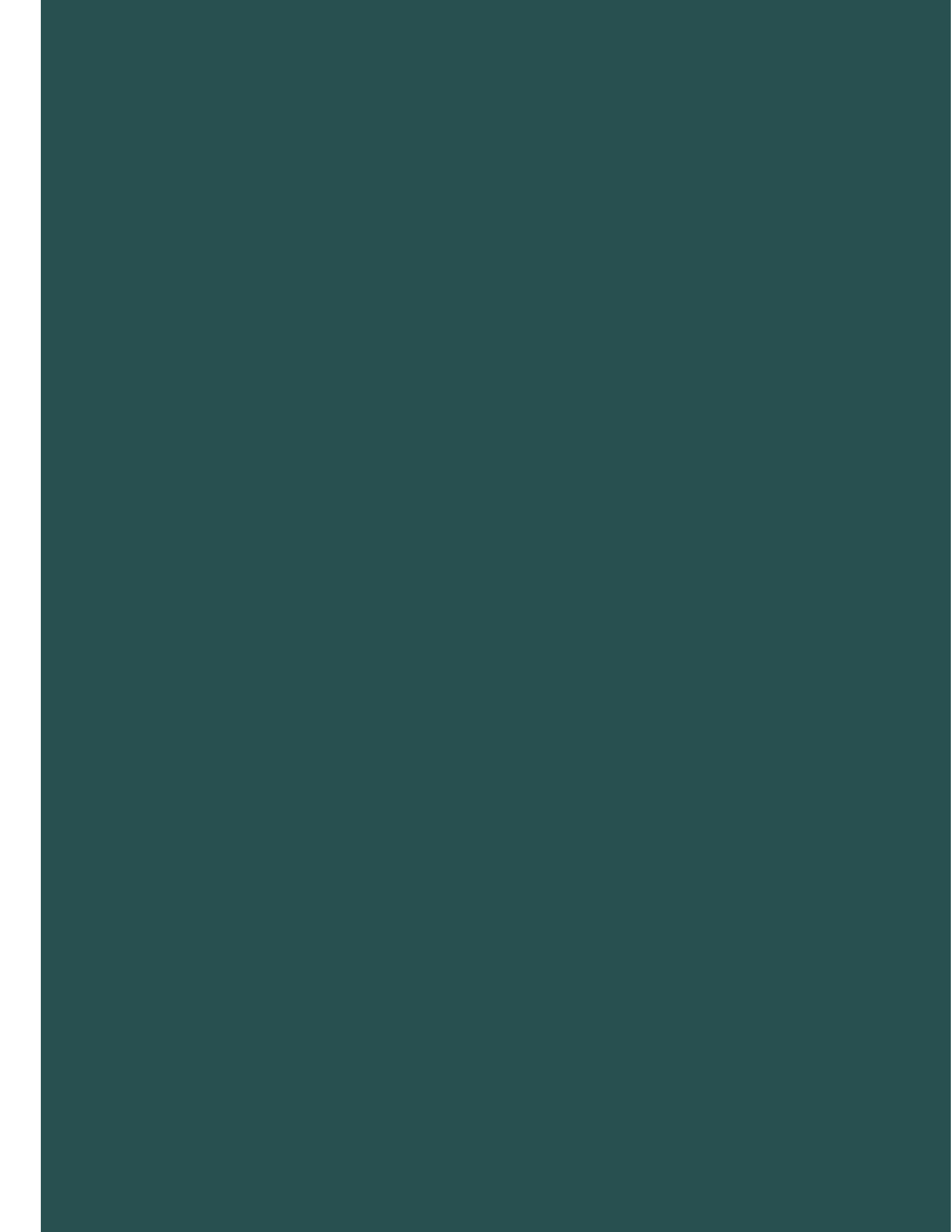


CHAPTER V
COLLUSIVE BIDDING
AND
CARTELISATION IN
TENDERING



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COLLUSIVE BIDDING AND CARTELISATION IN TENDERING

Collusive bidding or bid rigging counteracts the purpose of tendering and is inherently anti-competitive. Scrutiny of selected tenders, revealed patterns of bidding *viz.*, bid rotation, bidders with family relationship, bid submission from procuring entity computer, different bidders placing bids for a tender from the same IP address, double EMD, coded intimation by bidders and consecutive EMD instrument numbers, indicative of bid rigging and cartelisation. These fraudulent practices by bidders and failure of tender evaluating/approving officials, derail Government's efforts to increase bidder participation, reduce costs and enhance transparency in the procurement system. Government accepted (February 2023) the observations and stated that the inputs will be useful for the new eProcurement portal to be implemented from 1 April 2023.

