

**PROCUREMENT
AUDIT MANUAL
2025
VOLUME-II
FINANCE DEPARTMENT
GOVERNMENT OF UTTARAKHAND**

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Chapter 7: Annexures and Audit Checklists

Annexure I: Key activities involved in procurement process in line with the relevant rules and procedures laid down in the Uttarakhand Procurement Rules, 2017 or as amended from time to time.

A) Procurement of goods

The key activities involved in procurement of goods at various stages of procurement process is provided in below table:

Procurement Process	Description	Reference
Requisition and Approval	▶ Procurements should be initiated only based on an indent from the user Department. The authority in the user department initiating the indent for procurement shall first determine the need (including anticipated requirement) for the subject matter of the procurement. Description and specification of need assessment is of fundamental importance in ensuring value for money, transparency, competition and level playing field in procurement. The user department shall maintain all documents relating to the determination and technical/financial/budgetary approvals of the need for procurement. ▶ An authority authorized by rules, procedures or Government orders to procure goods, will be called the Competent Authority. It includes the authority given in the Financial Handbook Vol-1 (Delegation of financial powers) to the Head of Office, Head of Department, Administrative Department or any other authority authorized by the Government from time to time. ▶ The requisition for the procurement of goods shall be approved by the competent authority as per the delegation of power. ▶ The departments of the State Government shall have full authority to procure goods/services as per standards or norms prescribed by the concerned Administrative Department and within limits of delegation of power to them. In case of procurement not covered under prescribed powers & norms, the procurement shall be done with the concurrence of the Finance Department.	Refer Para 4 & 5 of The Uttarakhand procurement rules, 2017; Volume 1 – FHB and Delegation of power

Procurement Process	Description	Reference
	▶ Based on the requirements from individual users/ sections, the procurement authority or department shall also prepare annual procurement plan.	
Registration of Supplier	▶ The concerned Administrative Department or the designated Central Purchase Organization shall prepare and maintain item-wise lists of eligible and capable suppliers. Such approved suppliers will be known as “Registered Suppliers”. ▶ Registered suppliers shall ordinarily be exempted from furnishing bid security along with their bids. ▶ Credentials, manufacturing capability, quality control systems, past performance (for the goods in question), after sales service, financial background etc. of the supplier(s) should be carefully verified before registration. ▶ The supplier(s) will be registered for a fixed period (between 1 to 3 years). ▶ Performance, conduct etc. of every registered supplier to be watched and monitored on regular basis	Refer Para 6 of The Uttarakhand procurement rules, 2017;
Procurement Methodology & Bidding Systems	Offers from prospective bidders in public procurement must be invited according to a procedure that achieves a balance between the need for the widest competition, on one hand, and complexity of the procedure, on the other hand. Different methodology of procurement, bidding systems and mode of procurement are used to suit various procurement circumstances to achieve this balance. I) Procurement Methodology There are laid down procedures for different methodology of procurement in the Uttarakhand Procurement Rules, 2017 or as amended from time to time which are elaborated as below:	

Procurement Process	Description	Reference
	<pre> graph TD PM[Procurement Methodology] --> WCT[Without Calling Tender] PM --> CTT[With Calling Tender] WCT --> WQ["Without quotation (up to INR 25000)"] WCT --> TPC["Through Purchase Committees (INR 25000 to INR 250000)"] WCT --> DRC["Directly under Rate Contract"] CTT --> LTE["Limited Tender Enquiry (up to INR 25 Lakhs)"] CTT --> AOTE["Advertised/Open Tender Enquiry (> INR 25 Lakhs)"] CTT --> SSE["Single Source Enquiry"] CTT --> ERA["Electronic Reverse Auction"] </pre> Figure 6: Methodology for Procurement of Goods Procurement without calling of tender: A) Procurement without quotation Direct procurement of goods without formal quotations is normally done for the smallest value procurements. This is also called petty purchase. It should be used for off-the-shelf goods of simple and standard specifications. The procedure is the simplest and quickest, but Value for Money (VfM) may be poor; hence it is suitable only in very low value, urgent and simple requirements in the following situations: Procurement of goods up to a value of INR 25,000/- (In case of life saving medicines INR 50,000) on each occasion based on open market prices and based on certificate to be recorded by the Competent Authority in desired format. B) Purchase of Goods by Purchase Committee	Refer Para 33 of The Uttarakhand Procurement Rules, 2017 Refer Para 34 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	This mode of procurement is used for procurements valued above Rs. 25,000 (Rupees Twenty-Five thousand) and up to Rs. 2,50,000 (Rupees Two lakh fifty thousand) only on each occasion on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of Department/Head of Office (refer para 34 of the UPR,2017). Before recommending placement of purchase order, the members of the committee will jointly record a certificate in desired format. This procedure is slightly more complex and is likely to provide better Value for Money (VfM) than direct procurement without quotation and hence is suitable for marginally higher thresholds. C) Purchase of goods directly under rate contract Rate Contract (RC) is essentially a price agreement with the vendors/contractors at a specified price and terms and conditions during the period covered by the RC. Neither quantity is mentioned nor is any minimum commitment guaranteed in the RC. The use of RC shall be done as per following rule: ▶ For goods and items, which are identified as common user items and are needed on recurring basis by the various Departments and agencies of the Government, such RCs may be concluded by the designated Central Purchase Organization of the State Government or Administrative Departments of the State Government. All details of such RCs should be kept on the website of the department/Government. However, the rate contract prices shall not exceed either market prices or the prices quoted in other similar rate contracts in other organizations. ▶ Ordinarily, RCs may be concluded for one year at a time. However, in case of goods which are subject to frequent price fluctuation or where prices tend to decline overtime, the validity of the rate contract may be kept for a shorter period and a close watch be kept over the market price of such goods. ▶ The Department may be authorized to purchase goods on the basis of rate contracts, concluded by the central purchase such as Government e-market place (GeM).	Refer Para 7 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	► Departments may procure goods from Government e-market place (GeM). However, goods purchased through GeM Portal shall be done as per the procedure laid down in GOI's General Financial Rules, 2017 as amended from time to time. Government e-Market Place (GeM) An online marketplace (or e-commerce marketplace) is a type of e-commerce site where product or services are offered by a number of sellers and all the buyers can select the product/ services offered by any one of the sellers, based on his own criteria. In an online marketplace, purchaser's transactions are processed by the marketplace operator and then product/services are delivered and fulfilled directly by the participating retailers. GeM has developed an online Government e-Market Place for commonly used goods and services. The procurement process on GeM is an end to end from placement of supply order to payment to suppliers. This is to ensure better transparency and higher efficiency. Purchase of Goods by Obtaining Bids/Tenders For instances other than covered under A, B & C above, the Competent Authority shall procure goods by following standard methods of obtaining bids/ tenders as follows: I) Mode of Procurement All procurements of goods with an estimated value of more than INR 2,50,000 shall be procured through e-procurement. The procedure to be followed for e-procurement shall be in accordance with The Uttarakhand Procurement Rules, 2017 (refer para 35 of the UPR,2017) and as amended from time to time. II) Bidding Systems (refer para 13 of the UPR,2017). Bidding systems are designed to achieve an appropriate balance between the countervailing needs for Right Quality, Right Source and the Right Price under different complexities/criticality of technical requirements and value of procurements.	Refer Para 35 of The Uttarakhand Procurement Rules, 2017 Refer Para 13 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	In certain critical and complex requirements, the technical and financial capability of source of supply becomes an important determinant for value for money. Depending on the complexity and technicality of requirement, criticality of capability of source and value of procurement, following types of bidding systems may be used: <pre> graph TD A[Bidding System] --> B[Single Bid System] A --> C[Two Bid System] B --> D[Single envelop containing technical and financial bids] C --> E[Separate envelope containing technical bid] C --> F[Separate envelope containing financial bid] E --- G[Technical and Financial bid submitted in bigger envelope] F --- G </pre> Figure 7: Bidding system for procurement of goods a) Single Bid System (refer para 13 (1) of the UPR,2017) For procurement of items having no registered suppliers, single bid system may be opted up to purchase limit of INR 5,00,000/- (INR Five lakh), in which specifications of items and financial bid may be quoted together on prescribed form issued by Competent Authority. Where qualitative requirements and technical specifications are clear, capability of source of supply isn't critical and value of procurement is low or moderate, the single envelop system may be followed. In single bid system eligibility, technical/commercial and financial details are submitted together in the same envelop. This is the simplest and the quickest bidding system and should be the default system of bidding. The lowest responsive priced bid that meets the eligibility criteria, technical and commercial requirements laid down in the bid documents is declared as successful.	

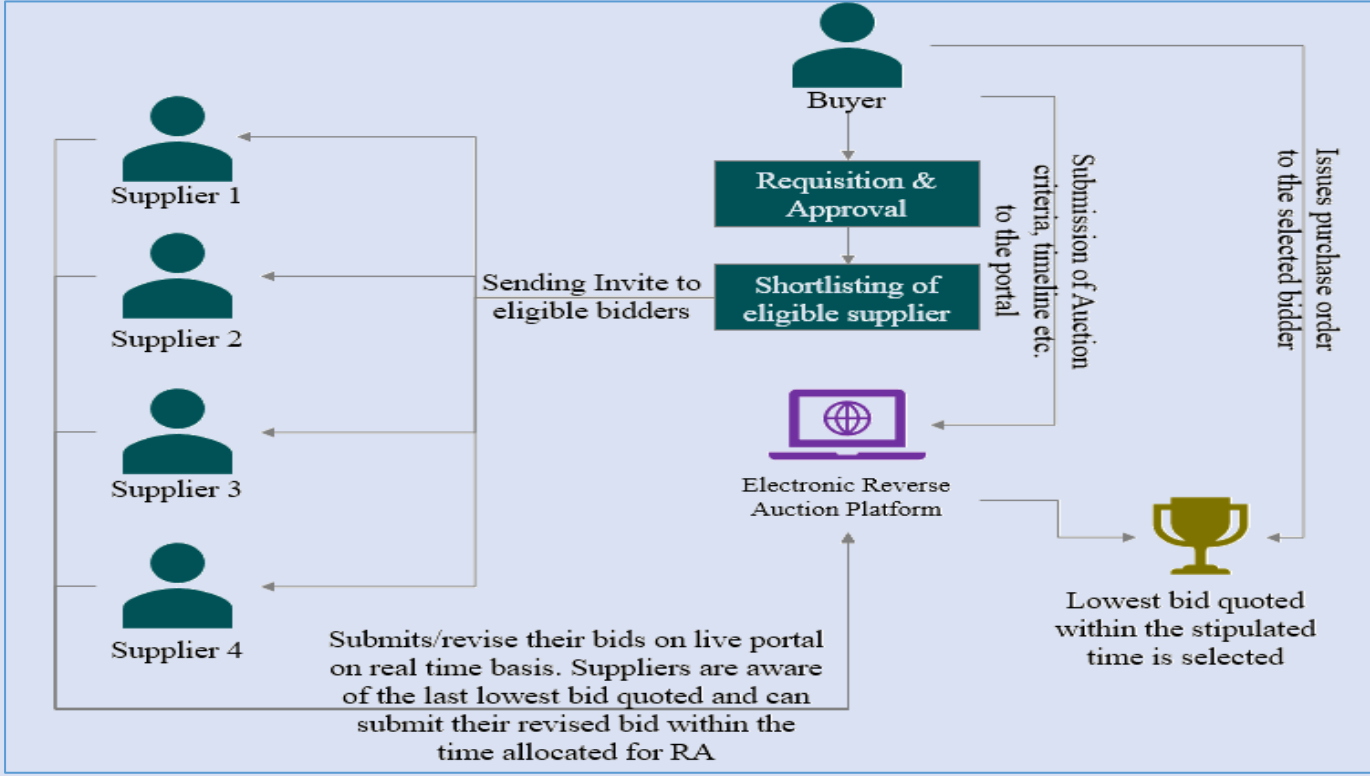
Procurement Process	Description	Reference
	b) Two Bid System (refer para 13 (2) of the UPR,2017) For procuring high value plant, equipment or machinery etc. of a complex and technical nature, bids may be invited in two parts: (a) Technical bids: The technical bid consisting of all technical details, along with commercial terms and conditions, and (b) Financial bid: The financial bid should indicate item-wise price for the items mentioned in the technical bid. The tenderers should be asked to bifurcate their quotations in two envelopes. The first envelop, called the technical bid, contains the eligibility, technical quality and performance aspects, and documents sought in the tender, except the price and relevant financial details. In the second envelop, called the financial bid, the price quotation along with other financial details are submitted. The technical bid and the financial bid should be sealed by the bidder in separate covers/duly super scribed and both those sealed covers shall be put in a bigger cover which should also be sealed and duly super scribed. The technical bids are to be opened by Competent Committee/Authority on specified date and time. The committee/authority shall evaluate and rank the technical bid based on already defined specifications/parameters and prepare the list of technically qualified bidders. The financial bids of only those bidders should be opened who have qualified in the technical bid for further evaluation in ranking and the remaining financial bids (Envelopes) will not be opened and as such returned to the bidders. III) Limited tender enquiry (LTE) LTE is a restricted competition procurement, where a preselected list of vendors is directly approached for bidding; bids from uninvited bidders are treated as unsolicited and are normally not entertained, except in special circumstances. This mode provides a short and simple procedure but may not provide as good a Value for Money (VfM) as in case of open	Refer Para 8 of The

Procurement Process	Description	Reference
	tendering – still a good balance for procurements below a threshold. As per provision of the Uttarakhand Procurement Rules, 2017, following shall be noted in case of LTE: ▶ LTE shall be used for procuring goods up to an estimated value of INR 25,00,000 ▶ Copies of the bidding document should be sent directly by speed post/registered post/ courier/e-mail to more than three firms which are borne on the list of registered suppliers for the goods in question, to ensure that minimum three bids are received. Further, web-based publicity should be given for a limited tender. ▶ It should be ensured that maximum possible approved suppliers are identified to obtain more responsive bids on competitive basis. ▶ LTE may be adopted for procurements more than INR 25,00,000/- in case of following circumstances: • If the department certifies that the demand is urgent and additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. • The Head of Department/ Head of Office should also put on record the nature of the urgency and the reasons why the procurement could not be anticipated. • When there are sufficient reasons, they should be recorded in writing by the Competent Authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry. • When the sources of supply are known and possibility of fresh source(s) beyond those being tapped is remote. ▶ In a limited tender enquiry, ordinarily, minimum two weeks' time from the date of tender notice may be given for submitting the bids. IV) Single source enquiry A tender invitation to one firm is called as single source enquiry. This mode may be shortest, but it may provide lesser Value for Money (VfM) as compared to other procurement modes such as LTE/OTE and may also strain the transparency principle and therefore procurement/purchase from Single Source may be resorted to in the following circumstances only:	Uttarakhand Procurement Rules, 2017 Refer Para 9 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	▶ Only a particular firm is the manufacturer of the required goods, ▶ In calamity and emergency, goods/works up to INR 10,00,000 can be purchased/procured from a single source and reasons to be recorded. However, the rate shall not be more than the open market rate or rate contract ▶ For standardization of machinery or spare parts to be compatible to the existing sets of equipment on the advice of a competent technical expert and approved by Competent Authority, the required items can be purchased from a selected firm ▶ For such purchases, the competent authority should record a certificate in desired format	Refer Para 11 of The Uttarakhand Procurement Rules, 2017
	V) Advertised/Open Tender Enquiry (OTE) In Advertised/Open tender enquiry, an attempt is made to attract the widest possible competition by publishing the NIT simultaneously on the designated websites. This is a default mode of procurement and gives the best value for money, but the procedure is relatively complex and prolonged. The systemic cost of this procedure may be high enough to be unviable for smaller value procurements. As per provision of the Uttarakhand Procurement Rules, 2017, following shall be noted in case of Advertised tender enquiry: ▶ Procurements of goods of estimated value above INR 25,00,000/- shall be through invitation to tender by advertisement in at least two widely circulated National newspapers ▶ The tender enquiry should also be placed on the web site of the State Government/Department and have a hyperlink with the NIC web site. ▶ All documents related to tender enquiry to be prepared in advance which will include the terms & conditions of tender and format of agreement, details and quality of goods etc. ▶ Where the Department feels that the goods of the required quality, specifications etc. may not be available in the country and it is necessary to also look for suitable competitive offers from abroad, the department may send copies	Refer Para 10 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	of the tender notice to the Indian embassies abroad as well as to the foreign embassies in India. The process of obtaining offers from abroad is referred as Global Tender Enquiry (GTE). ▶ GTE tender documents must contain technical specifications which are in accordance with national requirements or else based on an international trade standard ▶ Relevant INCOTERMS should be included in the tender. ▶ Ordinarily, the minimum time to be allowed for submission of bids should be two weeks from the date of publication of the tender notice or availability of the bidding document for sale, whichever is later. ▶ However, where the department also contemplates obtaining bids from abroad, the minimum period should be kept up at least three weeks for both domestic and foreign bidders. VI) Electronic Reverse Auction (RA) A reverse auction is a type of auction in which sellers bid for the prices at which they are willing to sell their goods and services. In a regular auction, a seller puts up an item and buyers place bids until the close of the auction, at which time the item goes to the highest bidder. In a reverse auction, the buyer puts up a request for a required good or service. Sellers then place bids for the amount they are willing to be paid for the good or service, and at the end of the auction the seller with the lowest amount wins. Usually, reverse auction is conducted online and live through e-procurement portal and thus called as Electronic Reverse Auction. In Electronic Reverse Auction (ERA) the starting price, bid decrement, duration of auction, maximum number of automatic extensions etc. are announced before start of online reverse auction. If required, RA may be preceded by an e-Procurement stage of eligibility/PQB to shortlist competent bidders who would be allowed to participate in the RA. The shortlisted bidders can after the start of RA start bidding online in an iterative process wherein the lowest bidder at any given moment can be displaced by an even lower bid of a competing bidder, within the duration of the RA. The most favourable bid at the end of stipulated/extended time is declared as successful. Procuring entity may choose to procure a subject matter of procurement by the Electronic Reverse Auction method if:	Refer Para 12 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	▶ It is feasible for formulating a detailed description of the subject matter ▶ There is a competitive market of bidders anticipated to be qualified to participate in electronic reverse auction ▶ The criteria to be used by the procuring entity in determining the successful bid are quantifiable and can be expressed in monetary terms ▶ The procedure for the Electronic Reverse Auction shall include solicitation of bids through publication/as per provision of e-procurement and details relating to access to and registration for the auction, opening and closing of the auction and norms for conduct of the auction The process flow for an electronic reverse auction is provided below:	

Procurement Process	Description	Reference
	 The flowchart illustrates the Electronic Reverse Auction (RA) process. It begins with a Buyer (represented by a person icon) who initiates the process through Requisition & Approval and Shortlisting of eligible supplier. The process then moves to the Electronic Reverse Auction Platform (represented by a laptop icon). The platform sends an Invite to eligible bidders to four suppliers: Supplier 1, Supplier 2, Supplier 3, and Supplier 4 (each represented by a person icon). Suppliers 1, 2, and 3 are shown submitting bids. A text box states: "Submits/revise their bids on live portal on real time basis. Suppliers are aware of the last lowest bid quoted and can submit their revised bid within the time allocated for RA". The platform then determines the Lowest bid quoted within the stipulated time is selected (represented by a trophy icon). The process concludes with the Submission of Auction criteria, timeline etc. to the portal and the Issues purchase order to the selected bidder. Figure 8: Electronic Reverse Auction	
E-Tendering	E-tendering is a process of carrying out entire tendering cycle online with efficiency and economy. Process followed under e-tender is same as conventional tender except it involves working in IT environment. All the steps involved starting from inviting the tenders till decision of selection of vendor will be carried out on the system. Monetary limits are defined by organizations; if the expected tender size exceeds the amount, then E-tendering would be essential.	

