

## Information Technology Department

### 2.4 Information Technology Audit on e-Procurement Project

THE STATE GOVERNMENT INTRODUCED (JUNE 2011) ELECTRONIC PROCUREMENT (E-PROCUREMENT) PROJECT AIMED AT INCREASING THE EFFICIENCY AND TRANSPARENCY IN PROCUREMENT OF GOODS, WORKS AND SERVICES. THE PERFORMANCE AUDIT OF THE CONCEPTION AND IMPLEMENTATION OF THE PROJECT WAS DONE DURING MARCH 2017 TO JUNE 2017 TO ASSESS ITS EFFECTIVENESS. SOME OF THE SIGNIFICANT AUDIT FINDINGS ARE SUMMARISED AS UNDER.

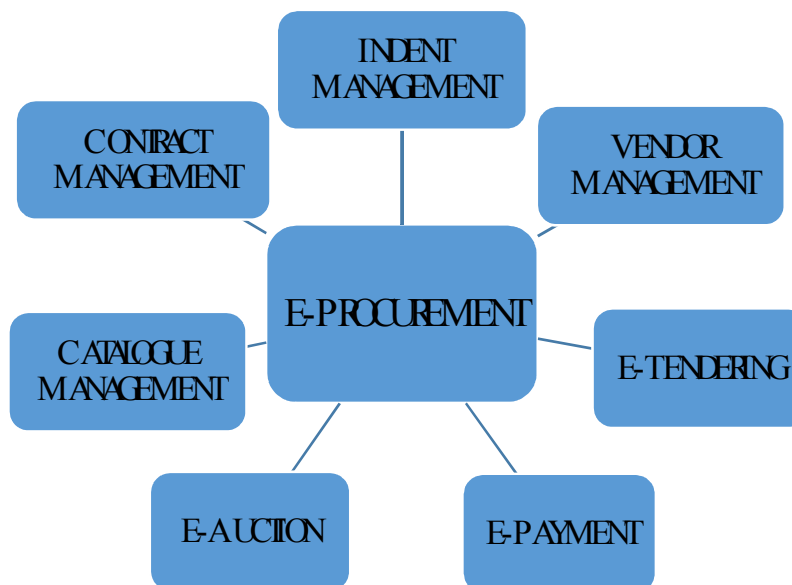
#### Highlights:

- \* *E-Procurement was a part of Mission Mode project of GoI on e-Governance. Only one module (e-tendering) out of seven modules of e-Procurement had been considered for implementation in 26 out of 90 organisations in the State. Even in the e-tendering module the critical activities such as online opening of bids, negotiations and award of contract is being done manually.*  
(Paragraphs 2.4.1, 2.4.7.1 and 2.4.7.2)
- \* *Business rules have not been mapped in the application software leading to irregular opening of the tenders before the stipulated period.*  
(Paragraph 2.4.6.1)
- \* *Use of same digital signature certificate by multiple users and participation in the tendering process defeated the very purpose of secured online bidding.*  
(Paragraph 2.4.6.2)
- \* *Time cycle in processing of tenders through e-Procurement system could not be reduced due to non-revision of tendering rules, and time taken in processing of tenders during 2011-17 ranged between 122 and 554 days.*  
(Paragraph 2.4.6.4)
- \* *Act/ rules, service level agreement and rollout plan for effective implementation of e-Procurement system have not been prepared/ executed.*  
(Paragraphs 2.4.7.3 and 2.4.8.1)
- \* *Performance of multiple jobs by single user due to non-segregation of duties rendered the system susceptible to high risk and will make it impossible to enforce accountability.*  
(Paragraph 2.4.8.3)
- \* *There was a shortfall of 98 per cent in providing training to the prospective bidders for effective use of e-Procurement system and monitoring was also inadequate as the requisite meetings of the Core Committee were not held.*  
(Paragraphs 2.4.9.7 and 2.4.9.8)

#### 2.4.1 Introduction

E-PROCUREMENT IS A COLLABORATIVE PROCUREMENT OF GOODS, SERVICES AS WELL AS SELECTION OF BIDDER FOR AWARD OF WORKS BY USING INTERNET AND RELATED TECHNOLOGIES FOR BRINGING EFFICIENCY AND TRANSPARENCY. IT PROVIDES EQUAL ACCESS TO ALL ELIGIBLE AND QUALIFIED BIDDERS WITHOUT DISCRIMINATION TO PROMOTE INTEGRITY, FAIRNESS, ACCOUNTABILITY AND PUBLIC CONFIDENCE IN THE PROCUREMENT PROCESS. E-PROCUREMENT PROCESS ALSO RESULTS IN COMPETITIVENESS AND SAVING OF COST AND TIME BY SHORTENING OF PROCUREMENT CYCLE. THE E-PROCUREMENT HAS SEVEN MODULES AS SHOWN BELOW:

### Modules of e-Procurement



THE GOVERNMENT OF INDIA (GOI) UNDER MISSION MODE PROJECT OF NATIONAL GOVERNANCE PLAN (NEGP) IDENTIFIED (JUNE 2009) THE STATE OF HIMACHAL PRADESH AS PILOT STATE FOR IMPLEMENTATION OF E-PROCUREMENT. THE GOVERNMENT OF HIMACHAL PRADESH (GOHP), REQUESTED NATIONAL INFORMATICS CENTRE (NIC), HIMACHAL PRADESH TO SUBMIT A PROJECT PROPOSAL FOR IMPLEMENTATION OF THE E-PROCUREMENT SYSTEM OF NIC CALLED 'GOVERNMENT E-PROCUREMENT SYSTEM OF NATIONAL INFORMATICS CENTRE (GEPNIC)'. AFTER ACCEPTANCE OF THE PROPOSAL, THE GEPNIC WAS IMPLEMENTED (JUNE 2011) IN THREE<sup>1</sup> DEPARTMENTS OF THE GOHP ON PILOT BASIS. THE THRESHOLD LIMIT FOR E-PROCUREMENT WAS INITIALLY FIXED (APRIL 2011) AT ` 40 LAKH FOR PUBLIC WORKS DEPARTMENT (PWD) AND INDUSTRIES DEPARTMENT (ID), AND ` 25 LAKH FOR IRRIGATION AND PUBLIC HEALTH DEPARTMENT (IPH) WHICH WAS SUBSEQUENTLY REDUCED (JANUARY 2012) TO ` 10 LAKH FOR PWD AND IPH AND ` 20.00 LAKH FOR ID. THE E-PROCUREMENT SYSTEM WAS EXTENDED TO 26<sup>2</sup> OUT OF 90 ORGANISATIONS UP TO FEBRUARY 2017. ALTHOUGH, THRESHOLD LIMIT WAS ONLY FIXED FOR THREE PILOT SELECTED DEPARTMENTS YET OTHER ORGANISATIONS IMPLEMENTING E-PROCUREMENT WERE ALSO FOLLOWING THE THRESHOLD LIMIT OF ` 10 LAKH HOWEVER, ONLY ONE MODULE I.E., E-TENDERING CONSISTING OF SIX<sup>3</sup> SUB-MODULES, AS DETAILED IN PARAGRAPH 2.4.7.2 WAS IMPLEMENTED (MARCH 2017), PARTIALLY, IN 26 ORGANISATIONS OF GOHP. EVEN IN THE E-TENDERING MODULE CRUCIAL ACTIVITIES SUCH AS NEGOTIATION AND AWARD OF THE CONTRACT WERE BEING DONE MANUALLY.

AS PER DATA SUPPLIED BY THE NIC, 26 ORGANISATIONS HAD PUBLISHED 18,678 TENDERS VALUING ` 11,052.80 CRORE DURING 2011-17; OUT OF WHICH 13,315 TENDERS VALUING ` 8,546.92 CRORE WERE OPENED. THE ORGANISATIONS HAVE NOT MAINTAINED DETAILS OF TENDERS HOATED DURING 2011-17, HOWEVER, AS PER THE STATE FINANCE ACCOUNTS (STATEMENT NO. 4) TOTAL EXPENDITURE OF ` 20,441.38 CRORE WAS INCURRED ON PROCUREMENT OF GOODS, SERVICES AND WORKS IN GOVERNMENT DEPARTMENTS DURING 2011-16. AGAINST THIS, 7,957 TENDERS

<sup>1</sup> PUBLIC WORKS DEPARTMENT (PWD), IRRIGATION AND PUBLIC HEALTH DEPARTMENT (IPH) AND INDUSTRIES DEPARTMENT (ID).

<sup>2</sup> GOVERNMENT DEPARTMENTS: EIGHT AND CORPORATIONS/ PUBLIC SECTOR UNDER TAKINGS: 18.

<sup>3</sup> TENDER CREATION, TENDER PUBLICATION, BID SUBMISSION, BID OPENING, NEGOTIATION AND AWARD OF CONTRACT

VALUING ` 6,183.86 CRORE WERE PROCESSED THROUGH E-PROCUREMENT PROJECT IN EIGHT<sup>4</sup> DEPARTMENTS WHICH CONSTITUTES 30 *per cent* OF TOTAL PROCUREMENT THE INFORMATION IN RESPECT OF REMAINING 18 ORGANISATIONS, THOUGH CALLED FOR IN AUDIT, WAS NOT SUPPLIED.

#### 2.4.2 Organisational set-up

THE E-PROCUREMENT IN THE STATE OF HIMACHAL PRADESH IS MANAGED BY THE DEPARTMENT OF INFORMATION TECHNOLOGY (DIT), GOHP WHICH IS DESIGNATED (DECEMBER 2009) AS THE NODAL AGENCY FOR IMPLEMENTATION OF E-PROCUREMENT A CORE COMMITTEE HEADED BY THE PRINCIPAL SECRETARY (IT) AND SIX<sup>5</sup> OTHER MEMBERS WERE CONSTITUED (SEPTEMBER 2011) FOR IMPLEMENTATION OF E-PROCUREMENT AND TAKING POLICY DECISIONS LIKE REVISION OF TENDERING RULES, ISSUE OF EXECUTIVE INSTRUCTIONS, VETTING OF STANDARD BIDDING DOCUMENTS, DRAFTING AND SIGNING OF MEMORANDUM OF UNDERSTANDING WITH BANKS FOR E-PAYMENT, ETC. THE DIRECTOR, INFORMATION TECHNOLOGY IS THE MEMBER SECRETARY OF THE CORE COMMITTEE WHO IS ASSISTED BY AN ADDITIONAL DIRECTOR, JOINT DIRECTOR, DEPUTY DIRECTOR AND ASSISTANT CONTROLLER (FINANCE AND ACCOUNTS) FOR HANDLING ALL THE TECHNICAL AND FINANCIAL TASKS AND ACTS AS AN INTERFACE BETWEEN USER ORGANISATIONS AND NIC.

#### 2.4.3 Audit Objectives

THE IT AUDIT OF E-PROCUREMENT PROJECT HAD THE FOLLOWING OBJECTIVES:

- \* TO REVIEW WHETHER CORE OBJECTIVES OF E-PROCUREMENT VIZ., TRANSPARENCY IN THE BIDDING PROCESS, COMPETITIVENESS, STREAMLINING OF PROCESS AND REDUCTION IN THE COST PROCUREMENT HAVE BEEN ACHIEVED AS ENVISAGED,
- \* TO EVALUATE THE ADEQUACY OF MAPPING OF BUSINESS RULES INTO THE SYSTEM; AND
- \* TO ANALYSE THE DATA FOR COMPLETENESS, INTEGRITY, RELIABILITY, ACCURACY, AND SECURITY CONTROLS HAD BEEN BUILT INTO THE SYSTEM.

#### 2.4.4 Audit Scope and Methodology

THE IT AUDIT OF E-PROCUREMENT WAS CONDUCTED DURING MARCH 2017 TO JUNE 2017 BY COVERING SEVEN SAMPLED<sup>6</sup> ORGANISATIONS, (OUT OF 26 ORGANISATIONS IN WHICH IT WAS IMPLEMENTED) AND SCRUTINY OF DOCUMENTS AND RELATED COMPUTER OPERATIONS FOR THE PERIOD 2011-17.

THE AUDIT OBJECTIVES, CRITERIA AND SCOPE OF AUDIT WERE DISCUSSED WITH PRINCIPAL SECRETARY (IT) IN AN ENTRY CONFERENCE HELD IN APRIL 2017. THE DATA OF E-PROCUREMENT WAS ANALYSED BY USING A COMPUTER AIDED AUDIT TOOL "INTERACTIVE DATA EXTRACTION AND ANALYSIS" (IDEA). THE AUDIT FINDINGS WERE DISCUSSED IN THE EXIT CONFERENCE HELD WITH THE PRINCIPAL SECRETARY (IT) IN AUGUST 2017. THE VIEWS OF THE STATE GOVERNMENT HAVE BEEN APPROPRIATELY INCORPORATED IN THE REPORT

<sup>4</sup> INFORMATION TECHNOLOGY, IRRIGATION AND PUBLIC HEALTH, PUBLIC WORKS, INDUSTRIES, REVENUE, FISHERIES, PRINTING AND STATIONERY AND URBAN DEVELOPMENT DEPARTMENTS

<sup>5</sup> PRINCIPAL SECRETARY (FINANCE), PRINCIPAL SECRETARY (PWD), PRINCIPAL SECRETARY (IPH), CONTROLLER OF STORES, JOINT DIRECTOR, DEPUTY DIRECTOR (IT) AND ANY OTHER TECHNICAL EXPERT CO-OPTED BY THE COMMITTEE.