5.1 Introduction

Tender process is intended to enable the procurement of goods or services on the most favourable terms and conditions. But this intention is defeated if prospective bidders collude or act in agreement. Such collusive bidding or bid rigging counteracts the purpose of tendering and is inherently anti-competitive.

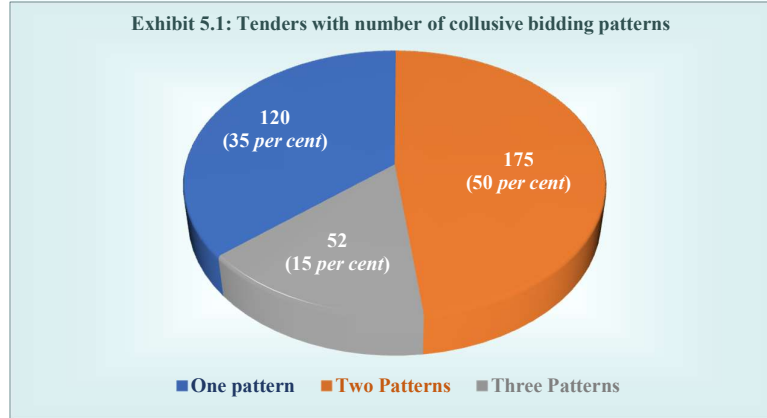
'Bid rigging' is defined as any agreement, between enterprises or persons engaged in identical or similar production or trading of goods or provision of services, which has the effect of eliminating or reducing competition for bids or adversely affecting or manipulating the process for bidding¹.

'Cartel' includes an association of producers, sellers, distributors, traders or service providers who, by agreement amongst themselves, limit, control or attempt to control the production, distribution, sale or price of or trade in goods or provision of services².

One or more bidding patterns noticed in the same tender is an indicator of organised limited participation of bidders preventing healthy competition. Scrutiny of 1,260 sampled tenders in the selected procuring units and data analysis revealed seven patterns of bidding *viz.*, bid rotation, bidders with family relationship, bid submission from procuring entity computer, different bidders placing bids for a tender from the same IP address, double EMD, coded intimation by bidders and consecutive EMD instrument numbers indicative of bid rigging and cartelisation. Further, at least one pattern indicating collusive bidding was noticed in 347 tenders as depicted in the **Exhibit 5.1**.

¹ The Explanation to Section 3(3) of the Competition Act, 2002.

² As defined in Section 2(c) of the Competition Act, 2002.



The above mentioned bidding patterns indicate collusion between the procuring entity and the bidders and is a form of assuring the bidders that they would get the contract before submission of bid. It also points to failure on the part of the officials involved in the evaluation and approval of the tenders which derails the Government's efforts to improve the procurement system by increasing participation, reducing costs and enhancing transparency. Deficiencies noticed in this regard are discussed below.

5.2 Analysis of number of bids received for a tender

The eProcurement system does not restrict prospective eligible bidders from bidding for a tender published in the eProcurement portal. Data analysis of 1.34 lakh tenders published in the eProcurement portal between April 2016 and March 2022 disclosed that 0.62 lakh tenders (46.27 per cent) received only two bids. Details of such limited bidding in the selected procuring units are given in **Table 5.1**.

