of a total EMD amount of ₹1.2 crore on the same day.

However, these transactions failed, and the GePNIC portal lacked the functionality to generate MIS Reports on the updated status of these failures, which in turn resulted in lack of actionable information for the Nodal Department and the Tender Inviting Authority (TIA). The issue first came to notice of the TIA who then took up the matter with the GePNIC helpdesk on 23 January 2023. In response, the SBI confirmed on 31 January 2023 that the transactions had failed. The settlement was ultimately completed on 15 February 2023 after several reminders.

This case underscores the system's deficiencies in tracking transaction statuses, as it provided no updates for three years until the issues were manually noticed and addressed by the TIA.

The Nodal Department replied (September 2024) that there was no specific notification triggered solely for the refund/settlement process. The refund was processed in conjunction with the relevant tender event, and the bidder was notified accordingly.

The reply was not satisfactory as it was essential to implement an MIS Report and notification system for refunds/settlements as a control to monitor the status of transactions.

**(ii) Automated updating of refund/settlement status**

Audit of data maintained in 'bid fee refund settlement table' as on 31 March 2023 revealed that out of 10,68,675 transactions of refunds/settlements initiated by GePNIC, 1,28,550 transactions (12 per cent) were updated by the application admin user IDs, which indicated deficiencies within the GePNIC in auto updating the table. The continued reliance on manual interventions resulted in avoidable risks of errors and further delays.

Audit further observed that MIS reports to reconcile the amount of tender fee, processing fee and EMD fee pending for settlement and refund had not been implemented in GePNIC.

The Nodal Department reiterated (May 2024) that refund and settlement status received from bank were end-of-day scheduled activities. In case of

unprecedented failure or non-availability of the data at the scheduled timings, application administrator<sup>50</sup> manually pulled the data using the service provided by the bank. The Department assured (November 2024) that the matter would be taken up with NIC.

The reply of Department was not satisfactory as such unprecedented failures or non-availability of the data which led to high number of transaction failures (12 per cent) requiring external interventions had not been addressed with the bank and/or NIC to implement potential improvements in the data delivery service or explore alternative services that can offer more consistent uptime, reducing the dependence on and frequency of manual interventions.

### 2.10.3.5 Absence of Tracking Mechanism for Failed/NULL Transactions

The ‘*bid fee refund settlement*’ table stores the success or failure of each transaction, representing amounts transferred to the TIA or PSeGS (Settlement)—and refunds issued to the bidders. The related issues noticed are discussed below:

#### (i) Records with remit status as “failure”

Audit analysis of data revealed that in 709 tenders 1,766 refunds/settlements amounting to ₹ 4.13 crore had the ‘*remitstatus*’ as ‘*Failure*’, which was categorised into eight distinct error messages generated by the system as summarised in **Table 2.18**.

**Table 2.18: Failed transactions categorized under different error messages**

(Amount in ₹)

Sr. No.	Error Message	Transactions	%age to total	Amount	%age to total
1.	Account held. Please contact your Branch	725	41	10,71,602	3
2.	Invalid receiver IFSC code	584	33	4,38,100	1
3.	Account closed. Please contact your Branch	260	15	2,44,08,140	59
4.	Clear Balance Funds not available	104	6	70,82,120	17
5.	Insufficient funds	69	4	65,40,045	16
6.	Failure. Sorry unable to process your request	13	1	16,60,485	4
7.	No such account	10	1	42,670	0
8.	Record not found	1	0	70,000	0
<b>Total</b>		<b>1,766</b>	<b>100</b>	<b>4,13,13,162</b>	<b>100</b>

Source: GePNIC Database

As can be seen from **Table 2.18**,

- 59 per cent of the amount involved in 260 refunds/transfers failed due to the reason that the recipient accounts were closed by the time refund was initiated.

<sup>50</sup> The role has been assigned to NIC and these transactions were updated by five user IDs of NIC.

- Ten per cent of the transactions (173<sup>51</sup>) involving 33 per cent of the failed amount was due to insufficient funds in the pooling account. Audit noticed that a fixed deposit of ₹ 139.49 crore was created on 14 September 2020 from the pooling account leaving a balance of ₹ 10.01 crore. This balance reduced to as low as ₹287 on 20 October 2020, when all these 173 transactions amounting to ₹ 1.36 crore failed.

Audit further noted that GePNIC lacked the functionality of MIS Reports/tracking mechanism for monitoring and following up in case of failed transactions. As a result, Audit was unable to derive assurance that these failed transactions had actually been successfully completed subsequently. No response was furnished (February 2025) regarding the reasons for the maintenance of low balance in the GePNIC pooling account.

Before creation of the fixed deposit from the pooling account, the Nodal Department should have ensured sufficient liquidity of funds to discharge its primary function of facilitating smooth operations from the pooling account.

**(ii) Records with remit status as “NULL”**

Similarly, further analysis of the ‘bid fee refund settlement’ table for the period 2018-2023 disclosed that in respect of 4,155 transactions amounting to ₹ 61.76 crore relating to 1,920 tenders, the ‘remitstatus’ column instead of indicating success or failure of each transaction, indicated NULL, as detailed in **Table 2.19**.

**Table 2.19: Transactions having NULL in ‘remitstatus’ column**

*(Amount in ₹)*

Type of Fee	Settlement/Refund	Number of records/ transactions	Amount
EMD Fee	Settlement	30	10,79,060
EMD Fee	Refund	2,306	61,20,59,784
Tender Fee	Settlement	366	8,20,040
Tender Fee	Refund	574	13,47,162
Processing Fee	Settlement	169	4,24,318
Processing Fee	Refund	710	18,74,887
<b>Total</b>		<b>4,155</b>	<b>61,76,05,251</b>

Source: GePNIC Database

As indicated in **Table 2.19**, ₹ 61.20 crore which works out to be 99 per cent of the amount involved in the NULL status transactions related to the EMD, which was due for refund to bidders. Additionally, the system did not maintain the final remit status for these NULL transactions. As a result, Audit was unable to derive assurance that these transactions had actually been completed subsequently. As the owner of the pooling account, integrated with GePNIC, it was the

<sup>51</sup> Both the messages at S.No.4 & 5 (104+69) relates to insufficient funds.

responsibility of the Nodal Department to ensure that refunds are properly processed and remitted to end users.

The Nodal Department assured (November 2024) that the matter would be taken up with NIC and SBI. The Nodal Department further stated that refunds related to 173 transactions (amounting to ₹ 1.35 crore) on account of failure due to low balance of funds had been settled. However, documentary evidence regarding successful settlement of these 173 transactions was not furnished to Audit (February 2025).

### 2.10.3.6 Absence of Functionality for Post-bid Corrigenda for Tender Fees

To maintain transparency and fairness in the tendering process, all bidders should be provided with equal opportunity to meet any revised requirements introduced through a corrigendum.

Audit analysis of GePNIC data indicated the absence of functionality to revise the tender fees and Earnest Money Deposits (EMD) through publication of a corrigendum, after some bids had already been received based on the originally published fees/EMD. Tenders where bids were evaluated with varying fees/EMDs due to revisions introduced through post bid corrigenda are enumerated in **Table 2.20**.

**Table 2.20: Details showing impact of fee corrigendum in tenders**

Sr. No.	Number of Tenders	Number of bids received			Changes made	Stage up to which tenders were processed			
		Total	Before corrigendum	After corrigendum		TBO	TO	TE	AoC
1.	3	5	3	2	Increased fee	1	-	2	-
2.	6	18	12	6	Decreased fee	1	-	-	5
3.	3	15	4	11	EMD required	1	-	1	1
4.	8	47	13	34	EMD reduced	1	1	-	6
	<b>20</b>	<b>85</b>	<b>32</b>	<b>53</b>		<b>4</b>	<b>1</b>	<b>3</b>	<b>12</b>

TBO-To be opened; TO-Technical Bid Opened; TE: Technically Evaluated and AoC-Award of Contract issued

As is evident from **Table 2.20**, in 20 tenders, 32 bids were received before the corrigenda were published and 53 bids were received after the corrigenda were published. Of these, only four tenders were not opened. However, of the remaining 16 tenders which were processed, AoC had been issued in 12 tenders.

GePNIC did not have the functionality to enable the bidders to submit the increased fee subsequent to the publication of the corrigenda and also did not have functionality for refund of fees in case of reduction through the corrigenda.

The Nodal Department acknowledged (October 2023) the anomaly caused by the publication of post bid corrigenda and intimated that currently, the system did not permit the TIA to publish a corrigendum even if one bidder had already paid the originally published fees amount.

However, the Nodal Department assured (November 2024) that the matter would be taken up with NIC to implement functionality to enable bidders to submit increased fees and to enable processing of refunds, based on the nature of the post bid corrigenda.

#### 2.10.4 Lack of Functionality for Fixing EMD Exemption

In tenders with multiple items, bidders can choose to quote for specific items only, and the Earnest Money Deposit (EMD) is required to be deposited only for the items they bid on. Additionally, the Department of Co-operatives notified an exemption from EMD<sup>52</sup> for Labour and Construction (L&C) Societies in November 2019.

Some of the instances of omissions are detailed below:

(i) Test-check of the tenders revealed that 27 tenders were published by the Department of Forest and Wildlife Preservation, wherein multiple lots of trees were put on sale. The EMD amount was fixed for each lot separately.

Audit observed that in the tenders where the TIA had allowed exemption, GePNIC lacked the functionality to limit the extent of exemption and to identify categories or individual bidders that were eligible for exemption. Consequently, bidders were calculating the Earnest Money Deposit (EMD) based on their own assessments, instead of the amount being auto-computed by the system. Audit further noticed that a bidder had submitted bid for four lots requiring EMD of ₹ 13,36,207, but GePNIC had permitted the submission of the bid with EMD amounting to ₹ 4,13,000 only. As such, the TIA had to manually restrict the bidder to compete for only one lot of trees, which required EMD of ₹ 4,12,265.

The Department of Forest and Wildlife Preservation admitted the facts and stated that submission of bids for each lot had previously been accepted only after manual verification of EMD submitted by bidders and assured implantation of this functionality for future tenders, with application controls to enforce submission of EMD as per system computed formats and amounts.

(ii) In another Tender published by Department of Water Resources<sup>53</sup>, Labour & Construction Cooperative (L&C) Societies were also eligible to participate as bidders. The TIA allowed an exemption of 75 per cent of the EMD for the bidders who were L&C Societies

Audit noticed that the application had accepted a bid from one L&C Society with 100 per cent exemption of EMD. This irregularity had occurred because there were no application controls to enforce the exemption of 75 per cent of EMD in case of bidders which were L&C Societies. The absence of this application control had a material impact on the processing of this tender. Had

<sup>52</sup> 100 per cent exemption for tender with value upto ₹ 6.50 lakh; 75 per cent exemption for tender with value more than ₹ 6.50 upto ₹ 13.00 lakh; and 50 per cent exemption for tender with value higher than ₹ 13.00 lakh.

<sup>53</sup> Sidhwan Canal Division, Ludhiana.

the system not accepted the submission of this invalid bid with 100 *per cent* exemption, the tender would have been required to be retendered/ cancelled as it would have resulted in a single valid bid in response to the published tender.

The Department of Water Resources replied (December 2023) that the work was completed satisfactorily and there was no loss to the exchequer. The reply was not satisfactory as it did not address the fact of missing application controls to enforce the applicable business rules in the system.

The Nodal Department agreed (November 2024) and assured that matter regarding listing of exemptions as per rules in the portal would be taken up with NIC. Audit observed that this lacunae of exemption of EMD had resulted in violation of the PTPP Rules, as discussed in **Paragraph 2.9.4**.

#### **2.10.5 Single Source Procurement and Proprietary Article Certificate**

Section 30 (1) of the Punjab Transparency in Public Procurement Act, 2019 prescribed that a procuring entity may opt for single-source procurement under two conditions: (a) when the subject matter is available only from a specific bidder who holds exclusive rights, leaving no reasonable alternatives, or (b) in situations of sudden unforeseen events that create an urgent need, making other procurement methods impractical.