<sup>6</sup> DEPARTMENT OF INFORMATION TECHNOLOGY (DIT), HP STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED (HPSDEDCL), HP TOURISM DEVELOPMENT CORPORATION LIMITED (HPTDCL), HP STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (HPSIDCL), HP STATE CIVIL SUPPLIES CORPORATION LIMITED (HPSCSCL), INDUSTRIES DEPARTMENT AND PUBLIC WORKS DEPARTMENT

## **2.4.5 Audit Criteria**

AUDIT CRITERIA USED FOR CONDUCT OF THE PERFORMANCE AUDIT WERE:

- \* GUIDELINES ISSUED BY CENTRAL VIGILANCE COMMISSION/ COMPETITION COMMISSION OF INDIA (CCI);
- \* INFORMATION TECHNOLOGY ACT 2000 AND AMENDMENT OF 2008;
- \* E-PROCUREMENT GUIDELINES ISSUED BY STANDARDISATION TESTING AND QUALITY CERTIFICATION (STQC) DIRECTORATE AND E-SAFEGD220 GUIDELINES ISSUED BY THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY, GOI; AND
- \* HIMACHAL PRADESH FINANCIAL RULES (HPFR), 2009 AND ORDERS/ INSTRUCTIONS ISSUED BY THE STATE GOVERNMENT DEPARTMENTS FOR E-PROCUREMENT

THE AUDIT FINDINGS OF E-PROCUREMENT ARE DETAILED IN THE SUCCEEDING PARAGRAPHS:

## **2.4.6 System Design issues**

### **2.4.6.1 Non-mapping of business rules in the application software**

SECTION 4 OF RULE 102 OF HPFR, 2009, PROVIDES THAT MINIMUM TIME ALLOWED FOR SUBMISSION OF BIDS SHALL BE THREE WEEKS FROM THE DATE OF PUBLICATION OF THE TENDER NOTICE. FURTHER, RULE 192 OF HPFR, EMPOWERS THE DEPARTMENT OF INDUSTRIES TO ISSUE DETAILED INSTRUCTIONS AND GUIDELINES FOR PROCUREMENT OF GOODS AND SERVICES FROM TIME TO TIME WITH THE APPROVAL OF GOVERNMENT AND THE PROCUREMENT IN ALL THE ORGANIZATIONS WAS TO BE DONE ACCORDING TO THESE INSTRUCTIONS AND GUIDELINES. ACCORDINGLY, THE INDUSTRIES DEPARTMENT HAD ISSUED (OCTOBER 2013) INSTRUCTIONS WHICH PROVIDE THAT A PERIOD OF THREE WEEKS FROM THE DATE OF PUBLICATION SHALL BE GIVEN FOR THE RECEIPT OF TENDERS, EXCEPT IN CASE OF URGENT DEMANDS WHERE THE PERIOD MAY BE REDUCED TO TWO WEEKS. FOR EFFECTIVE IMPLEMENTATION OF E-PROCUREMENT, THESE RULES SHOULD HAVE BEEN MAPPED IN THE APPLICATION SOFTWARE BUT THE RULES WERE NOT MAPPED.

DURING ANALYSIS OF DATA IN RESPECT OF 26 E-PROCUREMENT IMPLEMENTING ORGANISATIONS IN THE STATE, AUDIT NOTICED THAT

- \* IN 10,135 AND 5,537 WORK ITEMS (OUT OF 19,121 WORK ITEMS), TENDERS WERE OPENED BEFORE 21 AND 14 DAYS RESPECTIVELY FROM THE DATE OF PUBLICATION OF TENDERS IN 23 ORGANISATIONS. FURTHER, IN SEVEN SELECTED ORGANIZATIONS, IN 4,630<sup>7</sup> AND 2,209 WORK ITEMS<sup>8</sup>, THE TENDERS WERE OPENED BEFORE 21 AND 14 DAYS RESPECTIVELY. NO MENTION OF SHORT TENDER WAS MADE IN THESE CASES.
- \* OF ABOVE, IN 184 WORK ITEMS, THE TENDERS WERE OPENED IN LESS THAN FIVE DAYS IN SIX ORGANISATIONS AND IN TWO ORGANISATIONS TENDERS FOR 94 WORK ITEMS WERE OPENED WITHIN TWO DAYS OF PUBLICATION.
- \* IN FIVE WORK ITEMS, THE DATE OF PUBLISHING AND OPENING OF TENDER WAS SAME.

NON-MAPPING OF THE BUSINESS RULE (SPECIFYING THE PERIOD OF RECEIPT AND OPENING OF TENDERS FROM THE DATE OF PUBLICATION OF TENDER) IN THE APPLICATION SOFTWARE RESULTED IN

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<sup>7</sup> PWD: 4,274, HPSIDCL: 132, HPSCSCL: 72, HPTDCL: 63, ID: 45, HPSEDCL: 43 AND DIT: ONE

<sup>8</sup> PWD: 2,026, HPSIDCL: 82, HPSCSCL: 22, HPTDCL: 36, ID: 13, HPSEDCL: 29 AND DIT: ONE

IRREGULAR OPENING OF THE TENDERS BEFORE THE STIPULATED PERIOD AND AS A RESULT PROSPECTIVE BIDDERS DEPRIVED OF PARTICIPATION IN TENDERING PROCESS COULD NOT BE RULED OUT

IN THE EXIT CONFERENCE, THE PRINCIPAL SECRETARY STATED THAT THE BUSINESS RULES SHOULD HAVE BEEN MAPPED IN APPLICATION SOFTWARE SO AS TO COMPLY WITH THE HPFRS, TO PROVIDE ADEQUATE TIME TO THE PROSPECTIVE BIDDERS AND ENSURED COMPLIANCE OF THE AUDIT OBSERVATIONS.

#### 2.4.6.2 Inadequate validation controls in the registration of users

##### a. Deficiencies in use of Digital Signature Certificate

THE ONLINE CORPORATE/ BIDDER ENROLLMENT FORM HAD PROVISION FOR ENROLLING VENDORS AND ASSIGNING THEM LOGIN ID/ PASSWORD THROUGH WEBSITE FOR LOGGING INTO THE APPLICATION SOFTWARE AND SYSTEM GENERATES USER ID FOR EACH USER FURTHER, THE USER ID HAD TO BE MAPPED WITH THE DIGITAL SIGNATURE CERTIFICATE (DSC). AUDIT NOTICED THAT THE APPLICATION SOFTWARE FAILED TO LINK THE DSC WITH THE USER ID USED AT THE TIME OF REGISTRATION DUE TO ABSENCE OF VALIDATION CHECK. IN THIS CONTEXT, ANALYSIS OF DATA REVEALED THAT

- \* THE DATA IN TABLE PUBLIC\_GEP\_USER\_CERTIFICATE SHOWED THAT THE NAME OF THE USER WAS NOT VALIDATED AT THE TIME OF RENEWAL OF DSC AND DIFFERENT NAMES WERE CAPTURED AGAINST THE SAME USER ID IN THE TABLE. IN ONE CASE, AGAINST THE USER ID 73, BIDDING WAS DONE BY USING DSC REGISTERED IN THE NAME OF DIFFERENT PERSON EVIDENTLY, ANY DSC CAN BE MAPPED WITH THE USER ID AND THE LEGAL SANCTITY OF DSC WAS NOT ENSURED.
- \* FIVE DSCS WERE MAPPED AGAINST SAME USER ID 3176 IN THE APPLICATION SOFTWARE DURING THE PERIOD FROM 30 SEPTEMBER 2013 TO 11 MARCH 2017 WHICH SHOWED THAT THERE WAS NO PROVISION FOR VALIDATION OF THE NAME OF THE DSC HOLDER WITH REGISTERED APPLICATION USER, RESULTING IN UNAUTHORISED USE OF DSC BY THE USERS.
- \* FOR SUBMISSION OF SINGLE BID NUMBER 48283, TWO DSCS WERE USED BY THE BIDDER HAVING USER ID 5049, AS THE BILL OF QUANTITY (BOQ) WAS UPLOADED THROUGH SIGNING CERT ID 12513 AND THE OTHER DOCUMENTS SUCH AS EMD, MACHINERY DETAILS, SERVICE TAX/ SALES TAX CERTIFICATES AND CA REPORT WERE SUBMITTED THROUGH SIGNING CERT ID 14232 WHICH PROVES THAT THE BID CAN BE UPLOADED BY USING MULTIPLE DSCS DUE TO LACK OF VALIDATION CONTROL FOR MAPPING OF THE DSC IN APPLICATION SOFTWARE.

THUS, DUE TO IMPROPER MAPPING OF DSC WITH THE USER ID AND IN THE ABSENCE OF VALIDATION CHECKS, THE AUTHENTICITY OF THE BID COULD NOT BE ENSURED.

THE PRINCIPAL SECRETARY (IT) ADMITTED THAT THERE SHOULD BE PROVISION OF MAPPING OF DSC WITH THE USER ID. THE SENIOR TECHNICAL DIRECTOR AND STATE INFORMATICS OFFICER (SIO), NIC STATED THAT THE NEEDFUL WILL BE DONE.

##### b. Participation of Dummy users in the bid process

APPLICATION SOFTWARE ALLOWED REGISTRATION OF ALL USERS WITHOUT PROPER VALIDATION. ANALYSIS OF THE DATA SHOWED THAT OUT OF 12,430 USERS, 5,463 WERE REGISTERED WITH DSC,

6,803 REGISTERED WITHOUT DSC, 110 USERS WERE BLOCKED AND THE REGISTRATION WAS IN PROCESS FOR 54 USERS. THE ANALYSIS FURTHER REVEALED THAT

- \* IN ONE CASE, 'REGISTERED' USER HAVING USER ID 1661 IN THE NAME OF (N)CODE AHMEDABAD TEST USER (MOBILE NO 8888888888 AND EMAIL ID BHAVESH@N.CODE.IN) HAD PARTICIPATED IN 1,768 OUT OF 15,061 WORK ITEMS WHICH INDICATED THAT DUMMY BIDDERS WERE CAPTURED IN THE TABLE RESULTING IN NON-RELIABILITY OF DATA AND AUTHENTICITY OF THE APPLICATION OF SOFTWARE
- \* 23 USERS WITH BLOCKED STATUS HAD PARTICIPATED IN 23 BIDDING PROCESSES DURING 2011-17. ALSO, 2,679 USERS WITHOUT DSC HAD PARTICIPATED IN THE BID PROCESS DURING 2011-17.

THUS, DUE TO NON-MAPPING OF REGISTERED USERS WITH DSC, THE INELIGIBLE USERS HAVE PARTICIPATED IN THE BIDDING PROCESS RAISING QUESTIONS ABOUT RELIABILITY OF THE SYSTEM.

THE PRINCIPAL SECRETARY (IT) ADMITTED THAT THERE SHOULD BE PROMISION OF MAPPING OF DSC WITH THE USER. THE SENIOR TECHNICAL DIRECTOR AND SIO, NIC STATED THAT THE NEEDFUL WILL BE DONE.

**c. Duplicate mobile numbers, same/ alternate email ID and existence of non-DSC registered users**

ANALYSIS OF DATA OF ALL INDIVIDUAL/ CORPORATE BIDDERS AND DEPARTMENTAL USERS REVEALED THAT

- \* IN 573 OUT OF 5,463 DSC REGISTERED USERS, SAME MOBILE NUMBER WAS CAPTURED MORE THAN ONCE WITH DIFFERENT USERS. IN 514 CASES, LOGIN ID WAS DIFFERENT BUT THEIR ALTERNATE EMAIL ID PROVIDED FOR RECOVERY OF LOGIN ID WAS SAME WHICH INDICATED THAT EITHER THE DSC REGISTERED USERS ARE LINKED TO EACH OTHER OR MULTIPLE LOGIN IDS WERE OPERATED BY THE SINGLE USER WHICH SHOWS THAT THE VALIDATION CHECK ON BASIC UNIQUE HELD DATA WAS NOT PROVIDED.
- \* USER ID NUMBERS ARE SYSTEM GENERATED NUMBERS AND SHOULD BE IN CONTINUOUS FORM. THERE WERE SIX GAPS WITH 73 MISSING SERIAL NUMBERS IN GENERATION OF USER ID.

THUS, DUE TO ABSENCE OF VALIDATION CHECKS IN THE APPLICATION SOFTWARE THE POSSIBILITY OF PARTICIPATION TO SUBVERT THE TENDERING ACTIVITY BY MANIPULATION OF DATA COULD NOT BE RULED OUT.

