OFFICE OF THE ACCOUNTANT GENERAL (AUDIT-II), KERALA, THIRUVANANTHAPURAM

No. AG(Au-II)/APCC/1-11/2026-27/
Date:24-08-2026

<u>Circular No.29</u>

Sub: Instructions on Retendered Procurement Processes.

Attention is invited to the Audit Instructions on Retendered Procurement Processes issued by Headquarters vide PPG OM no. J82/S1-PPG/2025 dated 17.12.2025 (copy enclosed). The OM has been issued in the context of adopting risk-based and efficiency-based approaches in the audit of public procurement decisions with focus on timely decision-making, efficiency in implementation, safeguarding competition and public interest.
The following aspects highlighted in the OM may be kept in view while auditing procurement processes:

1. Instances where a procurement process has been cancelled and restarted, particularly repeated retendering, are to be examined to determine whether the cancellation and restart were supported by sufficient justification and whether they resulted in delays or avoidable financial losses.
2. A procurement process at the contract formation stage should not be cancelled where an appeal/review relating to the procurement process has been filed before an appellate authority within the same department, or where notice for preliminary hearing has been issued by such authority.
3. Cancellation of a procurement process should generally be allowed only under limited circumstances. The OM highlights, inter alia, the following situations:
    - the technical/financial qualifying criteria were unduly and unreasonably restrictive, resulting in inadequate competition;
    - the price finally offered by a technically qualified bidder was determined to be unreasonable;
    - the goods/services/works were no longer required without significant modification to the scope;
    - the anticipated fund flow necessary to sustain the procurement process had not materialised or was unlikely to materialise;
    - the remaining time for project implementation was insufficient to justify award as initially envisaged; or
    - a change in the procurement method was contemplated for achieving more economical or efficient procurement.
4. The cases listed above are illustrative. Where cancellation is resorted to, the

reasons are to be recorded in writing. The OM also refers to safeguards restricting cancellation and retendering of procurement processes contained in General Financial Rule 173(xviii), Clauses 7.8(3) and 7.6.11 of the Manual of Procurement of Goods and para 11.8 of Department of Expenditure Guidelines No. F.1/1/2021-PPD dated 29.10.2021.

5. The OM also draws attention to instances of improper application of instructions relating to e-Reverse Auctions (ERAs). Where the price bids of selected/shortlisted bidders are found reasonable in relation to the estimated prices during the initial competitive procurement process, cancellation merely because none of the shortlisted bidders participated in a subsequent ERA could result in procurement delays and defeat the purpose of the initial competitive process.

Headquarters has directed that during the audit of procurement processes, audit teams shall invariably examine whether the procurement process was cancelled and restarted at any stage and, if so, whether such cancellation and restart adhered to the general discipline and rigour indicated in the OM. Any deviation in the process should be subjected to enhanced audit oversight and detailed examination to determine whether competition and public interest, including financial discipline, were adversely affected during the retendered procurement process. A specific audit observation may be recorded in such cases.

The above audit instructions may be noted for compliance during the planning and conduct of audit of infrastructure projects.

A status report comprising the details of units in which these instructions were exercised/no of instances covered and specific findings on the points covered in the OM may be submitted to AG by end of first week of September 2026.

All the Group Officers are directed to closely watch progress of the implementation of above instructions/advisories.

(Vide orders of Accountant General)

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Anish D
Date: 24-08-2026
16:00:14

Senior Deputy Accountant General (Admin &AMG I)

Copy to: 1. Sr. Deputy Accountant General/ AMG I, AMG II, AMG III
2. Secretary to Accountant General
3. Sr. AO/AMG I, AMG II, AMG III (For circulation to field parties)

भारत के नियंत्रक एवं महालेखापरीक्षक का कार्यालय, नई दिल्ली

प्रोफेशनल प्रैक्टिसेज़ ग्रुप

पत्र संख्या:382 /51-PPG/2025

दिनांक:17.12.2025

OFFICE MEMORANDUM

विषय: Instructions on Retendered Procurement Processes

1. The CAG's Office in consultation with NITI Aayog and DOE had initiated discussions in April 2025 focused on, inter alia, transformation of traditional approaches to audit of decisions of public procurement officials, especially with a view to infuse existing audit practices with risk-based and efficiency-based approaches that are increasingly being practiced world-wide so as to maintain a constant focus on timely decision-making and efficiency in implementation of infrastructure projects.