As per Rule 23(2) of Punjab Transparency in Public Procurement Rules 2022, the procuring entity shall obtain a Proprietary Article Certificate (PAC) from the Original Equipment Manufacturer (OEM) or manufacturer having proprietary rights, duly approved by an authority having power to issue such certificate.

Audit analysis of GePNIC database revealed that out of 1,85,920 tenders published during 2018-2023, in 150 tenders where the TIA chose tender type as “Single” for effecting single source procurement, GePNIC had allowed multiple bids to be submitted, which ranged from two to 45 bids. The system was also not compliant with PTPP Rules *ibid* to allow uploading of the Propriety Article Certificate (PAC) obtained from the OEM or manufacturer.

Figure 2.7: Showing options for type of tender

Source: GePNIC manuals

The Nodal Department admitted the above facts and stated (October 2023) that single tender had not been configured as a limited tender type in the system prior to March 2022 and therefore it had been functioning as an open tender until that timeline. The Nodal Department also stated the functionality to upload the PAC was available in the system but that formats for PAC had not been mapped for different products or categories and assured to carry out such mapping.

The reply was not satisfactory as in five of the tenders having type as 'single' published even after April 2022, multiple bids were found to have been submitted. Further, the system lacked the application control to make the uploading of PAC mandatory whenever the 'Single' tender type was selected by the TIA, regardless of the format of the PAC.

The Nodal Department stated (November 2024), that possibility of introducing the application control for mandatory uploading PAC for single tenders would be taken up with NIC.

### 2.10.6 Bill of Quantity related Discrepancies

GePNIC outlines a sequential processing of tenders, consisting of six stages: i) Tender Opening, ii) Technical Bid Opening, iii) Technical Evaluation, iv) Financial Bid Opening, v) Financial Evaluation, and vi) Award of Contract (AoC). Each stage is interconnected, meaning that all processes must be followed in order without skipping any steps. Additionally, the platform allows for the publication of tender documents and the Bill of Quantities (BoQ) template. Bidders were required to upload the necessary documents and submit their rates using the prescribed BoQ template. GePNIC was required to enforce business rules through implementation of application controls during the

submission of bids. During the Financial Evaluation, the BoQ for each bidder was to be reviewed, to identify the lowest bidder (L1) through a system-generated comparative chart using common BoQ formats.

Audit analysis of the data for the period 2018-2023 revealed:

(a) GePNIC had allowed successful submission of 64 bids against 53 tenders in which the BoQ of 21 bidders in 13 tenders could not be decrypted and there were mismatches in BoQ formats in 43 bidders of 40 tenders.

Despite the non-decryption of bids, 13 tenders with such 21 non-decrypted bids had been irregularly processed, as detailed in **Table 2.21**.

**Table 2.21: Instances of processing of tenders without decryption of bids**

Sr. No.	Work Item ID	Accepted-AOC <sup>54</sup>	Accepted-Finance	Accepted-Technical	Rejected-AOC	Rejected-Finance	Total
1.	48203	-	-	-	-	4	4
2.	54886	1	-	-	-	-	1
3.	55054	-	4	-	-	-	4
4.	57061	1	-	-	-	-	1
5.	73048	1	-	-	1	-	2
6.	73226	-	1	-	-	-	1
7.	73768	1	-	-	1	-	2
8.	74535	1	-	-	-	-	1
9.	74541	-	1	-	-	-	1
10.	74548	-	1	-	-	-	1
11.	74577	-	1	-	-	-	1
12.	88578	1	-	-	-	-	1
13.	187356	-	-	1	-	-	1
<b>Total</b>		<b>6</b>	<b>8</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>21</b>

Source: GePNIC Database

The processing of tenders with non-decrypted financial bids were only feasible by accepting/replacing these financial bids outside of GePNIC, and this occurred only after discovering the non-decryption of bids during the financial bid opening stage. Accepting bids to replace bids which could not be decrypted after revealing the competitive bids of other bidders whose bids could be decrypted created avoidable risks related to maintenance of confidentiality and fairness in the tender processing.

The Nodal Department in consultation with NIC stated (October 2023) that even in the manual system if one bidder submits a defective bid, the bid processing is not halted. The reply was not satisfactory since these bids with issues in encryption or mismatches in BoQ formats should not have been permitted by the system to be submitted at all.

<sup>54</sup> Accepted AOC-Tender awarded, Accepted finance-financial bid opened, Accepted technical-Technical bid opened, Rejected AOC-Financial bid rejected at AOC stage, Rejected finance-Financial bid rejected at financial opening stage.

(b) Audit further noticed that GePNIC was using an older version of Microsoft Excel (Excel 97-2003) for the financial bids (macro-enabled files) posing potential security risks as the bidder processes the file offline in their own environment before uploading it into the application system. This resulted in the threat of malware attacks and the risks associated with loss of confidentiality and integrity of data during the bidding process, as these MS Excel documents might not be covered by the latest security patches.

With regard to use of older version of Microsoft excel, the Nodal Department assured to explore the possibility of using the latest version in future versions of GePNIC.

(c) GePNIC was required to provide seven different BoQ templates<sup>55</sup>, each with validation checks, for the TIA to select and modify according to tender requirements. Bidders were expected to then download these templates along with the tender documents, fill-in their bid prices, and submit them.

However, Audit noticed that 64 bids across 53 tenders were invalid, indicating that the validation checks or controls implemented were not adequate in preventing invalid submissions by the bidders, which could then result in vitiation of the tender process.

The Nodal Department reiterated (October 2023) that offline BoQ version was provided for flexibility of the user and further stated that these templates had sufficient inbuilt checks and validations and BoQ was protected. The reply was not satisfactory as there were instances of failure in decryption of bids and mismatches in BoQ formats, both indicated that bidders could modify the templates themselves.

The Nodal Department stated (November 2024), that the matter of introducing web based forms for submission of financial bids would be taken up with NIC.

### 2.10.7 Irregularities in Capturing of Financial Evaluated Value

As per the instructions issued by PRBDB (February 2018); (i) The financial bids should be opened, and the tender summary report should be system generated with the financial quote drawn from the bids submitted by the bidders; (ii) No manual entry should be made; and (iii) The Tender Processing Committee (TPC) recommendations regarding financial bids should be immediately uploaded on the e-Procurement Portal. The delay, if any, would be duly recorded by the TIA in the Minutes (to be uploaded on the e-Procurement Portal).

<sup>55</sup> (i) V3\_BOQ\_Percentage\_Template.xls; (ii) V3\_BOQ\_ItemWise\_Template.xls; (iii) V3\_BOQ\_ItemWise\_Openfor\_H1.xls; (iv) V3\_BOQ\_ItemRate\_Template.xls; (v) V3\_BOQ\_ItemWise\_Template\_Formbased.xls; (vi) V3\_BOQ\_Multicurrency\_Template.xls; and (vii) V3\_BOQ\_Mixed\_Template.xls.

Inconsistency in values of bill of quantity and tender summary report was pointed out in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 as Paragraph 3.12.4.2. The Department of Public Works intimated the PAC (December 2022) that NIC had been requested to update the tender summary report format and add new features. However, Audit noticed that necessary compliance had still not been achieved.

Audit analysis of GePNIC database revealed that where standard BoQ templates were used, after preparation of system generated BoQ comparative chart, a summary exhibiting the consolidated value of the bids was being filled by the TIA manually into GePNIC and reflected in the Tender Summary sheet under “*Financial Evaluation Bid List*”. Audit noticed that:

- The consolidated bid value which was ideally required to be system generated, was allowed to be filled manually by the TIA. The lack of application controls to ensure correct system computation had resulted in discrepancies in 4,631 out of 1,85,920 tenders, with the consolidated bid values not filled by the TIA and hence found to be blank in “*Financial Evaluation Bid List*” on GePNIC. Application controls to auto-compute the consolidated bid value or to enforce mandatory data entry by the TIA had not been implemented.
- In 41,839 tenders, consolidated bid value of bids filled in case of 1,08,675 bids did not match the actual bid value quoted by the bidders.
- In 5,242 tenders<sup>56</sup>, the BoQ comparative chart itself had not been generated by the system, as in these cases the BoQ template used was not among the seven standard templates available in GePNIC. The system permitted the TIAs to upload self-designed BoQs by selecting “Additional Documents”. This functionality had resulted in TIAs designing BoQs which could not be compared by the system itself, and hence the TIAs had manually prepared comparative charts for processing such tenders.

The Nodal Department replied (February 2024) that the system had functionality to enable the evaluator to enter the actual quoted value by each bidder. The reply was not satisfactory since the system should have auto populated/auto computed the consolidated bid value at the time of bid evaluation, based on the values entered by the bidders instead of permitting the evaluators to perform data entry. This lack of application controls had resulted in the avoidable risk of errors/deliberate non-compliance in order to extend undue favours to selected bidders. Audit found mismatches in bid values submitted by bidders and those entered by evaluators in 1,08,675 bids during 2018-2023.

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<sup>56</sup> 614 financially evaluated and 4,628 at AOC Stage.

NIC reiterated (May 2024) that GePNIC could generate BoQ comparative chart only from the system's predefined BoQ templates.

The absence of application controls to generate comparative charts in case of user-defined templates was a major control deficiency, as it necessitated manual interventions and created scope for errors/deliberate non-compliance.

The Nodal Department stated (November 2024) that the matter of introducing web-based templates/forms for financial bids would be taken up with NIC.

### 2.10.8 Deficiencies in Access Management for Users of GePNIC

As per Clause 3.1.1.2 of the Password Policy of National Informatics Centre (NIC), "All user-level passwords (e.g., email, web, desktop computer, etc.) shall be changed periodically (at least once every three months)". In GePNIC, after registering, users can login using the User ID, Password, and the Digital Signature Certificate (DSC). Passwords are encrypted in the database.

Audit analysis of GePNIC data revealed that:

- Despite having not changed the password, every three months, GePNIC was allowing users to successfully access the Portal. The details of users who had not updated their passwords within the prescribed timelines as per the above password policy are shown in **Table 2.22**.

**Table 2.22: Number of users who successfully accessed the portal with unchanged password beyond prescribed days**

Sr. No.	Type of user	Users with same password over 90 days
1.	Total Users	1,557
2.	Government users	367
3.	Corporate/tenderers	1,190

Source: GePNIC Database

The Nodal Department while admitting (September 2024) the lapse in implementation of password management policy, intimated that it would now be implemented.

- Audit noticed that 367 Government users had been granted access to Management Information System Reports in GePNIC. By virtue of this access, these users could view opened bids of any tender published by their respective entity simultaneously with the tender evaluation committee (TEC). Such irregular access resulted in violation of the business rules designed to maintain confidentiality, transparency and accountability throughout the tendering process.
- GePNIC also allowed access of MIS Reports to non-DSC users. The Nodal Department stated (September 2024) that mostly higher authorities were non-DSC users and OTP was being used as second level

of authentication to allow them access. This assertion was however not correct, since 18 non-DSC users were neither holding positions<sup>57</sup> with authority, nor did the GePNIC require any OTP, to access the MIS Reports.

These lapses pose a significant challenge to the maintenance of confidentiality of bids and compliance with formal delegation of powers for the tender process, as per the provisions of the PTPP Act, 2019.

The Nodal Department stated (November 2024) that OTP authentication had been introduced for accessing MIS reports as a secondary level of authentication. It was further stated that the matter regarding restricting the access of bids to evaluation committee members only would be taken up with NIC.

### 2.10.9 Inadequate Application Controls in the System

To ensure data integrity, suitable application controls are to be incorporated in the system, viz., input controls, processing controls, output controls, etc. Audit checked whether the application software had the required controls to validate data and prevent errors in the database.

#### 2.10.9.1 Input Controls

##### (A) Value of 'earnest money deposits' entered as 'zero'

Earnest money deposits (EMDs) are required with tenders as a form of security to ensure seriousness of bidders about their bids and to cover any potential losses incurred by the buyer if the winning bidder fails to fulfill their obligations. Central Vigilance Commission (CVC)<sup>58</sup> had also stressed upon having sufficient amount of EMD to safeguard the organization's interest in high-rate tenders running into several crores of rupees.

