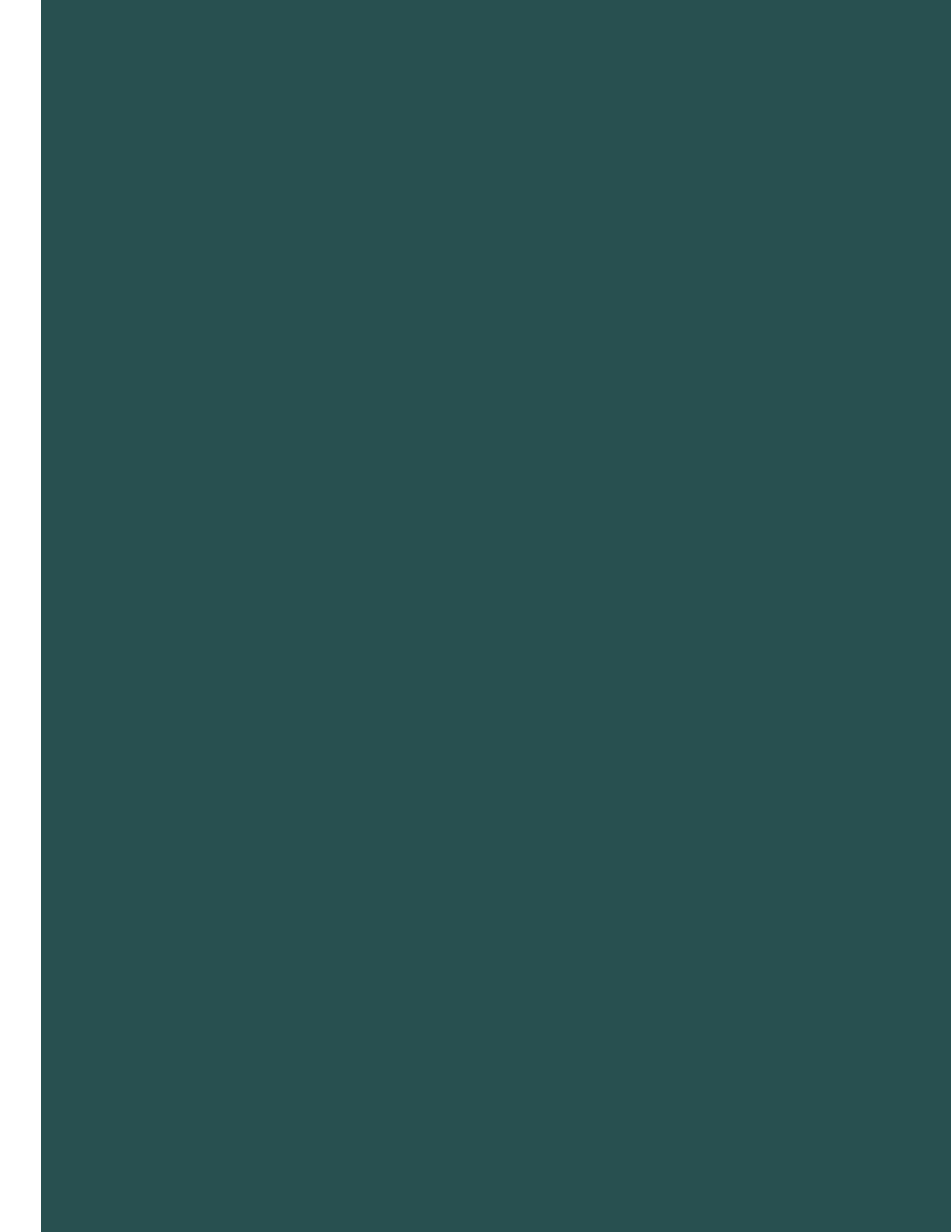


# EXECUTIVE SUMMARY



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### Why we did this Audit?

To enhance the efficiency of project management processes in various departments and speed up the implementation of projects, Government of Tamil Nadu envisioned an ambitious comprehensive Project Formulation, Execution and Management System to integrate and computerise the entire process of projects and works implementation in the State. This system also envisaged an eProcurement portal and the adoption of electronic tendering procedures in Government.

To achieve this, Government of Tamil Nadu implemented an eProcurement System (GePNIC Portal) through Finance Department. The system was conceptualised to reduce the tendering cycle time, the indirect costs and for enhancing the transparency in the procurement process. The eProcurement System enables the tenderers to download the Tender Schedule free of cost and then submit the bids online through the eProcurement portal.

Considering the importance of the eProcurement system for bringing in more transparency and efficiency in procurements by the State Government and State Public Sector entities, CAG took up this Performance Audit covering the activities during 2016-22 with a focus on the functioning of the eProcurement Portal (GePNIC) and on evaluation and finalisation of tenders based on the data for the period 2016-22 and the physical tender documents. All the envisaged eight modules were fully functional. The objectives of this Audit were to assess whether (1) the eProcurement system was effectively implemented and efficiently utilised to achieve its objectives of promoting competition, transparency, and accountability; (2) the business rules were adequately mapped into the system and (3) adequate controls were built into the system to ensure the completeness, integrity and reliability of data in the system.