THE PRINCIPAL SECRETARY (IT) ACCEPTED THAT THERE IS NO VALIDATION OF CREDENTIALS IN THE SYSTEM AND THE APPLICATION SOFTWARE SHOULD BE DYNAMIC AND DESIGNED TO AUTHENTICATE THE IDENTITY OF BIDDERS AND FURTHER SUGGESTED THAT USER ID SHOULD BE LINKED WITH AADHAR NUMBERS FOR MAKING IT RELIABLE AND AUTHENTIC. THE VERSION OF THE PRINCIPAL SECRETARY (IT) CONFIRMS THE AUDIT OBSERVATION.

**d. Gaps in system generated row ID numbers**

IN ORDER TO DETECT ANY UNAUTHORISED CHANGES TO THE DATABASE, THE SYSTEM AUTO-GENERATES ROW ID NUMBERS, SEQUENTIALLY, WHILE CAPTURING THE DATA OF BIDS SUBMITTED THROUGH THE APPLICATION SOFTWARE FOR ENSURING INTEGRITY AND RELIABILITY OF DATA.

AUDIT NOTICED THAT IN 790 GAPS THERE WERE 1,107 MISSING NUMBERS IN THE TABLE THAT CONTAINED THE DETAILS OF TENDERS ALONG WITH CRITICAL DATES. THE GAPS IN ROW ID

NUMBERS (SERIAL NUMBER) RAISES SERIOUS CONCERNS ABOUT THE INTEGRITY AND RELIABILITY OF THE DATABASE

THE PRINCIPAL SECRETARY (IT) ASSURED FOR MAKING NECESSARY ARRANGEMENT IN THE SYSTEM TO MONITOR THE GAPS TO MAKE THE SYSTEM RELIABLE AND SECURED.

**e. Inadequate validation checks**

THE USER ID AND PASSWORD ARE ISSUED BY THE PROJECT MANAGEMENT UNIT (PMU) OF THE NIC TO THE USER DEPARTMENT WHEREAS THE BIDDERS REGISTER THEMSELVES ON WEBSITE (HTTPS://HP.TENDERS.GOV.IN) BY INSERTING THEIR E-MAIL ID (LOGIN ID), PASSWORD OF THEIR CHOICE AND OTHER CREDENTIALS AGAINST WHICH THE USER ID IS GENERATED. AFTER REGISTERING LOGIN ID, USERS HAVE TO MAP THE DSC IN THE APPLICATION SOFTWARE. DURING VERIFICATION OF THE DATA, IT WAS NOTICED THAT

- \* IN 116 OUT OF 554 CASES OF THE GEP\_TENDERER TABLE, DUPLICATE EMAIL ID ADDRESSES WERE REGISTERED DUE TO LACK OF VALIDATION OF EMAIL ID AT THE TIME OF REGISTRATION OF THE BIDDERS.
- \* THOUGH THE MOBILE NUMBERS WERE CAPTURED IN THE SYSTEM, THE SAME WERE NOT VERIFIED AT THE TIME OF REGISTRATION BY SENDING ONE TIME PASSWORD (OTP) ON THE REGISTERED MOBILE NUMBER AS INCORRECT MOBILE/ TELEPHONE NUMBERS (32 CASES) AND SAME MOBILE NUMBERS WERE CAPTURED (158 CASES) MORE THAN ONCE BY THE BIDDERS AT THE TIME OF ONLINE REGISTRATION.
- \* PERMANENT ACCOUNT NUMBER (PAN) IS A UNIQUE DATA ENTERED BY THE BIDDER AT THE TIME OF ENROLLMENT. IN 152 (OUT OF 554 CASES) CASES, PAN NUMBER APPEARED MORE THAN ONCE AGAINST THE SAME NAME WITH DIFFERENT USER ID. FURTHER, THE SAMPLE PAN NUMBER (AESTG2458A) SHOWN IN THE 'ENROLLMENT OF CORPORATE/ BIDDER FORM' WAS ENTERED BY SIX BIDDERS WHICH SHOWS THAT VALIDATION CHECK FOR THE PAN NUMBER WAS NOT PROVIDED IN THE REGISTRATION FORM.
- \* IN SEVEN (OUT OF 554) CASES, BIDDERS AGE LESS THAN 18 YEARS WAS CAPTURED, WHICH INDICATED LACK OF INPUT VALIDATION ON DATE OF BIRTH. IN SIX CASES, THE DATE OF BIRTH WAS SHOWN AS 0000, DESPITE THE FACT THAT DATE OF BIRTH FIELD IS MANDATORY IN CORPORATE/ BIDDER ENROLLMENT FORM WHICH SHOWS THAT THE VALIDATION CHECK WAS NOT EFFECTIVE AND HAD RESULTED IN INVALID ENTRIES.
- \* THOUGH THERE WAS PROMISION IN THE SYSTEM FOR SENDING THE ALERT THROUGH SMS/ E-MAILS TO THE REGISTERED BIDDERS AT THE TIME OF PUBLISHING THE TENDERS BUT THE BIDDERS WERE NOT INTIMATED THROUGH THE AVAILABLE SYSTEM AS THERE WAS NO MECHANISM TO VERIFY THE CORRECTNESS OF MOBILE/ TELEPHONE NUMBERS. IN 32 CASES INVALID MOBILE/ TELEPHONE NUMBER WERE ENTERED BY THE BIDDERS WHILE REGISTERING THEMSELVES AND UPLOADING THE TENDERS. IN THE ABSENCE OF ABOVE PROMISION, THE POSSIBILITY OF NON-PARTICIPATION OF REGISTERED BIDDERS COULD NOT BE RULED OUT.

VALIDATION OF REGISTRATION OF GOVERNMENT USERS WAS ALSO NOT DONE AND IT WAS NOTICED THAT



- \* IN 215 OUT OF 823 CASES, SAME MOBILE NUMBERS WERE CAPTURED AGAINST MORE THAN ONE GOVERNMENT OFFICIAL (REGISTERED USER). IN 62 CASES, DUMMY MOBILE NUMBERS<sup>9</sup> WERE CAPTURED AGAINST THE REGISTERED USERS AND 34 SERIAL NUMBERS OF USER ID WERE MISSING IN TWO GAPS.
- \* IN 81 OUT OF 823 CASES, SAME E-MAIL ID WAS CAPTURED MORE THAN ONCE AGAINST DIFFERENT GOVERNMENT USERS. IN 11 OUT OF 81 CASES, INCORRECT NAMES<sup>10</sup> WERE CAPTURED IN THE FIRSTNAME COLUMN OF THE TABLE.

THE PRINCIPAL SECRETARY (IT) ACCEPTED THAT THERE IS NO VALIDATION OF CREDENTIALS IN THE SYSTEM AND THE APPLICATION SOFTWARE SHOULD BE DYNAMIC AND DESIGNED TO AUTHENTICATE THE IDENTITY OF BIDDERS AND FURTHER SUGGESTED THAT USER ID SHOULD BE LINKED WITH A ADHAR NUMBERS FOR MAKING IT RELIABLE AND AUTHENTIC.

THUS, DUE TO NON-PROVIDING OF VALIDATION CHECKS IN THE APPLICATION SOFTWARE THERE WAS INCORRECT REGISTRATION OF BIDDERS. THE POSSIBILITY OF PARTICIPATION OF FAKE BIDDERS IN THE BIDS COULD NOT BE RULED OUT FURTHER, THE OBJECTIVE OF PROVIDING TRANSPARENCY IN THE PROCEDURE COULD NOT BE ENSURED.

#### **2.4.6.3 Participation of multiple bidders in a particular work from same machine/ IP address**

- (a) ONE OF THE MAIN OBJECTIVES OF THE E-PROCUREMENT WAS TO PROVIDE TRANSPARENCY AND COMPETITIVENESS IN TENDERING PROCESS.

ANALYSIS OF THE DATA OF TENDERS PROCESSED THROUGH THE NIC E-PROCUREMENT SOFTWARE REVEALED THAT

- \* FOR 3,896 WORK ITEMS, TWO TO 14 BIDDERS HAD SUBMITTED THE BIDS FROM THE SAME IP ADDRESS IN 24 ORGANISATIONS FOR A PARTICULAR WORK.
- \* IN 2,339 WORK ITEMS OF SEVEN<sup>11</sup> SELECTED ORGANISATIONS, SAME IP ADDRESS WAS USED FOR SUBMISSION OF BIDS BY THE BIDDERS AND IN THESE CASES, THREE TO 14 BIDDERS HAD SUBMITTED THE BIDS FROM THE SAME IP ADDRESS FOR A PARTICULAR WORK.
- \* THE DIT WHICH IS A NODAL DEPARTMENT FOR IMPLEMENTATION OF E-PROCUREMENT HAD HOAIED ONLY A SINGLE TENDER IN DECEMBER 2016 IN WHICH SIX BIDDERS HAD PARTICIPATED OUT OF WHICH FOUR BIDDERS HAD SUBMITTED THE BID FROM THE SAME MACHINE HAVING COMMON IP ADDRESS.
- \* THE EXECUTIVE ENGINEER HPPWD, UNA HAD CALLED (NOVEMBER 2014) A TENDER FOR CONSTRUCTION OF MODEL RURAL HEALTH RESEARCH UNIT AT HAROLI VIDE WORK ITEM ID NUMBER 6816, FOR WHICH THREE BIDDERS HAD PARTICIPATED. OF THESE, TWO BIDS WERE SUBMITTED FROM SAME MACHINE HAVING SAME IP ADDRESS BY USING DIFFERENT USER ID WHICH HAD THE SAME ALTERNATE E-MAIL ID. THIS INDICATED THAT THE SAME BIDDER HAD PARTICIPATED IN THE BID THROUGH DIFFERENT DSC AND E-MAIL ID. THE THIRD BIDDER HAD NOT SUBMITTED THE EARNEST MONEY DEPOSIT (EMD) AND COULD NOT FULFIL THE BASIC CRITERIA.

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<sup>9</sup> MOBILE NUMBER 123456789 AND 9999999999.

<sup>10</sup> DM: FOUR, FIRSTNAME: TWO, TEST ONE AND DEPT USER FOUR TIMES.

<sup>11</sup> PWD: 1,927, ID: 262, HPSCSCL: 100, HPSIDCL: 26, HPTDCL: 22, HPSEDCL: ONE AND DIT: ONE.



THE SUBMISSION OF BIDS FROM THE SAME MACHINE/ IP ADDRESS IN ADDITION TO INADEQUATE VALIDATION CHECKS IN THE REGISTRATION OF USERS, POINTS TO THE POSSIBILITY OF SUBMISSION OF MULTIPLE BIDS BY THE SAME USER. THE PRINCIPAL SECRETARY DURING EXIT CONFERENCE ACCEPTED THE FACT OF COLLUSION AMONGST BIDDERS AND STATED THAT MULTIPLE BIDDING FROM SAME MACHINE/ IP ADDRESS SHOULD HAVE BEEN PREVENTED BY THE SYSTEM AND FURTHER STATED THAT THERE HAS BEEN NO IMPROVEMENT IN THE COMPETITIVENESS AND SAME BIDDERS ARE PARTICIPATING AND GETTING THE CONTRACTS EVEN AFTER IMPLEMENTATION OF E-PROCUREMENT. THE REPLY OF THE PRINCIPAL SECRETARY CONFIRMED THE EXISTENCE OF RISK OF MULTIPLE BIDDING BY THE SAME USER.

(b) THE HIMACHAL PRADESH STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (HPSIDCL) SWITCHED OVER TO THE SOFTWARE DEVELOPED BY A PRIVATE FIRM IN APRIL 2015 DUE TO NON-PROMSION OF E-PAYMENT AND E-AUCTION MODULES IN THE NIC E-PROCUREMENT SOFTWARE. ANALYSIS OF THE DATA OF TENDERS PROCESSED THROUGH THE E-PROCUREMENT APPLICATION SOFTWARE OF THE PRIVATE VENDOR REVEALED THAT

- \* HPSIDCL HAD HOAIED 347 TENDERS<sup>12</sup> VALUING ` 268.04 CRORE DURING 2015-17. IN 57 TENDERS, TWO TO FIVE BIDS WERE SUBMITTED FROM THE SAME IP ADDRESS FOR A PARTICULAR WORK. OF THESE, IN 14 TENDERS, ALL THE BIDS WERE SUBMITTED BY PARTICIPATING BIDDERS FROM THE SAME IP ADDRESS.
- \* IN FIVE WORKS<sup>13</sup>, ONE TO THREE BIDS IN EACH TENDER WAS SUBMITTED FROM MACHINE OF THE HPSIDCL HAVING SAME IP ADDRESS WHICH WAS USED FOR CREATION/ PROCESSING OF TENDERS. OUT OF THE FIVE TENDERS, IN ONE WORK "CONSTRUCTION OF PLANT HEALTH CLINIC BUILDING AT GHUMARWIN, BILASPUR" HAVING EVENTID 22983, ALL THE THREE BIDDERS HAD SUBMITTED THEIR BIDS FROM THE SAME MACHINE OF THE HPSIDCL.
- \* IN THE APPLICATION SOFTWARE PROVIDED BY THE PRIVATE VENDOR, THE RIGHTS FOR PROCESSING THE TENDERS WERE EXERCISED BY THE DEPUED STAFF OF THE PRIVATE VENDOR AND ALL THE TENDERING PROCESS WAS DONE BY HIM. IN THE EVENT OF HIS ABSENCE, THE RIGHTS WERE ASSIGNED TO THE OFFICIALS OF THE HPSIDCL HAVING DIGITAL SIGNATURE CERTIFICATES THROUGH THE SYSTEM. AUDIT NOTICED THAT IN 81 CASES, THE BIDS WERE SUBMITTED FROM THE SAME MACHINES HAVING TWO SIMILAR IP ADDRESS FROM WHERE THE RIGHTS WERE ALSO ASSIGNED BY THE DEPUED STAFF TO THE OFFICIAL OF THE HPSIDCL FOR CREATION AND OPENING OF TENDER WHICH SHOWS THAT THE BIDS WERE SUBMITTED BY THE DEPUED STAFF OF THE VENDOR AND THE MANIPULATION IN TENDERING PROCESS COULD NOT BE RULED OUT.