Table 5.1: Tenders with same pair of bidders in sampled procuring entities

Sl. No.	Office	Number of				Percentage of pairs in column (e) to pairs in column (d)	Percentage of tenders for pairs in column (f) to column (c)
		Tenders with two bids	Pairs of bidders	Pairs of bidders placed bids for 10 or more tenders	Tenders participated by bidders in column (e)		
(a)	(b)	(c)	(d)	(e)	(f)	(g) = ((e)/(d)) x 100	(h) = ((f)/(c)) x 100
1	Greater Chennai Corporation	7,607	2,102	158	3,658	7.51	48.09
2	DRDA, Coimbatore	918	168	26	543	15.48	59.15
3	DRDA, Karur	724	146	21	375	14.38	51.80
4	DRDA, Krishnagiri	1,216	202	28	758	13.86	62.34
5	DRDA, Perambalur	299	63	6	169	9.52	56.52
6	Tamil Nadu Electricity Board	11,303	4,061	213	4,267	5.25	37.75
7	DRDA, Salem	1,647	302	46	1,057	15.23	64.18
8	DRDA, Thanjavur	681	159	15	366	9.43	53.74
9	TNCSC	346	100	6	113	5.94	32.66

(Source: Data analysis of tender data)

It is seen from **Table 5.1** that:

- Five to sixteen *per cent* pair of bidders participated in 33 to 64 *per cent* of tenders indicating limited participation of bidders and the likelihood of collusive bidding by participating bidders.
- In DRDA, Perambalur and TNCSC, six pairs participated in 169 and 113 tenders respectively. In these tenders, the contracts were shared between the two participating bidders in the ratio of 50:50 in DRDA, Perambalur and 55:45 in TNCSC.

In the sampled procuring entities where more than 300 tenders were received with only two bids, it was noticed that the same pairs of bidders bid for a large number of tenders and cornered the lion's share of contracts.

5.3 Bidders becoming L1 on rotation (Bid rotation)

Bid rotation is the arrangement among bidders to determine bid winners in advance on a rotational basis and is one of the methods adopted for bid rigging. Scrutiny of sampled tenders in two selected procuring units revealed occurrence of Bid rotation in 20 tenders as discussed below:

(i) TNCSC, Chennai published 15 tenders (January 2019) for the work of 'Re-construction of 5,000 MT Godowns' in Nagapattinam District. While eight tenders received three bids each, the remaining seven tenders received two bids each. In the eight tenders with three bids, one bidder in each case had not paid EMD which indicated that it was a non-serious bid/dummy bid bound to be disqualified. Hence, effectively there were only two eligible bidders for each of the fifteen tenders. In total, ten bidders submitted bids for the fifteen tenders.

Scrutiny of tender documents along with the bidding pattern showed that the above mentioned 10 bidders emerge as five distinct pairs. Each of the five pairs always bid for the same tender and come out successful in half the number of tenders they bid for as shown in **Table 5.2**.

Table 5.2: Details of bids submitted and the outcome in 15 tenders

Pair No.	Bidder	Bids submitted	Bids as L1	Bids as L2
1	Chinnasamy Builders, Thanjavur	4	2	2
	RK Engineering, Chennai	4	2	2
2	S. Sambasivam, Thanjavur	4	2	2
	P. Muthuvel, Thiruvarur	4	2	2
3	Himeshwar Engineering, Thiruvarur	3	2	1
	MSG Infra, Thiruvarur	3	1	2
4	G. Jeshpal, Needamangalam	2	1	1
	M/s Senthur Infratech and Builders, Erode	2	1	1
5	S. Nallathambi, Thanjavur	2	1	1
	M/s U.G. Construction, Thanjavur	2	1	1

(Source: Records furnished by TNCSC)

It was seen from **Table 5.2** that:

- All bids were submitted on the same day within 5 to 10 hours though the bidders were from different geographical locations³. While six of the ten bidders submitted their bids from the IP address **117.241.31.37** the remaining bidders submitted their bids from the IP address **117.241.91.82**.
- Though the work is of the same type, in the same place and the department estimated item rates are same for all tenders, all the ten bidders have consistently submitted higher bids for tenders in which they are L2 bidders compared to their bids submitted for tenders in which they are L1 bidders.

(ii) In another work viz., ‘Providing of 10 numbers, 20 numbers and 20 numbers Portable Paddy covered shed by using Pre-fabricated Galvalume sheet shelter with movable type to open plinth cap paddy storage’ in Nagapattinam, Thanjavur and Thiruvarur Districts respectively TNCSC, Chennai published three tenders (November 2020). The Bill of Quantities (BoQ) of all three tenders carried the same 30 items and estimated item rate. The details of bids received and the outcome of the tenders are given in **Table 5.3**.