The GePNIC, however, had no provision to ensure that tenders with EMD as 'zero' were not accepted. In 2,705 tenders published during 2018-2023, EMD value as 'zero' was accepted as depicted in **Table 2.23**.

**Table 2.23: Showing number of accepted tenders having EMD value as 'zero'**

Tender Value (In ₹)	Number of Tenders			
	Goods	Services	Works	Total
Upto One Crore	723	371	1,571	2,665
One to 50 Crores	13	9	15	37
50 Crores and above	-	1	2	3

Source: GePNIC database

<sup>57</sup> These non-DSC users were Senior Assistant, Draftsman, Accountant, Clerk and Junior Engineers.

<sup>58</sup> Office Memorandum-8/2/04 on Common irregularities in the award of contracts.

**(B) Tenders with ‘zero’ value**

(i) The GePNIC has a mandatory tab to capture estimated value of the tender. However, GePNIC provides the TIA with an option to display the tender value in the public domain, as shown in **Figure 2.8**. When TIA chooses ‘No’, the value of the tender will not be visible in the public domain, but it remains stored in GePNIC database. These values are used to display year-wise number of tenders and total value of tenders published on an e-Procurement dashboard.

**Figure 2.8: Provision in Portal for display of Tender value in Public Domain**

The screenshot displays the 'Work/Item Details' form in the GePNIC portal. The form is divided into several sections: 'Work/Item Details', 'Fee Details', 'Critical Dates', 'Bid Openers', and 'Work/Item Documents'. The 'Tender Value' field is highlighted with a green box, and the 'Show Specifications in Public Domain' checkbox is checked. The form includes various input fields for title, description, category, and other details, along with radio buttons for 'Yes' and 'No' options.

Source: e-Procurement portal user manual

Audit analysis of the GePNIC data revealed that 10,960 tenders with tender value as “zero” were published during 2018-2023. This not only resulted in incorrect depiction of the total value of tenders published through GePNIC at e-Procurement dashboard but also led to the following discrepancies:

1. Bidders had to pay ₹2,360 as processing fee for tender with value ‘zero’ whereas it was ₹590 for tenders valuing between ₹ One and ₹ 5 lakh.
2. Time allowed for submission of bid is also determined with the value of tender. Based on contract value (as tender value was ‘zero’) in 2,942 tenders, insufficient time was allowed to submit bids than permissible, as per applicable instructions/rules as depicted in **Table 2.24**.

**Table 2.24: Tenders having insufficient time for bid submission**

Particulars	Number of Tenders given less time to submit bids		
	Goods	Services	Works
Before PTPP Rules, 2022	721	767	667
After PTPP Rules, 2022	554	168	65
<b>Total</b>	<b>1,275</b>	<b>935</b>	<b>732</b>

Source: GePNIC Database

The Nodal Department stated (November 2024) that the matter of implementing these application controls would be taken up with NIC.

### 2.10.9.2 Processing/Validation Controls

#### (i) Discrepancies in decryption dates for the same packet of a tender

Section 23 read with Rule 16 (Appendix-4) of the PTPP Act/Rules prescribes that when the bids are being opened, relevant bidders can simultaneously take part in bid opening online and can see the resultant bids of all bidders. The system automatically generates technical/financial comparative reports which can also be seen by participating bidders online.

For further processing, the bid-openers are required to download the bids at the date and time already prescribed in the tender. After evaluation, the shortlisted firms are informed through system generated emails and SMS.

The departmental user (bid-opener) needs a valid email ID as the login ID with valid password and Digital Signature Certificate (DSC) for opening the technical and financial bids. The tender to be opened is selected by entering the Tender ID. On clicking 'Decrypt' button, the packet name, bid IDs are displayed as a list. After clicking the 'Proceed' button, a message is displayed viz., 'Decryption completed successfully' along with decryption status in the list. Snapshots of the decryption process are depicted in **Figure 2.9**.

Figure 2.9: Portal webpages of the decryption process



Source: GePNIC manuals

Audit analysis of GePNIC data revealed that in 2,365 tenders, various bids, submitted for same tender (packet ID), were decrypted on different dates. Bids decrypted for two tenders have been illustrated in Table 2.25 and Table 2.26.

Table 2.25: Showing different dates of decryption for the same tender

Work item ID	Bid ID	Packet ID	Decrypted date	Decrypted time	Decrypted by
195076	437308	179891	25-11-2022	13:46:27	40451
195076	437181	179891	30-11-2022	19:02:25	40451
195076	437253	179891	05-12-2022	10:36:31	40451
195076	437270	179891	07-12-2022	11:29:02	40638
195076	437368	179891	07-12-2022	11:29:20	40638
195076	437375	179891	07-12-2022	11:29:34	40638
195076	437181	179890	07-12-2022	22:17:29	40638
195076	437253	179890	07-12-2022	22:19:37	40638
195076	437308	179890	07-12-2022	22:22:56	40638
195076	437368	179890	07-12-2022	22:24:13	40638
195076	437375	179890	07-12-2022	22:25:00	40638
195076	437270	179890	07-12-2022	22:26:10	40638

Source: GePNIC database

**Table 2.26: Showing different dates of decryption for the same tender**

Work item ID	Bid ID	Packet ID	Decrypted date	Decrypted time	Decrypted by
50792	113655	59333	12-06-2019	11:12:53	13382
50792	114134	59333	15-08-2019	09:02:22	13383
50792	114119	59333	01-01-2021	14:42:13	13383
50792	114175	59333	27-04-2021	20:51:44	13383

Source: GePNIC database

The above tables indicated that instead of opening all bids simultaneously on the date and time given in the tender document, bids received for the same tender were opened with a difference of one to 685 days. Although the packet ID 179890 (financial bid) was opened on the date specified in the tender document, it was opened at 22:17 hours instead of the scheduled time of 12:00 hours. Non-adhering to scheduled time denied the bidders the opportunity to witness the bid opening process. Audit further observed that GePNIC did not have the functionality to alert the bidders at the time of decryption of their bid.

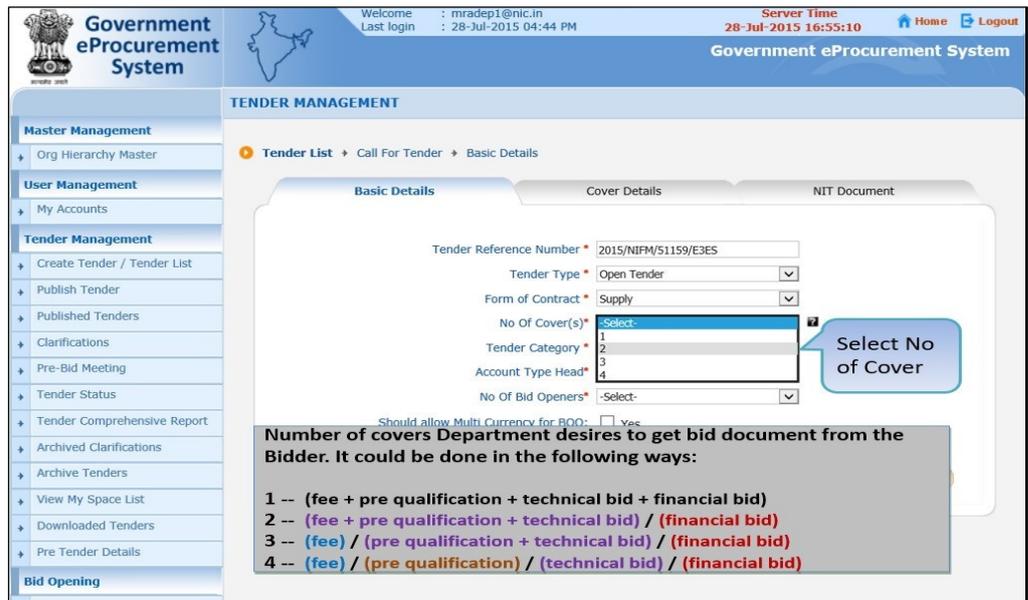
The Nodal Department stated (September 2024) that implementation of bid decryption alert to the bidders would be ensured in the future versions of GePNIC and stated (February 2024) that limiting the tender decryption to the same day creates operational difficulty as there may be large number of bids - say 100. As a result, bids may need to be decrypted on different dates, leading to the bid opening process extending over multiple days. Therefore, check of opening and decrypting on the same day was not enforced. The reply was not satisfactory as according to the PTPP Rules, all the participating tenders, must be opened by the TIA at the time and venue specified in the NIT so that the bidders or their authorised representatives can witness the opening process. Allowing department users to decrypt bid documents on different dates was therefore irregular and created avoidable risks associated with maintenance of transparency and fairness in the tender processing.

The Nodal Department stated (November 2024) that the implementation of a batch process for decryption of bids would be taken up with NIC.

**(ii) Non-updating of tender status by the system**

In the e-Procurement database, the table associated with tender details includes a column labeled ‘*packetsnum*’, which records values from '1' to '4' to indicate single, two, three, or four cover tenders, corresponding to the number of envelope system adopted for tendering (**Figure 2.10**). The decryption date, work details, tender status, and tender stage are documented in two separate database tables.

Figure 2.10: Shows the number of covers available for bidding

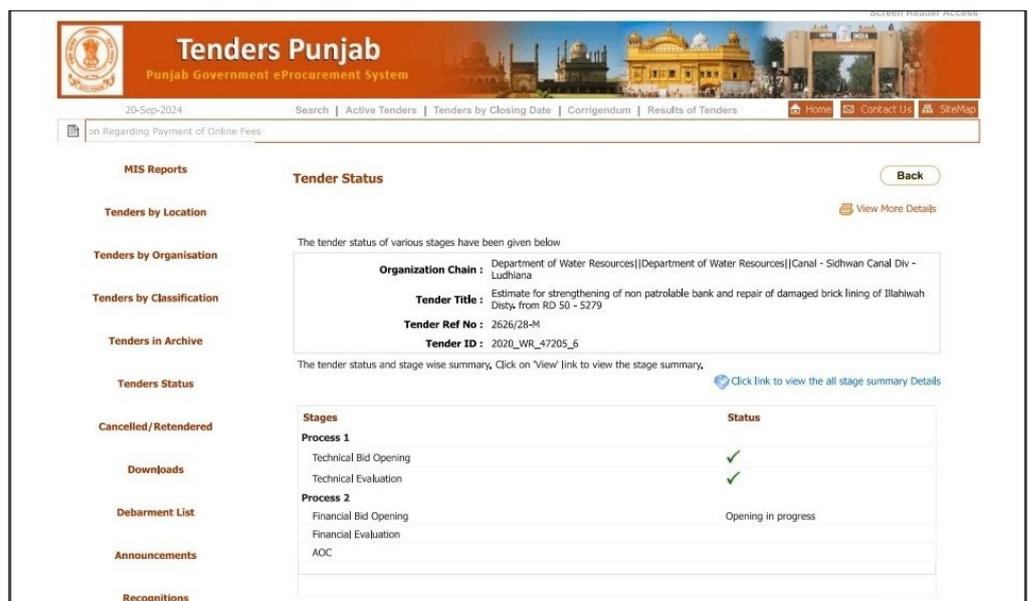


Source: GePNIC Manual

Analysis of the related tables revealed the following:

(a) In 2,740 tenders as depicted in Table 2.27, though the bids were decrypted, the tender status was stored in the database table as 'To be Opened'. Despite the bids being opened on different dates, the front end of the GePNIC exhibited incorrect status as 'Opening in Progress' to the participating bidders, as shown in the Figures 2.11, 2.12 & 2.13.

