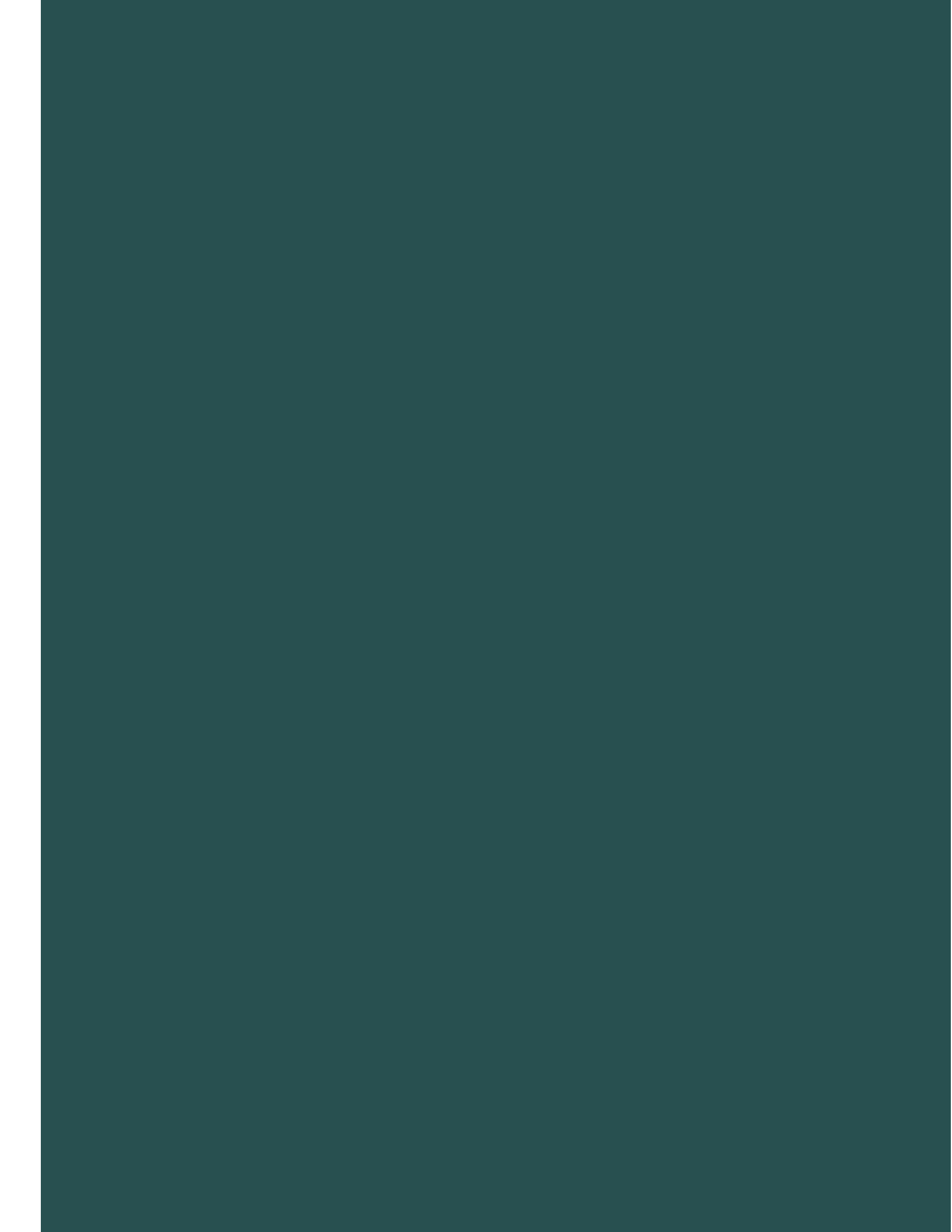


CHAPTER II
PORTAL
IMPLEMENTATION



CHAPTER II

PORTAL IMPLEMENTATION

Government failed to make the procurement of goods and services only through eProcurement portal mandatory for all procuring entities in the State. There was no ‘Centre of responsibility’ to co-ordinate and monitor the functions of the eProcurement portal despite a lapse of more than 15 years since its implementation. This resulted in partial/non-utilisation of the eProcurement portal defeating the envisaged objective of transparency in the tender process.