2. With this objective in view, the CAG's Office had constituted a Working Group that has held intensive deliberations with a number of important stakeholders; and one of the very first issues identified for risk-based audit is the increasing tendency of public procurement agencies to cancel and restart tender procedures without sufficient justifications. This advisory is accordingly being issued for guidance of all Audit Offices engaged with ensuring oversight of such instances observed during audit.

3. Instances have come to notice of Audit regarding a number of tools employed by some procuring officials to award contracts to favoured bidders, including (repeated) retendering of a project until/to ensure that only such a bidder or a pool of such bidders remains in fray. In addition, there may be cases of retendering where a procurement process is cancelled on seemingly appropriate grounds such as the price bids of selected/ shortlisted bidders estimated as being high, or the expected market price of the subject-matter of procurement coming down in the near future; but upon entering into a retendered procurement process, it is subsequently found that the price bids of selected/ shortlisted bidders in the new process are actually higher than the ones discovered in the earlier procurement process, thus resulting in both delays in project award and avoidable financial losses to the public exchequer.

4. While some State government and PSU rules limit unbridled cancellation (followed by restart) of a procurement process, some others merely require reasons to be recorded in writing before procuring officials can cancel (and restart) a procurement process. However, even in the latter case, it is enlightening to note that in such states/ PSUs where there are no effective checks on repeated retendering and/ or no moves to curtail such sweeping powers, their own procuring officials are obligated to follow international best practices when processing externally-aided projects.

5. While surveying such cases in some States (including States and GoI where a different and more forward-looking set of rules is followed in cases of procurement process cancellation and/ or retendering of externally-aided projects), it has been noticed that effective procurement reform requires any unlimited powers of procuring entities to cancel a procurement process at any stage to be checked, in order to prevent their misuse in favour of one or more bidders. Such cancellation should, therefore, generally be allowed only under very limited circumstances; and while such a measure will surely minimise the misuse of administrative discretion for repeated retendering, progress could also simultaneously be made towards enhancing confidence of bidders/ prospective bidders participating in a procurement processes, thereby enhancing competition and value-for-money in the public interest.

6. Typical instances of forward-looking practices adopted in India in this regard include at least some of the following elements:

   a. That a procuring entity may, for reasons to be recorded in writing, cancel the process of procurement initiated by it **only at the contract formation stage**—the cancellation of a procurement process after a contract has been awarded being separately governed by contract clauses and relevant provisions of the Indian Contract Act 1872, as amended from time to time;

   b. That a procurement process at the contract formation stage is not cancelled by the procuring entity, **if any appeal/ review in regard to the instant procurement process has been filed** before an appellate authority within the same department, and/ or if any notice for preliminary hearing in this respect has been issued by such an appellate authority;

   c. That a procurement process is not cancelled at the contract formation stage **unless the facts and circumstances of the case are covered by one or more of the following situations**:

      i. If a competent procuring authority, either supervisory or the original tender sanctioning authority itself, determines that the technical/ financial qualifying criteria were unduly and unreasonably restrictive, leading to lack of adequate competition in the procurement process; and/ or

      ii. If the price being finally offered by a technically qualified bidder is determined by a procuring entity to be unreasonable; and/ or

      iii. If the goods/ services/ works are no longer required without significant modifications to the scope of the procurement process; and/ or

      iv. If the anticipated fund flow necessary to sustain the procurement process have not materialised or are unlikely to materialise; and/ or

      v. If the remaining time available for project implementation is no longer sufficient so as to justify award of a procurement contract as initially envisaged; and/ or

vi. If a change in the method of procurement is contemplated by the procuring entity for achieving more economical or efficient procurement of the subject matter of procurement.

7. The cases listed above are illustrative, and some **State/ procuring entity procurement rules may prescribe additional safeguards** restricting cancellation and retendering of procurement processes. For instance, General Financial Rule 173(xviii); Clauses 7.8(3) and 7.6.11 of the Manual of Procurement of Goods; and para 11.8 of DoE guidelines No. F.1/1/2021-PPD dated 29th October 2021 that apply to Ministries and Departments of the Government of India, **place limitations on the exercise of such discretionary powers by their procuring officers**.