Figure 2.11: Tender Status page



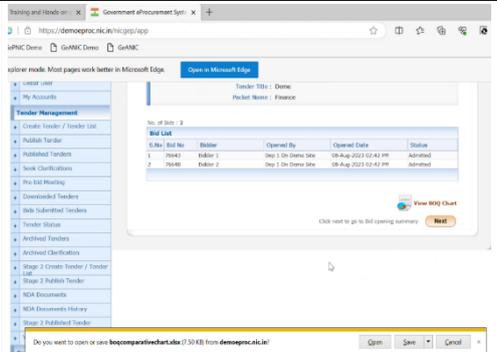
Source: e-Procurement Portal

**Table 2.27: Tender status shown as ‘To be opened’ even after decryption of bids**

Number of Packets/ Covers	Number of Packets Decrypted	Number of Tenders
1	1	899
2	1	1,566
3	1	54
3	2	218
4	2	1
4	3	2
<b>Total</b>		<b>2,740</b>

Source: GePNIC database

(b) A tender was published (December 2021) for purchase of machinery by the Department of Medical Education and Research. As per MIS report and e-Procurement Portal, the tender was technically evaluated. But analysis of data revealed that the financial bids of the bidders were also decrypted on 14 February 2022. Further scrutiny of tender files revealed that the financial evaluation process was initiated by downloading BoQ comparison chart of the tender without updating the tender status on the portal, as depicted in **Figures 2.12 & 2.13**.

Figure 2.12: TECHNICAL BID OPENING PAGE	Figure 2.13: FINANCIAL BID OPENING PAGE
<p><b>TECHNICAL BID OPENING PAGE</b></p> 	<p><b>FINANCIAL BID OPENING PAGE</b></p> 
<p>Source: GePNIC manual</p> <p>In above Technical Bid Opening page link to “Bid Document Zip” was available for downloading but even upon downloading the bids, the status on front end was not updated rather was exhibiting as “Opening in Progress”.</p>	<p>Source: GePNIC demo</p> <p>In above Financial Bid Opening page link to “View BoQ Chart” was available for download but even upon downloading the comparative chart, the status on front end was not updated, and was instead exhibiting as “Opening in Progress”.</p>

(c) A tender was published (August 2018) for annual rate contract for maintenance of water supply and sewerage lines by the Department of Local

Government<sup>59</sup>. During review of tender records, it was observed that except tender details and corrigendum details no other information was available on the e-Procurement portal, and MIS and the tender stage was displayed 'To be Opened/opening in progress'. However, from the printouts in the record file it came to notice that the tender had been awarded in September 2018. All the stages were updated (November 2023) after being pointed out by Audit.

The NIC replied (February 2024) that during technical/financial opening stage, the decrypted bids were required to be admitted/not admitted by the departmental user. After this step, summary was to be uploaded and thereafter the stage would get updated. The tender status during decryption was 'opening in progress'.

Reply was not satisfactory since the above discrepancies had arisen due to manual processing of tenders at the evaluation and AoC stages outside the system. As a result, the system was unable to monitor and track the real time status of the tenders and hence, the MIS Reports had been rendered incomplete and unreliable.

#### 2.10.10 Gaps in System Generated Row ID Numbers

To manage data effectively, GePNIC was designed to automatically assign a unique sequential number as a primary key field each time a new record is inserted.

The issue of gaps in system generated numbers was pointed out in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 vide Paragraph 3.12.4.5. The PAC expressed its dissatisfaction (December 2022) on action taken by the department to resolve this issue. Audit analysis still revealed multiple gaps in these auto-generated sequential numbers, which were used as primary key fields in several important tables, as illustrated in **Table 2.28**.

**Table 2.28: Showing gaps in auto-generated sequential numbers**

Sr. No.	Table name	Table Description	Row Count	Number of Missing Items	Number of Gaps
1.	gep_tender_basic_details	Facilitates the creation and maintenance of tender basic details like tender reference number, tender type, resubmission allowed, etc.	100,081	509	271
2.	gep_tender_work_items	Facilitates the creation and maintenance of work item details like tender title, work description, tender value, etc.	203,246	4,393	3,469
3.	gep_bids	Facilitates the creation and maintenance of submitted bid details like bid id, bid place date time, IP address, etc.	465,273	238	28

<sup>59</sup> Municipal Corporation, Ludhiana.

Sr. No.	Table name	Table Description	Row Count	Number of Missing Items	Number of Gaps
4.	gep_user	Facilitates the creation of user data such as login id, password, user type, DSC status, etc.	50,575	173	15
5.	gep_orgchain_master	Facilitates the creation and maintenance of master template of organisation chain	2,121	217	51
6.	gep_bid_bank_tran_details	Facilitates the creation and maintenance of online bid fee payment transaction details	4,07,832	227	18
7.	gep_key_stores	Facilitates the creation and maintenance of encrypted bid opener keys	33,88,785	44,660	10,000
8.	gep_bid_decrypted	Facilitates the creation and maintenance of decrypted key status against bid packets	6,83,112	6,091	2,838
9.	gep_user_certificates	Facilitates the creation and maintenance of DSC information	69,946	659	210

Source: GePNIC database

The NIC replied (May 2024) that GePNIC utilises a database sequence as the generator for the primary key and that the sequence increments even when a transaction fails or is rolled back. The reply was not satisfactory as there was no log being maintained by the system regarding the missing numbers along with timestamps and description of events of transaction failed.

This lack of traceability undermines the integrity of the data management process and complicates efforts to identify and resolve issues related to missing records.

The Nodal Department stated (November 2024) that the matter would be taken up with NIC.

#### **2.10.11 Deficiencies Noticed in use of Digital Signature Certificate**

In GePNIC, Digital Signature Certificate (DSC) is mandatory for the bidders for submission of bids online and for the Departmental users to process bids which includes opening, evaluation and issue of AoC. The DSC mapped in the GePNIC with the user login ID requires a password for its operation. The user requires an email ID to register in GePNIC, which serves as their login ID. Once a DSC is mapped with a user login ID, it cannot be reassigned to another account and can only be deactivated.

The deficiencies with regard to use of Digital Signature Certificate were mentioned in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 as Paragraph 3.12.2.3 titled “Segregation of duties and User Access”. Though the PAC recommended (December 2022) that all the provisions of the IT Policy should be implemented by the Department, audit analysis of GePNIC data related to 2018-2023 revealed that:

- The system did not validate the name of the DSC holder against the name registered by the user in GePNIC. This absence of a critical validation check had resulted in 212 mismatches between the names on the DSC and its users registered in GePNIC. In one of the test-checked tenders<sup>60</sup>, DSC issued to an employee who had never been posted in that office was used in 60 tenders as bid opener.
- Seven DSCs with different names were linked to single user ID.
- The GePNIC had no check to disallow the DSC users to update names in the user profile, which was found to even change the historical data in the GePNIC portal, as all prior tenders associated with the previous username were replaced with the updated username.

The Nodal Department stated (May 2024) that validating the name in DSC with the user's name in GePNIC would cause practical difficulties, as users entered their names manually during registration, which may not match with the name in DSC. It was further stated that enrolment processes for GePNIC and DSC were not interconnected, and the user may submit different ID proofs.

The response was not satisfactory as the authenticity and non-repudiation features of the Digital Signature Certificate (DSC) were being compromised, in the absence of controls to restrict its use solely to the authorised holder. Moreover, GePNIC's inability to disallow change of username in profile created the avoidable risks of modification of historical data. Even if a username change was necessary, it was essential that the historical data remains unchanged, for the purpose of ensuring accountability.

The Nodal Department stated (November 2024), that the matter of DSC validation and updating of profile name would be taken up with NIC.

#### 2.10.12 Segregation of Duties

Segregation of duties and proper user access is essential in an IT system to ensure that transactions are properly authorised, recorded and that assets are safeguarded. Segregation of duties occurs when one person provides a check on the activities of another. It is also used to prevent one person from carrying out an activity from start to finish without the involvement of another person.

Each user organisation of GePNIC has a Nodal Officer/ Sub-Nodal Officer who are authorised to assign roles to the users within the user organisation for various procurement activities to be performed using GePNIC. The roles defined in GePNIC system are detailed in **Table 2.29**.

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<sup>60</sup> Published by the Department of Local Government (Municipal Council, Kurali).

**Table 2.29: Roles defined in GePNIC system**

Role	Description
Procurement Officer Admin (Tender Creator)	Responsible for filling up and uploading the details of a tender enquiry/corrigenda
Procurement Officer Publisher	Responsible for publishing the tender enquiry/corrigenda created by the Tender Creator
Procurement Officer Opener	Authorised to decrypt and download the bids received from the bidders in response to a tender document
Procurement Officer Evaluator	Authorised to upload the results of the various stages of bid evaluation/award of contract
Tender Acceptance Authority	Takes the final decision on the acceptance/rejection of tenders, based on the evaluation results and organisational policies

Source: Information from Nodal Department.

A Paragraph 3.12.2.3 titled “Segregation of duties and User Access” was included in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017. Though the PAC recommended (December 2022) that all the provisions of the IT Policy should be implemented by the Department, Audit analysis of GePNIC user tables<sup>61</sup> revealed that as on 31 March 2023:

- a) A total of 3,142 users were found to have been assigned four distinct roles i.e. Procurement Officer Admin, Procurement Officer Opener, Procurement Officer Evaluator and Procurement Officer Publisher with each role being assigned to a single user across 43 departments (**Appendix 2.6**). Of these 1,987 users across 42 Departments performed all the roles of bid creator, bid publisher, technical bid opener and financial bid opener in 39,461 tenders (**Appendix 2.7**).
- b) GePNIC was not capturing the date of role creation/deletion in the time/date stamp column of the master table “gep\_user\_role\_map”.
- c) The key roles in tender processing were found to have been assigned to 2,989 officials with designations like Clerk, Cashier, Storekeeper, Steno, Computer Operator, Accountant, Junior Assistant, Assistant and Senior Assistant, which indicated non-compliance of the access rights in the system with the formal delegation of powers in the organisations. Out of these, 386 were even assigned the role of Tender Accepting Authority (**Appendix 2.8**) and 1,503 users had published the AoC (Award of Contract).
- d) Of these officials, 471 even published the Tender revocations, implying improper delegation of rights for publication of such an important corrigendum.

<sup>61</sup> Related tables capturing various activities of users in the database.

- e) The “Designation” field of GePNIC database neither had a pre-defined list of values nor did it have valid and authorised designations stored as master data. This deficiency had resulted in data entry of random values by users.

Assigning multiple roles to individual users led to lack of effective rechecking mechanisms. Since the role of creator and publisher was assigned to the same user, a tender published by the Department of School Education had to be cancelled twice for the same reason that the BoQ document was uploaded in a non-editable format.

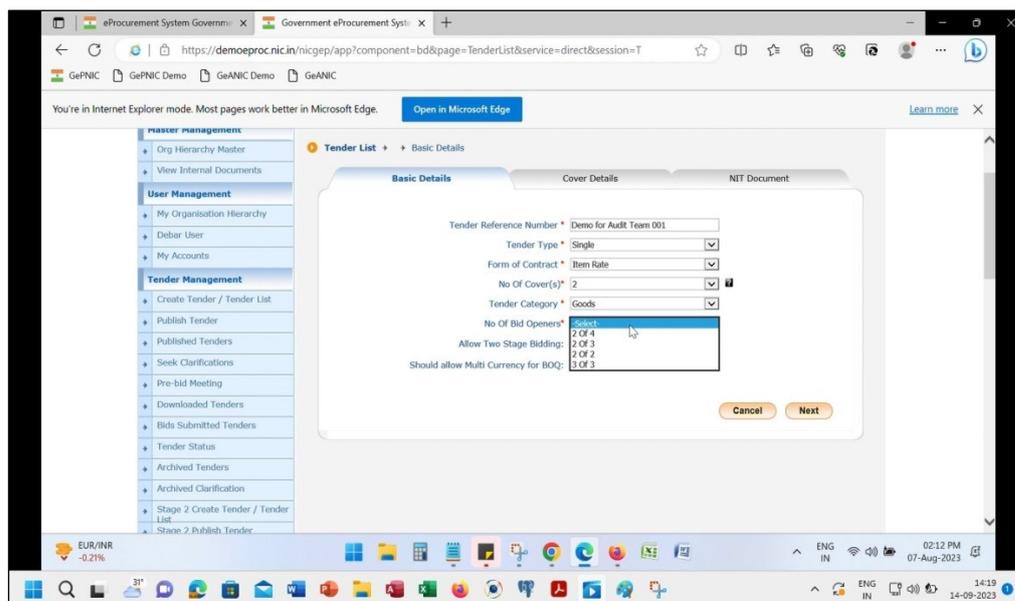
The Nodal Department attributed (August 2023) the lapses in adherence to the formal delegation of powers to the designated Nodal Officer(s) of the user Departments and further stated that it was the primary responsibility of the Nodal Officers to ensure that the appropriate roles were assigned to all user IDs they had created. This delegation of roles was pivotal for maintaining the smooth functioning and efficient operation of the GePNIC portal. The Department of School Education admitted (May 2024) that the tender was created and published from a single ID and attributed the lapse to lack of information/training and further assured to keep it in mind in future.