2.1 Introduction

Though eProcurement was initiated in October 2007, the successive Government Orders had not clarified its mandatory adoption by all procuring entities under the GoTN. ‘Centre of responsibility’ did not exist at the State/Department level for ensuring adherence to the instructions issued by GoTN.

User departments directly interacted with NIC to resolve the technical issues in publishing and processing their tenders in the eProcurement portal. The administrator of the eProcurement portal (DoF) was not involved in this process and hence was not aware of the issues in the eProcurement portal and its utilisation.

These issues were due to both technical and procedural shortcomings and appropriate comments highlighting such shortcomings are discussed in **Chapters III and IV**. Rectification of the deficiencies/glitches and automated validation checks for financial and technical evaluation requires a comprehensive technical and procedural solution involving Business Process Re-engineering, time locks/time stamps etc.

The problems in the implementation and utilisation of the eProcurement system at the level of procuring entities, user departments and DoF are brought out in the succeeding paragraphs and chapters of the Report. These are mainly attributable to weak administrative and regulatory framework and also poor planning and initiation of the Project by GoTN.

2.2 Partial implementation of eProcurement portal

On successful completion of pilot phase in October 2007, eProcurement facility through the designated eProcurement portal viz., GePNIC was extended to all procuring entities under the Tamil Nadu/Transparency in Tenders (TNTIT) Act, 1998 from January 2008 onwards. The Department of Finance (DoF) is the Administrator for the implementation of eProcurement

portal and the procuring entities in the eProcurement system are independent procurement centres. It was noticed that

- 148 out of 201 procuring entities did not use the eProcurement portal as of December 2022.
- Data analysis for the period 2016-17 to 2021-22 disclosed that 18 out of the 53 procuring entities that were procuring goods and services through the eProcurement portal, subsequently discontinued using the eProcurement portal (**Appendix 2.1**).

Thus, non-utilisation of the eProcurement portal by 74 *per cent* of procuring entities, even after a lapse of 15 years since inception of eProcurement portal, points to the failure of GoTN to make mandatory all procurements exceeding ₹10 lakh despite the clear instructions in the Government order issued in December 2007 that specifically stated, “*procuring entities shall provide for submission of tenders by electronic mode also for all tenders exceeding ₹10 lakh in value from 1-1-2008*”. This merely made the eProcurement portal an additional mode for procurement. The said Government order did not provide for a ‘Centre of responsibility’ to resolve issues.

DoF stated (December 2022) that GoTN had issued orders (February 2016) regarding adoption of eProcurement and informed that the eProcurement System will be made mandatory from April 2023 onwards. This reply was endorsed (February 2023) by Government during the Exit meeting.

The fact remains that despite issuance of orders in February 2016 regarding implementation of eProcurement, no significant progress has been made in this regard. The lacunae in the implementation of procurement process through the eProcurement portal, noticed through data analysis and sampled manual records, are discussed below and in the succeeding Chapters.