Table 5.3: Details of bidders in three tenders of TNCSC

Sl. No.	Tender Id and Tender value	District	Number of Works	Number of bidders	L1	L2
1	2020_TNCSC_184349_1 ₹1,00,00,000	Nagapattinam	10	2	P.Muthuvel	Himeshwar Engineering
2	2020_TNCSC_184370_1 ₹2,00,00,000	Thanjavur	20	2	Himeshwar Engineering	P.Muthuvel
3	2020_TNCSC_184403_1 ₹2,00,00,000	Thiruvarur	20	2	Himeshwar Engineering	P.Muthuvel

(Source: Records furnished by TNCSC)

It is seen from **Table 5.4** below, which brings out the similarities in the item-wise rates quoted by the bidders, that the two participating bidders quoted the same lower rate in tenders where they were shortlisted as L1 and the same higher rate in the tenders where they were unsuccessful (L2).

Table 5.4: Details of rates quoted for items of works

Item of Work	2020_TNCSC_184370_1		2020_TNCSC_184403_1		2020_TNCSC_184349_1	
	Himeshwar Engineering (L1)	P.Muthuvel (L2)	Himeshwar Engineering (L1)	P.Muthuvel (L2)	P.Muthuvel (L1)	Himeshwar Engineering (L2)
(In ₹)						
Cutting and levelling the earth using JCB	990.00	1,008.00	990.00	1,008.00	990.00	1,008.00
Earth Work excavation for foundation	205.25	209.00	205.25	209.00	205.25	209.00
Cement Concrete 1:5:10 for foundation	5,352.90	5,450.00	5,352.90	5,450.25	5,352.90	5,450.00

(Source: Records furnished by TNCSC)

³ Chennai, Erode, Needamangalam, Thanjavur and Thiruvarur.

Moreover, the address of the two bidders registered in the eProcurement portal and in the documents submitted online for other tenders is Door No. 10/30, Balan Street, Vaduvur and Door No. 10/31, Balan Street, Vaduvur respectively. This indicates that the bidders were in a position to influence the other bidder in placing their bids and carried out collusive bidding.

(iii) In DRDA, Perambalur, tenders for 22 works were called (November 2019) in 19 packages through eProcurement system for implementation of Village Panchayat and Panchayat Union road improvement works under Tamil Nadu Rural Roads Improvement Scheme - 2019-20. The item of works mentioned in the technical specification and the price estimated for each item of work were similar in nature for all packages.

Four bidders, (two pairs) participated in 12 packages and the pattern of awarding of contract is shown in **Table 5.5**.

Table 5.5: Pattern of awarding of contract for 22 works in DRDA, Perambalur

Name of the Contractor (Shri)		Number of packages		
		Participated	L1 in	L2 in
Pair 1	Pannerselvam	7	4	3
	Krishnasamy	7	3	4
Pair 2	Janarthanan	5	3	2
	Senthilkumar, Siruvayalur	5	2	3

(Source: Records furnished by DRDA, Perambalur)

These four bidders uploaded tender documents for 12 packages (24 bids) from two IP addresses (**223.182.214.145** and **45.126.252.194**). In 6 of the 12 packages bids of Pair 1 (**Table 5.5**) were uploaded from the IP address **45.126.252.194**.

Further analysis of system generated comparative statements of BoQ submitted by Pair 1 (**Table 5.5**) in two packages it was seen that the rates quoted by the bidders were not same and the bidders quoted lesser price in all items of work in the package in which they were L1 and higher price for the same items of work in the package where they were L2. The similarities in the item wise rates quoted by the bidders indicate that the bidders were aware of the rates quoted by each other and point to collusive bidding.