Reply was not satisfactory as it only indicated that the business rules had not been mapped into GePNIC through implementation of appropriate application controls to enforce the business rules. In the absence of clearly documented segregation of duties in the system, it was challenging to enforce accountability, track responsibilities, and ensure that critical controls (such as approval processes, data access and transaction processing) are functioning as intended.

### **2.10.13 Selection of Bid Openers**

According to the General Guidelines for e-Procurement under the CPPP portal (June 2019), at least four bid openers should be configured for each tender to prevent issues during the tender opening process. The NIC recommends using the 'two of four' option, allowing any two of the four configured officials to open bids. The GePNIC offers four options for selecting the number of bid openers: 'two of two', 'two of three', 'three of three' and 'two of four', as exhibited in **Figure 2.14**.

Figure 2.14: Showing option for selecting the number of bid openers



Source-Demo of e-Procurement

Mention was made in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 {Para 3.12.2.3 (Bullet-3)} wherein it was pointed out that despite clear instructions, the department was selecting ‘two of two’ bid openers. Though the PAC recommended (December 2022) that all the provisions of the IT Policy should be implemented by the Department, Audit analysis of GePNIC data revealed that despite clear guidelines, in 34 out of 45 departments, 91,828 tenders<sup>62</sup> were still published by choosing the ‘two of two’ option. In the test check tenders, it was found that a tender published by the Department of Social Security and Women & Child Development had to be cancelled as one of the two bid openers superannuated prior to opening of tender. Of 91,828 tenders, 5,658 tenders were published by the Department of Public Works choosing the ‘two of two’ option, whereas PRBDB had specifically directed (February 2018) to choose ‘two of three/four’ option to circumvent delays.

The Nodal Department stated (March 2024) that the TIAs were being insisted while imparting trainings to choose the ‘two of four’ option and further stated that since July 2021 the ‘two of two’ option has been made unavailable from the options in GePNIC. The reply was not correct, as Audit found that ‘two of two’ option was still chosen for a tender<sup>63</sup> published in June 2022. The absence of proper version control or lack of an automated versioning system might have led to the issue where newer system updates were not properly integrated with older tender documents.

<sup>62</sup> Out of these 5,658 tenders were published by the Department of Public Works (B&R).

<sup>63</sup> Tender was created on 6 July 2021 and published on 28 June 2022.

## 2.11 Data Integrity and System Controls

The e-Procurement portal facilitates Tender Inviting Authorities (TIA) to publish tender documents and Bill of Quantities (BoQ) templates. Bidders are required to upload technical documents and submit financial bids using the BoQ template prescribed by TIA. The tender evaluation process includes manual document verification and system generated/manual price comparison.

According to the Punjab Transparency in Public Procurement (PTPP) Act, 2019, a 'Bid' refers to a formal offer from a 'bidder', who can be any individual or entity participating in the procurement process. The Act also prescribed code of integrity to prevent collusion, bid rigging and anti-competitive behavior, which can undermine transparency and fairness. As per section 3(3) of the Competition Act, 2002, 'Bid rigging' defines agreements among bidders engaged in identical or similar production/trading that reduce competition, while as per section 2(c) 'Cartel' consists of groups, who by agreement amongst themselves, attempt to control prices or production.

Against 1.86 lakh tenders published during the period from 2018 -2023, bids in 1.36 lakh tenders were found valid by the e-Procurement portal. Out of these 1.36 lakh tenders, in 0.66 lakh (48 *per cent*) tenders only, one or two bids were received indicating limited bidder participation. Audit findings related to limited bidder participation have been discussed in **Paragraph 2.9.6** of this report. In addition to analysis of GePNIC data, Audit also test-checked 494 tenders in the selected 14 departments across six districts including Chandigarh.

### 2.11.1 Absence of Controls to Restrict Bidders Having Common Credentials to Compete for the Same Tender

Section 7 of the Punjab Transparency in Public Procurement Act, 2019 establishes a code of integrity for procuring entities and bidders, prohibiting collusion, bid rigging, and anti-competitive behaviour to ensure transparency and fairness in the procurement process.

Rule 21(6) of the PTPP Rules, 2022 mandates that in the procurement of works and services, at least two bidders who qualify in the technical evaluation must not be related, have a controlling interest, or share a common financial interest.

Clause 4(10) of Schedule 1, Part A of the PTPP Rules outlines "Instructions to Bidders" regarding conflicts of interest, specifying that a bidder may be considered to have a conflict of interest if:

- a. They have controlling partner(s) in common; or
- b. They receive or have received any direct or indirect subsidy/financial stake from any of them; or
- c. They have same legal representative/agent for purposes of this bid; or

- d. They have relationship with each other, directly or through common third parties, that puts them in a position to have access to information about or influence on the bid of another bidder; or
- e. Bidder participates in more than one bid in the bidding process.
- f. Bidder or any of its affiliates participated as a consultant in the preparation of the design or technical specifications of the contract that is the subject of the bid.
- g. In case of a holding company having more than one independently manufacturing units or more than one unit having common businesses ownership/management, only one unit shall quote. Similar restrictions would apply to closely related sister companies. Bidders must proactively declare such sister/common business/management units in same/similar line of business.

Further, Clause 5.1 of the Standard Bidding Document of the Punjab Government's Public Works Department stipulates that each bidder may submit only one bid for a project, with multiple submissions leading to disqualification of all proposals from that bidder.

Audit analysed the GePNIC data using four criteria *viz.* (i) duplicate IP, (ii) duplicate email, (iii) duplicate PAN, and (iv) duplicate mobile number among the bidders registered on the portal to determine if different bidders with the same PAN, email, or mobile number had submitted bids for the same tenders. Besides, the records relating to 494 selected tenders were also test-checked on the above criteria. As a result, audit observed various pairs of bidders having common PAN, mobile number, or email ID who participated as competitors in the same tender multiple times. This indicated that the system lacked inbuilt controls to restrict registration of bidder using same credentials.

The examination of GePNIC data and subsequent review of records pertaining to 494 tenders identified five patterns of potentially irregular bidding practices. These instances included situations in which bidders engaged as competitors in the same tender: i) utilising common credentials; ii) possessing direct relationships; iii) having shared business partners; iv) registering under two distinct User IDs; v) submitting bids from the computing device of the procuring entity; and vi) submitting multiple bids from a singular IP address, as elaborated in the subsequent paragraphs.

Audit analysis of GePNIC data revealed that 8,222 pairs of bidders were identified having common credentials *viz.* PAN, mobile number or email ID. These bidders had also participated in 9,320 tenders during 2018-2023 as summarised in **Table 2.30**.

**Table 2.30: Summary of pairs of bidders competing in same tender**

Criteria	Number of pairs of bidders	Number of participated tenders
PAN	255	224
Mobile number	2,155	4,452
Alternate email	5,812	4,644
Total	8,222	9,320

Source: GePNIC Database

### 2.11.1.1 Participation of Bidders with Common PAN in Same Tender

As is evident from **Table 2.30**, 255 pairs of bidders participated as competitors of each other in 224 tenders across departments. Of these 255 bidders' pairs, 19 pairs were found in six of the 14 test-checked departments. While reconfirming the duplicity of PAN from the documents submitted by the bidders, the relationship between bidders in 11 pairs could not be substantiated, however, the remaining eight pairs of bidders had a clear relation between them and both were found to have participated in the same tender as competitors, as detailed below in **Table 2.31**.

**Table 2.31: Detail of pair of bidders participating in same tender**

Sr. No.	User ID	PAN	Work Item	Identified as	Criteria for identification
1.	29798	AACxxxx99B	199155	Same Person	As per Aadhaar of one and undertaking of other, both the firms were registered under same name and father's name.
	47688	AACxxxx99B			
2.	4623	AAJxxxx15A	17724	Brothers	As per PAN and Labour Registration. Certificate, father's name of both users was same.
	4646	AAJxxxx15A			
3.	17494	AANxxxx48C	81639	Same Person	As per GSTIN, both the firms were registered by same person.
	24812	AANxxxx48C			
4.	5910	ACZxxxx78G	18411	Same Person	Same PAN was provided by both the bidders.
	10389	ACZxxxx78G			
5.	26754	AGAxxxx86F	85246	Same Person	Same Aadhaar was submitted by both the bidders.
	26903	AGAxxxx86F			
6.	6551	AJIxxxx95N	86932	Same Person	As per PAN & Aadhaar, both the firms were registered by the same person.
	18678	AJIxxxx95N			
7.	39358	BDFxxxx47M	137021	Father & son	As per PAN and Aadhaar, one firm was registered by father and other by his son.
	39365	BDFxxxx47M			
8.	18821	CQMxxxx94M	150605	Same Person	As per GSTIN & PAN, both the firms were registered by the same person.
	41045	CQMxxxx94M			

Source: GePNIC MIS

- a) These eight pairs participated as competitors in 61 tenders (122 bids) in four of the test-checked departments<sup>64</sup>. Further analysis disclosed that 121 bids qualified the technical evaluation and 33 bids could manage to secure the Award of Contract also.
- b) Audit further noted that one of these eight pairs (SN 8), in collaboration with

<sup>64</sup> Local Government, Forest and Wildlife Preservation, Agriculture and Water Resources.

another bidder, who was his brother, participated as competitors in 51 tenders published by the Local Government. This trio managed to secure Award of Contract in as many as 50 tenders to either of the three competing bidders i.e., 29 to pair of bidders and 21 to third bidder.

- c) Audit noticed that an item-wise tender<sup>65</sup> was published (January 2020) by Punjab State Forest Development Corporation (PSFDC) for sale of tree lots. For this tender, eight bids were received. Of these, two bids were submitted by one bidder using two different user IDs but having common PAN. Against both these bids Award of Contract (AoC) of one tree-lot each was found to have been issued (January 2020).

The PSFDC denied (May 2024) to have any control over bidders' registration on GePNIC. However, acknowledging the discrepancy, they assured to take up the issue with NIC.

#### **2.11.1.2 Participation of Bidders having Common Mobile Number, Alternative Email ID and IP Address**

Two bidders (ID:7137 and ID:14674) were registered with the same mobile number and email ID. Audit noticed that both of these bidders participated as competitors in six tenders published by the Punjab State Forest Development Corporation (PSFDC). Of these six tenders, in five tenders, 10 bids (one by each bidder in each tender) were found to have been submitted from the same IP address on the same day. In all these five tenders, one of these two bidders received AoC.

The PSFDC denied (May 2024) to have any control over bidders' registration on GePNIC and stated that the lots were awarded to the bidders with highest bid. While acknowledging the discrepancy, it assured to take up the issue with NIC.

#### **2.11.1.3 Participation of Bidders having Family/Direct Relations**

Among the 494 tenders test-checked, in 18 tenders<sup>66</sup>, bidders having family relations participated as competitors in the same tender. Audit further examined the participation of these bidders across all tenders published from 2018-2023. The results are illustrated below:

- Two bidders were found to be related as husband and wife, and both of them participated as competitors in 15 tenders published by the PSFDC. Contracts were awarded to either of them in 12 tenders. Both these

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<sup>65</sup> Tender for sale of green, DD and CM Trees.

<sup>66</sup> Six in Punjab State Forest Development Corporation and 12 in the Department of Home Affairs and Justice.

bidders were registered with the same mobile number and submitted bids for 12 tenders from the same IP address.

- Two related bidders, who were husband and wife, participated in 121 tenders published by the Department of Home Affairs and Justice. Contracts were awarded to either bidder in 47 of those tenders. In nine tenders only this pair participated as competitors to each other as in these tenders only two bids were received. Out of these nine tenders, contracts were awarded to either of them in six tenders. The remaining three tenders were cancelled without even opening the bids.