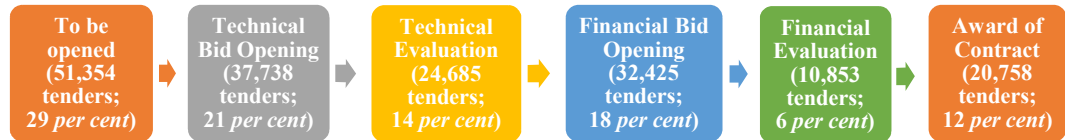
2.3 Utilisation of eProcurement portal by procuring entities

As of December 2022, the 53 procuring entities that utilised the GePNIC portal during 2016-22 published 1.78 lakh tenders with a total value of ₹2,15,060 crore. However, it was seen that even among the 53 procuring units that took to GePNIC, the utilisation of the eProcurement portal was only partial. In six selected units, only 21.06 *per cent* (₹1,255.54 crore) of the total procurement (₹5,959.70 crore) was carried out through the eProcurement portal during 2019-22. The Government did not issue specific instructions requiring the procuring entities in the State to carry out all procurements through GePNIC portal. Therefore, the procuring entities that used the eProcurement portal, also adopted alternate modes of procurement *viz.*, manual purchase, GeM (Government e Market place), MSTC etc. In view of the above Audit studied the level and effectiveness of eProcurement portal utilisation by the procuring entities through data analysis and scrutiny of records. The findings in this regard are discussed below:

(a) **Non-updating of tender processing status in the eProcurement portal**

As discussed in **Paragraph 1.5**, GePNIC workflow envisages a sequential step-by-step progress through different stage of tender, culminating in Award of Contract (AoC) to the successful bidder. Thus, reaching the AoC stage in the online tender process is an indicator of the complete and effective use of GePNIC portal. Data analysis revealed that only 12 *per cent* (20,758 out of 1.78 lakh) of the tenders published in the eProcurement portal during 2016-22 reached the AoC stage. The percentage of tenders at various stages of processing as per eProcurement portal data is depicted in **Exhibit 2.1**.

Exhibit 2.1: Percentage of tenders at various stages of processing



All the tenders were past their bid validity period indicating that the eProcurement portal did not reflect their actual status. Scrutiny of manual records of 1,260 sampled tenders revealed that despite 643 tenders being awarded the contract, only 404 tenders reached the AoC stage in the eProcurement portal. This indicated that once bid documents and system-generated price bid comparative statement for a tender was downloaded, the tender was processed manually till AoC, without updating the corresponding stages on the eProcurement portal.

When this was pointed out, the user Departments attributed (October 2022) the non-updation in the eProcurement portal to lack of awareness among the department's users and shortage of manpower. It was also stated that the eProcurement portal could not be updated subsequently due to transfer/retirement of the officials concerned and expiry of the validity of Digital Signature Certificates.

In the Exit Meeting (February 2023), Government replied that the issue would not arise in future as Award of Contract will be done only online in the new eProcurement portal proposed from April 2023.

Thus, though the procuring entities had switched to the eProcurement mode, in respect of a majority of the tenders published online they were switching to the manual mode of processing tenders at different stages of the tender process resulting in partial/ineffective use of the eProcurement portal. This defeated the envisaged objective of transparency in tender process. The discrepancies in manual evaluation of tenders noticed during scrutiny of tenders documents in the selected procuring units are discussed in **Chapter IV** of this report.

(b) **Non-uploading of tender summary reports in the eProcurement portal**

The eProcurement portal provides for uploading of summary reports at each stage of the tender process as detailed in **Table 2.1**.

Table 2.1: Details of summary reports to be uploaded

Stage	Activity to be carried out	Summary to be uploaded	Details in the summary
Bid opening	Bids opened online, number of bids and payment details checked.	Bid opening summary	Number of bids and other details as necessary, minutes of bid opening.
Technical evaluation	Bids checked against the technical criteria specified in the tender document.	Technical evaluation summary	List of qualified bidders whose bids will be eligible for opening of financial bid along with reasons of bids accepted/rejected in technical evaluation.
Financial bid opening	Opening of bids of technically qualified bidders.	Financial bid opening summary	Overall summary about the opening of the financial bids, minutes of bid opening.
Financial Evaluation	The Bill of Quantity (BoQ) of each bidder opened and the L1 bidder identified from the system generated BoQ comparative chart.	Financial evaluation summary	The position of the bidders (L1, L2 etc.) is to be uploaded.
Award of Contract	After identification of L1 bidder, contract value and the date of contract are entered in the system.	AoC Summary	Letter of Acceptance (LoA)/work order is to be uploaded.