### What we found?

In the absence of specific Government instructions mandating all procuring entities in the State to carry out procurements through GePNIC portal, user departments, including procurement entities which use eProcurement portal, adopted differing/alternate modes of procurement *viz.*, manual purchase, GeM (Government eMarket place), MSTC etc. There was no 'Centre of responsibility' to co-ordinate and monitor the functions of the eProcurement portal. Seventy four *per cent* of the procuring entities did not utilise the eProcurement portal even after a lapse of 15 years since inception.

Non-uploading of tender evaluation reports renders the eProcurement system incomplete affecting transparency and objectivity of the tender process and perpetuates dependence on manual records. Even after 15 years since inception, GoTN stands eleventh with respect to updation of the stages of tender processes in GePNIC portal when compared to 15 other State Governments.

Though online EMD collection was enabled in December 2017, EMD was collected through offline mode. This led to delayed refunding of EMD to the unsuccessful bidders.

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

The prescribed timelines as per Tamil Nadu Transparency in Tender Rules, 2000 (TNTIT Rules) were not followed by the departments and the software was not designed to incorporate the timeline related provisions of TNTIT Rules.

The system does not cater to the provisions of TNTIT Rules for providing purchase preference to domestic enterprises. Similarly, there was no provision in the software to capture details of purchase order(s) issued during the rate contract period.

The system lacked provisions for negotiation with L1 bidder after generation of Bill of Quantities and for situations where participating bidders quoted the same price necessitating manual intervention.

The eProcurement portal did not ensure that only 'non-zero' values were allowed for EMD and Tender values, which resulted in 10 *percent* of published tenders exhibiting EMD value or Tender value as 'zero'. There were discrepancies in mandatory fields and NULL values in name fields due to lack of input controls in the system.

Bids submitted for the same tender were decrypted on different dates in contravention of TNTIT Rules. The Bill of Quantities comparative chart in buy-back cases added the buy-back amount to the quoted amount instead of reducing the same in three instances.

Discrepancies were noticed in role creation by user Departments. There was no processing control as the organisations created multiple Nodal officers and blocked tenderers and blocked Department users had participated in the tender process during the blocked period.

Patterns of bidding *viz.*, bid rotation, bidders with family relationship, bid submission from procuring entity computers, 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 were noticed. These fraudulent practices among the bidders and the failure on the part of the officials involved in the evaluation and approval of the tenders derailed the efforts of GoTN in increasing participation, reducing costs, enhancing transparency and improving the procurement system.

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.

### **What we recommend?**

We have made 17 recommendations as given below:

#### ***PORTAL IMPLEMENTATION:***

- ✓ Government should come up with a comprehensive solution to address the technical and procedural shortcomings on priority.
- ✓ GoTN should issue orders to all the procuring entities to mandatorily use the eProcurement portal for all procurement activities.
- ✓ Procuring entities should update the tender stages in the eProcurement portal immediately on completion of every stage and the same should be monitored by the Nodal Officers of the department using the Management Information System (MIS) reports available in the eProcurement portal.
- ✓ Government should fix responsibility for the diversion of EMD funds and bring in a mechanism so that offline payments are authorised by an authority higher than the publisher of the Tender.
- ✓ Government should speed up the process to implement the centralised open online workflow model of registration.
- ✓ Government should chart out and implement a structured training programme for effective utilisation of the eProcurement portal by officials of procuring entities and should take steps to achieve improved bidder participation through help desk, hand holding and pre-bid meeting activities.

***DEFICIENCIES IN THE APPLICATION SOFTWARE:***

- ✓ Government should incorporate suitable provisions in the software, in line with TNTIT Rules, in consultation with the Finance Department, should provide suitable input controls in the eProcurement portal during capture of the registration information of the departmental users/bidders, should provide necessary validation controls and customise the eProcurement portal for Tamil Nadu to ensure transparency, impartial decision making and confidentiality.
- ✓ Government should take steps for the public to easily access non-sensitive information in the eProcurement portal without any restriction for a truly transparent system.

***TENDER PROCESSING:***

- ✓ Government should establish a Centre of responsibility to escalate eProcurement portal issues to NIC for appropriate resolution.
- ✓ Government should instruct the procuring entities to evaluate the tenders only based on the documents uploaded by the bidders to the eProcurement portal.
- ✓ Government should fix responsibility on the tender inviting authorities and officers involved in the tender process for discrepancies in tender processing.
- ✓ Government should consider introducing a feature in the system for fixing responsibility on the tender evaluator and for breaking down bid conditions into its components and generate an automatic inviolable checklist for the tender evaluation.
- ✓ Government, through NIC, should take steps to map the policies relating to SSIs/MSMEs bidders in the eProcurement portal to ensure a holistic tender evaluation.
- ✓ Government should ensure that the bidders who indulge in malpractices are blacklisted.
- ✓ Nodal Officers of procuring departments should ensure that all evaluation reports are uploaded in the eProcurement portal in complete shape for transparency in tender processing.

***COLLUSIVE BIDDING AND CARTELISATION IN TENDERING:***

- ✓ 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.

### **Government’s response to audit recommendations**

Government while responding to the Audit observations raised, assured necessary corrective action wherever required. Government has also taken steps for procurement by public procuring entities of the Government of Tamil Nadu through the online eProcurement portal from 1 April 2023. Audit acknowledges and appreciates the corrective action taken/proposed by the Government to bring required controls and facilities in the eProcurement system to address issues pointed out in this report.