5.4 Bidders with family relationship

Possibility of bid rigging is high when competing bidders have a family relationship as one bidder would be able to influence another bidder. Bidding for the same tender by bidders having family relationship was noticed in 35 tenders sampled in the selected procuring entities as detailed in **Table 5.6**. Two such cases are illustrated below:

Table 5.6: Procuring entity-wise details of participation by bidders from same family

Sl. No.	Sampled Office	Number of tenders with bidders with family relationship
1	Executive Engineer, Public Works Department, WRO , GWC, Salem (World Bank tenders)	6
2	District Rural Development Agency, Salem	1
3	District Rural Development Agency, Coimbatore	27
4	NABARD and Rural Road Circle, Highways Department, Salem	1
	Total	35

(Source: Records furnished by respective sample units)

(i) Water Resources Department, Ground Water Division, Salem, published six tenders for World Bank Assisted works under National Hydrology Project. The Notice Inviting Tender (NIT) stipulates that a bidder may be considered to have a conflict of interest for the purpose of this bidding process, if the bidder “has a relationship with another bidder, directly or through common third parties, that puts it in a position to influence the bid of another bidder or influence the decisions of the employer regarding this bidding process”. Also, as per World Bank policy participating firm shall not have conflict of interest⁴. However, in violation of NIT and World Bank policy, the bids submitted by two bidders with family relationship (Father/Son in one tender and Husband/Wife in five tenders) were evaluated and the tenders were finalised.

The Department accepted the observation and replied (September 2022) that the bids were evaluated by following the due procedure and contract awarded to the lowest bidder and the point raised by Audit has been noted for future compliance.

(ii) Two bidders viz., Mallaiyan Infrastructures and M. Doraisamy were registered in the eProcurement portal with the same address and mobile number. These bidders participated in 27 tenders published by DRDA, Coimbatore and in all the tenders Mallaiyan Infrastructure was shortlisted as L1. Scrutiny of tender documents revealed that the proprietor of Mallaiyan Infrastructures (D. Jayakumar) is the son of M. Doraisamy. While submitting bids for 27 tenders, both bidders uploaded the prerequisite documents of Shri M. Doraisamy in the eProcurement portal. In 20 of the 26 tenders the bid submission was done from the same IP address. Thus, it is construed in Audit, that collusive bidding had taken place in the above tenders.

On this being pointed out DRDA, Coimbatore accepted the observation and replied (October 2022) that Technical Evaluation Committee carried out the

⁴ Clauses 1.6 and 1.7 of the World Bank’s Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, January 2011, revised July 2014.

technical evaluation of bids only with the manual documents submitted by the bidders and not with the documents uploaded online. Technical evaluation in cases pointed out by Audit was erroneous and caution will be taken to avoid such mistakes in future.

The reply of the Department is not acceptable since World Bank policy on conflict of interest was not considered during evaluation of the tenders.

(iii) Para 103.16 of TN Highways Manual Part-I stipulates that a bidder will be considered for disqualification when submitting “more than one tender for the same work, from an individual, firm or company in which any one of them have interest in any capacity as individual firm or company”. NABARD and Rural Road Circle, Highways Department, Salem published a tender for ‘Upgradation of Panchayat and Panchayat Union Roads (3 Works)’. Two bidders viz., M/s P. Rayin Constructions Company Private Limited and Shri P. Rayin participated in the bidding. The work was awarded (August 2020) to M/s P. Rayin Constructions Company Private Limited (L1) for a value of ₹5.70 crore. Scrutiny of documents uploaded in the eProcurement portal revealed that the Managing Director (Shri P. Rahim) of L1 is the son of Shri P. Rayin (L2).

The Department replied that the two bidders in the above mentioned tender are registered separately as individual contractor and as a firm. It was further stated that most contractors are not interested in participating in works in hill areas, which is the case in the above tender, and as such tender is awarded to the lowest bidder among participating bidders.

Reply is not acceptable as Department did not take into consideration the *ibid* rules while finalising the tenders.

5.5 Bid participation by the same group of companies

In Greater Chennai Corporation, tender for the work of Annual Maintenance of Effluent Treatment plant at Villivakkam slaughterhouse at a cost of ₹10.55 lakh per year was published in June 2021. Three bidders participated in the tender and details are shown in **Table 5.7**.