(Source: System Requirement Specification)

All the above processes are to be followed so that the details of each stage of the tender are available in the eProcurement portal at any point of time for transparency in the tender process and for future reference. On the eProcurement portal, the next stage in the tender process can be enabled/accessed only on completion of the preceding stage and uploading of the related summary report. Lapses noticed in uploading of evaluation summary reports are detailed below:

(i) Data analysis showed that summary reports for various stages of tender processing were not uploaded to the eProcurement portal as detailed in **Table 2.2**.

Table 2.2: Non-uploading of summary reports to eProcurement portal

Particulars	Total number of tenders in this stage	Number of tenders (out of col. (2)) without summary reports	Compliance percentage
(1)	(2)	(3)	(4)
Technical bid opening summary	1,26,459	29,742	76
Technical evaluation summary	88,721	33,867	62
Financial bid opening summary	64,036	28,376	56
Financial evaluation summary	31,611	9,759	69
AoC (Award of Contract)	20,758	1,513	93

(Source: Database of eProcurement portal)

To cite an instance, in one of the selected procuring unit viz., DRDA, Karur data analysis of 858 tenders published during 2016-21 revealed that technical evaluation summary uploaded in respect of 781 tenders contained only the list of committee members.

(ii) Audit analysed the eProcurement portal data of selected DRDAs and compiled the details on number of days taken for completing the ‘Technical Evaluation’ and ‘Price Bid Opening’ from the date of the opening of the tender as shown in **Table 2.3**.

Table 2.3: Time taken to process and upload tenders at various stages

Sampled Units under DRDA	Total number of tenders	Number of tenders for which			
		Technical evaluation summary uploaded within 24 hours of opening of tender	Technical evaluation summary uploaded within one hour from time of opening of tender	Price bid opened within 24 hours of opening of tender	Price bid opened within one hour from time of opening of tender
Coimbatore	970	400	212	113	0
Karur	781	591	333	141	15
Krishnagiri	1,457	1,015	909	133	5
Perambalur	318	55	41	0	0
Salem	1,781	278	11	7	0
Thanjavur	808	141	41	1	0

(Source: Database of eProcurement portal)

From **Table 2.3** it is evident that summaries were uploaded in the eProcurement portal before completion of a tender stage and did not reflect the correct stages of the tender process as preparing and uploading the technical evaluation summary followed by opening of the price bid within 24 hours is unrealistic considering that most of the tenders relate to works contract requiring reasonable time to evaluate the bids received.

On this being pointed out, DRDA, Krishnagiri accepted the observation and stated (November 2022) that after the bid was opened, only the list of Tender Committee members was uploaded as technical/financial evaluation summary and that technical/financial evaluation was actually done based on the manual documents submitted by the bidder. It was further stated that the technical/financial evaluation reports were kept only in manual records and were not uploaded to the eProcurement portal.