THE SUBMISSION OF BIDS FOR A PARTICULAR WORK FROM SAME MACHINE/ IP ADDRESS IN HPSIDCL, WHICH WAS USED FOR PROCESSING THE TENDERS INDICATES THAT TRANSPARENCY AND COMPETITIVENESS IN TENDERING PROCESS COULD NOT BE ENSURED.

THE ORGANISATIONS STATED (JUNE 2017) THAT THERE IS NO SUCH MECHANISM TO RESTRICT THE BIDDERS FOR SUBMISSION OF BIDS FROM SAME IP ADDRESS AND FURTHER STATED THE DEPUED STAFF OF E-PROCUREMENT TECHNOLOGIES LIMITED WAS INVOLVED IN CREATING COLLUSION/ POOLING WITH BIDDERS BY SUBMITTING BIDS FROM THE SAME MACHINE/ IP ADDRESS OF THE HPSIDCL.

<sup>12</sup> 2015-16: 198 TENDERS VALUING ` 98.15 CRORE AND 2016-17: 149 TENDERS VALUING ` 169.89 CRORE

<sup>13</sup> EVENTID # 24239, 22985, 22984, 22983 AND 22981.

THE REPLY CONFIRMS THE AUDIT OBSERVATION. THE PRINCIPAL SECRETARY (IT) STATED THAT THE MATTER WILL BE TAKEN UP WITH THE HPSIDCL.

#### **2.4.6.4 Time taken in processing of tenders and non-capturing of date of award of tender in application software**

ONE OF THE OBJECTIVES OF IMPLEMENTATION OF E-PROCUREMENT WAS TO ENSURE REDUCTION IN TIME CYCLE IN PROCESSING OF TENDERS. RULE 110 OF HPFR, 2009 PROVIDES THAT TO ENSURE EFFICIENCY, ECONOMY AND ACCOUNTABILITY IN PROCUREMENT SYSTEM APPROPRIATE TIME FRAME FOR EACH STAGES OF PROCUREMENT SHALL BE SPECIFIED BY THE RESPECTIVE DEPARTMENTS FOR AVOIDING DELAY. FURTHER, THE CORE COMMITTEE WAS TO REVISE THE TENDERING RULES FOR E-PROCUREMENT ACCORDINGLY. AUDIT NOTICED THAT THE CORE COMMITTEE HAD NOT REVISED THE TENDERING RULES FOR REDUCING THE PROCESSING TIME IN FINALISATION OF TENDERS.

THE DETAILS OF THE AWARD OF CONTRACT WAS NOT CAPTURED IN 97 *per cent* (13,974 OUT OF 14,431) OF THE WORK ITEMS DUE TO WHICH THE ACTUAL TIME TAKEN FOR PROCESSING THE TENDERS COULD NOT BE VERIFIED BY AUDIT. OUT OF THE REMAINING 627 ITEMS OF WORK, IN 188 WORK ITEMS, TIME TAKEN IN PROCESSING THE TENDERS FROM THE CLOSING DATE TO AWARD RANGED FROM 122 TO 554 DAYS DURING 2011-17 INDICATING THAT THE E-PROCUREMENT SYSTEM DID NOT RESULT IN REDUCTION OF PROCESSING TIME.

THE DIRECTOR, INDUSTRIES STATED (JULY 2017) THAT THE MATTER WOULD BE TAKEN UP WITH THE DIT FOR MAKING PROVISION OF CAPTURING RELATED DATA IN THE APPLICATION SOFTWARE. IN THE EXIT CONFERENCE, THE PRINCIPAL SECRETARY (IT) ASSURED TO TAKE REMEDIAL ACTIONS.

#### **2.4.6.5 Non-supply of Software Design Document, Functional Requirement Specifications Document, Back up policy and Disaster Recovery Plan**

FOR ANALYSIS OF E-PROCUREMENT DATA IN AUDIT, DOCUMENTS SUCH AS SOFTWARE DESIGN DOCUMENT (SDD), FUNCTIONAL REQUIREMENT SPECIFICATIONS DOCUMENT (FRSD), BACK-UP POLICY AND DISASTER RECOVERY PLAN IS ESSENTIAL TO ASCERTAIN THE AVAILABILITY OF ALL TABLES, THEIR LOCATION AND UTILITY IN THE APPLICATION.

THE DIRECTOR IT WAS REQUESTED (MARCH 2017 AND JUNE 2017) TO SUPPLY THE SOFTWARE DESIGN DOCUMENT (SDD), FUNCTIONAL REQUIREMENT SPECIFICATIONS DOCUMENT (FRSD), DATA FLOW DIAGRAM (DFD), BACK-UP POLICY, DISASTER RECOVERY PLAN AND DATA PERTAINING TO THE E-PROCUREMENT. THESE DOCUMENTS WERE REQUIRED FOR UNDERSTANDING AND REPAIRING THE APPLICATION AND DATA OF THE E-PROCUREMENT. IN THE ABSENCE OF REQUESTED DOCUMENTS, AUDIT COULD NOT ASCERTAIN THE AVAILABILITY OF DATA IN ALL TABLES, THEIR LOCATION, PURPOSE OF EACH TABLE AND THEIR UTILITY IN THE APPLICATION SOFTWARE DUE TO WHICH THE HOW OF DATA COULD NOT BE ANALYSED EFFECTIVELY.

THE NIC INTIMATED (JUNE 2017) THAT THESE DOCUMENTS ARE COPYRIGHT OF THE DEPARTMENT AND COPY OF THE SAME COULD NOT BE PREPARED AND CAN BE SEEN IN THE OFFICE OF THE NIC, HIMACHAL PRADESH, SHIMLA. THOUGH THE BACKUP POLICY AND DISASTER RECOVERY PLAN PREPARED BY THE NIC WAS SCRUTINISED IN AUDIT IN THE OFFICE OF THE NIC BUT NO DOCUMENTS REGARDING THEIR EXECUTION AND IMPLEMENTATION WERE PRODUCED TO AUDIT.

DUE TO NON-SUPPLY OF BACKUP POLICY AND BUSINESS CONTINUITY PLAN THE ADEQUACY OF THE DOCUMENTS AS WELL AS THE PROCEDURE FOLLOWED TO ENSURE THE SECURITY OF DATA AND BUSINESS CONTINUITY COULD NOT BE ENSURED.

## 2.4.7 Implementation issues

### 2.4.7.1 Non provision of modules

THE GOHP WHILE REVIEWING (OCTOBER 2011) THE PROGRESS OF E-PROCUREMENT DECIDED THAT THE APPLICATION SOFTWARE SHOULD HAVE THE MODULES SUCH AS VENDOR MANAGEMENT, INDENT MANAGEMENT, E-TENDERING, E-PAYMENT, CONTRACT MANAGEMENT, E-AUCTION AND CATALOGUE MANAGEMENT. HOWEVER, AGAINST THE SAID REQUIREMENT ONLY ONE MODULE I.E. E-TENDERING WAS IMPLEMENTED ONLY THROUGH GEPNIC ON [HTTPS://HP.TENDERS.GOV.IN](https://hp.tenders.gov.in) WEB PORTAL. THE IMPACT OF NON-PROVISION OF THE MODULES BY THE NIC IS AS UNDER

- ☒ **Indent Management:** THE FLOW OF DOCUMENTS DURING THE COURSE OF PREPARING A TENDER IS HANDLED BY THE WORKFLOW AUTOMATION MODULE. THE PROCESS STARTS FROM DEMAND AGGREGATION OF GOODS FOR PROCUREMENT, MAKING A PLAN FOR WORKS AND ENDS WITH THE CALCULATION OF FINAL PROBABLE AMOUNT OF CONTRACT. THE OBJECTIVE OF USING THIS MODULE WAS TO REDUCE THE TIME TAKEN IN MOVEMENT OF DOCUMENTS LEADING TO ISSUE OF TENDER. MONITOR THE PROCESS TO IDENTIFY CLOG AREAS AND TAKING REMEDIAL ACTION. HOWEVER, DUE TO NON-PROVISION OF THE MODULE THE BENEFITS OF REDUCTION OF TIME IN PROCESSING OF DOCUMENTS THROUGH MONITORING OF CLOG AREA COULD NOT BE ACHIEVED.
- ☒ **Vendor Management:** THE VENDOR MANAGEMENT MODULE HELPS IN CREATION OF DATA RELATING TO PROBABLE VENDORS/ SUPPLIERS WHO FULFIL THE PRE-DETERMINED CRITERIA BASED ON THEIR QUALIFICATION, INFRASTRUCTURAL CAPABILITIES, PAST PERFORMANCE, ETC. THE MAIN OBJECTIVE OF E-PROCUREMENT WAS TO PROMOTE COMPETITION BY FOSTERING PARTICIPATION OF QUALIFIED SUPPLIER AND CONTRACTORS. HOWEVER, IN 2,556 AND 3,492 OUT OF 15,061 WORK ITEMS, ONE AND TWO BIDDERS ONLY PARTICIPATED IN THE TENDERING PROCESS. THE BIDDERS ARE REQUIRED TO REGISTER THEMSELVES BEFORE PARTICIPATING IN ANY TENDERING ACTIVITY. AUDIT NOTICED THAT 7,330 OUT OF 10,725 REGISTERED BIDDERS HAD PARTICIPATED IN THE TENDERING PROCESS. HOWEVER, 2,302 BIDDERS (31 *per cent*) HAD PARTICIPATED ONLY ONCE AND 1,141 BIDDERS (16 *per cent*) HAD PARTICIPATED ONLY TWICE AND REMAINING 3,887 (53 *per cent*) BIDDERS HAD PARTICIPATED MORE THAN TWICE, WHEREAS 3,395 BIDDERS HAD NOT PARTICIPATED IN ANY TENDERING ACTIVITY. DUE TO NON-DEPLOYMENT OF THE MODULE THE PARTICIPATION OF PROSPECTIVE VENDORS, TO OBTAIN COMPETITIVE RATES, COULD NOT BE ENHANCED.

FURTHER, THE CREDENTIALS SUCH AS REGISTRATION, MANUFACTURING CAPACITY, QUALITY CONTROL SYSTEM, PAST PERFORMANCE, AFTER SALES SERVICE AND FINANCIAL BACKGROUND SUBMITTED AT THE TIME OF REGISTRATION AS BIDDERS HAVE NOT BEEN CAPTURED IN THE APPLICATION SOFTWARE AS MASTER DATA. AS A RESULT, THE BIDDERS HAVE TO SUBMIT THE DOCUMENTS IN EACH TENDER FOR VERIFICATION AND THE ORGANISATIONS HAD TO VERIFY THE SAME EACH TIME RESULTING IN UNNECESSARY DELAY IN PROCESSING OF TENDERS AS SHOWN IN PARA 2.4.6.4.

- ☒ **e-Auction:** THE AUCTION MODULE IS A FACILITY THAT ALLOWS SUPPLIERS TO DYNAMICALLY OUTFEED THEIR COMPETITORS WITHIN A TIME-FRAME SPECIFIED BY A BUYING AGENCY. THE AUCTION MODULE WAS TO HAVE FACILITIES FOR BOTH BUYING (REVERSE AUCTION) AND SELLING (FORWARD AUCTION) OF GOODS, WORKS AND SERVICES. NON-IMPLEMENTATION OF E-AUCTION MODULE AFFECTED THE PROSPECTS OF OBTAINING HIGHEST RATES FOR SALE OF MATERIAL THROUGH ONLINE AUCTION IN A TRANSPARENT MANNER.