8. Instances have also come to the notice of Audit where GoI/ State instructions on e-Reverse Auctions (ERAs) under a GeM environment (or otherwise) have been improperly applied, and where ERAs have been conducted as a second round of price negotiations even when the price bids of elected/ shortlisted bidder(s) is found to be reasonable in relation to the estimated prices during the initial competitive procurement process. Cancelling a procurement process in such cases, merely on the ground that none of the shortlisted bidders participated in an ERA held subsequent to the initial competitive procedure could encourage procurement delays and defeat the very purpose of conducting a competitive procurement process in the first instance.

9. It is therefore requested that all audit authorities, while auditing procurement processes in the normal course, shall invariably examine whether the procurement process was cancelled and restarted at any stage; and if so, whether the cancellation and restart of the procurement process subjected to audit adheres to the general discipline and rigour as mentioned at paragraphs 5, 6 and 7 of these instructions.

10. Where an audit team discovers that a procurement process has deviated from the general discipline and rigour as above in paragraphs 5, 6, 7 and 8, such a procurement process should be subjected by the audit team to enhanced audit oversight and a more detailed examination with a view to determine if competition and public interest in terms of ensuring financial discipline were adversely affected in any way during the retendered procurement process, and to give and record a specific audit observation in this regard.

Pandey

Swati Pandey
Principal Director (PPG)

To
All DAIs/ADAIs
All DG/PDs at Headquarters
Heads of Department of Field Offices

महालेखाकार)लेखापरीक्षा-II(का कार्यालय, केरल, तिरुवनंतपुरम
OFFICE OF THE ACCOUNTANT GENERAL (AUDIT-II), KERALA, THIRUVANANTHAPURAM

सं.मले) .लेप.II)/एपीसीसी/1-11/2026-27/
No. AG(Au-II)/APCC/1-11/2026-27/
दिनांक/Date:24-08-2026

परिपत्र सं./Circular No.29

विषय: दोबारा निविदा आमंत्रित की गई खरीद प्रक्रियाओं के संबंध में अनुदेश।
Sub: Instructions on Retendered Procurement Processes.

कृपया उपर्युक्त विषय पर मुख्यालय कार्यालय द्वारा पीपीजी कार्यालय ज्ञापन संख्या J82/S1-PPG/2025 दिनांक 17.12.2025 (प्रति संलग्न) के माध्यम से जारी दोबारा निविदा आमंत्रित की गई खरीद प्रक्रियाओं के संबंध में लेखापरीक्षा अनुदेशों की ओर ध्यान दें। उक्त कार्यालय ज्ञापन सार्वजनिक खरीद संबंधी निर्णयों की लेखापरीक्षा में जोखिम-आधारित एवं दक्षता-आधारित दृष्टिकोण अपनाने के संदर्भ में जारी किया गया है, जिसमें समयबद्ध निर्णय-निर्धारण, कार्यान्वयन में दक्षता, प्रतिस्पर्धा एवं जनहित की सुरक्षा पर विशेष ध्यान दिया गया है। खरीद प्रक्रियाओं की लेखापरीक्षा के दौरान कार्यालय ज्ञापन में रेखांकित निम्नलिखित पहलुओं को ध्यान में रखा जाए :
Attention is invited to the Audit Instructions on Retendered Procurement Processes issued by Headquarters vide PPG OM no. J82/S1-PPG/2025 dated 17.12.2025 (copy enclosed). The OM has been issued in the context of adopting risk-based and efficiency-based approaches in the audit of public procurement decisions with focus on timely decision-making, efficiency in implementation, safeguarding competition and public interest. The following aspects highlighted in the OM may be kept in view while auditing procurement processes:

1. ऐसे मामलों, जहाँ किसी खरीद प्रक्रिया को निरस्त कर पुन: प्रारंभ किया गया हो, विशेष रूप से बार-बार पुन: निविदा आमंत्रित किए जाने के मामलों की जाँच की जानी चाहिए, ताकि यह निर्धारित किया जा सके कि निरस्तीकरण एवं पुन: प्रारंभ करने का निर्णय पर्याप्त औचित्य पर आधारित था अथवा नहीं तथा इसके परिणामस्वरूप विलंब अथवा परिहार्य वित्तीय हानि हुई अथवा नहीं।
   Instances where a procurement process has been cancelled and restarted, particularly repeated retendering, are to be examined to determine whether the cancellation and restart were supported by sufficient justification and whether they resulted in delays or avoidable financial losses.