Procurement Process	Description	Reference
	In E-tendering, digital signature plays a vital role. Tender notice will be approved and authorized for publishing by digital signature certificate by approving authority as per delegation of powers. Digital Signature has the same legal recognition and validity as handwritten signature. Digital signature also ensures that no alterations are made to the data once the document has been digitally signed. Several roles would be created in the system, viz, publisher, admin, bid opener, evaluator, auditor, etc. Adequate rights assigned to these profiles should be ensured. This ensures that tampering/ editing by unauthorized person is not possible. Bidders intending to participate have to register with valid mail id and attaching digital signature. Under E-tendering, generally, application fees are E-Tendering paid at the time of submission of tender by bidders. It has to be ensured that fees have been received for all the bidders participating. Under E-tendering, submission of BG is, generally, made by sending the scan copies of the BG along with the tender document or physically sending the document to the purchaser. However, physical document shall be presented in case of scan copy on designated date, failing to which the vendor shall not be allowed to part in future tenders. I. General Requirements of eProcurement Application/System The basic requirements of any eProcurement application/system are to achieve the goal of Government procurement, standardization of procurement processes and information entities in an efficient and transparent way. Hence the key requirements are to: 1. Adherence to Procurement Rules	

Procurement Process	Description	Reference
	For public procurement of goods, services, works (e.g., construction) compliance with rules, processes, roles (purchasing officer, local purchasing committee etc.) are mandatory requirements. The Procurement rules needs to be applied into the application workflow of e-tendering process. eProcurement application /system (EPS) should be designed as per defined workflow with adequate security measures. 2. Confidentiality and Integrity of Information The key requirement of procurement in public service organization is to maintain the confidentiality & integrity of the information in procurement life cycle to protect the interest of buyer & supplier and to encourage the competitiveness in the business. The eProcurement platform transacts confidential procurement data and is exposed to several security threats. This requires employing a combination of security technologies and security best practices which result in reduced threat of data loss, leakage or manipulation. In eProcurement application/system Class 3 Digital Certificate (Signature or Encryption or both) should only be used. 3. Central Vigilance Commission Guidelines The system should meet the requirements of guidelines issued from time to time by Central Vigilance Commission. 4. System Adaptability & customization EPS need to have templates to offer flexibility in bidding methodologies as prevailing and followed currently in the manual process. Further, system should have templates to adopt bidding methodologies as may be prescribed by respective authorities. II. Evaluation of eProcurement Application /System	

Procurement Process	Description	Reference
	The evaluation & certification is essential to assure the Quality and Security of an eProcurement application/system. Through this process confidence can be provided to its stakeholders that the system is secure, transparent, auditable & compliant with government procurement procedures. The main components of an eProcurement system are: 1. Data (eProcurement related documents & information) 2. Software Application 3. IT infrastructure (hardware & network) 4. Operational (Security) processes 5. Standards & Guidelines (GFR-2017, CVC Guideline, IT Act, MeitY EPS Guidelines) These components need to be evaluated using techniques such as review, testing and audit under suitable conditions/ environments. III. Approach for Evaluation of eProcurement System: To evaluate an eProcurement System (covering data, software, hardware, network, and process) following approach will be adopted. This will ensure correct & complete implementation of the purchaser's organizational procurement policies & procedures: 1. Testing and audit of the eProcurement solution to verify compliance with GFR rules, CVC guidelines, IT Act (including amendments) 2. Assuring Security of the eProcurement system through testing & audit 3. Security audit of data during Storage and Communication 4. Testing of non-functional requirements of the eProcurement system such as Performance and Accessibility (if relevant)	

Preparation of bidding documents	After selection of relevant procurement methodology and bidding system, the procurement agency shall prepare the bidding documents in line with the selected procurement methodology and bidding system. The key points to be considered while preparation of bidding documents for procurement of goods (refer para 15,16 & 20 of the UPR, 2017) are provided below: ▶ All the terms, conditions, stipulations and information to be incorporated in the bidding document are to be shown in the appropriate chapters as below: - Chapter-1: Instructions to bidders - Chapter-2: Conditions of contract and restrictions. - Chapter-3: Details of demand of goods. - Chapter-4: Specification and allied technical details. - Chapter-5: Price Schedule - Chapter-6: Format/Pro-forma of Contract/Agreement. - Chapter-7: Other standard forms, if any. ▶ The text of the bidding document should be self-contained and comprehensive without any ambiguities. All essential information, which a bidder needs for sending a responsive bid, should be clearly spelt out in the bidding document in simple language. The bidding document should contain, inter alia: a) The criteria for eligibility and qualifications to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities and financial position, documents to be submitted by the bidders etc., b) Eligibility criteria for goods indicating any legal restrictions/ conditions about the origin of goods etc. which may need to be met by the successful bidder; c) Date, time and place of opening of the bids, d) The procedure as well as date, time and place for sending the bids e) Terms of delivery, f) Details of the tender cost, Earnest Money Deposit (EMD)/Bid Security, performance guarantee etc.	Refer Para 3, 15, 16, 20, 22 & 37 of The Uttarakhand Procurement Rules, 2017
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Procurement Process	Description	Reference
	g) Any special terms affecting performance, and h) Suitable provisions should be kept in the bidding document to enable a bidder to question the bidding conditions, bidding process and/or rejection of its bid. i) Suitable provisions shall be incorporated that in case any bidder/firm quote zero or nil charges, then such bids would not be accepted ▶ Suitable provisions for settlement of disputes, if any, emanating from the resultant contract, should be kept in the bidding document. ▶ The bidding document should clearly indicate that the resultant contract will be interpreted under Indian Laws. ▶ The specifications of the required goods should be clearly stated without any ambiguity, so that the prospective bidders can send meaningful bids. ▶ To attract sufficient number of bidders, the specification should be broad based to the extent feasible. Efforts should also be made to use standard specifications which are widely known to the industry. ▶ Criteria for determining responsiveness of bids, criteria as well as factors to be considered for evaluating the bids on a common platform and the criteria for awarding the contract to the responsive lowest bidder should be clearly indicated in the bidding document. ▶ Depending on the cost and nature of the goods to be purchased, it may also be necessary to enter into maintenance contract(s) of suitable period either with supplier of goods or with any other competent firm ▶ Buy Back offer (Para 22 & 37): When it is decided with the approval of the Competent Authority to replace an existing old item(s) with a new and better version, the department may trade the existing old item while purchasing the new one. For this purpose, a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders can formulate their bids accordingly.	

Procurement Process	Description	Reference
Bid Management	The bid management process is an important step wherein the bidding process is kicked off through issuance of necessary advertisement/ Notice Inviting Tender (NIT) and includes monitoring of the bidding process. The key steps to be included in this stage are: ▶ Adequate and timely advertisement of Bids/NIT ▶ In the case of advertised tender enquiry or limited tender enquiry, late bids (i.e., bids received after the specified date and time for receipt of bids) should not be considered (refer para 14 of the UPR, 2017). ▶ Pre-bid conference (refer para 69 & 20 of the UPR, 2017) - In case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipment, a suitable provision is to be kept in the bidding documents for a pre-bid conference for clarifying issues and clearing doubts, if any, about the specifications and other allied technical details of the plant, equipment and machinery projected in the bidding document. ▶ In e-Procurement, all bids uploaded by bidders are received, safeguarded and opened online on the portal. In offline tenders, receipt and custody of bids shall be done in a transparent manner to maintain the credibility of the process. ▶ The bids should be opened in public and authorized representatives of the bidders should be permitted to attend the bid opening.	Para 3, 14, 20 & 69 of The Uttarakhand Procurement Rules, 2017
Bid Evaluation	For ensuring transparency in the bidding system, the opening and evaluation of the bids shall be done in accordance with The Uttarakhand Procurement Rules, 2017. Some of general provision for evaluation of tenders includes:	Refer Para 3, 20, 21, 32 & 36 of The Uttarakhand Procurement Rules, 2017

	▶ The bid shall be accompanied with Earnest Money Deposit/ Bid security of required amount and form as mentioned in the tender documents. ▶ The Competent authority shall ensure that bidders have submitted all the required information and documents in the format and manner prescribed in the bidding documents ▶ The competent authority may provide purchase/price preference to small and medium enterprise as per the prescribed rules with sanction from administrative or finance department ▶ The Competent Authority shall ensure that the selected item adequately meets the requirement in all respects. ▶ The Competent Authority shall satisfy itself that the price of the selected offer is reasonable and consistent with quality. Bids received should be evaluated in terms of the conditions already incorporated in the bidding document; no new condition, which was not incorporated in the bidding document, should be brought in for evaluation of the bids. ▶ The Competent Authority shall ensure the safe custody of documents of all stages of procurement and must place on record, the considerations, which weighed with it while taking the procurement decisions. ▶ Determination of a bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence or oral discussions. ▶ Bidders should not be permitted to alter & modify their bids after expiry of deadline for receipt of bids. ▶ Negotiation with bidders after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation against ad-hoc procurement is necessary due to some unavoidable circumstances, the same may be resorted to only with the lowest evaluated responsive bidder. ▶ In the rate contract system, where several firms are brought on rate contract for the same item, negotiation as well as counter offering of rates is permitted to the bidders under specific permission of the Government. ▶ Contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document. However, where the lowest acceptable bidder is not able to supply the full quantity required, the remaining quantity, as far as possible, be ordered from the next higher responsive bidder at the rates offered by the lowest responsive bidder.	
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Procurement Process	Description	Reference
	► In case there is only one bidder, then such bid shall be cancelled. The terms and condition of such bid shall be re-evaluated, and bids shall be invited again. In case if again only one bidder submits the bid, then such bid can be evaluated/considered on following terms: • The procurement was satisfactory advertised, and enough time was given for submission of bids • The qualification criteria/specification were not unduly restrictive • Prices were reasonable in comparison of market value ► To reduce delay, appropriate time frame for each stage of procurement should be prescribed by the department. Such a time frame will also make the concerned purchase officials more alert. ► To minimize the time needed for decision making and placement of contract, every department/head of department, with the approval of the competent authority, may delegate, wherever necessary, appropriate purchasing powers to the lower functionaries. ► The department/competent authority should ensure placement of contract within the original validity of the bids. Extension of bid validity must be discouraged and resorted to only in exceptional circumstances.	

Procurement Process	Description	Reference
Contract Management	The purpose of contract management is to ensure that the contract delivers the desired outcomes as per the terms and conditions of the contract. It also ensures that the payments made to the contractor match the performance. Implementation of the contract should be strictly monitored, and notices issued promptly whenever a breach of provisions occurs. Monitoring should ensure that contractor adhere to contract terms, performance expectations are achieved (such as timely deliveries, quality of goods supplied, adherence to proper procedure for submitting invoices etc.) and any problems are identified and	Refer Para 3, 17, 18, 19, 20 & 21 of The Uttarakhand Procurement Rules, 2017

	resolved in a timely manner. Without a sound monitoring process, there can be no assurance that “we get what we pay and contract for and pay only for what we get”. Normally, the following issues are handled during this phase: a) Signing and Amendments to the contract and handling of securities - b)) Payments to the contractor and accounting; c) Monitoring of supplier performance; d) Quality Assurance & Inspections e) Goods receiving & storage f) Dispute resolution; g) Contract closure upon completion; A) Award of Contract ▶ The letter of award/intent shall be issued to the selected bidder along with the details of the contract, timeline, details of consignee, amount of performance guarantee, if applicable, etc. ▶ The performance guarantee (PG) shall be obtained from the successful bidder in accordance with the letter of award. The amount, validity, mode and methodology of collection PG is provided in para 17 of The Uttarakhand Procurement Rules, 2017 or as amended from time to time. ▶ The Earnest Money Deposit/Bid Security shall be returned to the unsuccessful bidders after awarding of contract to successful bidder ▶ A formal acceptance of the LOI/LOA or contract shall be executed with the selected bidder for the supply of the goods. ▶ The signed contract shall be based on the terms & conditions and technical specifications provided in the bidding documents and bid submit by the vendor ▶ The name of the successful bidder and contract amount should be mentioned in the departmental notice board/bulletin/website. ▶ Any amendment to the commercial and technical terms of the contract shall be done with the approval of competent authority and with adequate recording of the reasons for such amendments	
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	B) Payment to Supplier & accounting ▶ Advance Payment: Ordinarily, payments for services rendered or supplies made, should be released only after the services have been rendered or supplies made. However advance payment may be allowed for certain cases and to the extent as defined in the para 18 of The Uttarakhand Procurement Rules, 2017, provided such details are included in the bidding documents ▶ Part payment: Depending on the terms of delivery incorporated in a contract, part payment to the supplier may be released after it dispatches the goods from its premises under the contract. Refer para 19 of The Uttarakhand Procurement Rules, 2017 ▶ The payment shall be released in accordance with the conditions mentioned in the contract agreement/bidding documents and on submission of valid invoice by the vendor. The Competent Authority should certify the payment at each step. ▶ Necessary deduction towards security amount, penalty (if any), statutory deductions etc. shall be deducted from the payment of the supplier ▶ The payment and bills shall be duly accounted in the books of the procuring authority C) Monitoring the procurement of goods ▶ Monitoring should ensure that suppliers adhere to contract terms, performance expectations are achieved (such as timely deliveries, quality of goods supplied, and adherence to proper procedure for submitting invoices etc.) and any problems are identified and resolved in a timely manner. ▶ Without a sound monitoring process, there can be no assurance that the buyer has received what was contracted. A sound system for monitoring the performance of the suppliers in a contract would also be useful in selecting a good supplier in future procurement of the same or similar materials.	
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	D) Quality Assurance & Inspection ▶ The Quality Assurance (QA) process is needed to provide adequate confidence that a procured product will satisfy the laid down standards of quality and serve the purpose for which it is being procured. QA consists of three components: i) Defining quality standards - The technical sanction and contract agreement defines the quality standards expected from the product. ii) Planning assurance of quality - Planning for QA is done by way of specifying the qualifications criteria for the suppliers to ensure that they do have the technical, infrastructure and financial capabilities to meet the required quality standards. Specifications also lay down quality control requirements to indicate parameters, target values, tolerances and method of measurement of various parameters that constitute the standards of quality. iii) Measurement of quality - Measurement of quality is done through a scheme of inspections at the contract management stage and laying down the actual process of inspection. The supply of the goods shall be accepted/approved after an inspection and certification by the concerned/competent authority E) Goods receiving & storage: After satisfactory inspection and tests, the accepted materials should be stamped, labelled, marked, or sealed and stored in a systematic manner. This is to facilitate easy retrieval at a later stage. As all goods needed or procured cannot be consumed at one point of time, storage is an inevitable process. The storage system forms the key component of any materials management system. It should be ensured that the goods are stored in such conditions that they are protected against unauthorized removal and deterioration. F) Dispute resolution – Any dispute arising out under the contract due to breach of contract or otherwise shall be dealt with the provisions mentioned or referred in the contract documents G) Contract Closure upon completion – After successfully receipt of all the goods in the required quality and quantity, the final payment to the supplier shall be made and contract shall be closed.	
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Table 8: Procurement Process- Goods**B) Procurement of works**

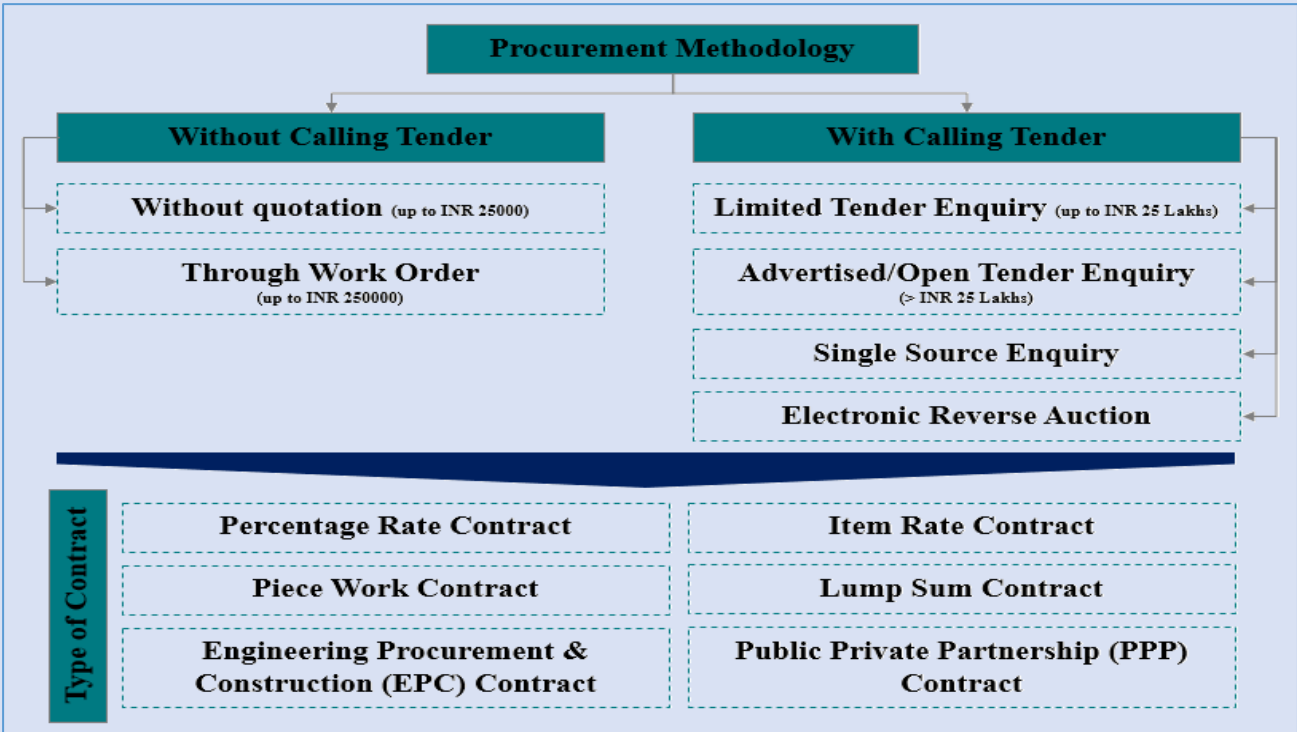
The key activities involved in procurement of works at various stages of procurement process is provided in below table:

Procurement Process	Description	Reference
Requisition and Approval	► The steps in requisition and approval of works are provided below:  <pre> graph TD A[Preparation of Preliminary Project Report (PPR)] --> B[Acceptance of Necessity] B --> C[Administrative Approval [Para 316 - Volume VI, FHB]] C --> D[Financial/expenditure sanction [Para 317 - Volume VI, FHB]] D --> E[Preparation of Detailed Project Report (DPR) & Detailed Estimates] E --> F[Technical sanction [Para 318 - Volume VI, FHB]] F --> G[Appropriation of funds] </pre> Figure 9: Steps in Requisition & Approval of Works <i>Please refer Chapter 2 of Works Audit Manual for process in requisition and approval of Works</i> ► Each department shall prepare a perspective plan for 5 years for undertaking different types of works para 23 of The Uttarakhand Procurement Rules, 2017 or as amended from time to time. There shall also be a provision of annual review of plan for making modifications if any	Refer Para 23, 27, 38, 39, 40, 41, 42 & 74 of The Uttarakhand procurement rules, 2017; Volume 1 and 6 – FHB and Delegation of power

Procurement Process	Description	Reference
	▶ The requisition for a works can be generated from various sources which majorly includes requisition from civil officers of the various government department, study and investigation conducted by the works department in the interest of public, complaints received from public etc. ▶ As contained in Financial Handbook (FHB) Volume-1 and Financial Handbook (FHB) Volume-6 or any other authority specified by the Department or the Competent Authority or the Government can procure work as per the delegation of power / Financial Handbook (FHB) Volume-1. In case anything is not covered in the Uttarakhand Procurement rules, 2017, the procurement shall be done with the concurrence of the Finance Department. ▶ The Departments and organization who are empowered to execute the works will exercise the power as per DOP. Anything not covered by these rules, shall be clarified by the Finance Department. ▶ A group of works which forms one project, shall be considered one work, & technical, administrative and financial approval from competent authority should be taken as one work. The work should not be split just to avoid the procedure of getting approval of the higher authority. This provision, however, shall not apply in case of works of similar nature which are independent of each other. ▶ Standard schedule of rates shall be published by the State PWD (Public Works Department) at regular intervals for commonly used items & a copy should be sent to all Heads of Departments of concerned Departments. ▶ Based on these this schedule of rates, the bill of quantities should be prepared for calling tender from bidders. Above schedule of rates are also referred while preparing & obtaining technical & expenditure sanction Schedule of rates are approved by the competent authority and shall be updated at least once a year. ▶ The method of starting of any new work repair or maintenance is provided at para 40 of The Uttarakhand Procurement Rules, 2017 or as amended from time to time.	