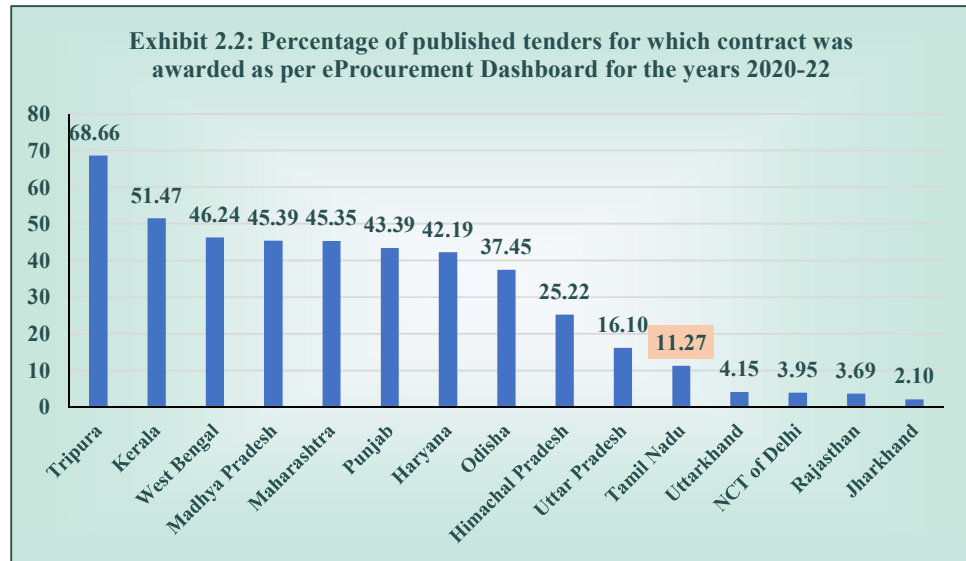
Non-uploading of the evaluation reports renders the IT system incomplete, affecting transparency and objectivity of the tender process and perpetuates dependence on manual records. Moreover, evaluation of tenders based on manual documents submitted outside the eProcurement portal by bidders points to deliberate by-passing of the envisaged eProcurement process.

During the Exit Meeting (February 2023) Government stated that training would be given to familiarise user departments with tender conditions and all departments will be brought under eProcurement.

2.4 Status of updation of published tenders in comparison with other State Governments using GePNIC

A comparison of tenders published *vis-à-vis* updation of their AoC status in the eProcurement portal by GoTN and other State Governments who published more than 10,000 tenders in each of the years 2020-21 and 2021-22

was carried out using the data available in the eProcurement Dashboard (**Appendix 2.2**). The outcome of the comparison is depicted in **Exhibit 2.2**.



(Source: Dashboard of GePNIC)

It can be seen from **Exhibit 2.2** that out of the 15 States, Tamil Nadu stood at the eleventh position as it has updated only 11.27 *per cent* of the tenders published in the eProcurement portal, though 15 years had passed since its implementation in 2008.

Even after completion of 15 years since inception, GoTN stands in eleventh position with respect to updation of the stages of tender processes up to Award of Contract in GePNIC portal when compared to other 15 State Governments.

2.5 Management of Earnest Money Deposit in the eProcurement portal

Earnest Money Deposit (EMD) is the amount required to be remitted by a tenderer along with his bid indicating his willingness to implement the contract. The eProcurement portal facilitates online collection of EMD and its prompt refund to the unsuccessful bidder without manual intervention.

A Memorandum of Understanding between GoTN and State Bank of India (SBI) provided for a payment gateway *viz.*, Multi Option Payment System for online collection of EMD and Security Deposit (SD) for tendering. A Pooling Bank Account (SBI, Chennai) was opened for this purpose and GoTN issued orders (December 2017) for the on-line collection and refund of EMD and SD.

The bidders submit the original financial instruments¹ for the prescribed amount to the tendering office and upload its copy in the eProcurement portal along with their bid, failing which the bid will be considered as unresponsive and rejected. The EMD so received is deposited into an account maintained by the procuring entity and subsequently refunded to the unsuccessful bidder.

¹ Demand Draft, Bankers Cheque, Fixed Deposit Receipts, etc.

Data analysis revealed that for 0.98 lakh tenders out of 1.34 lakh tenders (73.13 *per cent*), EMD totaling ₹3,328.49 crore was collected from 2.17 lakh bidders through offline mode.

Though online EMD collection was enabled in December 2017, collection of EMD in offline mode and non-refunding of the EMD in time to the unsuccessful bidders results in accumulation of funds not belonging to the procuring entity in the bank accounts maintained by them.