- ⊗ **Catalogue Management:** IN THE CATALOGUE MANAGEMENT MODULE, THE INFORMATION ABOUT RATE CONTRACTS NEGOTIATED BY THE GOVERNMENT IS HOSTED IN AN ONLINE ENVIRONMENT. END USERS IN THE GOVERNMENT USE THE NEGOTIATED RATE CONTRACTS AND DIRECTLY PLACE ORDERS FOR GOODS AND SERVICES WITH THE SUPPLIER COMMUNITY. DUE TO NON-DEPLOYMENT OF THE MODULE, THE BENEFIT OF RATE CONTRACTS NEGOTIATED BY GOVERNMENT COULD NOT BE DERIVED TO SAVE THE COST AND TIME INVOLVED IN PROCESSING OF FRESH BIDS.
- ⊗ **e-Payment:** THE E-PAYMENT FUNCTIONALITY FACILITATES ONLINE TRANSFER OF FUNDS BOTH INFLOWS AND OUTFLOWS HAPPENING DURING THE COURSE OF PUBLIC PROCUREMENT ACTIVITY COVERING TRANSACTIONS SUCH AS SALE OF TENDER DOCUMENTS, ONLINE TRANSFER OF EARNEST MONEY DEPOSIT (EMD), MAKING PAYMENTS TO SUPPLIERS/ CONTRACTORS FOR PURCHASE OF GOODS AND COMPLETION OF WORKS. ANALYSIS OF THE DATA OF E-PROCUREMENT REVEALED THAT FEE AND OTHER CHARGES WERE DEPOSITED BY THE BIDDERS/ SUPPLIERS OFFLINE BY VISITING THE RESPECTIVE TENDERING OFFICE. DUE TO NON-PROVISION OF E-PAYMENT GATEWAY THE ACCESS TO UNHINDERED SECURED FACILITY FOR E-PAYMENT OF TENDER FEE, EMD AT THE COMFORT AND EASE OF BIDDING FROM ANY PLACE COULD NOT BE PROVIDED TO THE BIDDER. FURTHER THE VISIT OF THE BIDDER FOR SUBMISSION OF TENDER FEE AND EMD MANUALLY, AFFECTED THE TRANSPARENCY AS THE COLLUSION TO VIOLATE THE TENDERING PROCESS COULD NOT BE RULED OUT.
- ⊗ **Contract Management:** THIS MODULE COVERS THE PROCESSES INVOLVED IN BETWEEN ISSUANCE OF WORK ORDER AND COMPLETION OF THE WORK WITH AN OBJECTIVE OF MAINTAINING AN OVERVIEW OF THE WORKS IN PROGRESS AND MONITOR AND MEASURE PERFORMANCE OF THE CONTRACTOR. THE MODULE HAS FEATURES FOR PROCESSING OF BILLS ASSOCIATED WITH THE WORK ALREADY COMPLETED, APPROVAL OF BILLS AND MAKING PAYMENT TO THE SUPPLIER BY TRANSFERRING FUNDS FROM THE GOVERNMENT'S BANK ACCOUNT TO THAT OF THE SUPPLIER'S ACCOUNT. DUE TO NON-DEPLOYMENT OF THE MODULE, THE PROGRESS OF WORK AND MONITORING OF PERFORMANCE OF CONTRACTORS AND ONLINE PAYMENT OF BILLS TO THE CONTRACTOR IN A TIME BOUND AND TRANSPARENT MANNER COULD NOT BE ENSURED.

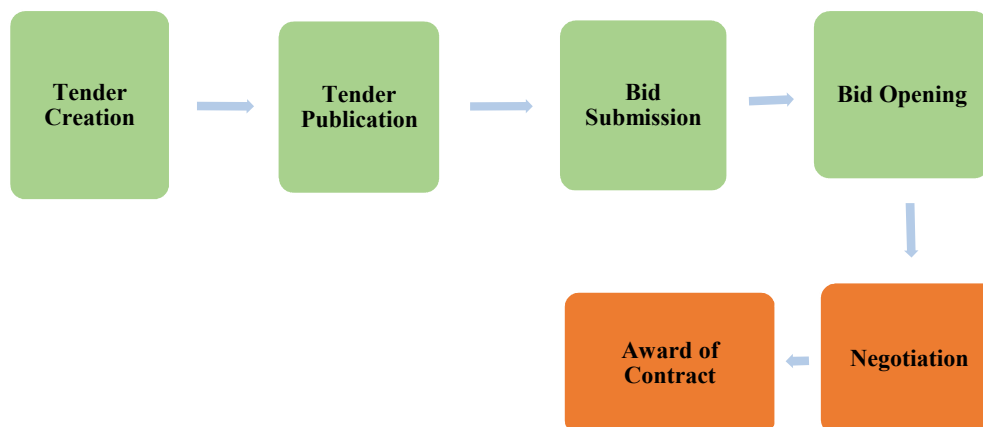
THUS, NON-PROVISIONING OF SIX MODULES I.E. INDENT MANAGEMENT, VENDOR MANAGEMENT, E-AUCTION, CATALOGUE MANAGEMENT, E-PAYMENT AND CONTRACT MANAGEMENT AFFECTED THE EFFICIENCY AND EFFECTIVENESS OF TENDERING PROCESS AS INTENDED OBJECTIVES TO BRING ECONOMY, TRANSPARENCY AND REDUCTION OF TIME IN TENDER CYCLE COULD ONLY BE ACHIEVED IN A LIMITED MANNER.

THE PRINCIPAL SECRETARY (IT) WHILE ACCEPTING THE SHORTCOMINGS STATED THAT IN THE INITIAL PHASE OF THE PROJECT ONLY E-TENDERING MODULE WAS MADE FUNCTIONAL AND ASSURED FOR IMPLEMENTATION OF REST OF THE MODULES IN ALL THE IMPLEMENTING ORGANIZATIONS.

#### **2.4.7.2 Partial implementation of e-Tendering module**

THE E-TENDERING MODULE WAS DESIGNED TO HAVE FOLLOWING FEATURES:

## e-Tendering sub module



THE DEPARTMENT USERS, HAVING CREATOR ROLES, BY LOGGING IN THE TENDERS PORTAL CREATE THE TENDER ONLINE, USING DIGITAL SIGNATURE CERTIFICATES (DSCS) AND AUTHORISED CREDENTIALS, THEN THE AUTHORISED DEPARTMENT USERS HAVING PUBLISHER ROLES VERIFIES THE CREATED TENDER AND THEN PUBLISHES IT ONLINE. THE BIDDER CONTRACTOR BY USING THEIR DSCS, SUBMIT THE BID ONLINE AND UPLOAD ALL THE REQUIRED DOCUMENTS BEFORE THE TIME PERIOD PRE-DEFINED IN THE NOTICE INVITING TENDERS. ON THE BID OPENING DATE, THE DEPARTMENT USERS HAVING BID OPENING ROLES, OPENS/ DECRYPTS THE BIDS WITH THEIR DSCS. THE BID OPENING COMPRISES OF FOUR STAGES I.E. TECHNICAL BID OPENING, TECHNICAL EVALUATION, FINANCIAL BID OPENING AND FINANCIAL EVALUATION. ONCE THE COMPARATIVE CHART IS GENERATED AND L1, L2, L3... ARE IDENTIFIED, THE L1 IS THEN CALLED UPON FOR NEGOTIATION OR SAMPLE CHECKING. THE LAST STAGE OF E-TENDERING WAS AWARD OF CONTRACT WHERE THE DEPARTMENT USER UPLOADS THE AWARD OF CONTRACT MENTIONING THE FINAL RATE WHICH IS FINALISED WITH THE SELECTED BIDDER.

AUDIT OBSERVED THAT OF THE ABOVE CRITICAL FUNCTIONS I.E. ONLINE BID OPENING, NEGOTIATION AND AWARD OF CONTRACT, WERE DONE MANUALLY BY THE USER ORGANISATIONS WHICH AFFECTED THE TRANSPARENCY OF THE TENDERING PROCESS.

THE PRINCIPAL SECRETARY (IT) STATED THAT REQUISITE CORRECTIVE ACTION BASED ON AUDIT FINDINGS WILL BE TAKEN.

#### 2.4.7.3 Non-framing of Act/ Rules for implementing e-Procurement Project

THE STATE GOVERNMENT HAD NOT FRAMED ANY ACT/ RULES FOR IMPLEMENTING THE E-PROCUREMENT IN THE STATE. IN THE ABSENCE OF ACT/ RULES THE ORGANISATIONS ARE NOT BOUND TO IMPLEMENT E-PROCUREMENT. IMPLICATIONS OF NON-FRAMING OF ACT/ RULES TO REGULATE THE E-PROCUREMENT ARE AS UNDER:

- \* 64 OUT OF 90 ORGANISATIONS HAD NOT IMPLEMENTED E-PROCUREMENT EVEN AFTER LAPSE OF SIX YEARS.
- \* HPSIDCL HAD OPTED OUT OF THE E-PROCUREMENT PORTAL (PROVIDED FREE OF COST) OF THE STATE GOVERNMENT AFTER USING IT FOR FOUR YEARS FROM 2012-13 TO 2014-15 AND HAD SWITCHED OVER (APRIL 2015) TO THE SOFTWARE DEVELOPED BY A PRIVATE FIRM. AVOIDABLE EXPENDITURE OF ` 21.90 LAKH<sup>14</sup> WAS INCURRED BY THE HPSIDCL. THOUGH THE FACILITIES

<sup>14</sup> ONE TIME PAYMENT OF ` 11.50 LAKH AND RECURRING EXPENDITURE OF ` 10.40 LAKH AT A RATE OF ` 0.40 LAKH PER MONTH FOR 26 MONTHS FROM MAY 2015 TO JUNE 2017.

SUCH AS E-AUCTION, REQUIRED TO BE PROVIDED BY THE PRIVATE FIRM ALONG WITH E-TENDERING AND E-PAYMENT MODULE, WERE NOT PROVIDED.

- \* THE THRESHOLD LIMIT OF ` 10 LAKH FIXED BY STATE GOVERNMENT FOR E-TENDERING WAS NOT ADHERED TO IN 78 CASES BY FOUR<sup>15</sup> OUT OF SEVEN SAMPLED ORGANISATIONS AS THE TENDERS ABOVE ` 10 LAKH WERE HOATED MANUALLY.
- \* THE DIT WHICH IS THE NODAL DEPARTMENT HAD ALSO HOATED SIX TENDERS MANUALLY ABOVE THE THRESHOLD LIMIT OF ` 10 LAKH DURING 2011-17.

THE DIT IN ITS REPLY STATED THAT NO ACT RULES WERE FRAMED FOR E-PROCUREMENT AND ORGANISATIONS ARE COVERED BY HIMACHAL PRADESH FINANCIAL RULES FOR PROCUREMENT OF GOODS, WORKS AND SERVICES. THE REPLY IS NOT ACCEPTABLE AS NO PROMSION FOR E-PROCUREMENT HAD BEEN MADE IN THE HPFR, 2009 AND THE ACT RULES SHOULD HAVE BEEN FRAMED FOR EFFECTIVE IMPIEMENTATION OF THE E-PROCUREMENT

#### **2.4.8 Operational issues**

##### **2.4.8.1 Implementation of e-Procurement without executing Service Level Agreement**

A SERVICE LEVEL AGREEMENT (SLA) IS A CONTRACT BETWEEN A SERVICE PROVIDER AND THE END USER THAT DEFINES THE LEVEL OF SERVICE EXPECTED FROM THE SERVICE PROVIDER. CONSEQUENT UPON ACCEPTANCE OF PROJECT PROPOSALS SUBMITTED BY NIC, THE STATE GOVERNMENT IMPIEMENED THE GEPNIC WITHOUT EXECUTING THE SLA FOR MONITORING OF DELIVERY OF SERVICES. DUE TO NON-EXECUTION OF THE SLA IT WAS NOTICED IN AUDIT THAT

- \* THE E-PROCUREMENT PROJECT WAS CONCEIVED FOR A PERIOD OF FIVE YEARS (2011-16). NIC AND DIT WERE RESPONSIBLE FOR FORMULATION OF ROLL OUT PLAN AFTER THE COMPLETION OF PILOT PROJECT PHASE. THOUGH THE PERIOD OF IMPLEMENTATION HAD ELAPSED IN 2015-16, THE ROLL OUT PLAN WAS NOT PREPARED AND E-PROCUREMENT WAS IMPIEMENED ONLY IN 26 OUT OF 90 ORGANISATIONS AS THE DELIVERABLES WERE NOT DEFINED IN ABSENCE OF SLA.
- \* THE USER REQUIREMENT SPECIFICATION, SOFTWARE DESIGN DOCUMENT, FUNCTIONAL REQUIREMENT SPECIFICATION DOCUMENT, BACK UP POLICY, DISASTER RECOVERY PLAN WERE NOT PROVIDED BY NIC TO STATE GOVERNMENT DUE TO WHICH NEITHER THE MONITORING OF THE E-PROCUREMENT WAS DONE NOR SECURITY OF THE DATA IN SYSTEM AND BUSINESS CONTINUITY IN THE EVENT OF DISRUPTION COULD BE ENSURED.
- \* THE DIT WAS NEITHER PROVIDED ANY INDEPENDENT TOOL BY THE NIC TO RECORD AND MONITOR THE DOWNTIME OF THE SERVER NOR DID ANY SERVICE QUALITY PARAMETERS WERE DEFINED TO ENSURE AVAILABILITY OF THE SITE FOR TENDERING ACTIVITY.
- \* THE PMU FORMULATED BY THE NIC WAS TO PROVIDE NECESSARY TRAINING TO THE ORGANISATIONS AND BIDDERS, AND MANPOWER SUPPORT FOR EFFECTIVE IMPIEMENTATION OF E-PROCUREMENT. THE PMU WAS DISCONTINUED DURING THE PERIOD FROM 01 APRIL 2016 TO 31 AUGUST 2016 DUE TO WHICH NO NEW ORGANISATION COULD BE ADDED UNDER E-PROCUREMENT AND NO TRAINING WAS IMPAIRED DURING ABOVE PERIOD FOR WHICH NO ACTION WAS TAKEN AGAINST THE NIC FOR THE LAPSE.