2. खरीद प्रक्रिया को संविदा गठन के चरण में तब निरस्त नहीं किया जाना चाहिए, जब उसी विभाग के अंतर्गत अपीलीय प्राधिकारी के समक्ष खरीद प्रक्रिया से संबंधित कोई अपील/पुनर्विलोकन दायर किया गया हो अथवा ऐसे प्राधिकारी द्वारा प्रारंभिक सुनवाई के लिए नोटिस जारी किया गया हो।
   A procurement process at the contract formation stage should not be cancelled where an appeal/review relating to the procurement process has been filed before an appellate authority within the same department, or where notice for preliminary hearing has been issued by such authority.

3. खरीद प्रक्रिया का रद्दीकरण सामान्यत: केवल सीमित परिस्थितियों में ही किया जाना चाहिए । कार्यालय ज्ञापन में, अन्य बातों के साथ-साथ, निम्नलिखित परिस्थितियों को रेखांकित किया है :
Cancellation of a procurement process should generally be allowed only under limited circumstances. The OM highlights, inter alia, the following situations:

- तकनीकी/वित्तीय अर्हता मानदंड अनुचित एवं अविवेकपूर्ण रूप से अत्यधिक प्रतिबंधात्मक थे, जिसके परिणामस्वरूप अपर्याप्त प्रतिस्पर्धा रही;
the technical/financial qualifying criteria were unduly and unreasonably restrictive, resulting in inadequate competition;

- तकनीकी रूप से अर्हता प्राप्त बोलीदाता द्वारा अंतत: प्रस्तावित मूल्य को अनुचित पाया गया;
the price finally offered by a technically qualified bidder was determined to be unreasonable;

- माल/सेवाएँ/कार्य अब दायरे में महत्वपूर्ण संशोधन के बिना आवश्यक नहीं थे;
the goods/services/works were no longer required without significant modification to the scope;

- आवश्यक खरीद प्रक्रिया को बनाए रखने हेतु अपेक्षित निधि प्रवाह उपलब्ध नहीं हो सका था अथवा उसके उपलब्ध होने की संभावना नहीं थी;
the anticipated fund flow necessary to sustain the procurement process had not materialised or was unlikely to materialise;

- परियोजना के कार्यान्वयन हेतु शेष समय प्रारंभ में परिकल्पित रूप में आबंटन को उचित ठहराने के लिए अपर्याप्त था;
the remaining time for project implementation was insufficient to justify award as initially envisaged;

- अथवा अधिक किफायती या दक्ष खरीद सुनिश्चित करने के लिए खरीद की पद्धति में परिवर्तन पर विचार किया गया था ।
or a change in the procurement method was contemplated for achieving more economical or efficient procurement.

4. उपर्युक्त उल्लिखित मामले दृष्टांतात्मक हैं । जहाँ खरीद प्रक्रिया को निरस्त किया जाता है, वहाँ निरस्तीकरण के कारणों को लिखित रूप में अभिलिखित किया जाना चाहिए । कार्यालय ज्ञापन में सामान्य वित्तीय नियम 173(xviii), वस्तुओं की खरीद संबंधी मैनुअल के खंड 7.8(3) एवं 7.6.11 तथा व्यय विभाग के दिशानिर्देश संख्या F.1/1/2021-PPD दिनांक 29.10.2021 के पैरा 11.8 में निहित खरीद प्रक्रियाओं के निरस्तीकरण एवं पुनः निविदा आमंत्रित करने को प्रतिबंधित करने वाले सुरक्षा उपायों का भी उल्लेख किया गया है ।
The cases listed above are illustrative. Where cancellation is resorted to, the reasons are to be recorded in writing. The OM also refers to safeguards restricting cancellation and retendering of procurement processes contained in General Financial Rule 173(xviii), Clauses 7.8(3) and 7.6.11 of the Manual of Procurement of Goods and para 11.8 of Department of Expenditure Guidelines No. F.1/1/2021-PPD dated 29.10.2021.