Registration of Contractor	► The concerned Administrative Department shall provide online registration to eligible contractor to ensure reliability and capability of contractors.	Refer Para 24 of The Uttarakhand
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Procurement Process	Description	Reference
	► Such Registration shall be in accordance with the rules defined in the Uttarakhand Procurement Rules, 2017 and based on the factor such as: • Technical and Financial Competency • Adequate legal status • Not insolvent • Not been convicted of any criminal offence related to their professional conduct ► Review of performance of registered contractors shall be done every year and a procedure shall be laid down by the registering department/agency ► Departments shall try to organize capacity building programmes to orient the contractors, about the latest building standard code and technology so that, competitiveness and quality-based supply/works may be ensured.	procurement rules, 2017;
Procurement Methodology & Bidding System	Offers from prospective bidders in public procurement must be invited according to a procedure that achieves a balance between the need for the widest competition, on one hand, and complexity of the procedure, on the other hand. Different methodology of procurement, bidding systems and mode of procurement are used to suit various procurement circumstances to achieve this balance. I) Procurement Methodology There are laid down procedures for different methodology of procurement in the Uttarakhand Procurement Rules, 2017 which are elaborated as below:	

Procurement Process	Description	Reference
	 Figure 10: Procurement Methodology for Works Procurement Without Calling of Tender A) Procurement without quotation (Refer para 46 of The Uttarakhand Procurement Rules, 2017) Works of emergent nature or petty works e.g., minor repair, replacement, clearance of slip for traffic opening can be undertaken up to INR 25,000/- (INR Twenty-Five thousand) without quotations, with due approval of the competent authority and the officers so authorized shall record the certificate for the same in desired format.	Refer Para 46 of The Uttarakhand Procurement Rules, 2017 Refer Para 47 of The Uttarakhand

Procurement Process	Description	Reference
	B) Procurement of works on work order basis without call of tenders Work order can be drawn up to an amount of INR 2,50,000 (INR Two Lakh fifty thousand only) in each case by the competent authority based on quotations from at least three registered contractors. Award of work through quotations shall be resorted only in emergent cases and suitable reasons shall be recorded. (Refer para 47 of The Uttarakhand Procurement Rules, 2017) Procurement of Works by Obtaining Bids/Tenders For instances other than covered under A & B above, the Competent Authority shall procure works by following standard methods of obtaining bids/ tenders as follows: - i.) Limited tender enquiry (LTE) - ii.) Advertised/Open Tender Enquiry (OTE) including Global Tender Enquiry (GTE) - iii.) Single Source Enquiry - In case of emergency or natural disaster, the works can be allotted through single source enquiry, but the rates shall not be more than the approved rates or market rates. - iv.) Electronic Reverse Auction <i>Please refer section 2.1 of this manual (Procurement of Goods) at page no. 4 to 28 for details about the meaning, objective and process of above-mentioned modes of tendering.</i>	Procurement Rules, 2017 Para 50 of The Uttarakhand Procurement Rules, 2017

	Types of Contracts As against a single type of contract in case of procurement of goods, there are multiple type of contracts which may be executed in case of procurement of works. There are different basis for linking payments to the performance of Contract (called types of contracts) – each having different risks and mitigation measures. Bids are called and evaluated based on the type of contract. The choice of the type of contract should be based on Value-for-Money	Para 48, 65 & 66 of The Uttarakhand Procurement Rules, 2017
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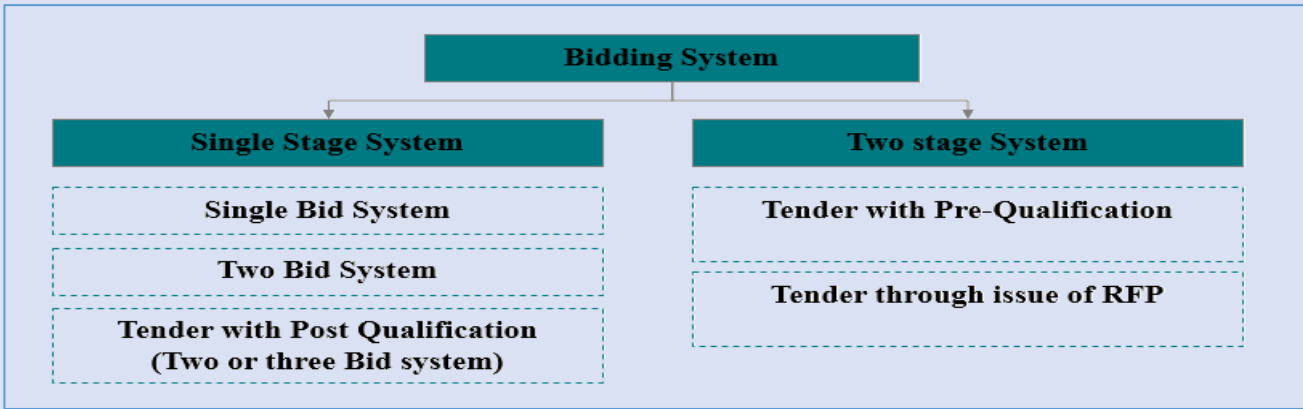
Procurement Process	Description	Reference
	(VfM) with due regard to the nature of work. Adoption of an inappropriate type of contract could lead to a situation of lack of competition & contractual disputes i. <u>Piece Work Contract</u>: The contract is used for small pieces of work and not for the complete work. These are particularly useful for maintenance works up to INR 1,00,000/- (INR One lakh). The contract is placed on the basis of spot quotations or even on single quotation in remote areas/hilly terrain for immediate and urgent work resulting from cloud burst, landslide, roadblock etc., but the rates should either be based on schedule rates or open market price. ii. <u>Percentage Rate Contract</u>: For percentage rate of tenders, the contractors are required to quote rate as overall percentage above or below the total estimated cost. This form of tender can be used in respect of maintenance works, levelling and development works including works such as storm water drainage, water supply and sewer lines. Such percentage rate contract should be confined to maintenance works up to the value of INR 10,00,000/- (INR Ten lakh) only. iii. <u>Item Rate Contract</u>: For item rate tenders, contractors are required to quote rate for each individual items of work on the basis of Bill of quantities (BOQ) provided by the procuring entity in the bid documents. Reasonable variations in quantities can be allowed during the execution in terms of the contract. This is the most commonly used contract type for civil works iv. <u>Lump Sum Contract</u>: This form is used for work in which contractors are required to quote a lump sum fixed price figure for completing the works in accordance with the given designs, specifications and functional requirements. Bidder's price is deemed to include all elements of cost - no arithmetical correction or price	Refer paragraph 405 of Volume VI of FHB

Procurement Process	Description	Reference
	adjustments are allowed during evaluation and execution. Lump sum contracts are easy to administer because it is a fixed price for a fixed scope and payments are linked to clearly specified outputs/ milestones. In a lump sum contract, the contractor agrees to execute a complete work with all its contingencies in accordance with the approved drawings and specifications for a fixed sum with following essential characteristics: ○ A schedule of rates is specified to regulate the amount to be added or deducted from the fixed sum because of any additions or alterations ○ Except as provided above, no allusion is made in the contract to the departmental estimate of the work, schedule of rates or quantities of works to be done ○ Detailed measurements of the work done are not required to be recorded except in respect of additions and alterations v. <u>Engineering, Procurement and Construction Contract:</u> The Engineering, Procurement and Construction (EPC) (also called ‘Design & Build’ Contracts) approach relies on assigning the responsibility for investigations, design and construction to the contractor for a lump sum price determined through competitive bidding. The objective is to ensure implementation of the project to specified standards with a fair degree of certainty relating to costs and time while transferring the construction risks to the contractor. Department may adopt Standardized Engineering, Procurement & Construction contract based on guidelines issued by Govt of India from time to time, for the works greater than INR 10 Cr	

Procurement Process	Description	Reference
	Engineering + Procurement + Construction Buyer Transfer of Procurement, Technical, Engineering, Commercial and Financial Risk to the contractor EPC Contractor Requisition & Approval Preparation of Bidding Documents Preparation of Bidding Documents Inviting of Competitive Bids Monitoring & Completion of Work Survey, Drawing & Design Preparation Handing over of Land and approvals Bid Evaluation & Award Specifying of Core Requirements by procuring entity By Contractor & approved by Procurement Entity Either Directly or through an independent agency Figure 11: Process Overview of EPC Contract . For executing contract on EPC methodology, the following important provisions are to be considered while framing estimate, preparing NIT etc.: a) Unlike the normal practice of construction specifications, the technical parameters in the EPC Agreement are based mainly on output specifications / performance standards. Procuring Entity specifies only the core requirements of design and construction of the project that have a bearing on the quality durability, reliability, maintainability and safety of assets and enough room is left for the contractor to add value. The contractor has full freedom to design and plan the construction schedule using best practices to achieve quality, durability, reliability, maintainability, and safety as specified along with efficiency and economy. Projects risks such as soil conditions and weather or commercial and technical risks relating to design and construction are assigned to the contractor.	

Procurement Process	Description	Reference
	b) The Procuring Entity bears the risk for any delays in handing over the land, approvals from local authorities, environment clearances, shifting of utilities & approvals in respect of engineering plans c) Selection of the contractor is based on open competitive bidding. All project parameters such as the contract period, price adjustments and technical parameters are to be clearly stated upfront, and short-listed bidders are required to specify only the lump sum price for the project. The bidder who seeks the lowest payment is awarded the contract. The contract price is subject to adjustment on account of price variation during the contract period as per a specified formula d) The selected contractor carries out survey and investigations and also develops designs and drawings in conformity with the specifications and standards laid down in the Agreement. Procuring Entity's engineer (also called owner's engineer) reviews the design and drawings to ensure that these conform to the scope of the project, design standards and specifications. Any comments by the Procuring Entity on the design proposals submitted by the contractor are to be communicated in totality once in a time-bound manner as indicated in the schedule. The contractor is free to proceed with construction after the expiry of specified period in case no remarks/ clearances are given by the Procuring Entity e) The responsibility of investigations, designing, planning, procurement, construction, safety, quality, and risk of engineering lies with the contractor & same shall be incorporated in the NIT. f) Mode of measurements for payment purpose will be decided by the NIT approving authority. g) Monitoring and supervision of construction are undertaken through Procuring Entity's engineer, (a qualified firm that will be selected through a transparent process) acting as a single window for coordination with the contractor h) In case the tender received is more than Administrative Approval (AA) & Expenditure Sanction (ES), revised AA & ES or in principle approval from the competent authority shall be necessary.	

Procurement Process	Description	Reference
	<i>Source: CPWD Works Manual -2019 and Manuals for Procurement of Works, 2019, Ministry of Finance, Government of India</i> vi. Public Private Partnership (PPP): PPP means an arrangement between a government/ statutory entity/ government owned entity on one side [Sponsoring (PPP) authority – or simply the Authority] and a private sector entity (a legal entity in which 51% or more of equity is with the private partner/s - concessionaire) on the other, for the creation and/ or management of public assets and/ or public services, through investments being made and/ or management being undertaken by the concessionaire, for a specified period of time (concession period) on commercial terms, where there is well defined allocation of risk between the concessionaire and the Authority; and the concessionaire (who is chosen on the basis of a transparent and open competitive bidding), receives performance linked payments that conform (or are benchmarked) to specified and pre-determined performance standards, measurable by the Authority or its representative. Public Private Partnership (PPP) in infrastructure projects typically involve transfer of public assets, delegation of Governmental authority for recovery of user charges, private control of monopolistic services and sharing of risks and contingent liabilities by the Government. Note: The audit of procurement through PPP projects is covered through a separate manual i.e., PPP Audit Manual and thus not covered under this manual C) Execution of Works by Department itself and Public Works Organization:	

Procurement Process	Description	Reference
	The department may execute the works by itself or through public works organization subject to the delegation provided in para 40 and 41 of The Uttarakhand Procurement, Rules 2017. The broad procedure to be followed by a department for execution of works is provided at para 49 of The Uttarakhand Procurement, Rules 2017 II) Bidding System Bidding systems are designed to achieve an appropriate balance between the countervailing needs for Right Quality, Right Source and the Right Price under different complexities/criticality of technical requirements and value of procurements. In certain critical and complex requirements, the technical and financial capability of contractor becomes an important determinant for value for money. Depending on the complexity, technical requirement, criticality of capability of contractor and value of procurement, following types of bidding systems may be used:  <pre> graph TD A[Bidding System] --> B[Single Stage System] A --> C[Two stage System] B --> D[Single Bid System] B --> E[Two Bid System] B --> F["Tender with Post Qualification (Two or three Bid system)"] C --> G[Tender with Pre-Qualification] C --> H[Tender through issue of RFP] </pre> Figure 12: Bidding System for Procurement of Works i.) Single Stage Bidding System	Refer para 49 of The Uttarakhand Procurement, Rules 2017 Refer Para 25 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	In single stage bidding, all bids are invited together in a single envelope or in multiple envelopes. This bidding system is suitable where technical requirements are simple or moderate; capability of source of supply is not too crucial and the value of procurement is not too high. a) Single Bid System In single bid system eligibility, technical/commercial and financial details are submitted together in the same envelop. This is the simplest and the quickest bidding system. The lowest responsive priced bid that meets the eligibility criteria, technical and commercial requirements laid down in the bid documents is declared as successful. Single bid system shall be adopted where it is feasible to work out the schedule of quantities and to formulate detailed specifications for goods or construction. b) Two Bid System without Expression of Interest Two bid system shall be adopted in case it is not feasible to formulate detailed specifications for goods or construction and to obtain the most satisfactory solution to its procurement needs. The tenderers should be asked to bifurcate their bids in two envelopes. The first envelop, called the technical bid, contains the eligibility, technical quality and performance aspects, and documents sought in the tender, except the price and relevant financial details. In the second envelop, called the financial bid, the price quotation along with other financial details are submitted. The technical bid and the financial bid should be sealed by the bidder in separate covers/duly super scribed and both those sealed covers shall be put in a bigger cover which should also be sealed and duly super scribed. The technical bids are to be opened by Competent Committee/Authority on specified date and time. The committee/authority shall evaluate and rank the technical bid based on already defined specifications/parameters and prepare the list of technically qualified bidders. The financial bids of	

Procurement Process	Description	Reference
	only those bidders should be opened who have qualified in the technical bid for further evaluation in ranking and the remaining financial bids (Envelopes) will not be opened and as such returned to the bidders. c) Tenders with Post-Qualification (Multi envelope bidding system) In case of post-qualification bidding system, procuring entity call financial offers and eligibility related documents in separate envelopes simultaneously. The procurement entity firstly evaluates the eligibility documents in accordance with the qualification criteria. Thereafter, the financial offers of only eligible contractors are considered. The procurement entity shall ensure that the eligibility criteria for post qualification along with evaluation system, if any, is clearly spelt out in detail. This form of bidding system may include two or three separate envelopes. ii.) Two Stage Bidding System In this type of bidding, the bid is carried out in two stages wherein in the first stage, the eligible contractor is shortlisted based on certain pre-qualification criteria. Thereafter, final tenders including technical and financial bid is called from the shortlisted/eligible contractor a) Tenders with Pre-Qualification In pre-qualification bidding process, the procurement entity provides a set of pre-qualification documents to each supplier or contractor that requests them in accordance with the invitation to pre-Qualify. The competent qualified tenderers are shortlisted prior for issue of the bid document using a Pre-qualification Criterion (PQC). In case pre-qualification bidding system is followed the criteria for pre-qualification along with evaluation system should be clearly spelt out in detail.	

Procurement Process	Description	Reference
	b) Two Stage Bidding system for works of a complex nature through EoI/RFP route For works which would require a high degree of technical skill and or involve complex or innovative technology, the competent authority may decide to select the contractors by following the EOI/RFQ route. Under this methodology, the procurement process is divided into two stages. In the first stage, eligible and prospective bidders are short listed. This stage is generally referred to as Request for Qualification (RFQ) or Expression of Interest (EoI). The objective is to short-list eligible bidders for stage two of process. In the second and final stage, which is generally referred to as the Request for Proposal (RFP) or invitation of technical & financial bids, the bidder engages in a comprehensive scrutiny of the project before submitting their bids. The EoI/RFQ process should aim at short-listing and prequalifying applicants who will be asked to submit bids in the RFP stage. The objective is to identify credible bidder who have the requisite technical and financial capacity for undertaking the projects. To encourage greater participation, the RFP document should not require respondents to incur significant expense in preparing a response. III) Mode of Procurement: All procurements of works with an estimated value of more than INR 25,00,000 shall be procured through e-procurement. The procedure to be followed for e-procurement shall be in accordance with The Uttarakhand Procurement Rules, 2017	Refer Para 35 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
Preparation of bidding documents	After selection of relevant procurement methodology and bidding system, the procurement agency shall prepare the bidding documents in line with the selected procurement methodology and bidding system. The key points to be considered while preparation of bidding documents for procurement of works are provided below: ▶ The department shall prepare tender documents which shall include: ○ A complete set of drawings showing the general dimensions of the proposed work and, so far as necessary, details of the various parts ○ A complete specification of the work to be done and the materials to be used unless reference can be made to some standard specifications ○ A schedule of quantities for the various descriptions of the works ○ Timeline for completion of the works ○ Eligibility or pre-qualification criteria ○ A set of “condition of contracts” to be complied with by the person whose tender may accepted	Refer Para 3, 20 & 26 of The Uttarakhand Procurement Rules, 2017

	▶ As per the GoUK GO no. 228/III(2)/ 14-75 (SA)/2000T.C dated 10th February 2014, for works more than INR 1 Cr. (later increased to INR 1.5 Cr. tenders to be floated and finalized as per provisions of standard bidding document 2014 and as amended from time to time ▶ Further for works less than Rs. INR 1.5 Cr. crore tenders or as amended from time to time, to be floated and finalized shall be as per provisions of G.P.W.-9 (GO - 120/III(2)-2014/20/2011) dated 08 January 2014. ▶ The text of the bidding document should be self-contained and comprehensive without any ambiguities. ▶ All essential information, which a bidder needs for sending a responsive bid, should be clearly spelt out in the bidding document in simple language. The bidding document should contain, inter alia: - i.) The criteria for eligibility and qualifications to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities and financial position, documents to be submitted by the bidders etc., - ii.) The procedure as well as date, time and place for sending the bids, - iii.) Date, time and place of opening of the bids, - iv.) Terms of delivery, - v.) Details of the tender cost, Earnest Money Deposit (EMD)/Bid Security, performance guarantee etc. - vi.) Any special terms affecting performance, and ▶ Suitable provisions should be kept in the bidding document to enable a bidder to question the bidding conditions, bidding process and/or rejection of its bid. ▶ Suitable provisions shall be incorporated that in case any bidder/firm quote zero or nil charges, then such bids would not be accepted ▶ Suitable provisions for settlement of disputes, if any, emanating from the resultant contract, should be kept in the bidding document. ▶ The bidding document should clearly indicate that the resultant contract will be interpreted under Indian Laws. ▶ The specifications of the required works should be clearly stated without any ambiguity, so that the prospective	
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bidders can send meaningful bids.