Table 5.7: Details of bidder participation

Sl. No.	Name of the bidder	Quoted amount (₹ in lakh)		Ranking
		Per month	Per year	
1	M/s CPC Green Energy Engineering Private Limited	0.90	10.80	L1
2	M/s Cryogenic Process Controls (CPC)	0.95	11.40	L2
3	M/s Sree Venkateshwara Construction	1.10	13.20	L3

(Source: Records of Greater Chennai Corporation)

The maintenance work was awarded (June 2021) after negotiation to L1 bidder at a cost of ₹10.55 lakh. The work was completed, and the contractor was paid in August 2022. It was seen from the contractor's work completion report that M/s CPC Green Energy Engineering Limited (L1) is a unit of Cryogenic Process Controls (L2). Further analysis of bid documents submitted by L1 and L2 revealed that (i) both firms had the same address, (ii) both firms had submitted their bids from same IP address (117.221.22.178) within four minutes of each other's submission and (iii) EMD instrument of both firms were drawn by the same individual on the same day (24/06/2021) with consecutive numbers.

Thus, participation of two firms (L1 and L2) who are sister companies (belonging to the same group of companies) and one of them becoming L1 indicates collusion among the bidders.

Data analysis of 1.34 lakh tenders for which valid bids were received revealed that 444 bids submitted in 208 tenders were received from bidders having the same address registered in the eProcurement portal and were submitted from the same IP address.

The above instances point to collusive bidding as either (i) the bidders from different geographical locations of the State submit the bids from the same IP address or (ii) submit the bids from the Department's premises indicating that the Department was a party to it. This shows that the L1 is not decided by the system or the Department concerned but is pre-determined by the participating bidders. Thus, the envisaged objectives of eProcurement system viz., promoting competition and transparency in the procurement process was not achieved.

5.6 Inconsistent bidding patterns noticed from IP address

Internet Protocol (IP) address, is a series of numbers that identifies any device on a network. Computers use IP addresses to communicate with each other both over the internet as well as on other networks.

The eProcurement system captures the IP Address of the computer from which a bid is placed. Placing of more than one bid for the same tender from the same IP address more often than not shows that the same computer was used to place the bids and is an indicator for collusion among bidders. Likelihood of collusion between bidders and department officials is all the more if bids are placed from IP addresses of procuring entity. Such cases are discussed in the following paragraphs.

5.6.1 Bidding using computers of the procuring entity

In DRDA, Salem, 73 per cent of tenders (1,265 out of 1,741 tenders) which reached the financial evaluation stage in the eProcurement system during 2016-22, were uploaded from the IP addresses of DRDA, Salem (Table 5.8).

Table 5.8: Details of tenders uploaded using same IP address

IP address	Number of tenders uploaded
45.116.113.120	879
45.116.113.121	259
45.116.114.129	89
45.116.114.15	38
Total	1,265

(Source: eProcurement portal data)

As the eProcurement portal envisages a secured Public Key Infrastructure encrypted system, submission of bids using the computers of procuring entity in its premises undermines data secrecy and confidentiality.

When this was pointed out, the procuring entity replied (November 2022) that submission of bids by bidders was permitted in DRDA premises to guide new contractors for uploading bid documents to the eProcurement portal and that instructions were issued to desist from this practice in future.

Reply of the Department is not acceptable as processing of tenders and submission of 73 *per cent* of bids from DRDA premises indicates collusion among bidders and staff of the procuring entity and is an anti-competitive practice.

In the Exit Meeting (February 2023), Government stated that the procuring entity's response was not appropriate.

5.6.2 Bidding for a tender by different bidders from same IP address

Submission of bids for a tender from the same IP address by different bidders from different geographical locations within a short span of time is indicative of collusive bidding and cartelisation.

Data analysis of tenders processed through the eProcurement system revealed that out of 1.34 lakh tenders published in the eProcurement portal, in 0.44 lakh tenders (33 *per cent*) the number of bids submitted from the same IP address for a tender ranged from 2 to 33.