5. कार्यालय ज्ञापन में ई-रिवर्स नीलामी से संबंधित अनुदेशों के अनुचित अनुप्रयोग के मामलों की ओर भी ध्यान आकृष्ट किया गया है । जहाँ प्रारंभिक प्रतिस्पर्धात्मक खरीद प्रक्रिया के दौरान

चयनित/शॉर्टलिस्ट किए गए बोलीदाताओं द्वारा प्रस्तुत मूल्य बोलियाँ प्राक्कलित मूल्यों की तुलना में उचित पाई जाती हैं, वहाँ केवल इस आधार पर खरीद प्रक्रिया को निरस्त करना कि बाद में आयोजित ई-रिवर्स नीलामी में शॉर्टलिस्ट किए गए बोलीदाताओं में से किसी ने भी भाग नहीं लिया, खरीद में विलंब का कारण बन सकता है तथा प्रारंभिक प्रतिस्पर्धात्मक प्रक्रिया के उद्देश्य को विफल कर सकता है ।

The OM also draws attention to instances of improper application of instructions relating to e-Reverse Auctions (ERAs). Where the price bids of selected/shortlisted bidders are found reasonable in relation to the estimated prices during the initial competitive procurement process, cancellation merely because none of the shortlisted bidders participated in a subsequent ERA could result in procurement delays and defeat the purpose of the initial competitive process.

मुख्यालय कार्यालय द्वारा निदेश दिया गया है कि खरीद प्रक्रियाओं की लेखापरीक्षा के दौरान लेखापरीक्षा दल यह अनिवार्य रूप से जाँच करें कि क्या खरीद प्रक्रिया को किसी भी चरण पर निरस्त कर पुनः प्रारंभ किया गया था और, यदि ऐसा किया गया था, तो क्या ऐसा निरस्तीकरण एवं पुनः प्रारंभ कार्यालय ज्ञापन में उल्लिखित सामान्य अनुशासन एवं कठोरता के अनुरूप किया गया था । प्रक्रिया में किसी भी विचलन को लेखापरीक्षा की गहन निगरानी के अधीन रखते हुए विस्तृत रूप से जाँचा जाना चाहिए, ताकि यह निर्धारित किया जा सके कि पुनः निविदित खरीद प्रक्रिया के दौरान प्रतिस्पर्धा एवं जनहित, जिसमें वित्तीय अनुशासन भी शामिल है, पर प्रतिकूल प्रभाव तो नहीं पड़ा । ऐसे मामलों में एक विशिष्ट लेखापरीक्षा टिप्पणी अभिलिखित की जा सकती है ।

Headquarters has directed that during the audit of procurement processes, audit teams shall invariably examine whether the procurement process was cancelled and restarted at any stage and, if so, whether such cancellation and restart adhered to the general discipline and rigour indicated in the OM. Any deviation in the process should be subjected to enhanced audit oversight and detailed examination to determine whether competition and public interest, including financial discipline, were adversely affected during the retendered procurement process. A specific audit observation may be recorded in such cases.

उपर्युक्त लेखापरीक्षा अनुदेशों को अवसंरचना परियोजनाओं की लेखापरीक्षा की योजना बनाने तथा लेखापरीक्षा के संचालन के दौरान अनुपालन हेतु ध्यान में रखा जाए । इन अनुदेशों का प्रयोग किए गए कार्यालयों/इकाइयों का विवरण, कवर किए गए प्रकरणों की संख्या तथा कार्यालय ज्ञापन में उल्लिखित बिंदुओं पर प्राप्त विशिष्ट निष्कर्षों को सम्मिलित करते हुए एक स्थिति रिपोर्ट सितंबर 2026 के प्रथम सप्ताह के अंत तक महालेखाकार को प्रस्तुत किया जाए ।

The above audit instructions may be noted for compliance during the planning and conduct of audit of infrastructure projects. A status report comprising the details of units in which these instructions were exercised/no of instances covered and specific findings on the points covered in the OM may be submitted to AG by end of first week of September 2026.

सभी समूह अधिकारियों को उपर्युक्त अनुदेशों/परामर्शों के कार्यान्वयन की प्रगति पर निकटता से निगरानी रखने का निर्देश दिया जाता है ।

All the Group Officers are directed to closely watch progress of the implementation of above instructions/advisories

(महालेखाकार के आदेशानुसार / Vide orders of Accountant General)

वरिष्ठ उप महालेखाकार (प्रशा. व एएमजी I)
Senior Deputy Accountant General (Admin &AMG I)

प्रतिलिपि/Copy to :

1. वरि. उप महालेखाकार/ एएमजी I, एएमजी II, एएमजी III
   Sr. Deputy Accountant General/ AMG I, AMG II, AMG III

2. महालेखाकार के सचिव
   Secretary to Accountant General

3. व.लेप.अ./ एएमजी I, एएमजी II, एएमजी III (क्षेत्रीय दलों को परिचालनार्थ)
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