Procurement Process	Description	Reference
	▶ To attract sufficient number of bidders, the specification should be broad based to the extent feasible. Efforts should also be made to use standard specifications which are widely known to the industry. ▶ Criteria for determining responsiveness of bids, criteria as well as factors to be considered for evaluating the bids on a common platform and the criteria for awarding the contract to the responsive lowest bidder should be clearly indicated in the bidding document.	
Bid Management	The bid management process is an important step wherein the bidding process is kicked off through issuance of necessary advertisement/ Notice Inviting Tender (NIT) and includes monitoring of the bidding process. The key steps to be included in this stage are: ▶ Adequate and timely advertisement of Bids/NIT ▶ In the case of advertised tender enquiry or limited tender enquiry, late bids (i.e., bids received after the specified date and time for receipt of bids) should not be considered. ▶ Pre-bid conference- In case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipment, a suitable provision is to be kept in the bidding documents for a pre-bid conference for clarifying issues and clearing doubts, if any, about the specifications and other allied technical details of the plant, equipment and machinery projected in the bidding document. ▶ In e-Procurement, all tenders uploaded by tenderers are received, safeguarded and opened online on the portal. In offline tenders, receipt and custody of bids shall be done in a transparent manner to maintain the credibility of the process. ▶ The bids should be opened in public and authorized representatives of the bidders should be permitted to attend the bid opening.	Para 3, 14 20 & 69 of The Uttarakhand Procurement Rules, 2017
Bid Evaluation	For ensuring transparency in the bidding system, the opening and evaluation of the bids shall be done in accordance with The Uttarakhand Procurement Rules, 2017. Some of general provision for evaluation of tenders includes:	Refer Para 3, 20, 21, 44 & 70 of The Uttarakhand

▶ The bid shall be accompanied with Earnest Money Deposit/ Bid security of required amount and form as mentioned in the tender documents. ▶ The Competent authority shall ensure that bidders have submitted all the required information and documents in the format and manner prescribed in the bidding documents ▶ The Competent Authority shall ensure that the selected item adequately meets the requirement in all respects. ▶ The Competent Authority shall satisfy itself that the price of the selected offer is reasonable and consistent with quality ▶ The Competent Authority shall ensure the safe custody of documents of all stages of procurement and must place on record, the considerations, which weighed with it while taking the procurement decisions. ▶ The competent authority may provide purchase/price preference to small and medium enterprise as per the prescribed rules with sanction from administrative or finance department ▶ Bids received should be evaluated in terms of the conditions already incorporated in the bidding document: no new condition, which was not incorporated in the bidding document, should be brought in for evaluation of the bids. ▶ Determination of a bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence or oral discussions. ▶ Bidders should not be permitted to alter and modify their bids after expiry of the deadline for receipt of bids. ▶ Negotiation with bidders after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation against ad-hoc procurement is necessary due to some unavoidable circumstances, the same may be resorted to only with the lowest evaluated responsive bidder. ▶ Contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document.	Procurement Rules, 2017
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Procurement Process	Description	Reference
	► In case there is only one bidder, then such bid shall be cancelled. The terms and condition of such bid shall be re-evaluated, and bids shall be invited again. In case if again only one bidder submits the bid, then such bid can be evaluated/considered on following terms: • The procurement was satisfactory advertised and sufficient time was given for submission of bids • The qualification criteria/specification were not unduly restrictive • Prices were reasonable in comparison of market value ► To reduce delay, appropriate time frame for each stage of procurement should be prescribed by the department. Such a time frame will also make the concerned purchase officials more alert. ► To minimize the time needed for decision making and placement of contract, every department/head of department, with the approval of the competent authority, may delegate, wherever necessary, appropriate purchasing powers to the lower functionaries. ► The department/competent authority should ensure placement of contract within the original validity of the bids. Extension of bid validity must be discouraged and resorted to only in exceptional circumstances.	

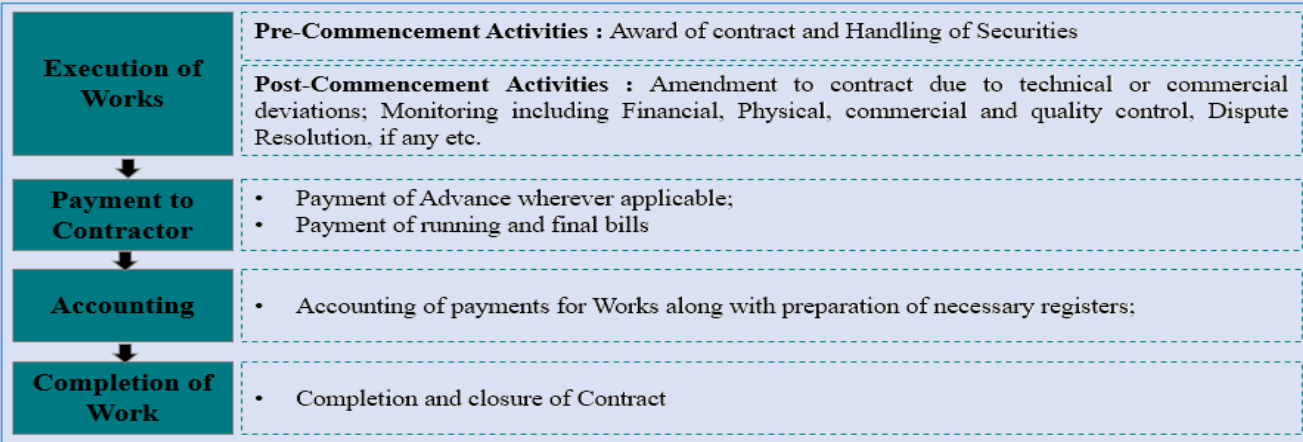
Procurement Process	Description	Reference
Contract Management	The Contract Management for Works includes following activities:  <pre> graph TD A[Execution of Works] --> B[Payment to Contractor] B --> C[Accounting] C --> D[Completion of Work] </pre> Execution of Works Pre-Commencement Activities : Award of contract and Handling of Securities Post-Commencement Activities : Amendment to contract due to technical or commercial deviations; Monitoring including Financial, Physical, commercial and quality control, Dispute Resolution, if any etc. Payment to Contractor • Payment of Advance wherever applicable; • Payment of running and final bills Accounting • Accounting of payments for Works along with preparation of necessary registers; Completion of Work • Completion and closure of Contract Figure 13: Steps included in Contract Management for Works For details of the above step please refer section 2.4.1.5 to 2.1.4.7 of Works Audit Manual	

Table 9: Procurement Process - Works

C) Procurement of services

The key activities involved in procurement of services at various stages of procurement process is provided in below table:

Procurement Process	Description	Reference
Procurement proposal and Approval	▶ The Department/competent authority may hire external professionals, consultancy firms/consultants etc. for a specific job, which is well defined in terms of content & time frame for its completion or outsourcing. ▶ For identification of service required to be performed by consultants, engagement of consultants may be resorted to in situations requiring high quality services for which the concerned Department /Competent Authority does not have requisite expertise. ▶ The Department/Competent Authority should prepare in simple and concise language the requirements, objectives and scope of assignment. The eligibility and pre-qualification criteria to be met by the consultants should also be clearly identified at this stage. ▶ The Department/Competent Authority proposing to engage consultant(s) should estimate reasonable expenditure by ascertaining the prevalent market conditions and consulting other organizations engaged in similar activities. ▶ Approval of the Competent Authority should be obtained for engaging consultant(s) as per delegation of power	Refer Para 54 of The Uttarakhand procurement rules, 2017
Procurement Methodology	I) Procurement Methodology There are laid down procedures for different methodology of procurement in the Uttarakhand Procurement Rules, 2017 which are elaborated as below:	

Procurement Process	Description	Reference
	Procurement Methodology Through Informal/Formal Enquires Through Expression of Interest Through Nomination/Single Source Through Outsourcing Electronic Reverse Auction Figure 14: Procurement Methodology for Services A) Procurement through Informal/ Formal Enquiries ▶ For services with estimated cost up to INR 15,00,000/- (INR Fifteen lakh), the procuring entity should prepare a list of potential consultants based on formal/ informal enquiries from other organizations/Departments /Chambers of Commerce & Industry etc. involved in similar activities. ▶ On the basis of responses received from the interested parties, consultants meeting the requirements should be short listed for further consideration. ▶ The number of short-listed consultants should not be less than three Type of Consultant:	Refer Para 55 and 56 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	A) Consultancy or Service Providing Firms: The main source of consultants and service providers is Consultancy or Service providing firms of diverse specializations that provide teams to clients. These firms provide project preparation services, project implementation supervision services, training, advisory services and policy guidance. Such firms are normally classified as either international – firms that have international experience and are capable of undertaking work at international level at international rates; or national – firms that may not have international exposure and normally undertake assignments only within that country, usually at significantly lower rates. B) Consortium of Consultants/Service Providers: In large and complex assignments consultants/service providers may associate with each other to form a consortium to complement their respective areas of expertise, to increase the technical responsiveness of their proposal and make larger pools of experts available or for other reasons. The consortium may take the form of a Joint Venture (JV) or a sub consultancy C) Individual Consultants/ Service Providers: Individual consultants or service providers are recruited for similar activities as Consultancy/ Service providing firms when a full team is not considered necessary. They may be independent experts not permanently associated with any particular firm, or they may be employees of a firm recruited on an individual basis. D) Specialized Agencies and Institution: Specialized agencies or institutions (including Government/Semi-Government agencies, universities and professional institutions) may also from time to time be recruited to provide Consultancy/other services. These services may be provided by individuals (as discussed above) or by teams. E) Non-Governmental Organizations (NGO): There may be distinct advantage in use of Non-Governmental Organizations (NGOs) in Projects which emphasize experience in community	

Procurement Process	Description	Reference
	participation and in-depth local knowledge – for example, Projects related to Corporate Social Responsibility (CSR). F) Retired Government Servant: Retired Government servants can be engaged only for the specific task and for specific duration as consultant. They should be assigned clear output related goals. They should not be engaged against regular vacant posts as consultant under this rule. Source: Manual for procurement of Consultancy and other services, 2017, Ministry of Finance, Government of India B) Procurement through Expression of Interest ▶ For services with estimated cost of more than INR15,00,000/- (INR Fifteen lakh), an 'Expression of Interest' should be published in at least one national newspaper and the website of the department/organization. ▶ Enquiry for seeking expression of interest should include in brief, the broad scope of work/service, eligibility & pre-qualification criteria to be met by the consultant and consultant's experience in similar work/service. ▶ The consultant may be allowed to respond within two weeks, subject to a maximum of four weeks. ▶ Based on responses received from the interested parties, consultants meeting the requirements should be short listed for further consideration, with shortlisting of at least three consultants C) Procurement of services through nomination Single source selection of consultants should ordinarily be avoided as it does not provide the benefits of competition, lacks transparency in selection and could encourage unacceptable practices. However, under	Refer Para 55 & 56 of The Uttarakhand Procurement Rules, 2017 Refer Para 59 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	some special circumstances, it may become necessary to select a consultant, where adequate circumstances and justification is there to nominate such firm/consultant in the context of the overall interest of the concerned department/organization. Complete justification for single source selection should be recorded and approval of the Competent Authority should be obtained before resorting to such single source selection. For single source selection above INR 25,00,000/- (INR Twenty-Five lakh), approval of the Administrative Department and concurrence of the Finance Department is necessary. (Refer Para 59 of The Uttarakhand Procurement Rules, 2017) D) Procurement of services through outsourcing: ▶ The department/ competent authority/ organization/ institution may outsource certain services in the interest of economy and efficiency, but following procedures should be followed compulsorily: • The department/competent authority should prepare a list of likely and potential contractors based on formal /informal enquiry from the specialized firms/ contractors/ institutions / departments/ organizations involved in similar works. The information related to such organizations may be collected through advertisement, professional journals, websites etc. • The department/competent authority should prepare the tender enquiry for outsourcing containing the necessary details ▶ In case of outsourcing of services following yardstick shall be followed: • For estimated value of the work/service up to INR 10,00,000 (INR Ten lakh) or less the department/competent authority should invite tender enquiry from the preliminary list of likely firms/consultants identified as per Rule 61 of The Uttarakhand Procurement Rules, 2017 and issue limited	Refer Para 61 & 62 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	tender enquiry to them asking for offers by specified date and time. The number of the institutions/organizations so identified should not be less than four. • For estimated value of the work/service above INR 10,00,000/- (INR Ten lakh) the department/competent authority should issue tender enquiry in at least one largely circulated national newspaper and the website of the organization asking for offers by a specified date and time etc. ► For Estimated value of service above INR 50,00,000/- (INR Fifty lakh) a Two-bid system may be adopted through the EOI/RFP route as prescribed in rule 14, 29, 30, 31, 56, 57, 58 & 59 of The Uttarakhand Procurement Rule, 2017 (Refer Para 62 of The Uttarakhand Procurement Rules, 2017). E) Electronic Reverse Auction: <i>Please refer section 2.1 of this manual (Procurement of Goods) at page no.4 to 28 for details about the meaning, objective and process of above-mentioned modes of tendering.</i> Type of Contracts in case of Procurement of Consultancy Services: There is different basis for linking payments to the performance of services (called types of contracts) – each having different risks and mitigation measures. Bids are called and evaluated based on the type of contract. The choice of the type of contract should be based on Value for Money (VfM) with due regard to the nature of assignment. Adoption of an inappropriate type of contract could lead to a situation of lack of competition, contractual disputes and non-performance/failure of the contract. The key types of contracts are provided below: A) Lump-sum (Firm Fixed Price) contract: Consultant's proposal is deemed to include all prices – no arithmetical correction or price adjustments are allowed during evaluation. Lump-sum consultancy contracts are easy to administer because there is fixed price for a fixed scope and payments are linked	Refer Para 12 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	to clearly specified outputs/milestones/ deliverables such as reports, documents, drawings, bills of quantities, software programs etc. B) Time-Based (Retainer-ship) Contract: In Time-based (Retainer-ship) contracts payments are based on agreed hourly, daily, weekly or monthly rates for staff (who in consultancy contracts are normally named, but not so in other services) and on reimbursable items using actual expenses and/or agreed unit prices. C) Per centage (Success/Contingency Fee) Contract: Per centage (Success/Contingency Fee) contracts directly relate the fees paid to the consultant/service provider to the estimated or actual project cost, or the cost of the goods procured or inspected. Since the payment is made after the successful realization of objectives, it is also called success (or contingency) fee contract. D) Retainer and Success (Contingency) Fee Contract: This type of contract is a combination of Time Based and Per centage Contracts wherein the remuneration of the consultant includes a retainer (time based, monthly payment) and a success fee (Per centage based payment) E) Indefinite Delivery Contract (Price Agreement): These contracts are used when Procuring Entity need to have “on call” specialized services, the extent and timing of which cannot be defined in advance. This is akin to the system of ‘Rate Contracts’ or framework contracts in the Procurement of Goods. There is no commitment from Procuring Entity for the quantum of work that may be assigned to the consultant/service provider. Source: Manual for procurement of Consultancy and other services, 2017, Ministry of Finance, Government of India II) Bidding System Two Stage Bidding system with two bid system:	

Procurement Process	Description	Reference
	Since the quality and scope of a consultancy assignment are not tangibly identifiable and consistently measurable, the technical and financial capability of consultants becomes an important though indirect determinant for quality and scope of performance. In such a situation value for money (VfM) is achieved by encouraging wide and open competition among equally competent consultant. Thus, selection of consultants, is normally done in a two-stage process. In the first stage, likely capable sources are shortlisted, either through formal or informal enquires or through EoI route. On the basis of responses received, consultants meeting the relevant qualification and experience requirements for the given assignment are shortlisted for further consideration. In the second stage, the shortlisted consultants are invited to submit their technical and financial (RP) proposals generally in separate sealed envelopes. Evaluation of the technical proposal is carried out by evaluators without access to the financial part of the proposal. Financial proposals are opened after evaluation of quality. III) Mode of Procurement All procurements of services with an estimated value of more than INR 2,50,000 shall be procured through e-procurement. The procedure to be followed for e-procurement shall be in accordance with The Uttarakhand Procurement Rules, 2017	Refer Para 35 of The Uttarakhand Procurement Rules, 2017
Preparation of bidding documents	A) Procurement of services through Expression of Interest and QCBS ▶ Enquiry for seeking expression of interest should include in brief, the broad scope of work/service, inputs to be provided for meeting eligibility and pre-qualification criteria by the consultant and consultant's experience in similar work/service. ▶ The consultant may be allowed to respond within two weeks, subject to a maximum of four weeks. ▶ Based on responses received from the interested parties, consultants meeting the requirements should be short listed for further consideration and issuance of Request for proposal (RFP)	Refer Para 29, 55, 56, 57 & 60 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	► RFP is the document to be used by the department/competent authority for obtaining offers from the consultants for the required work/service. The RFP should be issued to the short-listed consultants to seek their technical and financial proposal. The RFP should contain: - i.) A letter of invitation (LOI), - ii.) Information to consultants (ITC) regarding the procedure for submission of proposal, - iii.) Terms of Reference (TOR), - iv.) Eligibility and pre-qualification criteria in case the same has not been ascertained through enquiry for expression of interest (EOI), - v.) List of works, human resources, experiences, financial status to be evaluated, - vi.) Bid evaluation criteria and selection procedure, - vii.) Standard formats for technical and financial proposal, - viii.) Proposed contract terms, and - ix.) Procedure proposed to be followed for midterm review of the progress of the work and review of the final draft report. Terms of Reference (TOR): ToR is akin to Description, Quantity and Technical Specification in Procurement of Goods. This is the first step in the selection of the consultants once a need has been identified. A ToR explains the purpose/objectives of the assignment, scope of work, activities, tasks to be performed, respective responsibilities of the Procuring Entity and consultant, expected results and deliverables of the assignment. ToR is important for an understanding of the assignment and its correct execution to ensure that the objectives of assignment are achieved. It reduces the risk for the Procuring Entity of unnecessary extra work, delays and of additional expenses. In addition, it helps in reducing risk of ambiguities during the preparation of bidder's proposals, contract negotiation and execution of consultancy. A ToR shall include the following:	

Procurement Process	Description	Reference
	(a) Precise statement of objectives, (b) Outline of the tasks to be carried out, (c) Schedule for completion of tasks, (d) The support/inputs to be provided by the Department/Competent Authority to facilitate the consultant, and (e) The final outputs that will be required of the consultant. (f) Desired Qualification & Experience of resources along with estimated input time. B) Procurement of services through outsourcing: The department/competent authority should prepare the tender enquiry for outsourcing containing the following details: - i.) The details of works/services to be performed by the consultant, - ii.) The facilities and the inputs which will be provided to the consultant by the department/competent authority, - iii.) Eligibility and qualification criteria to be met by the consultant for performing the required work/service, and - iv.) The statutory and contractual obligations to be complied with by the consultant. C) Other key general points related to bid document preparation:	Refer Para 61 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	▶ The text of the bidding document should be self-contained and comprehensive without any ambiguities. All essential information, which a bidder needs for sending a responsive bid, should be clearly spelt out in the bidding document in simple language. ▶ The Department/Competent Authority shall be responsible for preparing the TOR for the assignment. TOR shall be prepared by a person(s), or a firm specialized in the assignment. ▶ The scope of the services described in the TOR shall be compatible with the available budget. TOR shall clearly define the objectives, goals, and scope of the assignment and provide background information (including a list of existing relevant studies and basic data) to facilitate the consultants for preparation of their proposals. ▶ If transfer of knowledge or training is an objective, it should be specifically outlined along with details of number of staffs to be trained, and so forth, to enable consultants to estimate the required resources. TOR shall list the services and surveys necessary to carry out the assignment and the expected outputs ▶ The Instruction to Consultant shall contain all necessary information that would help consultants in preparing responsive proposals and shall bring as much transparency as possible to the selection procedure by providing information on the evaluation process and by indicating the evaluation criteria, factors, their respective weights and the minimum passing score. ▶ Suitable provisions for settlement of disputes, if any, emanating from the resultant contract, should be kept in the bidding document. ▶ The bidding document should clearly indicate that the resultant contract will be interpreted under Indian Laws.	Refer Para 3, 20, 57 & 60 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
Bid Management	The bid management process is an important step wherein the bidding process is kicked off through issuance of necessary advertisement/ Notice Inviting Tender (NIT) and includes monitoring of the bidding process. The key steps to be included in this stage are: ▶ The bids shall be advertised adequately ▶ The bidders should be given sufficient time to send their bids. ▶ The bids should be opened in public and authorized representatives of the bidders should be permitted to attend the bid opening. ▶ The bids submitted after due date shall not be considered ▶ Pre-bid conference- A suitable provision is to be kept in the bidding documents for a pre-bid conference for clarifying issues and clearing doubts, if any, about the Terms of reference, scope of works, mode of preparation of bid documents, contract clauses etc. ▶ In e-Procurement, all tenders uploaded by tenderers are received, safeguarded and opened online on the portal. In offline tenders, receipt and custody of bids shall be done in a transparent manner to maintain the credibility of the process.	Para 3, 14, 20 & 69 of The Uttarakhand Procurement Rules, 2017
Bid Evaluation	For ensuring transparency in the bidding system, the opening and evaluation of the bids shall be done in accordance with The Uttarakhand Procurement Rules, 2017. The summary of the evaluation process is provided below: i.) Procurement of services through EOI ▶ Technical bids should be analysed and evaluated by a Consultancy Evaluation Committee (CEC) constituted by department/competent authority. The CEC will record in detail the reasons for acceptance/rejection of the technical proposals after thorough analysis. One method of doing this could be that the minimum qualifying mark may be prescribed and all proposals above the minimum marks can only compete on 'cost'. In such case, the minimum qualifying mark shall be stated in the RFP.	Refer Para 31, 56 & 58 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	► The financial bids of only those bidders, who have been declared technically qualified by the CEC, should be opened, for further analysis, evaluation, ranking and selection of successful bidder. ii.) Procurement of services through QCBS Under QCBS method of procurement, the evaluation of the proposals shall be carried out in two stages: first the quality, and then the cost. Evaluators of technical proposals shall not have access to the financial proposals until the technical evaluation, is concluded. Financial proposals shall be opened only thereafter. The evaluation shall be carried out in full conformity with the provisions of the RFP. Systems of Selection of Service Providers: During the procurement of consulting services, the importance of Quality and Price aspects may vary from assignment to assignment depending on complexities/criticality of quality requirements, internal capability of Procuring Entity to engage and supervise the assignment as well as the value of procurements. Hence different systems of selection of consultants/service providers are designed to achieve appropriate relative importance (weightage) of Quality and Price aspects. The major form of selection of consulting services include: a) Price based System – Least Cost Selection (LCS): In this method of selection, consultants/service providers submit both a technical proposal and a financial proposal at the same time. The technical proposals are opened first and evaluated and the offers who are qualifying as per these technical evaluation criteria will only be considered as technically responsive. The rest would be considered technically non-responsive and would be dropped from the list. Financial proposals are then opened for only eligible and responsive offers and ranked. L-1 offer out of the responsive offers is selected on price criteria alone without giving any additional weightage to marks/ranking of technical proposal. This system of selection is roughly the same as the price-based selection of L-1 offer (among the technically responsive offers) in procurement of Goods/Works.	Refer Para 60 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	b) Quality and Cost Based Selection (QCBS): In QCBS selection, minimum qualifying marks (normally 70-80 out of maximum 100 marks) as benchmark for quality of the technical proposal is prescribed and indicated in the RFP along with a scheme for allotting marks for various technical criteria/attributes. During evaluation of technical proposal, quality score is assigned out of the maximum 100 marks, to each of the responsive bids, as per the scheme laid down in the RFP. The consultants/service providers who are qualifying as per the technical evaluation criteria are considered as technically responsive and the rest would be considered technically non-responsive and would be dropped from the list. Financial proposals are then opened for only eligible and responsive offers and other financial offers are returned unopened to bidders. The financial proposals are also given cost-score based on relative ranking of prices, with 100 marks for the lowest and pro-rated lower marks for higher priced offers. The total score shall be obtained by weighing the quality and cost scores and the bidder with highest weighted score is selected. Source: Manual for procurement of Consultancy and other services, 2017, Ministry of Finance, Government of India iii.) Procurement of services through outsourcing The Department/Competent Authority should evaluate, segregate, rank the responsive bids and select the successful bidder for placement of the contract. If it became necessary in an exceptional situation to outsource a job to a specifically chosen contractor, the administrative department with the consultation of finance department in Government can do so after providing detailed justification and the circumstances leading to outsourcing by choice, and the special interest or purpose it shall serve.	Refer Para 63 of The Uttarakhand