#### **2.11.1.4 Participation in Same Tender by Companies having Common Partner**

An individual and a partnership firm with this individual as one of the partners were registered as two different users on GePNIC using a common mobile number. Audit noticed that both these bidders participated as competitors in 30 tenders published by the Department of Local Government (MC Patiala), and a contract was awarded to the bidder who participated as individual on four tenders.

#### **2.11.1.5 Suspected Collusion based on IP Address**

An IP address (Internet Protocol address) is a unique identifier assigned to each device connected to a network that uses the Internet Protocol for communication. Every device on the internet has a distinct IP address, which can be classified as either static or dynamic. A static IP address is permanently assigned by an Internet Service Provider (ISP) for the exclusive use of a subscriber, while a dynamic IP address is temporarily assigned by a network and may change over time.

The GePNIC records the IP address of the computer used to submit a bid. When multiple bids for the same tender originate from the same IP address, it suggests that the same computer may have been used for those submissions, which could indicate potential collusion among bidders. The risk of collusion is significant if bids are submitted from the IP addresses associated with the procuring entity. The following paragraphs will elaborate on these issues:

##### ***(i) Bidding using computer system of the procuring entity***

The State Government has established the Punjab State Wide Area Network (PAWAN) to serve as an intra-government communication network. Users can leverage this network for Internet and Intranet connectivity in their offices, subject to availability of PAWAN connectivity in their respective locations.

(a) The Department of Forests and Wildlife Preservation (Department) had a leased internet connection from an internet service provider (ISP) with Static IP address ranging from ‘117.239.5.128 to 117.239.5.143’. Data analysis showed that four bids from two bidders in four tenders published by Department of Forest and Wildlife Preservation were submitted from the IP address ‘117.239.5.129’, which falls within the range of IP address assigned to Department. Out of four bids, one was accepted for AoC. The details of these bids are exhibited in Table 2.32.

**Table 2.32: Details of bids uploaded using Department’s IP address**

Sr. No	Work Item ID	Tenderer ID	Bid ID	Bid Date Time	IP Address	Bid Status
1.	31220	15308	75536	05-11-2018 17:12:16	117.239.5.129	Rejected Fee/ PreQual/ Technical
2.	177929	43493	402794	16-03-2022 15:53:25	117.239.5.129	Accepted AOC
3.	181807	43493	409134	27-04-2022 12:55:53	117.239.5.129	Rejected Finance
4.	183212	43493	414108	23-05-2022 12:17:35	117.239.5.129	Rejected Finance

Source: e-Procurement Portal data

Audit further noticed that Government users of the Department registered with GePNIC had also logged in from the same IP address on the same dates thereby strengthening the fact that though this IP address belonged to the department only yet it was used by the bidder to submit bids.

The Department of Forest and Wildlife Preservation assured (May 2024) that network logs, if stored, would be assessed to ascertain the user and the machines used on these dates and audit would be informed accordingly.

(b) Audit noticed that PAWAN utilised 11 public IP pools, which were subsequently divided into various subnetworks based on specific requirements. Analysis of GePNIC data revealed that 152 bids were submitted for tenders published by 22 Tender Inviting Authorities (TIA) using PAWAN IP addresses.

The submission of bids from the procuring entity's computer systems suggests a possibility of collusion between the TIAs and the bidders and raises concerns regarding confidentiality and secrecy, potentially leading to unfair competition.

The Nodal Department agreed (June 2024) to have no control over submission of bids using Government users’ computer systems.

Submission of bids from the Department’s own IP address is indicative of the material risk of collusion between the Departmental personnel and the bidders, and results in lack of assurance that the confidentiality of all the bids submitted had actually been maintained during the entirety of the bid submission process. Since the application front end for submission of bids would have to be opened within the Departmental premises to submit the bids, there is a material risk that

the confidentiality of the bids would not be maintained and bid details of one bidder could potentially be informed to a competing bidder, thereby extending an undue benefit and vitiating the e-Procurement process.

**(ii) Bids for same tender received from common IP address**

Audit analysis of GePNIC data further revealed that out of 1.36 lakh tenders, against which valid bids were received, two to 74 bids were found to have been submitted from the same IP address for the same tender in 0.41 lakh tenders (30 per cent).

Of the test-checked tenders, in 138 tenders, two or more bids were found to have been submitted from the same IP address by bidders competing for the same tender, as detailed in **Appendix 2.9**. In a tender published by the Punjab State Forest Development Corporation (PSFDC) seven bids were submitted using same IP address, indicating possible collusion among bidders as detailed in **Table 2.33**.

**Table:2.33: Details of bids submitted in a tender from common IP address**

Work Item ID	Bid ID	Date of Bid	Time of Bid	IP address	Bid Status
183212	414032	22-05-2022	20:13:28	103.223.10.209	Accepted-AOC
183212	414033	22-05-2022	20:46:06	103.223.10.209	Accepted-AOC
183212	414034	22-05-2022	20:58:03	103.223.10.209	Rejected-Finance
183212	414174	23-05-2022	15:06:57	103.223.10.209	Accepted-AOC
183212	414028	23-05-2022	16:05:31	103.223.10.209	Accepted-AOC
183212	414210	23-05-2022	16:25:15	103.223.10.209	Accepted-AOC
183212	414089	23-05-2022	16:30:31	103.223.10.209	Accepted-AOC

Source: GePNIC Database

The PSFDC agreed (May 2024) that IP addresses captured with the bids were not being considered so far. However, an assurance was given to take up the issue with NIC for restricting 2<sup>nd</sup> bid for the same tender from the same IP address and consider IP addresses for future tenders.

In a fair and competitive bidding environment, all bidders are expected to independently submit their bids. Submission of bids with bidders sharing the same IP address is indicative of a material risk of collusion and lack of confidentiality of bids, which may severely undermine the objectives and efficacy of price discovery through open market competition for public procurement.

#### 2.11.1.6 Non-utilisation of Cartel Bidding Report

Despite highlighting the issue of bidders using common email IDs and mobile numbers in Paragraph 3.12.4.4 of the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017, and the PWD's assurance in

October 2018 to the Public Accounts Committee about getting the stricter validation checks implemented through NIC to prevent users with common credentials from bidding on the same tender, GePNIC continued to permit such bidders to compete for the same tender.

Audit noticed that though, GePNIC features a ‘Cartel Bidding Report’ in its Management Information System (MIS), which generates a list of suspected cartel bidders based on criteria like duplicate IP addresses, alternate emails and PAN/TAN numbers, none of the test-checked TIAs were granted access to MIS.

The Nodal Department stated (May 2024) that access to the Cartel Bidding Report had been enabled in GePNIC portal. The Nodal Department further clarified (June 2024) that it was the responsibility of the TIA to take initiatives against collusive behavior and added that the TIA had the authority to debar such bidders, if necessary. The Department further stated (November 2024) that necessary advisory would be issued to the user Departments and the matter would also be taken up with NIC.

The reply was not satisfactory as the access to Cartel Bidding Report was only provided to TIAs in May 2024 after many years of implementation of GePNIC, and the training for its effective use was also inadequate, as discussed in **Paragraph 2.9.6**.

## **2.11.2 Deficiencies in Tracing the Tendering Records**

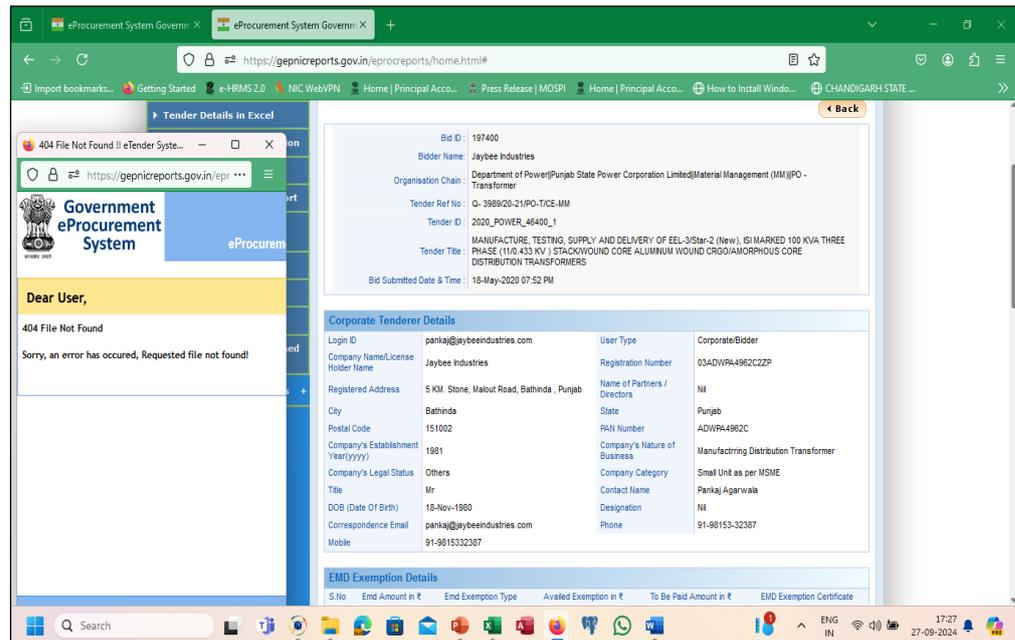
Section 6 of the PTPP Act 2019 requires procuring entities to keep records of their procurement activities, including details of participating bidders. Additionally, Section 6(2) specifies that all documents, notifications, decisions, and other information related to procurement, including appeals under Section 49, must be recorded in a way that is clear and easily accessible for future reference.

### **2.11.2.1 Retrieving of Bid Documents**

Audit analysis disclosed that though the GePNIC was able to retrieve documents submitted by bidders through ‘Tender Discursive Report’ in MIS, in 15 of the test-checked tenders, bidder documents could not be downloaded due to technical errors, despite multiple attempts and using different browsers.

The Nodal Department replied (May 2024) that the issue had been rectified in the GePNIC application. Audit, however, noticed (September 2024) the same error while attempting to download bidding documents in other than those 15 tenders, as shown in **Figure 2.15**.

**Figure 2.15: Figure showing error while downloading bidder documents from Tender Discursive Report in MIS**



Source: GePNIC MIS

As such, despite rectification, the possibility of having this error in other than the test-checked tenders cannot be ruled out.

The Nodal Department agreed (November 2024) that clarification would be taken from NIC on the matter.

### 2.11.2.2 Tracing of Tender Revocation

In GePNIC, corrigendum of tender revocation was used to move the tender to a previous stage, even after issue of AoC, the tenders could be revoked to previous stages.

#### (i) Frequent use of tender revocation feature of GePNIC

Audit of GePNIC data disclosed that revocation of tenders was not occasional as 680 corrigendum to revoke 649 tenders were found to have been issued. The stages of these tenders as on 31 March 2023 have been depicted in **Table 2.34**.

**Table 2.34: Details of revoked tenders**

Tender Status as on 31 March 2023	Tender stage	Count of tenders
Published	Bid_Opened_2	28
	Evaluated_Financial	62
	Evaluated_Technical	64
	To_be_Opened	5
Expired	AOC	368
Cancelled	Bid_Opened_1	18
	Bid_Opened_2	11
	Evaluated_Financial	11
	Evaluated_Technical	19
	To_be_Opened	53

Tender Status as on 31 March 2023	Tender stage	Count of tenders
Retender	Bid_Opened_1	2
	Bid_Opened_2	3
	Evaluated_Technical	1
	To_be_Opened	4
	<b>Total</b>	<b>649</b>

Source: GePNIC database

Audit also noticed that critical tracking details related to the tender processing and the specific stages from which these tenders were revoked were missing from both the Portal and the database.

**(ii) Revocation of tenders without adequate justification**

GePNIC included an inbuilt table called ‘GeP\_tender\_reason’ which contained pre-defined statements for users to select appropriate reasons for the revocation of tenders.