In the sampled procuring entities, bids for each tender were uploaded from the same IP Address in 232 sampled tenders, the details are shown in **Appendix 5.1** and two cases are illustrated below:

In DRDA, Salem, 33 tenders (31 with two bids each and two with four bids each) were published for execution of water, wall and road works in various Blocks under the Infrastructure Gap Filling Fund - 2016-17. In 29 of the 33 tenders the bids (more than one) received for each tender were uploaded from the same IP address and out of the 70 bids received for these tenders, 35 bids were uploaded from the IP address **27.62.119.224**. In DRDA, Coimbatore, 33 tenders for various works in which two bidders i.e. Shri K. Selvaraj and Shri R. Rajendran had participated were scrutinised. In 22 of the 33 tenders the two bids received for each tender were uploaded from the same IP address.

DRDA, Salem accepted the observation and stated (November 2022) that all the bidders upload their documents from the same browsing centre and so bid submission was consecutive. It was also stated that due to workload and lack of manpower, they could not verify the documents uploaded online by the bidders. Further DRDA, Salem in its reply (December 2022) accepted the observation and stated that such lapses will not occur in future. In this regard, DRDA, Coimbatore replied (October 2022) that they did not verify the documents uploaded online by the bidder and that submission of bids from the same IP and existence of cartelisation among bidders could not be verified and assured that such lapses will not occur in future.

During the Exit Meeting (February 2023) Government stated that a detailed reply has been called from NIC regarding the pattern of collusive bidding emerging from analysis of eProcurement portal data *vis-à-vis* IP address.

5.7 Bidding patterns noticed from EMD payments

Earnest Money Deposit (EMD) is the amount remitted by a bidder along with his bid indicating his willingness to implement the contract. The tender documents shall require all bidders without exception to pay EMD ordinarily not exceeding one *per cent* of procurement value⁵. As guarantee for contract performance, a Security Deposit (SD) not exceeding five *per cent* of the value of the orders placed shall be taken from the successful bidder⁶.

In the selected procuring entities of DRDA, EMD is accepted through offline mode wherein the bidder submits the original EMD instrument to the procuring entity before opening of the bid in addition to uploading copy of the same in the eProcurement portal along with the bid documents. Patterns indicating bidder collusion observed on scrutiny of EMD instruments are discussed below:

5.7.1 Bidders confident of award of contract before bidding

Tender conditions of District Rural Development Agencies stipulates that each bidder shall furnish EMD which is one *per cent* of the tender value and the successful bidder shall furnish SD equivalent to two *per cent* of the contract value, which includes EMD already paid, within 15 days from the date of letter of acceptance. Data analysis of EMD paid by bidders revealed the following:

- Out of 29,284 tenders published by DRDAs during 2016-22, in 2,213 tenders the bidders who had remitted exactly twice the EMD amount were finalised as L1 in the respective tenders and the contract was awarded to them.
- Out of the above 2,213 tenders, in 1,472 tenders both L1 and L2 bidders submitted their bids from the same IP address.

⁵ Rule 14(1) of TNTIT Rules, 2000.

⁶ Rule 14(3) of TNTIT Rules, 2000.

It is evident from the above that the bidder who furnished twice the EMD amount had prior knowledge of bagging the contract and the likelihood of collusive bidding in all these cases cannot be ruled out. In reply, DRDA, Coimbatore (47 cases) stated (October 2022) that such cases will not be allowed in future.

5.7.2 Submission of coded EMD document in eProcurement portal by bidders

From the MIS reports of the eProcurement portal and scrutiny of sampled tenders in selected units, it was observed that the name of the document containing the scanned image of the EMD instrument uploaded by the L1 and L2 bidders contained letters such as ‘L1’, ‘ori’, ‘orginal’, ‘DDO’ and ‘L2’, ‘dum’, ‘dummy’, ‘DDD’ respectively.

Analysis of eProcurement portal data revealed that EMD document uploaded in 1,917 out of 61,533 tenders, which received two bids during 2016-22, contained such letters.

Uploaded EMD files carrying names like ‘L1’, ‘orginal’, ‘L2’, ‘dummy’, etc., amounts to coded communication by bidder conveying that he/she is the L1 (original) / L2 (dummy) bidder and does not rule out collusion among bidders and officials of procuring entity.