Procurement Process	Description	Reference
	iv.) Other General Provisions	Procurement Rules, 2017 Refer Para 3, 20, 21 & 70 of The Uttarakhand Procurement Rules, 2017

	▶ The Competent authority shall ensure that bidders have submitted all the required information and documents in the format and manner prescribed in the bidding documents ▶ The Competent Authority shall ensure the safe custody of documents of all stages of procurement and must place on record, the considerations, which weighed with it while taking the procurement decisions. ▶ Bids received should be evaluated in terms of the conditions already incorporated in the bidding document: no new condition, which was not incorporated in the bidding document, should be brought in for evaluation of the bids. ▶ Determination of a bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence or oral discussions. ▶ Bidders should not be permitted to alter & modify their bids after expiry of deadline for receipt of bids. ▶ Negotiation with bidders after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation against ad-hoc procurement is necessary due to some unavoidable circumstances, the same may be resorted to only with the lowest evaluated responsive bidder. ▶ In case there is only one bidder, then such bid shall be cancelled. The terms and condition of such bid shall be re-evaluated, and bids shall be invited again. In case if again only one bidder submits the bid, then such bid can be evaluated/considered on following terms: • The procurement was satisfactory advertised and sufficient time was given for submission of bids • The qualification criteria/specification were not unduly restrictive • Prices were reasonable in comparison of market value ▶ To reduce delay, appropriate time frame for each stage of procurement should be prescribed by the department. Such a time frame will also make the concerned purchase officials more alert. ▶ To minimize the time needed for decision making and placement of contract, every department/head of department, with the approval of the competent authority, may delegate, wherever necessary, appropriate purchasing powers to the lower functionaries.	
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Procurement Process	Description	Reference
	▶ The department/competent authority should ensure placement of contract within the original validity of the bids. Extension of bid validity must be discouraged and resorted to only in exceptional circumstances.	
Contract Management	A) Award of Contract ▶ The letter of award/intent shall be issued to the selected bidder along with the details of the contract, timeline, details of consignee, amount of performance guarantee, if applicable, etc. ▶ The performance guarantee (PG) (if applicable) shall be obtained from the successful bidder in accordance with the letter of award. ▶ The signed contract shall be based on draft contract terms provided in the bidding documents ▶ The name of the successful bidder and contract amount should be mentioned in the departmental notice board/bulletin/website. B) Payment to Consultant ▶ Advance Payment: Ordinarily, payments for services rendered, should be released only after the services have been rendered. However advance payment may be allowed for certain cases and to the extent as defined in the para 18 of The Uttarakhand Procurement Rules, 2017, provided such details are included in the bidding documents ▶ The payment shall be released in accordance with the conditions mentioned in the contract agreement/bidding documents and on submission of valid invoice by the consultant. The Competent Authority should certify the payment at each step. ▶ Necessary deduction towards security amount, penalty (if any), statutory deductions etc. shall be deducted from the payment of the consultant	Refer Para 3, 18, 20 & 21 of The Uttarakhand Procurement Rules, 2017

Procurement Process	Description	Reference
	C) Monitoring the procurement of services The Department/Competent Authority should be involved throughout in the conduct of consultancy, preferably by taking a task force approach and continuously monitoring the performance of the consultant(s) so that the output of the consultancy is in line with objectives and within prescribed time limit.	

Table 10: Procurement Process - Services

Annexure II: Transaction Selection and Verification Methodology – Extent of Check

S. No.	Key Auditable Area	Object Head	Extent of Checking		Means of Verification	Reference of Checklist
			Medium Risk Department	Low Risk Department		
A	Procurement of Goods	Computer/Hardware/Software & Maintenance	(i) Perform 60% checking of Procurement through Tendering	i) Perform 50% checking of Procurement through Tendering	Procurement files, Bills, Supporting vouchers, procurement register	Section 6.1
		Procurement of Staff Cars & other Vehicles	(ii) Perform 50% checking of Procurement through Quotation	(ii) Perform 25% checking of Procurement through Quotation		
		Machinery and Equipment's, Tools and Plants	(iii) Perform 10% checking of Procurement through Direct Purchase (without quotation)	(iii) Perform 10% checking of Procurement through Direct Purchase (without quotation)		
		Drugs and Medicines				
		Material and Supplies				
B	Procurement of Services	Professional & special service-related payments	(i) Perform 60% checking of Procurement through Expression of Interest (ii) Perform 50% checking of Procurement through Outsourcing (iii) Perform 10% checking of Procurement through Nomination	(i) Perform 50% checking of Procurement through Expression of Interest (ii) Perform 25% checking of Procurement through Outsourcing (iii) Perform 10% checking of Procurement through Nomination	Procurement files, Bills, Supporting vouchers, procurement register	Section 6.3
C	Procurement of Works	Maintenance	1. Extent of Checking 50% to 60% for		Procurement files, Bills, Supporting	Section 6.2
		Minor Works	Major Works & Lands			

S. No.	Key Auditable Area	Object Head	Extent of Checking		Means of Verification	Reference of Checklist
			Medium Risk Department	Low Risk Department		
	(Excluding Works pertaining to PWD, Irrigation, Minor Irrigation, PMGSY, RWD Departments).	Major Works	2. Extent of Checking 20% to 30% for Minor Works	1. Extent of Checking 30% to 40% for Major Works & Lands	vouchers, procurement register	
		Purchase of Lands	3. Extent of Checking 30% to 40% for Maintenance Works (i) Perform 60 % checking of Procurement through Tendering (ii) Perform 50% checking of Procurement through Quotation (iii) Perform 10% checking of Procurement through Direct Purchase (without quotation) Note: Major and Minor Works as defined by Government of Uttarakhand from time to time	2. Extent of Checking 25% to 30% for Minor Works 3. Extent of Checking 10% to 20% for Maintenance Works (i) Perform 50% checking of Procurement through Tendering (ii) Perform 25% checking of Procurement through Quotation (iii) Perform 10% checking of Procurement through Direct Purchase (without quotation)		

Annexure III: Red Flags in Procurement Audit or General Audit Observations

Procurement Plan

The Procurement Plan should be scrutinized for the justification of items, procurement methods, review thresholds, and possible contract splitting. The plan includes agreements on the contract packages for procuring the identified goods, works, and services; the methods for procuring them; and the prior review thresholds. It further lists the respective timetables for the various procurement activities.

1. Unnecessary items - The list of contracts for goods, works, and services is not consistent with the project requirements.
2. Red flags indicating unjustified sole sourcing or direct contracting

Contract Splitting

1. Inadequate Justification - adequate or misleading justification or documentation as required by the procurement guidelines (e.g., stating that the equipment is proprietary when, in fact, it is not)

Multiple sole source awards

1. Multiple sole source awards or direct contracting to the same company or within the same procuring unit
2. Certain contract amendments that would benefit from competition or where the items should have been procured separately (e.g., the additional activities are not a natural continuation of the existing contracts)

Unusual Splits

1. Issuing two or more contracts for identical items over a short period of time for no apparent reason, resulting in the application of a less competitive procurement method
2. Procuring items that should have been procured jointly are procured by each sub-unit (e.g., each district office procures its own vehicle rather than the agency procuring all vehicles)
3. Splitting items that are normally procured together in order to keep individual package values below thresholds (e.g., procurement of computers and related accessories is split into separate contracts)

Inappropriate Bundling

1. There is a complaint from one or more bidders about the bundling of goods, works, and services
2. Items to be procured within a proposed bundle are not related
3. There is a significant reduction in the number of potential or actual bidders resulting from the bundling
4. The agency cannot justify the bundling on the basis of cost savings or reduced integration costs or risk

Advertisement

Advertisements can be manipulated by limiting the circulation of the Specific Procurement Notice (SPN) or the request for Expression of Interest (EOI). Sometimes, bidding opportunities were not advertised at all. In one extreme example, all copies of the newspaper with the advertisement were bought by one party

Restricted circulation

1. Not advertising the request for SPN or EOI (as required under procurement rules)
2. Limiting circulation by posting the advertisement in a local rather than national newspaper, when a national newspaper would have resulted in more bids

Inadequate information

1. Providing incomplete contact information so that potential bidders do not know where to submit bids or from whom to request clarification
2. Drafting overly vague descriptions of the goods, works, or services required so that bidders cannot determine their interest
3. Drafting overly narrow descriptions of the goods, works, or services required to exclude qualified bidders

Rigged specifications.

In a competitive market for goods and services, any specifications that seem to be drafted in a way that favours a particular company deserve closer scrutiny. For example, specifications that are too narrow can be used to exclude other qualified bidders or justify improper sole source awards. Unduly vague or broad specifications can allow an unqualified bidder to compete or justify fraudulent change orders after the contract is awarded. Sometimes, project officials will go so far as to allow the favoured bidder to draft the specific

Biased evaluation criteria. Instituting biased evaluation and qualification criteria is another method used to steer contracts to a favoured bidder. In one ICB contract for the procurement of computers, it was required that the goods must be delivered within three weeks of contract effectiveness. This requirement inappropriately excluded all international bidders since any overseas shipments would take longer than three weeks.

Unbalanced bidding

Under this scheme, project officials provide a favoured bidder with inside information that is not made available to other bidders, for example, that one of several line items in a request for bids will not be called for after the contract has been awarded or that a certain low-cost solution will be acceptable. This information invariably gives the bidder an unfair advantage and by allowing the company to lower its price or otherwise tailor its bid to defeat its uninformed competitors.

Unbalanced bidding is also used to describe the practice of bidders quoting prices significantly below cost for some line items and prices significantly above cost for others, in the expectation that the Borrower will request many more items for which prices have been inflated. As a result, the lowest responsive bidder as determined at the time of contract award may not constitute the lowest-cost solution

Secret arrangement allowed bidder to “low ball” item that would later be dropped A “representative” of a Project Implementation Unit (PIU) promised an international bidder for a US\$25 million agricultural testing laboratory that it would win the contract if it would hire him as a “consultant” to help prepare its bid. The consulting fee would be 20 percent of the contract value, which he would share with project officials. Intrigued, the bidder wondered how he would be able to pay the bribe and still be the lowest qualified bidder. The representative said that the project would remove certain line items that called for expensive humidity and

temperature control equipment once the contract had been awarded. The bidder could thus “low ball” this item in its bid, be the lowest bidder, and still have sufficient funds to pay the bribe. Additional contract amendments would be processed as necessary.

Unnecessary Items

Specific line items in the BOQ that are not required to carry out the work and may be used for personal purposes by officials (e.g., excessive number of vehicles compared to project needs)

Inappropriate items

1. Items creating a conflict of interest (e.g., payment for government officials and supervision consultants in the works contracts)

Rigged Bids

a. Tailored specifications

1. Close similarity between the specifications and the winning bidder’s product or services
2. Specifications stipulate the use of a brand name without stating “or equivalent”, contrary to procurement rules
3. Complaints from other bidders that the specifications match too closely those of a single competitor, or that a bidder prepared the contract specifications

b. Poor specifications

1. Vague, ambiguous or incomplete specifications
2. Specifications are significantly narrower or broader than in previous similar procurement actions
Few bids • Only a few of the companies that purchase the bidding documents submit bids, especially if more than half drop out • Relatively few companies submit bids, compared to prior similar tender

Red flags in short-listing and prequalification

Questionable evaluation

Unusual or unreasonable evaluation criteria

1. One or more of the short-listed consultants or prequalified companies does not have the appropriate qualifications for the assignment
2. Unreasonable prequalification requirements
3. Short-listed firms do not have similar qualifications or there is a wide gap in qualifications
4. Highly qualified firms have expressed interest and are not shortlisted

Hidden interest companies

1. Companies with P.O. Box addresses and mobile phone numbers (might be shell companies)
2. Complaints that a project or government official owns or is otherwise linked to a supplier or contractor

3. A project or government official is linked to a contractor or supplier through company registration information, family relationships, or reports in the marketplace
4. A bidder or supplier is not listed on the Internet or in business or telephone directories
5. A contractor's or supplier's address is a residence or a non-business location
6. A contractor or supplier provides a wide variety of disparate goods and services at high prices

Exclusion of qualified bidder

1. Unreasonable pre- and post-qualification criteria (e.g., abnormally high annual turnover, liquidity reserves, or years of experience in the country)
2. The Bid Evaluation Report (BER) provides no objective or poorly justified reasons for the rejection of certain bids (e.g., the disqualification for trivial or arbitrary reasons)
3. Qualified contractors fail to bid indicating that the bidding process may be rigged
4. Companies complain that officials refuse to make bidding documents available to potential bidders or to accept the submission of bids (e.g., complaints from potential bidders that they are coerced to refrain from bidding through subtle suggestions, firm statements, intimidation, or physical threats)

Issues at bid submission

Late submission

1. Not all bids are brought to the bid opening
2. One or more of the submitted bids lack a time stamp

Tampering

1. A bid was not in a sealed envelope
2. Bids are not kept in a secure location with limited access

Bid manipulation

1. The bid due date has been extended after some of the bids have been submitted
2. Some or all bids are disqualified for simple errors

Exclusion

1. Complaints from bidders that they were not allowed to submit bids
2. A bid is "forgotten" in the safe

Technical evaluation of bid

1. Violation of procurement rules
2. The evaluation criteria differ from those issued in the bidding documents

3. Inconsistencies exist between the BER and supporting documentation
4. Improper or arbitrary evaluation sub-criteria or procedures are developed at the time of evaluation that differ from the issued bidding documents
5. The BEC ignores the evaluation criteria in the issued bidding documents and develops its own method of evaluation
6. The winning bidder is not on the short list or is not one of the prequalified companies

Questionable disqualifications

1. The lowest priced bidder is declared unresponsive (for no apparent reason)
2. A high number of bids is unresponsive
3. Recommendations and disqualifications are poorly justified
4. Bids are rejected because of allegedly missing components, such as catalogues and brochures for the goods offered
5. Changes in the scoring of bids or arbitrary scoring of bids
6. Complaints from bidders about the evaluation process

Winning bid is poorly justified

1. Technical specifications are copied from the bidding documents or are incomplete
2. The manufacturer's authorization is missing, outdated or inadequate
3. The bid does not match requirements (e.g., in terms of quantity, quality, qualifications)
4. Pages of a bid are missing or not signed (when required)

Unusual bid patterns

1. Same or similar telephone or facsimile numbers or address shared by bidders
2. Unreasonably high bid prices by losing bidders for which there is no legitimate explanation, and which cannot be attributed to an error
3. Bid prices differ by a set percentage

Suspicious bidders

1. Discrepancy between the company address and its telephone number area code

Fraudulent Bid

The evaluation of written submissions to bid solicitations is the foundation of a fair procurement system. A prominent risk to the procurement system is the undermining of the evaluation process by bidders providing false or misleading information in their bids and supporting documentation. When false information is relied upon to make procurement decisions, the impact is often manifested in poor quality of goods, works, and services, and failure to meet developmental objectives. There are three "benefits" firms may seek to obtain. First, they may want to meet qualification criteria, e.g., by exaggerating financial statements and past performance. Second, they may simply seek to save costs by falsifying rather than buying a bid security. Third, bids may be submitted from a shell or entirely fictitious firm in order to hide its true ownership, e.g., by government officials.

Consequently, frauds are made in relationship to the ownership of the bidder, its capacity, and the bid security:

Ownership - Concealed or misrepresented ownership of the bidder: in several cases, bids or proposals were submitted by firms that were secretly owned, in whole or in part, by government or project officials.

Financial capacity - Exaggerated financial resources of the bidder, such as inflated annual turnover or balance sheet amounts. Such bids often were accompanied by false or forged audit reports.

Technical capacity - Falsified or exaggerated information on the firm's professional credentials or prior project or sales experience. Such bids often included forged or fraudulent end user certificates, manufacturer's authorizations and product certifications.

Bid security - Bidders often submitted false or forged bid securities in order to save costs. These included securities that did not have a serial number, were not on the issuing bank's letterhead, or were missing the required signatures.

Fictitious or shell company

1. Complaints from other bidders that a competitor is a shell company or unknown in the industry
2. The bidder does not appear on the Internet, is not listed in telephone or business directories, or is located in a residence or non-business location
3. CIN25 of the Company not mentioned
4. RoC (MCA-24) does not show the company as registered.

Financial capacity

The most common form of misrepresentation of bidders' financial data is the submission of falsified audit reports. The purpose is to make the bidder appear to be a larger well-established company supported by strong financial statements.

False or forged audit reports

1. Audit reports are not signed or attested
2. The audit firm/ CA does not exist
3. The audit report is not in line with auditing standards

False or exaggerated financial data

1. reported financial information contradicts that provided under prior contracts

Technical capacity

Under the procurement procedures and as a part of the pre- and post-qualification process, companies are required to submit information on their past experience.

Misrepresentations commonly relate to the volume of work within a specified period or years in business as indicated in end-user or performance certificates, manufacturer's authorizations, product certifications and personal credentials.

End-user certificates - As a part of the post-qualification process, the client may request bidders to submit end-user certificates as a means of confirming past experience of the firms, document sales and service claims. INT has found that companies that cannot meet such requirements often resort to falsifying the requested documentation

Manufacturer's authorizations - Bidders who are not the original manufacturer are required to submit manufacturer's authorizations for the goods they offer. INT has found multiple instances of forged manufacturer's authorizations. When these authorizations are falsified, it may increase the risk of product substitution.

Product certifications - Product certifications are used to ensure that the goods offered meet the performance requirements, as stated in the bidding documents. Some bidders falsify the required certifications, claiming to meet international or country standards, when in fact the product is of a lower quality.