Audit analysis of 649 tenders revoked to previous stages revealed that three tenders were revoked three times and 25 tenders were revoked twice (Table 2.35). However, reasons for these revocations were not provided in any case, as GePNIC did not mandate the inclusion of reasons, whether by selecting from predefined statements or otherwise. This indicated the material risk that tenders were being reverted to earlier stages without sufficient justification.

**Table 2.35: Detail of tenders which were revoked multiple times**

Work Item ID	Description of Revocation	Reasons
19981	Revoked to Financial Opening thrice within 3 hours	Instead of choosing reason from the pre-defined table, a document stating “administrative reasons” was uploaded thrice.
100519	Revoked to Financial Opening then Technical Opening and then again to Technical Opening within 5 days	No justification uploaded for revocation.
54256	Revoked to Technical Opening, then Financial Opening, and then again to Technical Opening within 3 days	Nothing was mentioned for 1 <sup>st</sup> revocation. However, for 2 <sup>nd</sup> and 3 <sup>rd</sup> revocation, instead of choosing reason from the pre-defined table, reasons ‘due to misunderstanding’ were uploaded twice.

Source: GePNIC database & MIS Reports

Similarly, among the test-checked tenders, seven tenders were revoked only to rectify the errors committed by the committee during technical evaluation, as detailed in Table 2.36.

**Table 2.36: Detail of tenders which were revoked to rectify the errors**

Work Item ID	TIA	Description given for revocation	Reasons for revocation
26064	Director General School Education	Tender revocation	Two bids rejected technically were accepted upon representation.
60325	Director General School Education	Tender revocation	Two bids rejected technically were accepted upon representation.
90230	Directorate of Research and Medical Education	Technical revocation	Four bids for an item were accepted technically, but that item was not procured due to representation by other bidders.
116947	Directorate of Research and Medical Education	Technical revocation of tender	Technical evaluation changed after representation.
142202	Directorate of Research and Medical Education	Tender revocation	Technical evaluation changed after representation.
119029	Electrical Division No.1 (PWD) Patiala	Due to technical error, tender is hereby revoked	Revoked on the grounds of technical error, which were not explained.
182073	Provincial Division No.2 (PWD) Patiala	Due to error in technical evaluation, the tender is hereby revoke for correction	Two bids technically accepted. Tender revoked as one did not fulfil bid capacity criteria. Later cancelled the tender.

Source: MIS Reports & Departmental Records

**(iii) Revocations led to non-refund of tender fee and processing fee**

GePNIC, upon opening of technical bids, automatically triggers remittance of tender fee to the TIA and processing fee to the Punjab State e-Governance Society (PSeGS). In case of cancellation of the tender without opening of bids, the tender fee and the processing fee is refunded to the bidders, who deposited it along with the submission of their bids.

Audit noticed that in 56 tenders after attaining the ‘technical bid opening’ stage, the tender fee and the processing fee deposited by the bidders along with their bids was remitted to the TIA and the PSeGS, respectively. After remittance of fees, these tenders were revoked to the “*To\_be\_opened*” stage and subsequently these tenders were either cancelled or retendered. In these cases, since the tender fee and the processing fee had already been remitted to the TIAs and the PSeGS, GePNIC could not process refund to the bidders. Thus, the revocation of tenders resulted in inconsistencies in the refund and settlement of bid fees.

Data analysis also revealed 71 bids (pertaining to 39 revoked tenders) which were successful (Accepted-AOC stage) but EMD fee amounting to ₹ 0.84 crore was refunded to these successful bidders instead of being remitted to TIA. This anomaly arose as these bids could have been initially rejected but subsequently accepted after revocation of tender.

These inconsistencies highlight that the feature in GePNIC for revoking tenders was being used casually without adequate justification and considering the consequences. This approach resulted in instances where the tender and

processing fees were not refunded to the bidders, and the EMD was refunded incorrectly instead of remitting to the TIA's account.

The Nodal Department stated (November 2024) that necessary advisory to user departments had been issued in this regard.

### 2.11.3 Non-updation of Hierarchy despite Abolishing the Post

The Department of Local Government abolished (May 2021) the post of Regional Deputy Director (RDD) for Urban Local Bodies in six districts<sup>67</sup>. Similarly, the post of Additional Deputy Commissioner (Urban Development) (ADC) was abolished (September 2022) in all districts except for six districts<sup>68</sup>.

Audit analysis of the GePNIC database revealed that 659 registered users associated with these abolished posts (RDD: 642 and ADC:17) remained active as TIA in GePNIC as of March 2023. Not only that, these users also created or published 12,338 tenders using the user IDs of these abolished posts, as depicted in **Table 2.37**. This situation was attributed to a lack of training or insufficient training provided to departmental users.

**Table 2.37: Detail of tender published using IDs of abolished posts**

Name of the abolished post	No. of tenders published
Regional Deputy Director - Amritsar	1,856
Regional Deputy Director - Bathinda	538
Regional Deputy Director - Ferozepur	1,182
Regional Deputy Director - Jalandhar	1,560
Regional Deputy Director - Ludhiana	3,255
Regional Deputy Director - Patiala	3,947
<b>Grand Total</b>	<b>12,338</b>

Source: GePNIC Database

The Nodal Department stated (September 2023) that the authority to block or unblock user IDs lay with the Nodal Officer of each department. This situation could have been avoided had sufficient training been provided to departmental users. Of the test-checked 17 TIAs of Department of Local Government, 11 TIAs reported that no training was imparted to them.

The Nodal Department stated (November 2024) that necessary advisory would be issued in this regard.

### 2.11.4 Standardisation Testing and Quality Certification

Standardisation Testing and Quality Certification (STQC)<sup>69</sup> provides quality assurance services in Electronics and Information Technology, focusing on

<sup>67</sup> (i) Amritsar; (ii) Bathinda; (iii) Ferozepur; (iv) Jalandhar; (v) Ludhiana; and (vi) Patiala.

<sup>68</sup> (i) Amritsar; (ii) Bathinda; (iii) Jalandhar; (iv) Ludhiana; (v) Patiala; and (vi) SAS Nagar.

<sup>69</sup> STQC Directorate, which is a part of the Ministry of Electronics and Information Technology (MeitY), Government of India.

enhancing website security, accessibility, service commitment, and compliance with the Guidelines for Indian Government Websites (GIGW - 2018). The STQC certification is valid for three years, contingent on satisfactory surveillance audits conducted at the end of the first and second years. These surveillance audits assess the e-Procurement System (EPS), application and network security, client feedback, and the status of the ISO 27001 certificate. Guidelines for Compliance with Quality Requirements in e-Procurement are designed to ensure the quality and security of e-Procurement applications and systems. These guidelines aim to instil confidence among stakeholders by ensuring that the system is secure, transparent, auditable, and compliant with government procurement procedures for e-Procurement solution providers and application developers.

The GePNIC application was issued STQC in December 2020 for version 1.09.08 for three years ended in December 2023, with the condition that any major changes would necessitate re-certification.

Audit noticed that the prerequisite surveillance audit assessment required at the end of the first year to maintain the STQC validity, was not conducted by NIC. As a result, the GePNIC portal had been operating without a valid certificate since December 2021. Further, though the GePNIC had undergone 12 revisions from version 1.09.08 to the current version 1.09.20 released in January 2024, the STQC had not been revalidated.

NIC did not respond (February 2024) on the subject matters regarding 'Surveillance Assessment' at the end of first and second year, issuance of statement of 'Continuity of Certificate' for STQC and Data Storage Security Audit.

The Nodal Department stated (November 2024) that STQC had been done and a certificate was available on the portal. However, the matter regarding 'Surveillance Assessment' would be taken up with NIC. The reply was not satisfactory as the prerequisite surveillance audit assessment at the end of the first year of STQC required to maintain the validity was not conducted.

#### **2.11.5 Business Continuity, System Reliability and Change Management**

The effectiveness of Business Continuity Planning (BCP) and Disaster Recovery Plans (DRP) and assigning clear roles and responsibilities between the owner and the service provider are essential for a robust BCP. Relying solely on outsourced services can introduce risks associated with data security, data loss, unauthorised access, and continuity challenges due to the potential loss of business knowledge or inadequate performance from the service provider.

Audit had already pointed out the issues regarding BCP, DRP and IT Security in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended

31 March 2017 vide Paragraph 3.12.2.2. PAC recommended (December 2022) that the Department of Public Works (B&R) in addition to the NIC should also oversee the BCP, DRP and IT Security Policy. But audit found that despite recommendation of the PAC, the Department still did not have any BCP/DRP and change management policy, as discussed in the succeeding paragraphs.

#### **2.11.5.1 Non-implementation of Business Continuity Plan and Disaster Recovery Plan**

Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) ensures that an organisation can recover its processes after disruptions, such as natural disasters. The Ministry of Electronics and Information Technology (MeiTY) outlines best practices, including regular assessments and reviews of replicated resources to align with business priorities. According to Section 6 (1) to (3) of the PTPP Act, 2019, organisations must retain procurement records after the expiry of procurement process for a specified time for auditing/RTI purposes.

Audit noticed that the NIC had its BCP and DRP. However, the Nodal Department, in the absence of its own BCP and DRP, was fully dependent on NIC. It had neither identified or documented its own key assets such as hardware, software, personnel, etc. nor it had any archival policy for retention of legacy data. Thus, it lacked a comprehensive BCP and DRP.

The Nodal Department stated (February 2024) that policy document of NIC would be made available with the State coordinator NIC for audit examination. However, neither the Nodal Department was in possession of BCP of the NIC, nor was it provided to Audit (September 2024) for review. The NIC on behalf of the Nodal Department stated (June 2024) that NIC was providing Managed Services for e-Procurement for all the State Governments on a dedicated cloud and further stated that the hardware replacement was being done through pooling funds. The reply was not satisfactory as the Nodal Department had not executed any service level agreement (SLA) with NIC to integrate the BCP and DRP. Further, the Nodal Department did not maintain its own contingency plans to address scenarios where the service provider's BCP/DRP measures might be insufficient or fail to meet the Department's requirements.

#### **2.11.5.2 Non-execution of Service Level Agreements for Business Continuity**

Key service level agreements (SLAs) address i) Recovery Point Objective (RPO) - the maximum allowable time between recovery points; and ii) Recovery Time Objective (RTO) - the maximum amount of time a business process may be disrupted after the disaster. Scheduled downtime and maintenance are normally factored in while designing the service level

agreements which also cover the Service Providers capability to avoid loss of data in case of any disaster or failures.

Audit noticed that in the absence of the SLA, the service provider had no commitment for the restoration of services within the agreed downtime. The Nodal Department could also not provide any tool independent of the SLA to monitor the downtime, RPO and the RTO.

The Nodal Department stated (May 2024) that details of downtime were available in the “MIS hourly report”. However, this response did not adequately address the issue, as the absence of the SLA means that the service provider (NIC) was not obligated to restore services within a specified timeframe. Consequently, this lack of accountability could lead to prolonged disruptions and negatively impact business continuity.

### 2.11.5.3 Ineffective System Malfunction Procedure

The ‘System Malfunction Procedure’ prepared by NIC (August 2012) claimed that the e-Procurement solution was designed to handle system malfunctions effectively. However, failures can occur due to various issues, including internet failure and natural calamities.

Audit noticed that due to system malfunction, the NIC had to extend date for submission of bids in as many as 2,896 tenders on its own i.e. without any request from the TIA. As a result of these forced date extensions at the NIC end, the two tenders bid opening time preceded bid submission closing time, as shown in **Table 2.38**.

**Table 2.38: Tenders wherein time of bid opening preceded bid submission time**

Sr. No.	Work item ID	Bid submission closing date & time	Bid opening date & time
1.	58957	2019-06-27 17:00:00	2019-06-27 11:00:00
2.	70551	2019-11-22 17:00:00	2019-11-22 11:00:00

Source: GePNIC database

The Nodal Department stated (October 2023) that System Malfunction procedure was being carried out for a variety of reasons for planned and unplanned activities (Network Outages). It had also been used for planned activities such as Server up gradations, Security patch updates, Server or Database migrations, etc. When such incidents are planned, announcements are floated in advance and intimated to the users. However, the Department assured to implement the system malfunction procedure in future to have a better business continuity process.