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<sup>15</sup> DIT: SIX, HPSEDCL: FIVE, HPTDCL: 32 AND PUBLIC WORKS DEPARTMENT 35.

- \* AS PER PROJECT PROPOSAL SUBMITTED (AUGUST 2010) BY NIC, THE APPLICATION SOFTWARE WAS TO BE CUSTOMISED AS PER THE REQUIREMENTS OF STATE GOVERNMENT FOR WHICH DOMAIN EXPERT AND CHANGE MANAGEMENT GROUP WAS TO BE FORMED BY DIT IN CONSULTATION WITH THE ORGANISATIONS. AUDIT NOTICED THAT NEITHER THE DOMAIN EXPERT AND CHANGE MANAGEMENT GROUP WAS FORMED NOR THE CUSTOMISATION OF THE APPLICATION SOFTWARE WAS DONE IN ABSENCE OF ANY SLA.
- \* THE CHANGE MANAGEMENT POLICY WAS NOT FORMULATED. FURTHER, FOR MAKING NECESSARY CHANGES IN THE APPLICATION SOFTWARE, NO AUTHORITY HAD BEEN AUTHORISED BY THE STATE GOVERNMENT. ANALYSIS OF THE DATA REVEALED THAT CHANGES WERE MADE IN THE APPLICATION SOFTWARE OF E-PROCUREMENT ON 10 OCCASIONS DURING 2011-17 BY THE NIC AS THE NODAL DEPARTMENT (DIT) HAD NO ACCESS ON THE APPLICATION SOFTWARE AND DATABASE. HOWEVER, NODAL DEPARTMENT HAD NOT MAINTAINED ANY RECORD OF THE CHANGES MADE IN THE APPLICATION SOFTWARE WHICH MAY CREATE MAINTENANCE ISSUES IN FUTURE.
- \* THE MILESTONES TO BE ACHIEVED BY NIC FOR IMPLEMENTATION AND MAINTENANCE PHASE WERE NOT LINKED TO THE PAYMENTS. AUDIT NOTICED THAT THE DIT RELEASED THE ENTIRE IMPLEMENTATION COST OF ₹ 1.99 CRORE TO NATIONAL INFORMATICS CENTRE SERVICES INCORPORATED (NICS), DURING OCTOBER-NOVEMBER 2010. HOWEVER, FUNDS OF ₹ 0.61 CRORE REMAINED UNSPENT WITH THE NICS UP TO JUNE 2014 DUE TO PARTIAL IMPLEMENTATION OF THE E-PROCUREMENT SOFTWARE AS ONLY SEVEN OUT OF 90 ORGANISATIONS WERE COVERED DURING IMPLEMENTATION PHASE. INJUDICIOUS RELEASE OF FUNDS IN ADVANCE HAD NOT ONLY RESULTED IN BLOCKING OF ₹ 0.61 CRORE BUT ALSO RESULTED IN LOSS OF INTEREST OF ₹ 0.17 CRORE<sup>16</sup> ON UNUTILISED FUNDS KEPT OUT OF GOVERNMENT ACCOUNT FROM NOVEMBER 2010 TO JUNE 2014.
- \* DUE TO NON-AVAILABILITY OF DOWNTIME LOGS OF THE SERVER OF THE NIC NO REPORT CONFIRMING THE DOWNTIME LOGS WERE PRODUCED TO AUDIT.

THE DEPARTMENT STATED (APRIL 2017) THAT NO AGREEMENT WAS EXECUTED AS NIC WAS ALSO IMPLEMENTING OTHER IT PROJECTS IN THE STATE. THE REPLY IS NOT ACCEPTABLE AS THE ROLES AND RESPONSIBILITIES, TIMELINES AND DELIVERABLES MUST HAVE BEEN CLARIFIED BY EXECUTING THE SLA BETWEEN BOTH THE PARTIES FOR SMOOTH IMPLEMENTATION OF E-PROCUREMENT. HOWEVER, DUE TO NON-EXECUTION OF SLA BY THE DIT, THE LEVEL OF SERVICES EXPECTED FROM THE NIC/ INTERNET SERVICES PROVIDER COULD NOT BE ACHIEVED AND THE E-PROCUREMENT COULD NOT BE IMPLEMENTED EFFECTIVELY. MOREOVER PENALTIES FOR UNDER OR NON-PERFORMANCE, IF ANY, COULD NOT BE IMPOSED IN THE ABSENCE OF DEFINED SERVICE LEVEL PARAMETERS.

THE PRINCIPAL SECRETARY (IT) ACCEPTED THE FACTS AND ASSURED THAT THE MATTER WILL BE TAKEN UP WITH ALL THE ADMINISTRATIVE DEPARTMENTS OF THE STATE GOVERNMENT AND NECESSARY ORDERS WILL BE ISSUED FOR EFFECTIVE IMPLEMENTATION OF E-PROCUREMENT. IT WAS ALSO APPRISED THAT MATTER WILL BE TAKEN UP WITH HPS IDCL AND ACTION WILL BE TAKEN ACCORDINGLY AND FURTHER STATED THAT MATTER WILL BE TAKEN UP WITH THE CABINET FOR MAKING NECESSARY BUDGETARY PROVISION FOR EFFECTIVE IMPLEMENTATION AND ACTION WILL BE TAKEN WITH REGARD TO SLA.

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<sup>16</sup> CALCULATED AT THE RATE OF 7.86 per cent FOR 43 MONTHS BEING AVERAGE BORROWING RATE OF THE STATE GOVERNMENT FOR THE YEAR 2010-15.



#### **2.4.8.2 Password policy management**

THOUGH REQUISITIONED IN AUDIT, THE PASSWORD POLICY FORMULATED, IF ANY, WAS NOT SUPPLIED BY THE DIT. THE GOI HAD ISSUED PASSWORD POLICY WHICH *inter alia* PROVIDES THAT ALL USER LEVEL PASSWORD SHALL BE CHANGED PERIODICALLY (AT LEAST ONCE EVERY THREE MONTHS) AND THE USERS SHALL NOT BE ABLE TO RE-USE PREVIOUS PASSWORD. FURTHER, THE CENTRAL VIGILANCE COMMISSION (CVC) GUIDELINES PROVIDES THAT THE SENSITIVE DATA SHOULD BE ENCRYPTED OR HASHED IN THE DATABASE AND FILE SYSTEM. ANALYSIS OF DATA REVEALED THAT

- \* FOR RECOVERY OF LOGIN ID, A PROMSION OF HINT QUESTION WAS DESIGNED IN THE APPLICATION SOFTWARE BUT THE ANSWER TO THE HINT QUESTION WAS NOT ENCRYPTED DUE TO WHICH A PERSON HAVING ACCESS TO THE DATABASE CAN VIEW THE HINT ANSWER WHICH CAN BE MIS-UTILISED AND POSES A THREAT TO THE SECURITY OF THE DATA
- \* THE PASSWORD WAS CHANGED BY 3,151 USERS RANGING BETWEEN TWO TO 51 TIMES DURING 2011-17. AS THE HINT QUESTION WAS NOT ENCRYPTED, THE CHANGE OF PASSWORD AND CREDENTIAL BY THE UNAUTHORISED PERSONS AND THE BREACH OF SECURITY OF THE USERS DATA CANNOT BE RULED OUT THE PASSWORD WAS NOT CHANGED EVEN ONCE BY 9,277 USERS FROM DATE OF ENROLLMENT

THERE WAS NOTHING ON RECORD TO SUGGEST THAT PASSWORD POLICY FORMULATED, IF ANY, BY THE DIT, WAS SHARED WITH THE USERS RESULTANTLY THEY WERE NOT COMPLYING WITH ANY PASSWORD POLICY. FURTHER THE LACK OF IMPLEMENTATION OF ANY PASSWORD POLICY AS WELL AS LACK OF ENCRYPTION OF USER DATA AT DATABASE LEVEL, MADE SYSTEM VULNERABLE TO BREACH OF SECURITY.

THE PRINCIPAL SECRETARY (IT) ADMITTED THE FACTS AND ASSURED TO LOOK INTO THE MATTER

#### **2.4.8.3 Non-segregation of duties for e-Procurement system**

THE STATE GOVERNMENT HAD GIVEN DUTIES AND FINANCIAL POWER TO THE OFFICERS WORKING IN IMPLEMENTING ORGANISATIONS. AS PER SYSTEM DESIGN AND WORK FLOW, EACH AND EVERY OFFICIAL HAD DIFFERENT ACCESS ROLES SUCH AS SUPER ADMIN, SYSTEM ADMIN, APPLICATION ADMIN, NODAL OFFICER, PROCUREMENT OFFICER ADMIN, PROCUREMENT OFFICER PUBLISHER, PROCUREMENT OFFICER OPENER, PROCUREMENT OFFICER EVALUATOR, ADMIN REPORTS, ETC., AND THESE ROLES WERE TO BE PERFORMED THROUGH LOGIN ID AND DSC OF THE CONCERNED OFFICERS. AUDIT NOTICED THAT

- \* THE NODAL DEPARTMENT HAD NOT ISSUED ANY NOTIFICATION REGARDING ASSIGNING OF ROLES FOR IMPLEMENTATION OF E-PROCUREMENT THE ROLE OF SUPER ADMIN, SYSTEM ADMIN AND APPLICATION ADMIN WAS PERFORMED BY THE NIC WHICH IS THE VENDOR AGENCY FOR PROVIDING OF E-PROCUREMENT APPLICATION SOFTWARE AND THE NODAL DEPARTMENT HAD NEITHER USED ABOVE MENTIONED ROLES NOR HAS ACCESS ON THE DATA OF THE E-PROCUREMENT
- \* THE NODAL OFFICER WAS DESIGNATED BY THE IMPLEMENTING ORGANISATION AND CREATED BY THE NIC WHO CAN FURTHER ASSIGN THE ROLE OF PROCUREMENT OFFICER ADMIN, PROCUREMENT OFFICER PUBLISHER, PROCUREMENT OFFICER OPENER AND PROCUREMENT OFFICER EVALUATOR IN SIX<sup>17</sup> ORGANISATIONS, THE NODAL OFFICER HAD FURTHER CREATED NODAL

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<sup>17</sup> INDUSTRIES DEPARTMENT, HP STATE FOREST DEVELOPMENT CORPORATION LIMITED, IRRIGATION AND PUBLIC HEALTH, HP AGRICULTURE DEVELOPMENT SOCIETY, HP BUS STAND MANAGEMENT AND DEVELOPMENT AUTHORITY AND DEPARTMENT OF INFORMATION TECHNOLOGY.

OFFICER FOR THE SAME ORGANISATION WHICH INDICATED THAT MULTIPLE NODAL OFFICERS CAN BE CREATED BY THE USER ORGANISATION AND THERE WAS NO PROMSION OF VALIDATION CHECK IN APPLICATION SOFTWARE

- \* SPECIFIC DUTIES FOR CREATING TENDER, UPLOADING OF TENDER, RELEASE OF TENDER, ISSUING OF CORRIGENDUM, CLOSING AND OPENING OF BIDS WERE NOT SPECIFIED, AND MULTIPLE ROLES WERE ASSIGNED TO THE DSC HOLDERS. IN 788 OUT OF 812 GOVERNMENT USERS, THE ROLE OF NODAL OFFICER, OFFICE ADMIN, OFFICE OPENER, OFFICE EVALUATOR AND OFFICE PUBLISHER WERE PERFORMED BY THE SAME PERSON WITH SAME LOGIN ID.
- \* THE HPSIDCL HAD NOT ASSIGNED ANY ROLES AND DUTIES TO ITS STAFF AND THE E-TENDERING ACTIVITIES<sup>18</sup> WERE PERFORMED BY THE DEPUTIED STAFF OF THE PRIVATE COMPANY THROUGH DSC OF THE STAFF OF THE HPSIDCL.

THUS, DUTIES AND POWERS HAD NOT BEEN PERFORMED BY THE OFFICIALS AS PER SYSTEM DESIGN, AND THE WORK WAS HANDIED BY ONE OR TWO INDIVIDUALS PERFORMING THE DIFFERENT ROLES EXPOSING A SENSITIVE SYSTEM TO LACK OF ACCOUNTABILITY.

HPSIDCL STATED THAT NO INSTRUCTIONS/ GUIDELINES HAVE BEEN ISSUED AND TWO OFFICIALS OF THE CORPORATION HAVE BEEN INVOLVED IN ALL THE ACTIVITIES FROM CREATION TO OPENING OF BIDS AND THEIR DSC IS BEING USED BY THE DESIGNATED EMPLOYEE OF THE PRIVATE AGENCY.

