Chapter VII
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7.1   **Award of Contract**

As described earlier in this Report, the processes of technical and financial evaluation of bids and award of contract are being carried out manually, outside the e-Procurement system. This section of the Report describes deficiencies in application controls in the functionality to record the details of award of contract in the system.

After Award of Contract (AOC) through manual process outside the system, details of the same are entered by the TIA into the system, so that EMD may be refunded to the unsuccessful bidders.

The completion of this workflow is essential for correct update of the status of the tender in the system, and hence for correct generation of the MIS Reports for that purpose.

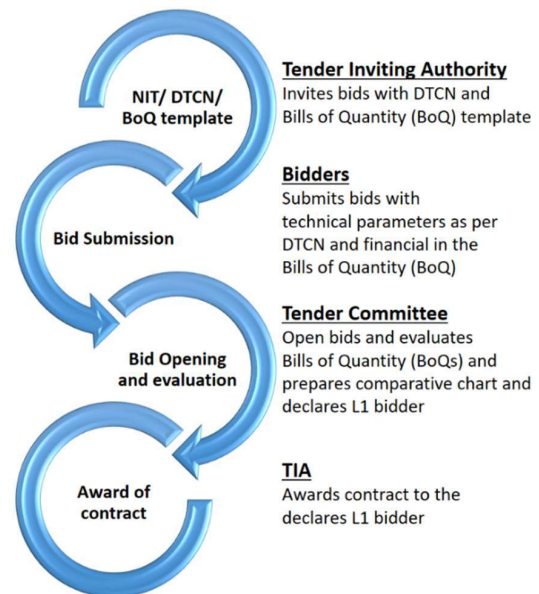| **7.1.1**   **Awarded value more than quoted amount** |
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Input control

OPWD Code stipulates that the price quoted by the lowest bidder (L1) should be accepted followed by negotiation if required. Therefore, the quoted amount in the Financial Bid *i.e.,* Bill of Quantity (BoQ) should always be equal to or more than the awarded amount.

Database analysis revealed that out of 66,407 tenders which were awarded with contract, in 6,128 tenders the awarded value was shown more than the value quoted by the bidders. The excess amount awarded in these tenders ranged between ₹10 and ₹1,24,298.50 crore.

As an example, in one work where the work was shown awarded at an abnormal cost of ₹1,24,298.50 crore, there was data entry error. The BoQ amount and actual awarded value as per documents was ₹12.42 lakh only. This had happened due to lack of input validation in the system to compare the AOC value with the bid values.

Figure No. 7: Process flow diagram from invitation of bids to award of contract

NIT/ DTCN/ BoQ template

Tender Inviting Authority
Invites bids with DTCN and Bills of Quantity (BoQ) template

Bid Submission

Bidders
Submits bids with technical parameters as per DTCN and financial in the Bills of Quantity (BoQ)

Bid Opening and evaluation

Tender Committee
Open bids and evaluates Bills of Quantity (BoQs) and prepares comparative chart and declares L1 bidder

Award of contract

TIA
Awards contract to the declares L1 bidder

Further, analysis revealed that in 11 bids of 11 tenders, the amount furnished in the BoQ by the bidder had been recorded as zero, due to deficiency in the input validation controls implemented for the BoQ template used to submit bids. The system generated comparative sheets in these cases and showed that all the bidders were qualified and deemed to be L1.

As a result, the tender evaluation committee had to manually calculate the correct bid amount for each bidder, based on inputs submitted on *per cent* rates from the bidders and create revised comparative sheets to identify the actual L1 bidder. This example demonstrated that the deficiencies in the e-Procurement system related to the technical and financial evaluation and AOC processes had contributed to the continued use of manual evaluation and AOC outside the system for these processes.

Audit test checked 486 tenders for detailed scrutiny and noticed that there were errors/ irregularities in 125 tenders. These included data entry errors in 46 tenders, irregular inclusion of GST amount in AOC value in 30 tenders, and irregular increase of the AOC value due to either increase in BoQ beyond the tender published or increase in bid amount of L1 in 49 tenders. These errors/ irregularities could have been avoided/ minimised if the bid evaluation and AOC processes had been followed within the system with implementation of the application controls required to correctly map the business requirements.

Accepting the observation, the Government stated (December 2023) that all TIAs have been intimated to use the e-Procurement portal cautiously while inviting tenders.

The response was not tenable, as it only indicated that the responsibility for ensuring compliance with executive instructions remained on the individual users instead of shifting to the system through the implementation of the required application controls.

Recommendation
Government should map the full business requirements for bid evaluation and award of contract into the system, through implementation of appropriate application controls to ensure compliance and minimise errors/ irregularities.