Personnel credentials - Bidders and consultants are required to provide CVs of the personnel they are proposing to work on the contract. The personnel must have the minimum qualifications as stated in the issued bidding documents or RFP respectively. Falsified credentials of key personnel, such as educational degrees, years of experience and language skills, or use of CVs without the individuals' consent, are among the most common approaches use

Forged or fraudulent bid securities

1. Securities do not have a serial number
2. Securities are copies rather than originals
3. Securities are not on original letterhead of the issuing bank and lack the required signatures

Bidder scans letterhead of commercial bank to forge bid securities Due to concerns about widespread forgery of bids, Audit contacted all commercial banks that had issued bid securities, performance bonds, and advance payment guarantees to determine whether the documents presented by bidders were legitimate. Audit learned that a local bidder had not been issued any bid securities from the commercial bank as claimed in its bid. Review of the bids established that the local company submitted three forged bid securities and two forged advance payment guarantees to secure five Bank-financed contracts valued at over INR 250,00000. The company had scanned the commercial bank's letterhead and produced both sets of false documents to support its bids.

Fraudulent Implementation

The term "fraudulent implementation" denotes any fraud taking place after contract award in the physical implementation of works and delivery of goods and services. During the implementation phase, firms may deliberately fail to deliver the number and quality of goods, works or services stipulated in the contract in order to save costs and increase profits; abuse contract amendments to increase the scope or volume of work or to avoid competition; and claim or bill for additional goods, works or services not carried out or not needed. Such efforts are often facilitated by bribe payments to agency officials for the approval of work completion certificates and the processing of invoices

Draft Contract Questionable deviations

Draft Contract Questionable deviations from the bidding documents may signal fraud to benefit a contractor or government official. Under the Procurement Guidelines, usually the terms and conditions of the contract cannot, without prior approval of appropriate authority, materially differ from those on which bids or proposals were asked. All cases where deviations have been approved should be scrutinized, irrespective of whether such deviations have been approved by that

competent authority. Deviations allowed must be well justified and only for facts which could not have been foreseen at the time of preparation of bid-documents with reasonable efforts

I. Questionable deviations from the bidding documents and bids/proposals

1. Any changes to quality, quantity or specification both to goods and services in the contract deviating from the bidding document (TOR28, technical specifications, key personnel, etc.)
2. Price schedules are not the same as the winning bid
3. Changes to contract type
4. Changes to standard contract clauses (audit, remedies, damages, etc.)
5. Methodology and Work Plan not attached to the contract
6. Appendix lacks information about services and facilities provided by the client or are changed substantially from RFP draft contract

II. Unusual patterns

1. Page numbers are missing from the contract or are not sequential
2. Different typefaces used across clauses

III. Contract Delivery

Failure to meet contract terms. Firms may deliberately fail to comply with contract requirements. The contractor will attempt to conceal such actions often by falsifying or forging supporting documentation and bill for the work as if it were done in accordance with specifications

IV. Failures

1. Discrepancies between inspection findings, test results, or contract specifications and the contractor's claims for payment
2. Failed tests or inspections
3. Complaints about poor quality from users
4. Increased or accelerated product failures or repair costs

V. Inadequate supporting documentation

1. Absent, inadequate or altered documentation submitted by the contractor to support billings
2. Indications from the contractor's expenses, payroll, and other records that it did not incur costs necessary to comply with contract specifications. For example, the contractor did not:
 - a. purchase the quantity or quality of materials required under the contract
 - b. own or lease all the required equipment to carry out the work o
 - c. have the necessary labor with required skills on the job site
 - d. The contractor resists government inspection of its books and records in disregard of the government's audit rights

VI. Delays

1. Delayed start of works or the delivery of services beyond normal timeframes
2. Long delays in implementation of the contract

VII. Poor reputation of the firm

1. The company is known to be a poor performer
2. The company has exaggerated or falsified its prior experience

Deviation from specifications Auditee may seek to deviate from their contractual obligations. In one case, the TOR of a consulting firm required that it analyses various cost estimation packages and recommends three options. The firm failed to do so, recommending only its own solution. In civil works, contractors may seek to reduce the thickness of a road surface, fail to sufficiently compact the soil, avoid vibrating the cement resulting in air pockets, thereby reducing the load bearing capacity and the width of the road

Substandard work

Failure to exercise key controls, lack of independent oversight, and bribery of the supervision agent are the main elements allowing for this type of scheme. An example was found during the physical inspection of newly built schools already showing signs of wear and tear, and which had been handed over without doors and windows. In other cases, investigated, Contractors substitute old computers for new A component of an institution building projects outlined the purchase of new computers with a certain memory capacity and processor speed. Documentation was presented by the Project Implementation Unit supporting the payment for the equipment as specified in the contract, and the invoice was processed. However, when the physical inspection of the equipment finally took place, it was clear that the computers that had been supplied did not meet specifications. Further inspection revealed that the supplier was not an authorized dealer, but a small company specializing in the sale of refurbished equipment

Narrow road without road surfacing Audit visited this project site and discovered a road of sub-standard quality. The road was built 30 percent narrower than specifications and lacked road surfacing. Nevertheless, the contract was paid in full. consultants submitted poor quality studies and reports that could not be used by the project without significant revisions.

Failure to deliver

Audit have uncovered cases where contractors had left project sites with civil works incomplete. In other cases, the training, equipment, and consultant reports had not been delivered at all, a significant part of equipment under a health project was either not delivered or not installed as per the contract requirements.

False statements

Contractors and consultants can submit a wide variety of false statements. false statements such as false time sheets for a company's employees (to support inflated invoices) or false claims that soil conditions were more difficult than those anticipated at the time of bidding (to justify improper contract amendments). Consultant firms also may submit CVs of staff not on their payrolls or substitute junior staff for the senior staff presented in their bid proposal

1. Discrepancies in supporting documentation

2. Discrepancies between statements and supporting documentation or site visits
3. Inconsistent, missing or apparently altered supporting documentation
4. Discrepancies between statements and the results of background or due diligence check

False claims and invoices

1. False invoices
2. Not receiving any report for invoiced goods or services
3. Invoiced goods or services cannot be located in the inventory or otherwise accounted for
4. No purchase order exists for the invoiced goods or services

Inflated invoices

1. Invoice prices, amounts, item descriptions or terms exceed or do not match contract or purchase order terms
 - a. receiving records
 - b. inventory or usage records
 - c. invoice and supporting documents

Duplicate invoices

1. Multiple payments in the same time period for the same or similar amount to the same or related vendors for the same invoice or purchase order for the same goods, works, or services.
2. Multiple invoices with the same:
 - a. description of goods or services o amount and vendor
 - b. invoice number and date
 - c. purchase order number

Other

1. Discrepancies between contract or purchase order, receiving documents, and invoices
2. Contractor submits inadequate, copied or apparently altered supporting documents with the invoices
3. Discrepancies between the contractor's invoices and supporting documents
4. Total payments to a contractor exceed the total purchase order or contract amounts Total amount paid to the contractor exceeds invoiced or purchase order amount

Changes in contract/ Contractor

1. Change in the name and legal status of the firm

2. Numerous or questionable change orders for a specific contractor that are approved by the same project official Output
3. Pattern of change orders just below the threshold for prior review
4. Changes in the scope of the contract and required outputs
5. Changes in technical specifications
6. Substantial changes in the TOR
7. Changes to the original design and BOQ
8. Increase in contract value (e.g., unit costs)
9. Reductions in the quantity of items to be delivered without a commensurate reduction in disbursements
10. Substitution of materials and equipment's

The audit of procurement and contract management is largely a compliance audit-based approach, with additional focus on value adding audit aspects. For this purpose, the focus is on:

1. Assessment of internal controls;
2. Conflict of interest (interest in suppliers);
3. Unfair and uncompetitive procurement practices; and
4. Contract management on compliance audit.

The approach also links with financial audits through the audit of expenditure classes of transaction with respect to the following objectives:

1. transactions are approved by an appropriately delegated official (compliance);
2. payments are made at correct prices in accordance with the contract; and
3. payments are made for goods/services that had been received at the correct quality and quantity in accordance with the contract

Annexure IV: Illustrative list of documents which shall be reviewed by the auditors

Sr	Description of the Documents
1.	Contract Bond
2.	Measurement Books
3.	Copy of Tender Notices/EOI/RFP in newspapers
4.	Register of technical sanction
5.	Register of works/procurements
6.	Register of all advances
7.	Register of Deposit Works
8.	Schedule of Rates
9.	Register of listed contractors
10.	Register of Bank Guarantees
11.	Cash/Bank books maintained
12.	Bills register/Day book/Control Accounts
13.	Register of contracts/agreements
14.	Monthly activity reports, status of inputs, status of equipment, vehicles, inventories etc.
15.	Report of disposal of surplus stocks, equipment etc.
16.	Cases of losses, thefts, embezzlement, etc.
17.	Register of unlisted contractors

Annexure V: Important points to be seen while conducting an audit of a procurement process

- To ensure that details of the tenders awarded above the threshold value by the organizations are uploaded in time on the organization's official website and are updated every month.
- Equipment's purchased conform to latest specification and technology available in market.
- The appointment of consultant is often made in an arbitrary manner without inviting tenders and without collecting adequate data about their performance capability and experience.
- Terms are modified to the financial advantage of the consultant, even after award of contract.
- Extra amount because of travel expenses is sanctioned after award of contract.
- Estimated rates are not being worked out in an unprofessional manner and perfunctory manner.
- Estimated rates establish the reasonableness of prices. It is important that the same is worked out in a realistic and objective manner based on prevailing market rates, last purchases prices, economic indices for raw material/ labor, other input costs etc.
- Fair and adequate competition: It is very important that sufficient time of is allowed for bid preparation and submission
- The important clauses relating to earnest money, delivery schedule, payment terms, performance bank guarantee, pre-dispatch inspection, arbitration, liquidated damages / penalty for delayed supplies, risk purchases etc. are being incorporated in the bid documents for safeguarding the interests of the purchaser.
- The generic technical specification including performance parameters and the technical evaluation criteria, if any need to be specified in bidding documents in unequivocal terms.
- The government instruction on reservation of items and price preference to SSI units and purchase preference to PSU need to be incorporated in the bid documents.
- A proper arrangement for receipt of tenders at scheduled date and time through tender box needs to be adopted.
- Equal opportunity is given to all bidders and to maintain sanctity of tendering system it is of paramount importance that any change in tender terms and conditions, specifications and tenders opening dates etc. shall be notified to all bidders, sufficiently in advance of the revised tender opening date.
- The system of opening tenders in the presence of trade representative needs to be scrupulously followed.
- The tender opening officer/committee should also prepare on the spot statement giving details of the quotations received and other particulars like price, taxes, duties and EMD etc. as read out during the opening of the tenders.

- It has been observed that in some cases, despite provision in the contracts for releasing advance payment against bank guarantee, the advance payments were released without taking any bank guarantee.
- The bank guarantee accepted was at times defective/conditional and did not safeguard the interest of the purchaser. Normally, the BGs permitting encashment without any demur merely on a demand from the purchaser are accepted.
- In order to safeguard the government interest, it would be appropriate to take reasonable amount of bank guarantee valid up to warranty period for due performance of the contract.
- The specific delivery period for supply as per terms of delivery such as FOR station of dispatch/ destination and for completion of installation with the necessary provision for liquidated damages / penalty clause in the event of delay in supplies/ installation needs to be incorporated in the contract.
- Mobilization advance:
 - a) The amount of mobilization advance; interest to be charged, if any, its recovery schedule and any other relevant detail should be explicitly stipulated in the tendered documents upfront.
 - b) Relevant format for BG should be provided in the tender document, which should be enforced strictly, and authenticity of such BGs should also be invariably verified from the issuing bank, confidentially and independently by the organization.
 - c) Recovery of Mobilization & Equipment advance is made as per the provisions in the contract progressively even as the bills are cleared for payment.
 - d) The advance payment may be released in stages depending upon the progress of the work and mobilization of required equipment etc.
- Prequalification criteria (PQ): Some of the common irregularities/lapses observed in this regard is highlighted as under:
 - a) For a work with an estimated cost of INR 15 Cr. to be completed in two years the criteria for average turnover in the last 5 years was kept at INR 15 Cr. although the amount of work to be executed in a year was only INR 7.5 Cr. The above resulted in prequalification of a single firm.
 - b) An eligibility criterion was kept at annual turnover of INR 100 Cr. for purchase of computer hardware, although the value of purchase was less than INR 10 Cr., resulting in disqualification of reputed computer firms.
 - c) In one case for purchase of Computer hardware, the prequalification criteria stipulated that the firms should have made profit in the last two years and should possess ISO Certification. It resulted in disqualification of reputed vendors including a PSU.
 - d) An organization invited tenders for hiring DG Sets from suppliers having 3 years of experience in supplying DG Sets. The cut off dates regarding work experience were not clearly indicated. The above resulted in qualification of firms, which had conducted such business for 3 years, some 20 years back. On account of this vague condition, some firms that were currently not even in the business were also qualified.

- e) In many cases, “Similar Works” is not clearly defined in the tender documents. In one such case, the supply and installation of AC ducting and the work of installation of false ceiling were combined together. Such works are normally not executed together as AC ducting work is normally executed as a part of AC work while false ceiling work is a part of civil construction or interior design works. Therefore, no firm can possibly qualify for such work with experience of similar work. The above resulted in qualification of AC contractors without having any experience of false ceiling work although the major portion of the work constituted false ceiling.

Annexure VI: Case Studies

The following section provides some of the case studies related to preparation of procurement audit para:

- 1) For a Power Industry, the scope included design, engineering, supply, installation, etc. As per the tender requirements, bidders were required to furnish their detailed design and engineering proposal to suit the requirements of the PSU. The PSU while being aware of the above fact, still invited offers in a single bid format, i.e., only techno-financial bids were invited in a single envelope. When the scope of work includes design, engineering, etc., it is always desirable and advisable to invite offers in a two-bid format or two envelopes, i.e., technical and financial so as to properly evaluate the various options and design philosophy proposed by the various bidders and the price bids of only such bidders whose design and other technical proposals are as per tender requirements should be opened.
- 2) One construction PSU was awarded an offsite area work of a power plant costing ` 31 crores. While going in for a pretender tie up, they invited offers from two arbitrarily chosen firms, M/s A and M/s B. M/s B became the lowest. The PSU then re-invited the bids from these two firms after deleting two items, i.e., structural steel and sheeting. This time the inter-se seniority changed and M/s A became the L-1. Again, a revised bid for the third time was invited only from M/s A after adding 1 item of sheeting. M/s A in their revised bid not only quoted higher rates for sheeting, but also increased their rates for other items also. Thus, the total pre-tender tie up was entered into in a non-transparent, unfair manner resulting in undue benefit to only one contractor.

- 3) In this case, the original price bid of L1 bidder was checked and it was found that a stamp was put on each page of the price bid, which contained date of opening and signatures of the members of the Tender Opening Committee. However, the column for the number of corrections was kept blank and the number of corrections was not mentioned, thereby giving a chance for manipulation in the price bid at a later stage.
- 4) In another project of a Power Sector PSU, the covering letter of the price bid of one of the bidders to whom the work was finally awarded was having a list of all the documents enclosed in the bid. However, in the same bid, a letter indicating a discount was also enclosed but this letter was not having any mention on the first page of the price bid which was containing the list of all the enclosures. Incidentally, this bidder could become L1 only after considering the discount as per this letter, which leaves enough room for suspicion that the discount letter might have been added at a later stage.
- 5) As per the notified qualification criteria for a housing project costing ` 13 crores, bidders were required to have experience in housing project. Four bidders were qualified. Two bidder's M/s A and M/s B were qualified on the basis of their experience in the construction of hospital building and office building respectively. Remaining two bidder's M/s C and D were qualified on the basis of their experience in the construction for private firms. Without verifying the credentials, M/s D was awarded the work. The organization should have re-invited the bids with relaxed criteria so that contractors having experience in other type of multi-storied buildings could have also participated. Further, the organization as a matter of policy should verify the credentials and obtain the TDS certificate from the clients for non-government works.
- 6) Pre-qualification criteria for a power project costing ` 220 crores were not made exhaustive. Minimum value of work completed by the bidder in support of their past experience was not stipulated. Five reputed and large firms having experience in power projects were excluded from participation on flimsy ground of executing small value works. Since, no minimum value of work was mentioned, this ground of exclusion of these firms was totally unfair. Out of the two firms qualified, one firm PSU 'B' was having experience of the work costing only ` 31.00 crores. If the same yard stick was applied uniformly, other excluded firms also would have qualified. The second firm 'S' which ultimately became L-1 was qualified on the basis of work in progress against the requirement of completed work. Thus, on one hand eligible firms were disqualified an ineligible firm was qualified on other hand. There appeared to be hardly any competition. The quoted rates of PSU 'B' was unreasonably high (Rs.320Crores) as against the L-1's rates (Rs. 220 crores) clearly indicating its role as a supporting firm only.
- 7) In this case, a PSU issued amended the Qualification Criteria through a corrigendum in such a way that suited a particular firm, i.e., the successful bidder. Normally, the offered equipment's are required to have a proven performance for a certain period say two years or one year on the date of opening of the bid. But in this case, the amended qualification criteria did not specify any period and rather envisaged that the equipment should be in satisfactory operation as on the date of bid opening. This requirement was fulfilled by the said firm based on a user certificate stating that the offered equipment's were working satisfactorily since November 2000 as against the bid opening date of 4.6.2001. Incidentally, the original Qualification Criteria envisaged a specific

technology-based equipment having satisfactory operation for at least two years as on the date of opening of bids. The period of successful operation of the equipment was deliberately not specified in the amended qualification criteria to suit a particular firm.

- 8) Road contracts, a condition was stipulated that entire quantity of bitumen to be used in the work shall be brought by the contractor before commencement of work. At the same time, under escalation clause, it was mentioned that the difference between the actual purchase rate and stipulated rate (for issue of Bitumen by the Department) as and when the Bitumen brought by the contractor shall be paid to the contractor. The two stipulations were ambiguous. But the latter was operated to the benefit of contractor to the tune of ` 1.5 crores on account of escalation in the price of bitumen.
- 9) In a Railway project, the tender documents were issued to all the applicants without checking the criteria of selection specified in tender notice. This resulted in opening of price bids of ineligible applicants also. Subsequently, the work was awarded to an ineligible contractor on the pretext of being the lowest. The same resulted in inordinate delay and rescission of the contract.
- 10) One Government Department awarded the work to a PSU and the above PSU in turn awarded the work to a contractor (without inviting tender) at 5% lower than the tendered amount accepted by the Govt. Department. In the above illustration, following irregularities were observed – (i) The Govt. Department awarded the work at higher rates; (ii) Govt. Department allowed the PSU to sublet the contract against the provisions in the agreement; and (iii) The PSU awarded the work without call of tenders to a favorite contractor.
- 11) In a hydel work, insurance for flood was not obtained by the contractor even though specific provision exists in the agreement resulting in large saving to the contractor. During execution, flood occurred resulting in huge loss to the department that could not be recovered from the contractor.
- 12) In one of the works being executed by a PSU, no provision was made for issue of machinery to the contractor. On contractor's failure to deploy the required machinery, the machinery was issued by the Department and hire charges were fixed at a much lesser rate than the prevailing market rates resulting in undue advantage to the contractor.
- 13) In one work, the contract was rescinded due to delay on the part of the contractor in completion of building. The work was awarded to another contractor on single tender basis with additional liability of approx. ` 44.0 lakhs. No action was taken by the department to encase the various bank guarantees to recover the additional liability from the defaulting contractor resulting in undue favor to the contractor.
- 14) In one building work, RCC structure was substituted with structural steel and pre-cast slab and the requirement was justified by showing urgency in completion. The extra cost on account of substitution was ` 1.00 crore (approx.) but the work could not be completed in the revised period of completion. Thus, the substitution was aimed to favor the contractor.

Following table represents the general guidance on preparation of audit paras in procurement audit.

Sr.	Name of Document	Document
1.	Shortcoming of General Nature Observed during the intensive examination of Works Source: CVC Website	 CVC_Works.pdf
2.	Common irregularities/ lapses Observed in stores/purchase Contracts and guidelines for improvement in the Procurement system	 CVC_Stores&purchases.pdf
3.	Common irregularities/lapses observed in award and execution of electrical, Mechanical and other allied contracts and guidelines for improvement thereof	 CVC_Electrical.pdf

Annexure VII: Format of procurement register

Format of Procurement Register

(Please see Rule 70)

Financial Year....

Sl. No.	Date of Order	Short description of Goods/Services	Procured from the firm	Supply/Work Completion Dated	Cost of Supply/Work	Remark e.g. Delay in supply/work quality issues etc.

Annexure VIII: Format for auditors to provide guidance for conducting the procurement audit

This template is a guide for the auditors for the procurement audit

Audit Data for the procurements (FY:....., Department:.....)