THE PRINCIPAL SECRETARY (IT) ASSURED TO TAKE UP THE MATTER WITH THE NIC FOR INCORPORATION OF REQUISITE CHECKS TO ENSURE SEGREGATION OF DUTIES AT DIFFERENT LEVELS.

## 2.4.9 Other issues

### 2.4.9.1 Negotiation with the bidders without justification

THE CENTRAL VIGILANCE COMMISSION (CVC) GUIDELINES (OCTOBER 2005) PROVIDES THAT THERE SHOULD NOT BE ANY NEGOTIATION. NEGOTIATION IF AT ALL, SHALL BE AN EXCEPTION AND ONLY IN THE CASE OF PROPRIETARY ITEMS OR IN THE CASE OF ITEMS WITH LIMITED SOURCE OF SUPPLY, AND NEGOTIATIONS CAN BE RECOMMENDED IN EXCEPTIONAL CIRCUMSTANCES ONLY AFTER DUE APPLICATION OF MIND AND RECORDING VALID AND LOGICAL REASONS JUSTIFYING NEGOTIATIONS.

AUDIT NOTICED THAT IN SIX<sup>19</sup> OUT OF SEVEN SELECTED ORGANISATIONS, THE NEGOTIATIONS WERE HELD WITH THE LOWEST BIDDERS IN 115 CASES OUT OF 240 TEST CHECKED TENDERS WITHOUT ANY LOGICAL REASONS RECORDED BY THESE ORGANISATIONS IN CONTRAVENTION OF THE CVC GUIDELINES. DUE TO NEGOTIATION HELD WITH THE BIDDERS WITHOUT QUOING ANY JUSTIFIED REASONS, THE POSSIBILITY OF SUB-STANDARDS WORK/ SUPPLY COULD NOT BE RULED OUT AND VIOLATION OF GUIDELINES MAY RESULT IN UNETHICAL ACTION ON THE PART OF USER DEPARTMENTS.

THE DIRECTOR IT STATED (MAY 2017) THAT THE NEGOTIATIONS WERE HELD WITH THE L-1 BIDDER OVER THE TERMS AND CONDITIONS TO MAKE THEM MORE STRINGENT. THE DIRECTOR, INDUSTRIES STATED (JUNE 2017) THAT THE NEGOTIATION IS DONE TO REDUCE THE QUOTED RATES. THE REPLY IS NOT ACCEPTABLE AS THE NEGOTIATION IS CONTRARY TO THE PROMSIONS OF CVC GUIDELINES AND IN THE ABOVE SAID CASES THE REASONS FOR HOLDING NEGOTIATIONS WERE NOT RECORDED.

<sup>18</sup> CREATION OF TENDER, PUBLISHING OF TENDER, ISSUE OF CORRIGENDUM, OPENING OF ELIGIBILITY BID, OPENING OF TECHNICAL BID AND OPENING OF FINANCIAL BIDS

<sup>19</sup> DIT: ONE; PWD: FOUR; HPSIDCL: SEVEN; HPSIDCL: NINE; HPTDCL: 21 AND INDUSTRIES DEPARTMENT 73.

THE PRINCIPAL SECRETARY (IT) ACCEPTED THE FACTS AND ASSURED TO LOOK INTO THE MATTER AND TO TAKE APPROPRIATE ACTION

#### **2.4.9.2 Absence of internal control due to non-maintenance of registers relating to e-tendering**

FOR ADEQUATE INTERNAL CONTROL IN HOATING OF TENDERS, THE ORGANISATIONS HAVE TO MAINTAIN TENDER REGISTER. THE FORMAT OF TENDER REGISTER FORM IS PRESCRIBED IN THE QUALITY MANAGEMENT SYSTEM FORMS AND FORMAT MANUAL OF HPPWD. THE DIT BEING NODAL DEPARTMENT FOR IMPLEMENTATION OF E-PROCUREMENT IN THE STATE WAS REQUIRED TO MAINTAIN THE DATA PERTAINING TO THE TENDERING BEING HELD IN EACH ORGANISATION FOR ACCESSING THE FEASIBILITY OF IMPLEMENTATION OF E-PROCUREMENT IN ALL THE ORGANISATIONS OF THE STATE GOVERNMENT

AUDIT NOTICED THAT DIT HAD NOT MAINTAINED ANY DATA REGARDING THE TOTAL NUMBER OF TENDERS HOATED IN EACH ORGANISATION. FURTHER IN HV<sup>20</sup> OUT OF SEVEN SELECTED ORGANISATIONS, THE TENDER REGISTERS WERE NOT MAINTAINED. THE REGISTER FOR TENDERS HOATED AT E-IN-C LEVEL WAS THOUGH MAINTAINED, THE SAME WAS NEITHER MAINTAINED IN PROPER FORM NOR WERE ALL THE TENDERS ENTERED IN THE REGISTER DUE TO WHICH THE ACTUAL TENDERS HOATED COULD NOT BE VERIFIED IN AUDIT

THE DIRECTOR, IT ADMITTED (MAY 2017) THAT THE CONSOLIDATED DATA IN RESPECT OF TOTAL NUMBER OF TENDERS HOATED HAD NOT BEEN MAINTAINED. FURTHER, THE HPSEDC LIMITED AND INDUSTRIES DEPARTMENT STATED (MAY-JUNE 2017) THAT THE TENDER REGISTER HAD NOT BEEN MAINTAINED AND THE SAME WERE PROCESSED THROUGH CONCERNED OFFICES.

THE PRINCIPAL SECRETARY (IT) ADMITTED THE FACT AND STATED THAT THE MATTER WILL BE TAKEN UP WITH THE CONCERNED IMPLEMENTING ORGANISATIONS.

#### **2.4.9.3 Management of Earnest Money Deposit**

AS PER RULE 106 OF HPFR, 2009, THE BIDDER HAD TO SUBMIT THE EARNEST MONEY DEPOSIT (EMD) ALONG WITH EACH BID SUBMITTED BY HIM. THE EARNEST MONEY OF THE UNSUCCESSFUL BIDDERS SHALL BE REFUNDED AT THE EARLIEST AFTER THE EXPIRY OF THE VALIDITY PERIOD AND THE EMD OF THE SUCCESSFUL BIDDERS SHALL REMAIN IN THE CUSTODY OF THE PROCURING DEPARTMENT TILL FURTHER PERIOD DEPENDING UPON THE NATURE OF CONTRACT

AUDIT NOTICED THAT THE CONSOLIDATED RECORDS IN SUPPORT OF THE EMD/ TENDER FEE AND TOTAL NUMBER OF TENDERS HOATED WAS NOT MAINTAINED IN HV<sup>21</sup> OUT OF SEVEN SELECTED ORGANISATIONS DUE TO WHICH THE TOTAL AMOUNT OF EMD AND TENDER FEES RECEIVED, REFUNDED AND RETAINED COULD NOT BE VERIFIED IN AUDIT

HOWEVER, ANALYSIS OF DATA REVEALED THAT AN AMOUNT OF ` 19,297.19 CRORE WAS RECEIVED AGAINST 14,337 WORK ITEMS FROM 50,506 BIDDERS IN 26 ORGANISATIONS. THE AMOUNT OF EMD WAS CAPTURED IN THE DATABASE BUT THE BANK DRAFTS IN SUPPORT OF THE EMD WERE RECEIVED MANUALLY IN THE CONCERNED OFFICES. THOUGH THERE WAS A PROMISION TO CAPTURE THE DETAILS OF REFUND OF EMD IN THE SYSTEM, THE AMOUNT WAS NOT ENTERED IN THE SAID COLUMN. DUE TO NON-FEEDING OF DATA IN THE APPLICATION SOFTWARE, THE ACTUAL AMOUNT

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<sup>20</sup> DIT, HPSIDCL, HPSEDC, HPSCSCL AND INDUSTRIES DEPARTMENT

<sup>21</sup> DIT, HPSCSCL, HPSEDC, HPSIDCL AND INDUSTRIES DEPARTMENT

RETAINED AND REFUNDED BY ALL THE IMPLEMENTING ORGANISATIONS COULD NOT BE VERIFIED. THE OBJECTIVES OF TRANSPARENCY AND EASE-OF-USE TO THE BIDDERS COULD NOT BE ACHIEVED BECAUSE OF NON-AVAILABILITY OF E-PAYMENT SERVICES FOR TENDER FEES AND EMD.

THE DIT STATED (MAY 2017) THAT MATTER FOR IMPLEMENTATION OF E-PAYMENT GATEWAY WAS RAISED WITH THE NIC AND THE SAME WAS PENDING DUE TO ISSUE OF SERVICE CHARGES. THE REPLY IS NOT ACCEPTABLE AS THE E-PAYMENT GATEWAY SHOULD HAVE BEEN PROVIDED IN TIME. REGARDING NON-MAINTENANCE OF RECORDS THE HPSIDCL AND INDUSTRIES DEPARTMENT STATED THAT THE EMD REGISTER WILL BE MAINTAINED IN FUTURE AND NO REPLY WAS FURNISHED BY THE DIT, HPSIDCL AND HPSIDCL.

THE PRINCIPAL SECRETARY (IT) ALSO ACCEPTED THE FACT AND ASSURED TO TAKE UP THE MATTER WITH NIC TO MAKE PROVISION IN THE APPLICATION SOFTWARE FOR MANAGEMENT OF EMD BY IMPLEMENTING THE E-PAYMENT MODULE IN THE NEAR FUTURE.

#### **2.4.9.4 Splitting up of work leading to circumvention of e-tendering**

TO COMPLETE THE WORK IN ALL RESPECT AND IN TIMELY MANNER IT SHOULD BE AWARDED AS PER THE APPROVED ESTIMATED COST AND TO A SINGLE PERSON. THE WORK SHOULD NOT BE SPLIT UP TO AVOID THE PRESCRIBED THRESHOLD LIMIT OF ` 10.00 LAKH FOR E-TENDERING.

AUDIT NOTICED THAT THE WORKS WERE SPLIT UP INTO TWO OR MORE PARTS BY KEEPING THE VALUE OF WORK ITEM IN A SINGLE WORK LESS THAN THE THRESHOLD LIMIT OF ` 10.00 LAKH BY HPSIDCL LIMITED TO AVOID E-TENDERING AND THE FOLLOWING POINTS HAD EMERGED.

- \* SPECIAL REPAIR AND MAINTENANCE OF TOILET OF UDYOG BHAWAN, SHIMLA WAS APPROVED (DECEMBER 2015) FOR ` 16.27 LAKH AND THE TENDERS WERE INVITED BY REDUCING THE ESTIMATED COST TO ` 9.06 LAKH. THE WORK ITEMS WERE FURTHER SPLIT UP INTO TEN PARTS KEEPING THE AMOUNT BELOW ` 1.00 LAKH. IT WAS FURTHER NOTICED THAT TWO TO THREE SAME BIDDERS HAVE PARTICIPATED IN ALL THE TEN WORK TENDERS AND THE WORKS WERE AWARDED TO THE SINGLE CONTRACTOR IN ALL THE TEN SPLIT UP WORKS.
- \* SPECIAL REPAIR AND MAINTENANCE OF AYURVEDIC HEALTH CENTRE AT GONDPUR JAI CHAND, UNA DISTRICT WAS SANCTIONED (SEPTEMBER 2016) FOR ` 19.26 LAKH. THE WORK WAS SPLIT UP INTO TWO PARTS BY REDUCING THE ESTIMATED COST TO ` 6.50 LAKH AND ` 5.88 LAKH AND BOTH THE WORKS WERE AWARDED (JULY AND SEPTEMBER 2016) TO THE SAME CONTRACTOR FOR ` 8.10 LAKH AND ` 8.55 LAKH AGAINST THE ESTIMATED COST.

THE HPSIDCL STATED THAT WORKS WERE SPLIT UP DUE TO URGENCY OF WORKS. THE FACT HOWEVER REMAINS THAT THE WORKS WERE SPLIT UP TO CIRCUMVENT E-TENDERING AND DEFEATING THE OBJECTIVES OF TRANSPARENCY AND COMPETITIVENESS IN TENDERING PROCEDURES.

THE PRINCIPAL SECRETARY (IT) ADMITTED THE FACT AND ASSURED THAT THE MATTER WILL BE TAKEN UP WITH HPSIDCL.

#### **2.4.9.5 Non-publishing of corrigendum**

HPFRS PROVIDE FOR PUBLISHING OF TENDERS IN THE OFFICIAL GAZETTE AND PRINT MEDIA. THE CVC GUIDELINES PROVIDES THAT ANY CHANGE IN THE TENDER TERMS AND CONDITIONS, SPECIFICATIONS AND TENDER OPENING DATE BE NOTIFIED TO ALL THE BIDDERS SUFFICIENTLY IN ADVANCE OF THE REVISED TENDER OPENING DATE.