On this being pointed out DRDA, Karur accepted the observation and replied (December 2022) that the registered contractors/bidders need to be rigorously trained regarding uploading of the tender documents and such practices will be viewed seriously by blacklisting the bidders concerned in the eProcurement portal, in future.

5.7.3 EMD instruments with consecutive numbers

In offline mode of EMD submission, the EMD instrument should be scanned and uploaded to the eProcurement portal in the Fee/PreQual/Technical packet of the bid. From the MIS reports of the eProcurement portal and scrutiny of sampled tenders in selected units, it was observed that bidders had furnished EMD instruments with consecutive numbers issued by the same branch of a bank in 76 sampled tenders (**Appendix 5.2**). This is an indication of collusive bidding by the bidders. Two such cases are illustrated below:

- In 37 works⁷ related tenders published by DRDA, Salem the same pair of bidders participated and furnished EMD in the form of DDs with consecutive numbers issued by the same bank branch. In all these tenders, the two bids received for each tender was uploaded from the same IP address (21 bids from IP **45.116.113.120** and 17 bids from IP **45.116.114.15**) which are also the IP addresses of

⁷ Implementation of Jal Jeevan Mission for providing functional household tap connection to rural households.

the procuring entity. Analysis of the prices quoted by the two bidders revealed that the variation in respective tenders ranged from 0.02 to 0.47 *per cent*.

- Scrutiny of 19 sampled tenders relating to various schemes in DRDA, Coimbatore revealed that in four tenders, the two competing bidders had furnished EMD in the form of DDs with consecutive numbers issued on the same day by the same bank branch. In three of the four tenders the two bids received for each tender was uploaded from the same IP address.

When the above inconsistencies were pointed out, DRDA, Salem accepted the observation and stated (December 2022) that such lapses will not occur in future and DRDA, Coimbatore stated (October 2022) that payment of DDs/FDs submitted by the bidders with consecutive numbers in same bank on the same day could not be verified due to workload and assured that in future, such lapses will not occur.

5.7.4 L1 furnishing EMD of L2 for adjustment against SD

Manual scrutiny of tender documents in one of the selected procuring entities *viz.*, DRDA, Salem revealed that in 31 tenders the EMD instrument returned to the unsuccessful L2 bidders was resubmitted by the L1 bidders as adjustment against his/her SD for the same tender/other tender. This indicates the collusive practice amongst the bidders.

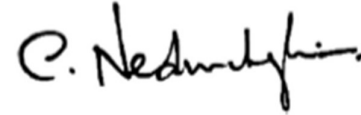
DRDA, Salem while accepting (December 2022) that EMD instrument of L2 bidder is used by L1 bidder for adjustment against Security Deposit stated that this could be due to emergency purpose and added that they will ensure that such lapses do not occur in future.

5.8 Conclusion

Collusive bidding or bid rigging counteracts the purpose of tendering and is inherently anti-competitive. Scrutiny of selected tenders, revealed patterns of bidding *viz.*, bid rotation, bidders with family relationship, bid submission from procuring entity computer, different bidders placing bids for a tender from the same IP address, double EMD, coded intimation by bidders and consecutive EMD instrument numbers, indicative of bid rigging and cartelisation. These fraudulent practices by bidders and failure of tender evaluating/approving officials, derail Government's efforts to increase bidder participation, reduce costs and enhance transparency in the procurement system. Government accepted (February 2023) the observations and stated that the inputs will be useful for the new eProcurement portal to be implemented from 1 April 2023.

5.9 Recommendations

- Government should redesign the system to flag bids submitted by bidders from the same registered address and/or the same IP address.
- Government should conduct enquiry and fix responsibility for collusive bidding and cartelisation instances pointed out by Audit.
- Officials involved in the evaluation and finalisation of tenders should carefully examine the documents uploaded in the eProcurement portal using ‘Tender Discursive Report’ available in MIS, which provides all the information about the bid viz., IP address, EMD, GST etc., to guard against collusive practices by the bidders. The procuring entities should not allow the bidders to access their office computer systems for submission of bids.



(C. NEDUNCHEZHIAN)

Principal Accountant General (Audit-I),
Tamil Nadu

Chennai
The 10 May 2023

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 11 May 2023