1	Name of the Auditor	
2	Date of Audit	
3	Name of the procuring agency	
4	Name of the Procurement activity/ items	
5	Procurement Category (Goods / Works / Consultancy services)	
6	Method of Procurement (please select one from the below) 1. Request for Bids 2. Request for Quotations (RFQ or Shopping) 3. Direct Selection	
7	Market Approach (please select one from the below) 1. Open 2. Limited 3. Direct (Justification for Direct noted? Yes/No)	
8	Date of Tender Invitation	
9	Tender invitation published in website/print media? (Yes / No)	
10	Date of Tender Opening	
11	Number of bids received	
12	Has tendering done as per the procedures described in Procurement Manual (PM)? (Yes/No)	
14	Has the Bid Evaluation done as per conditions of tender document? (Yes / No)	
15	Date of Purchase Order / award / contract signing	
16	Name of the supplier	
17	Contract Price (INR)	
18	Estimated Price (INR)	
19	Is the contract price found to be justified? (Yes / No)	
21	Are all records / documents related to procurement are filed and secured? (Yes / No)	
22	Any complaint received? (Yes / No) If yes, has it been resolved, and documents filed?	
23	Are the supplies / works completed?	
24	Have Payments been made to the supplier in time?	
25	Has any indication of Fraud & Corruption? (Yes / No)	

Note: In the case of Direct procurement (Single Source), many of the above rows would become not applicable.

Auditor's Comment: Based on the above information, it is certified that procurement has been carried out as per the Procurement Manual and applicable GFR and other GO.

Annexure IX: Check point for Procurement Audit in IT environment**I. General**

S. No	Security Considerations	Compliance Status
1.	Whether the application is secure from making any temporary distortion in the electronic posing of tender notice, just to mislead certain vendors?	
2.	If yes at 2 above, then whether any automatic systems alert is provided in the form of daily exception report in the application in this regard?	
3.	Whether application ensures that the tender documents issued to/downloaded by bidders are complete in shape as per the approved tender documents including all its corrigendum?	
4.	Is there any check available in the application to detect and alert about the missing pages to the tenderer, if any?	
5.	Whether application ensures that all the corrigendum issued by the Competent Authority are being fully communicated in proper fashion to all bidders including those who had already purchased/downloaded the bid documents well ahead of the due date and before uploading the corrigendum?	
6.	Whether system is safe from sending discriminatory communication to different bidders about the same e-tendering process?	
7.	Whether e-procurement solution has also been customized to process all type of tenders viz limited/Open/Global Tenders?	
8.	Whether online Public Tender opening events feature are available in the application?	
9.	Whether facilities for evaluation/loading of bids, strictly in terms of criteria laid down in bid documents are available in the application?	
10.	Whether sufficient safeguards have been provided in the application to deal with failed attempt blocking?	
11.	Whether application is safe from submission of fake bids?	
12.	Whether encryptions of bids are done at client's end?	
13.	Whether safety against tampering and stealing information of submitted bid, during storage before its opening is ensured?	
14.	Whether application is safe from siphoning off and decrypting the clandestine copy of a bid encrypted with public key of tender opening officer?	
15.	Whether application is safe from multination/sabotage of otherwise rendering the encrypted bid in the e-tender box during storage, to make it unreadable/invalid in any form, before opening of the bids?	
16.	Whether introduction of special characters/executable files etc. by users are restricted in the application?	
17.	Whether validity check of DSC is being done at server end?	

S. No	Security Considerations	Compliance Status
18.	Whether system supports the feature that even though if a published tender is being deleted from the application, does not allow permanent deletion of the published tender from the Database?	
19.	Whether sufficient security features are provided in the application for authentication procedure of the system administrator like ID, password, digital signature, biometric etc.	
20.	Whether audit trails are being captured in the application on media not prone to tampering, such as optical write once?	
21.	Whether log shipping featuring available, where a separate dedicated server receives the logs from the application over web service in real time?	
22.	Whether integrity and non-tampering is ensured in maintaining the server clock synchronization and time stamping?	
23.	Whether application generates any exception report/system alerts etc. to indicate the resetting of the clock, in case the application for time stamping is skilling at the server level and time is manipulated?	
24.	Whether application ensures that the quotes from various bidders with their name are not being displayed to anyone including to the organization during carrying out of the e-reverse auctioning process?	
25.	Whether application is fit for usage complying with the requirements of tender processing viz authenticity of tender, non-repudiation and secrecy of information till the actual opening of tenders.	
26.	Whether any comprehensive third-party audit (as per statutory requirement and also as per the requirements of e-tender processing (compliance to IT Act2000) was got conducted before first putting it to public use?	
27.	Whether application complies with the Commission/s Guidelines dated 17.9.2009 on Security consideration for e-procurement systems	
28.	Whether application complies with the Commission/s Guidelines dated 17.9.2009 on Security consideration for e-procurement systems	

II. Security at Infrastructure Level

S. No	Security Issue	Best Practices to Achieve the security Considerations	Compliance Status
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1.	Perimeter Defence	Deployment of routers, firewalls. IPS/IDS, Remote Access and network segmentation.	
2.	Authentication	Network authentication through deployment of password policy for accessing the network resources. To minimize unauthorized access to the e-procurement system, at system level.	
3.	Monitoring	Deployment of logging at OSI network level and monitoring the same.	
4.	Secure configuration of network host.	The security of individual servers & workstations is a critical factor in the defense of any environment, especially when remote access is allowed workstations should have Safeguards in place to resist common attacks.	
5.	System patching	As the vulnerability of the system is discovered almost regularly and the system vendors are also releasing the patches, it is expected that the host are patched with latest security updates.	
6.	Control of Malware	Suitable control like anti-virus, anti-spyware ext. should be deployed on the host associated with e-procurement system. However, option for running the services at non- privileged user profile may be looked for. Otherwise, suitable operating system which is immune to virus, Trojan and malware may be deployed.	
7.	Structured cabling	The availability of the network services is critically dependent on the quality of interconnection between the hosts through structured including termination & marking. It is expected the e-procurement system has implemented structured cabling and other controls related with network and interconnection.	

III. Security at Application Level

S. No	Security Issue	Best Practices to Achieve the security Considerations	Compliance Status
1.	Authentication	The authentication mechanism of the e-procurement application should ensure that the credentials are submitted on the pages that are served under SSL	
2.	Access Control	The application shall enforce proper access control model to ensure that the parameter available to the user cannot be used for launching any attack.	
3.	Session management	The design should ensure that session tokens are adequately protected from guessing during an authenticated session.	
4.	Error handling	The design should ensure that the application does not present user error messages to the outside world which	

		can be used for attacking the application.	
5.	Input validation	The application may accept input at multiple points from external sources, such as users, client applications, and data feeds. It should perform validation checks of the syntactic and semantic validity of the input. It should also check that input data does not violate limitations of underlying or dependent components, particularly string length and character set. All user-supplied fields should be validated at the server	
6.	Application logging and monitoring	Logging should be enabled across all applications in the environment. Log file data is important for incident and trend analysis as well as for auditing purposes. The application should log failed and successful authentication attempts, changes to application data including user accounts, server application errors, and failed and successful access to resources	

IV. Security at Application Development and Use

S. No	Security Issue	Best Practices to Achieve the security Considerations	Compliance Status
1.	Availability Clustering Load balancing	Depending on the number of expected hits and access the option for clustering of servers and load balancing of the web application shall be implemented	
2.	Application and data recovery	Suitable management procedure shall be deployed for regular back-up of application and data. The regularity of data backup shall be in commensurate with the nature of transaction/ business translated into the e-procurement system.	
3.	Integrity of the Application, Control of source code. Configuration management	Suitable management control shall be implemented on availability of updated source code and its deployment. Strict configuration control is recommended to ensure that the latest software in the production system.	

V. Security in Data Storage and Communication

S. No	Security Issue	Best Practices to Achieve the security Considerations	Compliance Status
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1.	Encryption for data storage	Sensitive data should be encrypted or hashed in the database and file system. The application should differentiate between data that is sensitive to disclosure and must be encrypted, data that is sensitive only to tampering and for which a keyed hash value (HMAC) must be generated, and data that can be irreversibly transformed (hashed) without loss of functionality (such as passwords). The application should store keys used for decryption separately from the encrypted data.	
2.	Data transfer security	Sensitive data should be encrypted prior to transmission to other components. Verify that intermediate components that handle the data in clear-text form, prior to transmission or subsequent to receipt, do not present an undue threat to the data. The application should take advantage of authentication features available within the transport security mechanism. Specially, encryption methodology like SSL must be deployed while communicating with the payment gateway over public network.	
3.	Access control	Applications should enforce an authorization mechanism that provides access to sensitive data and functionality only to suitably permitted users or clients. Role-based access controls should be enforced at the database level as well as at the application interface. This will protect the database in the event that the client application is exploited. Authorization checks should require prior successful authentication to have occurred. All attempts to obtain access, without proper authorization should be logged. Conduct regular testing of key applications that process sensitive data and of the interfaces available to users from the Internet include both “black box” informed” testing against the application. Determine if users can gain access to data from other accounts.	

VI. IT Act 2000 and Amendment 2008

S. No	Issue to be checked	Compliance Issue
1	<u>Electronic Signature Implementation:</u> i) ESC (Electronic Signature Certificate) used for the e-Procurement System by the users are Issued by CC (Certifying Authority) recognized by Govt. of India CCA (Controller of Certifying Authority). ii) The private key or the signature creation data should not be stored in the e-Procurement System or kept under the control of the e- Procurement Service Provider. iii) By the use of a public key of the subscriber/ signer, it should be possible to verify the electronic record. This may be read in conjunction with Sch-2, 13 85B(2)(b) “except in the case of a secure electronic record or a secure digital signature, nothing in this section shall create any presumption relating to authenticity and integrity of the electronic record or any digital signature”. (Explanation: This implies that important electronic records of an e-procurement	1

	application, like – Tender Notice, Corrigenda, Tender Documents, Addenda, Clarifications to Tender Documents, Bids, etc. should not only be electronically signed, but there should also be provision in the e-procurement application to verify the electronic signatures). iv) Every subscriber shall exercise reasonable care to retain control of the private key corresponding to the public key listed in his Digital Signature Certificate and take all steps to prevent its disclosure (Explanation: There should be no limitation in the functionality of the e-procurement system which may necessitate for the tendering processes to continue uninterrupted that the private key of any officer be handed over to anybody else (who may be absent or unavailable), or where a private key is shared by multiple users due to any reason such as – absence of detailed hierarchy within a user organization, or multiple users of a group using a common key. v) Similarly, functionality of the e-procurement system should cover other aspects outlined in various sections (specified in the adjacent column) of the IT Act.	
2	<u>Electronic Document & Record Control:</u> Suitable controls are established for electronic documents / records generated, processed, stored, disposed of by the e-Procurement System to comply i) The information contained in e- Documents/e-Records remains accessible/usable for subsequent reference; ii) The e-Records are retained in the original format, it was generated, to accurately demonstrate how it was generated/sent/received. iii) The e-Records should be maintained with identification of origin, destination, date and time of dispatch or receipt. The retention period of the e-Records should be compliant with the legal and contractual requirements.	
3	<u>Data Protection:</u> i) Adequate and reasonable security practices and procedures are in place to protect confidentiality and integrity of the user's data and credentials ii) The e-procurement system has to satisfactorily address the above) through suitable functionality built into the e-procurement application. Where, in addition, some issues are being further addressed through organizational procedures, these should be explicitly defined with satisfactory explanations. The reasonable security practices and procedures followed should be documented in line with the international standard ISO/IEC 27001.	
4	<u>Due diligence exercise:</u> 1. The Service Provider shall publish the terms and conditions of use of its e-Procurement System, user agreement, privacy policy etc. 2. The Service Provider shall notify users not to use, display, upload, modify, publish, transmit, update, share or store any information that: a. belongs to another person; b. is harmful, threatening, abusive, harassing, blasphemous, objectionable, defamatory, vulgar, obscene, pornographic, pedophilic, libelous, invasive of another's privacy, hateful, or racially, ethnically or otherwise objectionable, disparaging, relating or encouraging money laundering or gambling, or otherwise unlawful in	

	any manner whatever; c. harm minors in any way; d. infringes any patent, trademark, copyright or other proprietary rights; e. violates any law for the time being in force; f. discloses sensitive personal information of other person or to which the user does not have any right to; g. causes annoyance or inconvenience or deceives or misleads the addressee about the origin of such messages or communicates any information which is grossly offensive or menacing in nature; h. impersonate another person; i. contains software viruses or any other computer code, files or programs designed to interrupt, destroy or limit the functionality of any computer resource; j. Threatens the unity, integrity, Defence, security or sovereignty of India, friendly relations with foreign states, or public order or causes incitement to the commission of any cognizable offence or prevents investigation of any offence or is insulting any other nation. 3. The Service Provider shall not itself host or publish or edit or store any information or shall not initiate the transmission, select the receiver of transmission, and select or modify the information contained in the transmission as specified in (ii) above. 4. The Service Provider shall inform its users that in case of non-compliance with terms of use of the services and privacy policy provided by the Service Provider, it has the right to immediately terminate the access rights of the users to the e-Procurement System. 5. The Service Provider shall publish on the e- Procurement website about the designated agent to receive notification of claimed infringements.	
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Annexure X: Audit Program – Checklist for Audit of Procurement process

This section of the manual includes a comprehensive but not exhaustive audit checklist to provide internal auditor with a systematic process for verifying various transaction related to a procurement process.

A. Audit of Procurement of Goods

Audit Objective: To verify that the procurement of goods is carried out as per the provision of The Uttarakhand Procurement Rules 2017, are adequately approved and within the prescribed limit

Control: The control related to procurement process for purchase of goods is mentioned in Uttarakhand Procurement Rules, 2017. Some of the key controls/processes have been mentioned at Section 2.1 of this manual.

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
Auditable Sub Area - A1: Procurement Process including compliance with procurement guidelines Ascertaining that procurement is carried out based on Need's dependent also on quantity, quality and time period requirements. Steps: A. Procurement Requirement Determination: • The first step in the public procurement process is to identify requirements • All procurement requirements should begin with the perception of a Need. • At planning stage, it is necessary to clearly define the need. • To achieve the objective the following aspects should be examined						
Requisition and Approval	▶ Check whether market study is done for raising requisition for procurement or preparing procurement plan ▶ Check whether procurement plan has listed all the requirement of the department ▶ Check whether the procurement plan has been updated periodically	Para 74 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check whether procurement requisitions are adequately approved by competent authority as per delegation of power ▶ Check that procurement is made by the competent authority given in the FHB Vol-1 (Delegation of financial powers). ▶ Check in case of procurement not covered under prescribed powers & norms, the procurement has been done with the concurrence of the Finance Department.	Para 4 & 5 of The Uttarakhand Procurement Rules, 2017				
Auditable Sub Area - A2: Supplier registration						
Registration of Supplier	▶ Obtain the list of valid registered suppliers ▶ Check whether suppliers are registered as per the procedure given in procurement rules after verifying credentials, manufacturing capability, quality control systems, past performance (for the goods in question), after sales service, financial background, etc. ▶ Check that supplier(s) are registered for a fixed period (between 1 to 3 years) as per rules.	Para 6 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify the control process adopted by department to review and monitor the performance of every registered supplier. Report any shortcoming noticed					
Auditable Sub Area - A3: Procurement administration and management						
Procurement Methodology	Purchase of goods without Quotation: ▶ Check in case of procurement of goods without quotation, the estimated value of goods is within the prescribed limit (Below INR 25,000/- (In case of life saving medicines INR 50,000)) ▶ Check that in case of goods procured without quotation, a certificate in desired format has been recorded by the competent authority	Para 33 of The Uttarakhand Procurement Rules, 2017				
	Purchase of goods through Purchase committee: ▶ Check in case of procurement of goods through purchase committee, the estimated value of goods is within the prescribed limit (INR 25,000/- (INR Twenty-five thousand) and up to INR 2,50,000/- (INR Two lakh fifty thousand only)	Para 34 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that such purchases are in made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of Department/Head of Office ▶ Check that before recommending placement of purchase order, the members of the committee will jointly record a certificate in desired format.					
	Purchase of goods directly under rate contract: ▶ Check that the goods purchased under rate contract are identified as common user items and are needed on recurring basis by the various Departments and agencies of the Government ▶ Check those details of such Rate Contracts are kept on the website of the department/Government ▶ Check that rate contract is not more than 1 year. Check that any deviation to this is as per the procurement rules.	Para 7 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that if the department has purchased articles on Gem P rate, they have valid authority to do so. ▶ Check that the goods purchased through GeM Portal are as per the procedure laid down by the Government of India in General Financial Rules, 2017 as amended from time to time.					
	▶ Check the competent authority has procured goods by following standard methods of obtaining bids / tenders as follows (except for items procured as per rule 7, 33 & 34): (1) Limited tender enquiry (2) Advertised tender enquiry (3) Single tender enquiry (4) Electronic Reverse Auction	Para 8 of The Uttarakhand Procurement Rules, 2017				
	Limited Tender Enquiry: ▶ Check that the procuring entity has adopted limited tender enquiry for procuring goods up to INR 25,00,000 ▶ Check that deviation to the above limits is only in case of exceptions mentioned in procurement	Para 9 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	rules, 2017 and was duly approved by competent authority ▶ Check the documents/proofs that the copies of the bidding document are sent directly by speed post/registered post/ courier/e-mail to more than three firms which are borne on the list of registered suppliers for the goods in question ▶ Verify that web-based publicity was given for a limited tender enquiry					
	Advertised Tender Enquiry: ▶ Check that the procuring entity has adopted advertised tender enquiry for procuring goods of estimated value above INR 25,00,000/- ▶ Check that invitation to tender by advertisement was done in at least two widely circulated National newspapers ▶ Check that the tender enquiry was placed on the web site of the State Government/Department ▶ Check that the bidders are allowed sufficient time for submission of bids as per the procurement rules, 2017	Para 10 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	Single Source Enquiry: ▶ Check that procurement of goods through single source enquiry is made only in case of the circumstances mentioned in the procurement rule, 2017 ▶ Check that for such purchases, the competent authority has recorded a certificate in desired format	Para 11 of The Uttarakhand Procurement Rules, 2017				
	Electronic Reverse Auction: ▶ Check that procurement of goods through electronic reverse auction, if any, is made as per the provisions mentioned in the procurement rule, 2017	Para 12 of The Uttarakhand Procurement Rules, 2017				
	▶ Check that for procurement of goods up to INR 5 Lakhs, a single bid system is being adopted as per the provision of procurement rules 2017 ▶ Check that for procuring high value plant, equipment or machinery etc. of a complex and technical nature, bids are invited in two parts (technical and financial bid) as per the provision of procurement rules 2017	Para 13 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	Check that all procurements of goods with an estimated value of more than INR 2,50,000 is done through e-procurement as per the procedure mentioned procurement rules, 2017	Para 35 of The Uttarakhand Procurement Rules, 2017				
Preparing of Bid Documents	▶ Check that all the terms, conditions, stipulations and information to be incorporated in the bidding document were shown in the appropriate chapters as provided in the procurement rules ▶ Check that the text of the bidding document is self-contained and comprehensive without any ambiguities with all essential information, which a bidder needs for sending a responsive bid ▶ Check that the bidding document contain the following: • The criteria for eligibility and qualifications to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities and financial	Para 3,15,16, 20, 22 & 37 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	position, documents to be submitted by the bidders etc. • Eligibility criteria for goods indicating any legal restrictions/ conditions about the origin of goods etc. which may need to be met by the successful bidder • The procedure as well as date, time and place for sending the bids, • Details of the pre-bid conference, if applicable • Date, time and place of opening of the bids, • Terms of delivery, • Details of the tender cost, Earnest Money Deposit (EMD)/Bid Security, performance guarantee etc. • Any special terms affecting performance, and • Suitable provisions to enable a bidder to question the bidding conditions, bidding process and/or rejection of its bid.					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	• Suitable provisions that in case any bidder/firm quote zero or nil charges, then such bids would not be accepted • Suitable provisions for settlement of disputes, if any, emanating from the resultant contract ► Check that the bidding document clearly indicate that the resultant contract will be interpreted under Indian Laws ► Check that the specifications of the required goods are clearly stated without any ambiguity ► Check that the criteria for determining responsiveness of bids, criteria as well as factors to be taken into account for evaluating the bids on a common platform and the criteria for awarding the contract to the responsive lowest bidder is clearly indicated in the bidding document. ► Check that depending on the cost and nature of the goods purchased, maintenance contract(s) is also entered for a suitable period either with					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	supplier of the goods or with any other competent firm ► Check that buyback offer is incorporated, where applicable, in the bidding documents are per the provision of procurement rules, 2017					
Bid Management	► Check that the bids were advertised adequately ► Check that the bidders were given sufficient time to send their bids as per the provision of procurement rules ► Check that the bids were opened in public and authorized representatives of the bidders were permitted to attend the bid opening. ► Check that late bids were not considered. ► Check whether pre-bid conference was conducted in case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipments ► Check whether minutes and response to the queries during the pre-bid conference was prepared and shared with all the bidders	Para 3, 14, 20 & 69 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	► Check that any addendum/corrigendum to the bid is done after approval of the competent authority and notice of the same is intimated to all the eligible bidder					
Bid Evaluation	► Check that the bids were accompanied with Earnest Money Deposit/ Bid security of required amount and form as mentioned in the tender documents. (The details with respect applicable percentages and form of depositing EMD is mentioned in rule 36 of Uttarakhand Procurement Rules, 2017.) ► Check that proper records were maintained for the EMD/ Bid security received ► Check that the bidders have submitted all the required information and documents in the format and manner prescribed in the bidding documents ► Check whether the purchase/price preference to small and medium enterprise, if any, was	Para 3, 20, 21, 32, 36 & 70 of The Uttarakhand Procurement Rules, 2017				