It was further noticed that DRDAs, Salem and Perambalur diverted ₹16.93 crore out of ₹31.40 crore collected as EMD to meet administrative expenditure. In reply (September 2022), the DRDAs stated that due to shortage of funds, moneys from the EMD account was utilised as a temporary measure.

The reply was not acceptable as the purpose of the EMD account is to deposit and refund the money collected from the contractors/vendors and diversion of funds not belonging to the Department for other purpose was not in order.

In the Exit Meeting (February 2023), Government replied that henceforth, online EMD collection would be mandatory. It was also stated that diversion of funds from EMD account would not be possible in future as the new eProcurement portal is designed to refund EMD of rejected bidders automatically on the 30th day after AoC and the reason for non-refunding of EMD would also be recorded.

2.6 Imparting of training and awareness about eProcurement portal

GoTN issued (February 2016) orders for constituting an inter-departmental sub-committee, headed by the Additional Chief Secretary to Government, Finance Department. This sub-committee was tasked with carrying out work relating to validation and recommendation of registration of vendors in the common eProcurement portal to assign Unique Identification Number for each vendor.

The inter-departmental sub-committee, was however convened only once in June 2016 and decided that a centralised open online workflow model of registration of vendor was to be undertaken and Unique Identification Number assigned to each vendor.

NIC was entrusted (February 2016) with the preparation of eBidding manual and with imparting department-wise training, both for officials and bidders at ELCOT/Anna Institute of Management, Chennai. During 2019-21, NIC imparted training for a duration of 1-2 days to 732 (6 *per cent*) of the 13,081 registered officials in the procuring entities.

To an audit enquiry, the sampled units replied that no action was taken to create awareness among the bidders about the switch over to the eProcurement system and no drive conducted to register all the existing bidders (in the manual system) in the eProcurement portal.

No action was taken by Department of Finance (DoF) or user Departments to create awareness among the bidders and encourage them to register in eProcurement portal. The envisaged centralised open online workflow model of registration of vendor was yet to be implemented resulting in failure to broaden the bidder base and enhance vendor participation.

Inadequate training and consequent lack of awareness was one of the reasons attributed by the sampled entities for non-updation of stages of tender process in the eProcurement portal. As no effective steps were taken by the DoF and the procuring entities to create awareness among the prospective bidders, the bidder base has not increased, and the vendor participation has also not improved for obtaining competitive rates.

In the Exit Meeting (February 2023), Government stated that registration of contractors is proposed to be done through *e-Sevai Maiyam* (Common Service Centre) and that registration of Metro Water and Public Works Department contractors was currently being done. It was also stated that bidders will be assured of a fair platform to give them the confidence that rejection for flimsy reasons would not occur. NIC added that they were also planning to train all district-level officers and to hold weekly Video Conference sessions to discuss the training and that training has been planned for all the Secretariat Departments and bidders, along with Audio-Video sessions of Training in offline mode and accepted Audit's suggestion to include Self Learning Modules in future, which were being followed in many IT systems for easy access to different types of users.

2.7 Level of competition

One of the prime objectives of an eProcurement system is to increase competition. Data analysis of 1.34 lakh tenders revealed that the number of bids received for each tender ranged from one bid to 89 bids as detailed in **Table 2.4**.

Table 2.4: Details of number of bids received for each tender

Number of bids received	Number of Tenders	Percentage
Single bid	22,338	16.62
Two bids	61,533	45.77
Three bids	23,542	17.51
More than 3 bids	27,016	20.10
Total	1,34,429*	

* Including 17,212 tenders in which bidders from outside Tamil Nadu also participated (Source: Database of eProcurement portal)

Analysis of eProcurement portal data revealed that in 0.84 lakh tenders (62.39 per cent) out of 1.34 lakh tenders which received valid bids, only one or two bids were received indicating poor bidder participation.