#### **2.11.5.4 Absence of Change Management Policy**

In IT organisations, the change management process is essential for managing and controlling changes to assets, including software, hardware and related documentation. Change controls are necessary to ensure that all modifications to system configurations are authorised, tested, documented and monitored. This approach helps maintain system stability and supports ongoing business operations as intended, while also providing a comprehensive trail/record of changes made.

Audit observed that the Nodal Department lacked a Change Management Policy to maintain a documented record of changes to GePNIC, despite 12 versions being rolled out since December 2020. There was also no clear authority designated for authorising and executing these changes.

The Nodal Department stated (May 2024) that GePNIC was a generic software. The requirements and enhancements requested by various stakeholders were discussed for compliance with rules and regulations, analysed for technical viability, and subsequently incorporated into future versions. The reply was not satisfactory as there should be a formal change management policy to govern all changes made to the application. The policy should outline procedures for requesting, evaluating, approving, testing and deploying changes, ensuring that all modifications are carefully controlled.

The Nodal Department stated (November 2024), that the respective policies would be taken from the NIC.

#### **2.11.6 Non-availability of Digital Time Stamp in the Tender Documents**

The STQC Guidelines state that the CVC mandates that tender documents posted on e-tendering/e-Procurement websites must be digitally signed by an officer from the tendering organisation. Government of Punjab mandated (February 2018) that documents downloaded from the e-Procurement Portal should include date-time stamping and IP details to restrict unauthorised alterations in the downloaded documents. The PTPP Rules, 2022 also directed the procuring entities to maintain and preserve records in both electronic and physical forms.

The issue of non-recording of digital signature stamp on any of the corrigendum/addendum and other documents uploaded by the Department and the bidders was pointed out in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 vide Paragraph 3.12.4.5. The PAC also expressed its dissatisfaction (December 2022) with the replies of the Department.

Audit noticed that in the test-checked tenders neither the bidder documents downloaded from the MIS discursive report of GePNIC nor the DNIT and BOQ templates contained any embedded digital signatures, thereby undermining the sanctity of the tender documents, as shown in the **Table 2.39**.

**Table 2.39: Tenders without embedded digital signature on DNIT and BOQ**

Sr. No.	Tender Reference Number	Work item ID
1.	2018_DSE_14093_1	16438
2.	2019_DMER_33887_1	59486
3.	2020_DLG_50098_19	96683
4.	2021_DHA_64373_1	129313
5.	2022_DOA_83528_1	179780

Source: e-Procurement portal

The absence of digital signatures means the downloaded documents lack legal sanctity. Thus, assurance regarding the integrity of all bid-related documentation by embedding digital signatures was crucial especially when there was the precedence of manually evaluating the tender outside the system.

The Nodal Department stated (October 2023) that NIT documents uploaded in PDF format had inline signing (embedded signatures), while documents submitted by bidders had detached signatures. This reply was not satisfactory as documents downloaded from GePNIC were mandatorily required to include date-time stamping and IP details.

The Department stated (November 2024) that the matter had been taken up with NIC.

### **2.11.7 Irregular Disallowing of Viewing DNIT after ‘Document Sale End Date’**

Section 43 (2) of the PTPP Act, 2019 mandates procuring entities to publish procurement-related information on publicly accessible procurement portal, including the amendments.

Audit noticed that the tender documents (DNIT), outlining the scope and details of tender were available on GePNIC for public viewing and downloading for a limited period only - from the ‘Document Download/Sale Start Date’ to the ‘Document Download/Sale End Date’. Whereas Tender Summary Reports containing details on various stages, including tender Opening, Evaluation Summary, BoQ comparative charts, and AoC were available for viewing at any time. This limitation in viewing the DNIT beyond ‘Document Download/Sale End Date’ undermined the portal’s objective of transparency.

The Nodal Department stated (October 2023) that all States followed a policy restricting document access to the designated time frame, with later access

requiring users to log in and set tenders as favourites. This reply was not satisfactory as there was a clear need for an online repository to store all tender documents – both past and present – ensuring they were accessible to the public at any time. The Department, however, assured (November 2024) that the matter would be taken up with NIC.

### **2.11.8 Absence of Internal Audit Module**

An effective internal audit function is crucial for helping organisations fulfill their governance responsibilities of achieving its objectives through ethical and effective governance. Similarly, an internal audit module is vital for ensuring transparency, accountability, and control within an e-Procurement system. It aids organisations in meeting regulatory requirements, managing risks, improving processes, detecting irregularities, evaluating service provider's performance, ensuring data integrity, and facilitating continuous monitoring.

Audit found that the GePNIC portal did not have an internal audit module. The Nodal Department assured (May 2024) to consider proposal for implementing such a module and stated (November 2024) that the matter would be taken up with NIC.

### **2.11.9 Helpdesk Management**

Providing a helpdesk is a critical component of best practices for e-solutions. Reports of the helpdesk are reviewed by the management, compared to resolution requests to identify critical issues, which facilitates the management to take informed purchasing decisions and periodic evaluations.

Audit observed that in accordance with the NIC project proposal (July 2016), a helpdesk was established, and their relevant contact numbers and email addresses were displayed on the homepage of GePNIC. However, the helpdesk neither maintained records of complaints nor was a structured complaint monitoring or ticket management system put in place, which limited the ability to track, analyse and address recurring or critical issues thus affecting timely decision making and potential system improvements.

Implementing a Ticket Management System<sup>70</sup>, similar to that used for the Integrated Financial Management System (IFMS) in the State, could address this gap by assigning the requests to the solution provider for resolution and allowing the Nodal Department to supervise. This would help the Nodal department to assess risks for future system corrections.

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<sup>70</sup> The Ticket Management System (TMS) in the IFMS serves as a unified platform for interaction among DDOs, DTOs, HODs, Treasury and Accounts, Budget Branch and the NIC Team. Users can submit their concerns through 31 different types of tickets/issues covering all modules, including e-Budget, e-Treasury and e-Receipt.

The Nodal Department stated (November 2024) that the matter would be taken up with NIC for introducing a ticket management system

## 2.12 Conclusion

Audit noticed several issues with the implementation of the e-Procurement system in Punjab. The lack of a service-level agreement with NIC for the development and maintenance of GePNIC resulted in unclear roles and responsibilities, causing delays in modifying the portal and addressing payment gateway issues. Further, the Directorate of Procurement Policy and Enforcement (DPPE) was not made functional as required by PTPP Act, hindering the effective use of the GePNIC system.

There were system design issues in areas such as tender evaluation (both technical and financial), vendor negotiations and contract awards, which were still done manually, impairing the objective of reducing human intervention in the process. Further, due to the lack of integration with other portals maintaining records of blacklisted vendors, GePNIC had not implemented the functionality to prevent such vendors (including those blacklisted by Departments other than the one issuing the tender) from participating in tenders.

Departmental users and bidders were not adequately trained or made aware of the e-Procurement system. Key business rules, such as minimum period for submission of bids, controls to prevent contract awards to single bidders, monitoring procurement timeframes, EMD exemptions, etc. were not fully incorporated into the system. There were no validation controls during user enrolment.

The absence of periodic reconciliation led to a ₹ 135.64 crore discrepancy between GePNIC transactions and the pooling bank account, posing financial risks. Non-ensuring sufficient liquidity of funds before creation of the fixed deposit from the pooling account, impacted refunds for 173 transactions worth ₹ 1.36 crore. As on 31 March 2023, earnest money deposits, tender fees and processing fees amounting to ₹ 54.95 crore remained unsettled, for tenders published during 2018-2023, of which 61 *per cent* of the tenders were published more than two years ago. GePNIC lacked a tracking system to monitor and follow up on failed transactions.

Audit noticed several other severe system design deficiencies, including issues with bid decryption failures and mismatches in BoQ formats, indicating that bidders could modify templates. There were also concerns about irregular access to Management Information System (MIS) reports, creation of multiple user identities without ensuring unique PAN, email ID and mobile numbers, and the ability for departmental users to decrypt bid documents on different dates. Furthermore, the system allowed user-defined templates, which prevented automatic population of BoQ comparative charts, leading to unnecessary risks from manual intervention.

Further, the above deficiencies raise serious concern about confidentiality of data and integrity of e-procurement system. Lack of validation in mapping of Digital Signature Certificate (DSC), non-availability of digital signature in all documents, missing trail of records during revocation of tenders, etc. affected the security, integrity and reliability of the system. The lack of logs for failed transactions, which act as primary keys in critical tables, was a control deficiency which resulted in absence of a trail of accountability for users of the system. Non-repudiation features of the DSC were compromised due to a lack of controls restricting its use exclusively to the authorised holder. Besides, the system's inability to prevent username changes in user profiles created unnecessary risks of modifications to historical data.

The Nodal Department did not have its own Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) and was fully dependent on NIC. It had neither identified nor documented its own key assets such as hardware, software, personnel, etc. nor it had any archival policy for retention of legacy data. Further, the absence of an internal audit module and a complaint monitoring system hindered effective management decisions and improvements.

### **2.13 Recommendations**

Keeping in view the audit observations, the State Government may ensure that:

- (i) a Memorandum of Understanding (MoU) and Service Level Agreement (SLA) with NIC is established that clearly defines the roles and responsibilities of all stakeholders, stage-wise timelines (with provisions for extensions if necessary), project costs and other essential clauses to ensure smooth development of the e-Procurement system;*
- (ii) DPPE is made functional and tasked with actively overseeing the implementation and utilisation of the GePNIC to ensure compliance and enhance operational efficiency;*
- (iii) tender stages are automatically updated on the portal after completion of each stage, besides implementing strong application controls within the system to enforce bidder eligibility criteria, ensuring that key business processes such as tender evaluation, negotiation and contract awards are fully automated, reducing the need for manual intervention;*
- (iv) SOP for blacklisting bidders is developed, and integrate GePNIC with other systems/relevant portals to maintain and share updated records of blacklisted vendors;*
- (v) various stakeholders are adequately trained to utilise the portal fully, ensuring optimal use of the e-Procurement system;*

- (vi) *business rules are enforced within GePNIC by mapping prescribed timelines, flagging delays at each stage, preventing single-bidder contract awards and ensuring that contracts are awarded within the bid validity period;*
- (vii) *a system for regular reconciliation between GePNIC and banking transactions is established, ensuring sufficient liquidity to avoid failed refund transactions;*
- (viii) *requisite controls for capturing item-specific EMD are implemented and exemptions granted, if any, are recorded accurately, besides prioritising settlement of pending fees and implementing controls to track failed transactions;*
- (ix) *in case of decryption errors, the procuring unit must evaluate the impact on fairness, competitiveness and regulatory compliance;*
- (x) *regular audit of user accounts is conducted to identify duplicates or anomalies in registration data, and implement measures to prevent bidders from registering multiple times;*
- (xi) *standardised and flexible templates are introduced within the GePNIC platform to streamline the evaluation process, besides reducing manual intervention and improving the accuracy of BoQ comparative analysis;*
- (xii) *access to bid information is restricted, ensuring that departmental users cannot view opened bids at the same time as the tender evaluation committee, thereby preserving the integrity of the evaluation process;*
- (xiii) *adequate functionality is available in the system to trace status and stages that bids and tenders have gone through before revocation. Proper justification and authority should be required for tender revocations, besides integrating digital signatures into all tender documents to ensure authenticity;*
- (xiv) *comprehensive audit logs for every insertion is maintained or updated to the sequential number field, including timestamps and user details, ensuring transparency and accountability;*
- (xv) *necessary controls are introduced to validate the DSC holder's name against the user profile name;*
- (xvi) *profile name updates are restricted to prevent modification of historical data; and to prevent assigning the same role to multiple users within the same procuring entity;*

- (xvii) comprehensive Business Continuity and Disaster Recovery plans are established, for regular review and updates to reflect changes in technology, infrastructure, personnel, and business processes; and*
- (xviii) an internal audit module together with a complaint monitoring system is introduced to improve service quality and enable continuous system improvements.*

The matter was referred (June 2024) to the State Government, their reply was awaited (January 2025).