AUDIT NOTICED THAT IN FIVE<sup>22</sup> OUT OF SEVEN SELECTED ORGANISATIONS, 216 CORRIGENDA WERE ISSUED BUT THE SAME WERE NOT PUBLISHED IN THE MEDIA I.E. OFFICIAL GAZETTE AND LEADING NEWSPAPER

THUS, NON-PUBLISHING OF CORRIGENDUM IN THE MEDIA AND NON-PROVIDING OF ADEQUATE TIME TO THE BIDDERS WAS IN CONTRAVENTION OF THE *ibid* PROMSION OF HPFRS AND CVC GUIDELINES, AND ALSO DEPRIVING OF THE PROSPECTIVE BIDDERS FROM PARTICIPATION IN TENDERING PROCESS COULD ALSO NOT BE RULED OUT

THE PRINCIPAL SECRETARY (IT) ACCEPTED THE FACTS AND ASSURED TO LOOK INTO THE MATTER AND TAKE APPROPRIATE ACTION

#### **2.4.9.6 Non-availing of benefit of Mission Mode Project**

FOR IMPLEMENTATION OF E-PROCUREMENT PROJECT IN MISSION MODE PROJECT (MMP), GOI PROPOSED (DECEMBER 2009) FOR INTEGRATION OF E-PROCUREMENT PROCESS WITH THE CENTRALISED SERVER OF DIRECTOR GENERAL OF SUPPLY AND DISPOSAL (DGS&D). SOFTWARE ALREADY DEVELOPED BY NIC AND HARDWARE/ TECHNICAL SUPPORT OF DGS&D WAS OFFERED FOR IMPLEMENTATION OF E-PROCUREMENT IN THE STATE. FOR THIS PURPOSE, FINANCIAL INCENTIVES WERE AVAILABLE FROM GOI IF REQUIREMENT OF FUNDS ALONG WITH ROLLOUT ACTIVITIES WERE SUBMITTED TO GOI WITHIN 45 DAYS FROM THE DATE OF PROPOSAL

AUDIT NOTICED THAT THE STATE INSTEAD OF SUBMITTING THE PROPOSAL TO GOI, OBTAINED (MARCH-JUNE 2010) PROPOSALS FROM THREE GOVERNMENT UNDERTAKINGS FOR IMPLEMENTATION OF THE PROJECT. THE PROPOSALS COULD NOT BE IMPLEMENTED MAINLY DUE TO NON-CONFIRMATION OF APPLICATION SERVICE PROVIDER AND NON-RECEIPT OF COMMERCIAL OFFER FROM THE UNDERTAKINGS. THE NIC WAS REQUESTED FOR IMPLEMENTATION OF E-PROCUREMENT PROJECT IN AUGUST 2010. AN AMOUNT OF ` 1.99 CRORE WAS PAID (OCTOBER-NOVEMBER 2010) TO NATIONAL INFORMATICS CENTRE SERVICES INCORPORATED (NICS-I) FOR SETTING UP OF PROJECT MANAGEMENT UNIT (PMU) AND PROVIDING TECHNICAL SUPPORT TO THE IMPLEMENTING ORGANISATIONS. AUDIT OBSERVED THAT THE EXPENDITURE OF ` 1.99 CRORE<sup>23</sup> INCURRED BY THE DIT FOR SETTING UP OF PMU AND PROVIDING TECHNICAL SUPPORT COULD HAVE BEEN SAVED HAD THE STATE ACCEPTED THE PROPOSAL OF THE GOI FOR INTEGRATION OF E-PROCUREMENT PROCESS WITH THAT OF DGS&D.

THE DIRECTOR IT STATED (MAY 2017) THAT PROPOSAL COULD NOT BE SUBMITTED TO GOI IN THE FIRST INSTANCE AS THE MATTER WAS TAKEN UP FOR SEEKING CLARIFICATION (FEBRUARY 2010) ON TERMS AND CONDITIONS FOR USAGE OF DGS&D DATA CENTRE TO HOST E-GOVERNMENT PROCUREMENT APPLICATION. THE REPLY IS NOT ACCEPTABLE AS FINANCIAL INCENTIVES FOR ALL BACK END FACILITIES AND TECHNICAL SUPPORT WERE TO BE PROVIDED BY THE GOI BY INTEGRATING THEIR E-PROCUREMENT PROCESS THROUGH THE DGS&D SYSTEM WHICH WAS TO BE IMPLEMENTED BY THE NIC.

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<sup>22</sup> HPTDCL: EIGHT, HPSEDCL: FOUR, HPSCSCL: EIGHT, HPSIDCL: 195 AND INDUSTRIES DEPARTMENT ONE

<sup>23</sup> OCTOBER 2010: ` 1.98 CRORE AND NOVEMBER 2010: ` 0.01 CRORE

#### 2.4.9.7 Shortfall in holding of meetings and non-formulation of policy decisions

THE CORE COMMITTEE WAS CONSTITUED (SEPTEMBER 2011) FOR IMPLEMENTATION OF THE E-PROCUREMENT WHICH WAS TO GUIDE THE SMOOTH ROLIE OUT OF GEPNIC BY TAKING SWIFT DECISIONS AND FOLLOWING UP IMPLEMENTATION PLAN AT EACH STAGE. FURTHER ALL POLICY RELATED DECISIONS SUCH AS REVISION OF TENDERING RULES, ISSUE OF EXECUTIVE INSTRUCTIONS, VETTING OF STANDARD BIDDING DOCUMENT, DRAFTING AND SIGNING OF MEMORANDUM OF UNDERSTANDING (MOU) WITH BANKS WERE TO BE TAKEN BY THE CORE COMMITTEE AND MEET ONCE EVERY MONTH DURING INITIAL SIX MONTHS OF IMPLEMENTATION.

AUDIT OBSERVED THAT AGAINST REQUIRED SIX MEETINGS AT THE INITIAL STAGE OF IMPLEMENTATION, ONLY TWO MEETINGS WERE HELD RESULTING IN SHORTFALL OF FOUR MEETINGS (67 per cent). THOUGH THERE WAS NO MENTION ABOUT THE PERIODICITY OF HOLDING MEETINGS AFTER INITIAL PERIOD OF SIX MONTHS, ONLY ONE MEETING WAS HELD BETWEEN FEBRUARY 2012 AND MARCH 2017. IN THESE THREE MEETINGS, THE MATTER REGARDING FIXING OF THRESHOLD LIMITS, PROVIDING TRAINING TO USER ORGANISATIONS AND BIDDERS HELP DESK, INCLUSION OF ALL THE E-PROCUREMENT MODULES, REGISTRATION OF BIDDERS AND SENDING SMS/ E-MAIL ALERT OF PUBLISHED TENDERS AND INCLUSION OF LEFT OUT GOVERNMENT ORGANISATIONS WERE DISCUSSED. NO DECISIONS THEREON, EXCEPT IMPLEMENTING THE THRESHOLD LIMIT WAS ACHIEVED. IT WAS NOTICED IN AUDIT THAT FOR EFFECTIVE IMPLEMENTATION OF E-PROCUREMENT THE POLICY RELATED DECISIONS SUCH AS REVISION OF TENDERING RULES, ISSUE OF EXECUTIVE INSTRUCTIONS, VETTING OF STANDARD BIDDING DOCUMENT, DRAFTING AND SIGNING OF MOU WITH BANKS, ETC., COULD NOT BE TAKEN DUE TO NON-CONVENING OF THE REQUIRED MEETINGS. E-PROCUREMENT WAS NOT EFFECTIVELY IMPLEMENTED IN GOVERNMENT ORGANISATIONS. AS A RESULT, OBJECTIVES OF E-PROCUREMENT COULD BE ACHIEVED IN A LIMITED MANNER.

THE PRINCIPAL SECRETARY (IT) ACCEPTED THE FACT AND ASSERIED THAT ISSUE OF PROPER PLANNING AND MANDATE TO IMPLEMENT E-PROCUREMENT WILL BE TAKEN UP IN THE CORE COMMITTEE.

#### 2.4.9.8 Shortfall in providing training to the bidders

PARAGRAPH 6.1 OF THE PROJECT PROPOSAL PROVIDES FOR NECESSARY TRAINING AND SUPPORT IN E-PROCUREMENT SYSTEM TO THE CONCERNED STATE DEPARIMENTS AND BIDDERS. THOUGH NECESSARY TRAINING WAS PROVIDED TO OFFICIALS OF THE IMPLEMENTING ORGANISATIONS, SAID TRAINING WAS ONLY PROVIDED TO 259 (TWO per cent) OUT OF 11,911 REGISTERED BIDDERS DURING 2011-17, THUS, DEPRIVING THE PROSPECTIVE BIDDERS THE NECESSARY CAPACITY BUILDING IN E-PROCUREMENT.

THE PRINCIPAL SECRETARY (IT) ACCEPTED THE FACT AND ASSURED FOR COMPLIANCE OF THE AUDIT OBSERVATION.

#### 2.4.10 Conclusion

E-PROCUREMENT PROJECT WAS NOT CONCEIVED AND IMPLEMENTED IN THE STATE OF HIMACHAL PRADESH PROPERLY. THE MAIN DEFICIENCIES NOTICED IN AUDIT WERE:

- \* ONLY ONE OUT OF SEVEN MODULES ON E-TENDERING WAS IMPLEMENTED IN 26 OUT OF 90 ORGANISATIONS FOR TENDERS ABOVE ` 10 LAKH. EVEN IN THIS MODULE THE CRUCIAL ACTIVITIES OF ON-LINE OPENING OF BIDS, NEGOTIATIONS AND AWARD OF CONTRACTS WAS BEING DONE MANUALLY.

- \* BUSINESS RULES WERE NOT COMPLETELY MAPPED IN THE APPLICATION SOFTWARE IN CRITICAL AREAS LIKE ADVANCING THE TENDER SUBMISSION TIME AND NON- PUBLICATION OF CORRIGENDUM.
- \* IT DID NOT PROMOTE TRANSPARENT BIDDING AS INSTANCES OF MULTIPLE BIDS FROM A SINGLE IP ADDRESS AND FORMATION OF CARTELS COULD NOT BE CONTAINED.
- \* INADEQUATE MAPPING OF DSCS WITH USERID MADE SYSTEM VULNERABLE TO MISUSE.
- \* VALIDATION CHECKS WERE NOT DESIGNED PROPERLY WHICH DIRECTLY AFFECTED THE INTEGRITY OF DATA IN THE SYSTEM.
- \* BECAUSE OF DEFICIENCIES LIKE NON-FRAMING OF RULES FOR IMPLEMENTATION OF PROJECT, NON-FINALISATION OF SLAS WITH NIC, THE DESIRED LEVEL OF SERVICE WAS NOT ENSURED AND NO REMEDIAL ACTION COULD BE TAKEN.
- \* NON-SEGREGATION OF CRITICAL FUNCTIONS MAY LEAD TO ABSENCE OF CONTROLS, IRREGULARITIES AND AFFECT DATA INTEGRITY.

DUE TO SERIOUSNESS OF THE DEFICIENCIES NOTICED IT IS APPARENT THAT THE KEY OBJECTIVE OF TRANSPARENCY IN THE BIDDING PROCESS, INCREASED COMPETITION AND REDUCTION IN COST OF PROCUREMENT COULD NOT BE ACHIEVED.

#### **2.4.11 Recommendations**

IN THE LIGHT OF THE AUDIT FINDINGS, THE STATE GOVERNMENT MAY CONSIDER THAT

- \* SYSTEM DESIGN DEFICIENCIES SHOULD BE SET RIGHT BY FULL MAPPING OF BUSINESS RULES AND EMBEDDING OF VALIDATION CHECKS INTO THE SYSTEM TO MAKE IT RELIABLE.
- \* IN ORDER TO REAP THE BENEFIT OF SYNERGY, ALL THE MODULES MAY BE FULLY DEPLOYED TO BRING OUT TRANSPARENCY, ECONOMY AND EFFECTIVENESS IN PUBLIC PROCUREMENT.
- \* ACT RULES, SERVICE LEVEL AGREEMENT AND ROLLOUT PLAN SHOULD BE PREPARED/ EXECUTED FOR EFFECTIVE IMPLEMENTATION OF E-PROCUREMENT IN ALL THE ORGANISATIONS OF THE STATE GOVERNMENT.
- \* THE REQUIRED LEVEL OF SERVICES EXPECTED FROM THE SERVICE PROVIDER MAY BE DEFINED AND MECHANISM TO MONITOR DELIVERY OF QUALITY SERVICES SHOULD BE EVOLVED THROUGH SERVICE LEVEL AGREEMENT.
- \* ACCESS CONTROLS, PASSWORD POLICY AND SEGREGATION OF DUTIES FOR EXECUTION OF ASSIGNED ROLES SHOULD BE STRENGTHENED TO ENHANCE THE RELIABILITY AND UTILITY OF THE E-PROCUREMENT SYSTEM.
- \* TRAINING PROGRAMMES SHOULD BE CONDUCTED FOR PROSPECTIVE USERS/ BIDDERS TO ENHANCE VENDOR PARTICIPATION FOR OBTAINING COMPETITIVE RATES.

THE AUDIT FINDINGS WERE REFERRED TO THE GOVERNMENT IN AUGUST 2017. REPLY HAD NOT BEEN RECEIVED (NOVEMBER 2017).