To ascertain if there was an increase in bidder participation after introduction of eProcurement system compared to the manual tendering system,

Audit called for the details of bidders who participated in manual tendering prior to switching over to eProcurement portal from the sampled units. The sampled units, however did not furnish the information. Hence, increase/decrease in competition on implementing the eProcurement system could not be verified by Audit.

2.8 Time taken for processing of tenders

Reduction in tender processing time is also one of the main objectives of the eProcurement system. Data analysis revealed that 88 *per cent* (1.57 lakh out of 1.78 lakh) of the published tenders were not updated with details of award of contract. In the absence of relevant details the actual time taken for processing the 1.57 lakh tenders could not be verified in Audit. However, when the time taken for processing of tenders from bid opening date to award of contract for the remaining 20,758 tenders was analysed, in 5,726 tenders it was found that it exceeded the tender validity period from 3 to more than 36 months as detailed in **Table 2.5**:

Table 2.5: Delay in processing of tenders

Sl. No.	Delay in months	Number of tenders
1	Up to 3 months	693
2	4 to 6 months	2,425
3	7 to 12 months	1,640
4	13 to 24 months	714
5	25 to 36 months	197
6	More than 36 months	57
	Total	5,726

(Source: Database of eProcurement portal)

The delay ranged from 9 days to 1,552 days in 5,726 tenders indicating that adoption of eProcurement did not result in reduction of the processing time. The eProcurement system lacked a provision to promptly flag instances of inordinate delays in tender processing. The reasons for the same could be attributed to the fact that critical activities like technical evaluation, financial evaluation and award of contract were done manually outside the system.

The eProcurement portal, though implemented in the year 2008, was utilised only by 53 out of 201 procuring entities as it was not made mandatory by GoTN. Thus, the overall deficiencies noticed in the implementation and utilisation of eProcurement portal is due to (i) Government's failure to make it mandatory for all procuring entities in the State to procure goods and services only through GePNIC and (ii) the absence of a 'Centre of responsibility' to co-ordinate and monitor the functions of the eProcurement portal.

During the Exit Meeting (February 2023), Government stated that alerts on bid validity to bidders and procuring entities would be incorporated in the software, to process the tenders within the specified timelines. It was also stated that accountability will be ensured by making it mandatory for capturing the reasons for extending the bid validity.

Government while assuring that all Audit recommendations will be covered in the new eProcurement portal to be implemented from 1 April 2023, added that the work of developing a comprehensive software for (i) estimate preparation and (ii) digital M-Book has been entrusted to TNeGA and that it was planned to have a Common Schedule of Rates for all departments.

2.9 Conclusion

Government failed to make the procurement of goods and services only through eProcurement portal mandatory for all procuring entities in the State. There was no 'Centre of responsibility' to co-ordinate and monitor the functions of the eProcurement portal despite a lapse of more than 15 years since its implementation. This resulted in partial/non-utilisation of the eProcurement portal defeating the envisaged objective of transparency in the tender process.

2.10 Recommendations

- Government should come up with a comprehensive solution to address the technical and procedural shortcomings on priority.
- Government should issue orders to all the procuring entities to mandatorily use the eProcurement portal for all procurement activities.
- Procuring entities should update the tender stages in the eProcurement portal immediately on completion of every stage and the same should be monitored by the Nodal Officers of the department using the Management Information System reports available in the eProcurement portal. Nodal officers of the procuring entities should ensure that the complete evaluation reports are uploaded to the eProcurement portal at the appropriate stages without fail and should ensure that all tenders are processed and finalised based on bid documents submitted through the eProcurement portal.
- Government should fix responsibility for the diversion of EMD funds and bring in a mechanism so that offline payments are authorised by an authority higher than the publisher of the Tender.
- Government should speed up the process to implement the centralised open online workflow model of registration.
- Government should chart out and implement a structured training programme for effective utilisation of the eProcurement portal by officials of procuring entities and should take steps to achieve improved bidder participation through help desk, hand holding and pre-bid meeting activities.