	provided as per the prescribed rules with approval from competent authority ▶ Check that the documents related to all the stages of procurement and along with the considerations evaluated while taking the procurement decisions for a period of 20 years ▶ Check that extract of the procurement is maintained in the format given at Annexure – VI which is separate from the store ledger stationery register etc. prescribed under different provisions ▶ Check that bids received were evaluated in terms of the conditions incorporated in the bidding document and no new condition is brought in for evaluation of the bids. ▶ Check that the determination of a bid's responsiveness was based on the contents of the bid itself without recourse to extrinsic evidence or oral discussions. ▶ Check the control process adopted to ensure that the bidders were not permitted to alter and modify their bids after expiry of the deadline for receipt of bids. ▶ Check that negotiation with bidders after bid opening is done only in exceptional					
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	circumstances where price negotiation against ad-hoc procurement is necessary due to some unavoidable circumstances, however such negotiation shall be resorted to only with the lowest evaluated responsive bidder. ▶ Check that in the rate contract system, where a number of firms were brought on rate contract for the same item, negotiation as well as counter offering of rates was permitted to the bidders under specific permission of the Government. ▶ Check that the contract is awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document. ▶ Check that in case the lowest acceptable bidder is not in a position to supply the full quantity required, the remaining quantity, as far as possible, be ordered from the next higher responsive bidder but at the rates offered by the lowest responsive bidder. ▶ Check that selection of the bidder is approved is by the competent authority as per delegation of power					
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	▶ Check that in case there is only one bidder, then such bid is cancelled and rebid ▶ Check that in case if again only one bidder submits the bid, then such bid is evaluated/considered on following terms: • The procurement was satisfactory advertised and sufficient time was given for submission of bids • The qualification criteria/specification were not unduly restrictive • Prices were reasonable in comparison of market value ▶ Check that to reduce delay, appropriate time frame for each stage of procurement is prescribed by the department ▶ Check whether the tender evaluation committee has commented upon the aspect of the bid being unbalanced or front-loaded ▶ Check that the department/competent authority ensured placement of contract within the original validity of the bids. (Extension of bid validity must be discouraged and resorted to only in exceptional circumstances)					
Contract Management –	▶ Verify whether a register of agreements and contract bonds entered into by the competent	Para 3, 17, 20 & 21 of The				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
Award of Contract, Amendments	authority is maintained and the documents are serially numbered as they are signed. If yes obtain the register along with copies of contracts and agreements ▶ Verify whether bond/ agreement/ contract is reviewed and approved by Divisional Accountant ▶ Verify that in case of contracts entered into with a firm, each one of the partners or in their absence their attorneys have signed the contract. Further in case of contracts signed by attorneys, verify the original power of attorney duly registered in a court of law and obtain its attested copy for audit purpose ▶ Verify that the contract should not have been entered by or on behalf of a minor ▶ Verify whether standard templates are used for all contracts, previously vetted by legal and finance department	Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify that any additional terms added in the bond/ agreement/ contract are vetted through legal department/ authorized person ▶ Check that a letter of award/intent is issued to the selected bidder along with the details of the contract, timeline, details of consignee, amount of performance guarantee, if applicable, etc. within the bid validity period. ▶ Verify that a formal acceptance of the LOI/LOA or contract has been executed with the selected bidder and competent authority on behalf of procuring entity for the supply of the goods. ▶ Verify that the signed contract was based on the terms & conditions and technical specifications provided in the bidding documents and bid submit by the vendor ▶ Check if there is any discrepancy between award of contract (Letter of Award) and conditions mentioned in contract agreement specially regarding amendments, modification having financial implication					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify that any amendment in contract price or quantity is reviewed and approved by competent authority as per approval matrix provided in contract agreement/bidding document and delegation of powers ▶ Verify the controls adopted in case of amendment of project duration for an existing contract ▶ Verify that in cases where the extension of time has not been approved, applicable liquidated damages have been levied and collected from the contractor in accordance with the terms and conditions stated in contract agreement ▶ Check that the name of the successful bidder and contract amount is mentioned in the departmental notice board/bulletin/website.					
Contract Management – Handling of Securities	▶ Verify whether the security deposit / guarantees have been furnished by the vendor, are of required amount, validity, prescribed format and within the stipulated time as per the requirements of the contractual terms and					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	conditions. (The amount, validity, mode and methodology of collection PG is provided in para 17 of The Uttarakhand Procurement Rules, 2017) ▶ Verify whether in case of delay in submission of Security deposit/Performance Guarantee, penalty has been levied and collected as per the terms and conditions of the contract. ▶ Verify that the PG instruments such as bank guarantee, fixed deposits including the renewed bank guarantee, fixed deposits documents are verified independently and confidentially from the issuing banks for authenticity and validity ▶ Verify that the PG instruments such as bank guarantee, fixed deposits etc. has been duly entered in the BG register/Interest Bearing Security Register and properly stored ▶ Verify that necessary control mechanism has been implemented to ensure renewal of PG instruments such as bank guarantee, fixed deposits before its expiry					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify the BG register and identify the list of expired BGs and report the reason for its non-renewal. ▶ Verify the Interest-Bearing Security Register and identify the list of expired fixed deposits and report the reason for its non-renewal. ▶ Report the amount of loss incurred due to non-renewal of BG ▶ Verify that the Earnest Money Deposit/Bid Security is returned to the unsuccessful bidders after awarding of contract to successful bidder					
Contract Management – Monitoring, Quality Assurance & Inspection	▶ Verify that the supply of the goods is accepted/ approved after an inspection and certification by the concerned/competent authority ▶ Verify the control measure adopted by the department to monitor the procurement of goods closely ▶ Check that the Head of Office/Competent Authority or his nominee has done annual verification on 31st March every year to ensure the availability of assets/goods as mentioned in	Para 75 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	the register and disposal of old and unusable goods. ▶ Verify that the security deposit/retention money is released post completion of defect liability period (as mentioned in the contract agreement) and acceptance of goods by the engineer in charge ▶ List the notice issued by engineer to the vendors for any defects identified during the defect liability period and report the cases where necessary action has not been taken by the vendor (based on the documents available in the file) ▶ Check in cases where rectification of defects has not been made by the vendor, security deposit/retention money has not released.					
Contract Management – Goods Receipt & Storage	▶ Check that proper recording is done for all the goods received in the respective register and are accompanied with necessary documents such as inspection certificate, GRN etc.					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	► Check that the goods are adequately labeled and stored					
Contract Management – Dispute Resolution	► Obtain the list of contracts under dispute or legal proceedings and check the status of all of them ► Check that the dispute resolution is carried out in accordance with the provisions mentioned in the contract					
Contract Management – Closure	► Obtain the list of cases where procurement is complete and check that all such contracts has been closed within reasonable timeline					
Auditable Sub Area – A4: Payment to Vendors A5: Statutory Compliance						
Contract Management – Payment to Vendor	► Check that advance has been provided as per the terms and conditions mentioned in the contract agreement and in exceptional cases only as per provision of procurement rules, 2017 ► Check that the advance payment is limited to • 30% of the contract value to private firms. • 40% of the contract value to a State/Central Government agency or a public undertaking agency.	Para 18 & 19 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	• In case of maintenance contract, the amount should not exceed the amount payable for six months under the contract. ▶ Check that advance bank guarantee, if required as per contract, has been obtained for required value and validity before releasing of advance ▶ Verify that advance bank guarantee has been verified with issuing banks directly for its validity and authentication ▶ Verify that the applicable (As per contract) interest is recovered from supplier ▶ Check that another advance has not be drawn unless the first has been adjusted as per terms of bond/ agreement/ contract document ▶ Check that advances are adjusted against the bills submitted within a period not exceeding the period defined in agreement/ bond document from the date of withdrawal ▶ Check that the part payment to the supplier is released after it dispatches the goods from its					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	premises under the contract [Refer para 19 of The Uttarakhand Procurement Rules, 2017] ▶ Check that the payment is released in accordance with the conditions (rate, quantity etc.) mentioned in the contract agreement/bidding documents and on submission of valid invoice by the vendor ▶ Check that deduction regarding applicable retention money, mobilization advance (if any), penalty (if any), income tax, GST, labor cess etc. has been done from the running & final bills in accordance with the contract agreement ▶ Verify that bills have been signed and approved by authorized officials/competent authority ▶ Verify that payment has been released directly in the account of the vendor.					
Contract Management – Statutory compliance	▶ Check that TDS for income tax and GST has been deducted from vendor payment at the prevailing rate					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that TDS certificate for Income tax and GST has been issued as per the provision of applicable acts ▶ Check the statement of tax deduction (TDS/TCS) for Income tax and GST has been filed online before the due date ▶ Check that TDS for Income tax and GST has been deposited to respective authority within in the prescribed timelines ▶ Check that labor cess, if applicable, has been deducted from vendor payment at the prevailing rate					

B. Audit of Procurement of Works

Audit Objective: To verify that the procurement of works is carried out as per the provision of The Uttarakhand Procurement Rules 2017, are adequately approved and within the prescribed limit

Control: The control related to procurement process for procurement of works is mentioned in Uttarakhand Procurement Rules, 2017. Some of the key controls/processes have been mentioned at Section 2.2 of this manual.

Key Auditable Area: B – Procurement of works

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
Auditable Sub Area – B1: Procurement Process including compliance with procurement guidelines						
Requisition and Approval	▶ Check whether market study is done for raising requisition for procurement or preparing procurement plan ▶ Check whether the department has prepared a perspective plan for 5 years for undertaking different types of works. ▶ Check whether the procurement plan has been updated periodically ▶ Verify whether the works has been included in the budget proposal (for the respective year) submitted by the division of the concerned works department ▶ Verify whether Preliminary Project Report (PPR) was prepared, if required (Required for green field project/new works) ▶ Verify whether a feasibility study was conducted by the concerned official before starting the designated project and the results of the feasibility	Para 23, 38, 39, 40 & 74 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	study were timely submitted to the designated authority for review ► Verify whether the Site Preparation, soil study and assessment of feasibility of services such as water supply, electricity, drainage and sewerage etc. were done and duly approved by competent authority (as mentioned in OM no. No. 571 / xxvii (1) / 2010, Dehradun, dated 19th October 2010) ► Verify whether approvals are available for the Feasibility study as per the approved Delegation of powers, if any					
	► Check that following approvals have been obtained before procurement and execution of any works: • Administrative Approval, [refer Para 316 – Volume VI, FHB for details] • Financial/expenditure sanction, [refer Para 317 – Volume VI, FHB for details] • Technical sanction, [refer Para 318 – Volume VI, FHB for details] • Appropriation of funds	Para 23, 27, 38, 39, 40 & 42 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that procurement is made by the competent authority as given in the FHB Vol-1 (Delegation of financial powers) ▶ Check in case of procurement not covered under prescribed powers & norms, the procurement has been done with the concurrence of the Finance Department. ▶ Check that a group of works which forms one project, is considered one work, and technical, administrative and financial approval from the competent authority is taken as of one work. (The work should not be split just to avoid the procedure of getting the needed approval of the higher authority. This provision, however, shall not apply in case of works of similar nature which are independent of each other) ▶ Check that starting of any original work, repair maintenance is done as per para 40 of The Uttarakhand Procurement Rule, 2017 ▶ Check that the works executed/ assigned to the public works organization is as per the provision					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	of para 40 of The Uttarakhand Procurement Rule, 2017 Schedule of Rates ▶ Check that SOR rate is approved by competent authority and revised from time to time where applicable ▶ Check that proper justification is available for increase in the rates of various items. ▶ Verify that a SOR rate is followed for estimation of all the type of similar works and preparing bills of quantity ▶ Verify that latest DSR/SOR has been adopted for estimation					
Auditable Sub Area – B2: Contractor registration						
Registration of Contractor	▶ Obtain the list of valid registered contractors ▶ Check whether contractors are registered as per the procedure given in the procurement rules and based on the factors such as: • Technical and Financial Competency	Para 24 of The Uttarakhand procurement rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	• Adequate legal status • Not insolvent • Not been convicted of any criminal offence related to their professional conduct ► Check that contractors are registered for a fixed period as per rules. ► Verify the control process adopted by department to review and monitor the performance of every registered contractor. Report any shortcoming noticed ► Examine whether department has organized capacity building programmes to orient the contractors, about the latest building etc. standard code and technology.					
Auditable Sub Area – B3: Procurement administration and management						
Procurement Methodology & Bidding System	Purchase of goods without Quotation: ► Check in case of procurement of works without quotation, the estimated value of works is within the prescribed limit (Below INR 25,000/-)	Para 46 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that in case of work procured without quotation, a certificate in desired format has been recorded by the competent authority					
	Procurement of works on work order basis without call of tenders: ▶ Check that the competent authority has taken quotation from at least three registered contractors. ▶ Check that procurement through work order is done for works up to an amount of INR 2,50,000 only ▶ Check that there is a proper recording about the emergent conditions and suitable reasons to conduct such work.	Para 47 of The Uttarakhand Procurement Rules, 2017				
	▶ Check the competent authority has procured works by following standard methods of obtaining bids / tenders as follows (except for items procured as per rule 46 & 47): (1) Percentage Rate Contract (2) Item Rate Contract (3) Piece Work Contract (4) Lump sum contract	Para 48 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	(5) EPC Contract (6) Single Source enquiry for Works during natural disaster/emergency					
	Percentage Rate Contract: ▶ Check that the percentage rate contract is used for maintenance works up to INR 10 Lakhs ▶ Check that percentage rate contract is used in respect of maintenance works, levelling and development works including such works as storm water drainage, water supply and sewer lines.	Para 48 of The Uttarakhand Procurement Rules, 2017				
	Item Rate Contract: ▶ Check whether the department has asked contractor to quote rate for individual items of work on the basis of schedule of quantities	Para 48 of The Uttarakhand Procurement Rules, 2017				
	Piece Work Contract: ▶ Check that piece work contract is used for procuring works up to INR 1 Lakhs ▶ Check that this method is used for procuring small pieces of work and not for the complete work (in remote areas/hilly terrain for immediate and	Para 48 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	urgent work resulting from cloud burst, landslide, roadblock, etc.) ► Check that rates are reasonable and based on schedule of rates, or market price and necessary entries are there in the measurement books.					
	Lump Sum Contract: ► Check that the competent authority has asked contractors to quote a lump sum figure for completing the works in accordance with the given designs, specifications and functional requirements.	Para 48 of The Uttarakhand Procurement Rules, 2017				
	Single source enquiry for works during Natural Calamities: ► Check that single source enquiry is adopted only in case of executing works during natural calamities ► Check that the rates for such contract are not more than the approved rates or market rates	Para 48 of The Uttarakhand Procurement Rules, 2017				
	Engineering, Procurement and Construction Contract: ► Obtain the list of EPC contracts, if any.	Para 48 of The Uttarakhand				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check if the agreement between the authority and the contractor for a work is as per the prescribed model EPC agreement. ▶ Check if the above-mentioned agreement is in line with following points: ○ The technical parameters in the agreement are based on output specifications ○ That a simple and rational method for estimating interim payments to the Contractor has been provided. ○ It contains the requisite provisions in dealing with ‘force Majeure’ events. ○ That the necessary clause has been incorporated in the contract making contractor liable to damages for any delay beyond the specified date of completion or non-achievement of milestones. ○ Termination payments have been quantified precisely. ○ That an effective dispute resolution mechanism has been given.	Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	○ That a defects liability period of at least two years is specified in the Agreement as per the model agreement. ▶ Check whether contractor has been provided requisite flexibility in evolving and adopting innovative designs without compromising on quality of the works. ▶ Check that EPC contract are based on guidelines issued by Govt of India from time to time and for the works greater than INR 10 Cr. ▶ Check that period is determined on a project-specific basis depending on the nature and volume of construction work involved ▶ Check that selection of the contractor is done based on open competitive bidding and in compliance with the procurement rules, 2017 ▶ Check that designs and drawings developed in by contractor are in conformity with the specifications and standards laid down in the Agreement.					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	► Check that a credible and fair arrangement for monitoring and supervision of the work is established.					
	Single Bid System: Check that single bid System is adopted where it is feasible to work out the schedule of quantities and to formulate detailed specifications for goods or construction.	Para 25 of The Uttarakhand Procurement Rules, 2017				
	Two Bid System: ► Check that two-bid system is adopted in case it is not feasible to formulate detailed specifications for goods or construction ► Check that the contractors have been asked to submit, in the first stage, their proposals without a tender price. ► Check that in the second stage of two bid tendering, the procuring entity has invited contractors whose tenders have not been rejected to submit final tenders with prices with respect to a single set of specifications.	Para 25 of The Uttarakhand Procurement Rules, 2017				
	Tenders with Pre-Qualification	Para 25 of The				

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	▶ Check that criteria for pre-qualification along with evaluation system has been clearly spelt out in detail. ▶ Check whether pre-qualification criteria for the instant procurement have been framed objectively commensurate with importance and size of the project/procurement ▶ Check whether there is any deliberate attempt to make the pre-qualification criteria suiting to particular bidder(s)	Uttarakhand Procurement Rules, 2017				
	Tenders with Post-Qualification ▶ Check that department has obtained financial offers and eligibility related documents in separate envelopes ▶ Check that financial offers of only eligible contractors are considered	Para 25 of The Uttarakhand Procurement Rules, 2017				
	Tenders for works of a complex nature: ▶ Check that EOI/RFQ route is adopted by competent authority in case of works which would	Para 25 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	require a high degree of technical skill and or involve complex or innovative technology ► Check that: - in first stage, eligible and prospective bidders have been short listed. - in the second and final stage the bidder engages in a comprehensive scrutiny of the project before submitting their financial offers. ► Check that the competent authority constituted a committee which included experts in the concerned field.					
	Single Source Procurement: ► Check that procurement of works through single source enquiry is made only in case of the circumstances mentioned in the procurement rule, 2017 Check that for such purchases, the competent authority has recorded a certificate in desired format	Para 25 & 48 of The Uttarakhand Procurement Rules, 2017				
	Check that all procurements of works with an estimated value of more than INR 25,00,000 is done	Para 35 of The Uttarakhand				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	through e-procurement as per the procedure mentioned procurement rules, 2017	Procurement Rules, 2017				
	Electronic Reverse Auction: ► Check that procurement of works through electronic reverse auction is made as per the provisions mentioned in the procurement rule, 2017	Para 12 of The Uttarakhand Procurement Rules, 2017				
	Works by Department itself and Public Works Organization ► Check that work executed by the department by itself or through public works organization is as per the delegation provided in para 40 and 41 of The Uttarakhand Procurement, Rules 2017. ► Check that execution of such works is done by department/ public work organization as per the procedure provided at para 49 of The Uttarakhand Procurement, Rules 2017	Para 40, 41, & 49 of The Uttarakhand Procurement Rules, 2017				
Preparation of Bid Document	► Check that standard bidding document is followed for procurement of works as mentioned below: • For works more than Rs. 1.5 crore: Verify if the bidding documents have prepared and	Para 3, 20 & 26 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	covers all the sections mentioned in the Standard Bid Document 2014. ▶ For works less than Rs. 1.5 crore: Verify if the bidding documents have prepared as per the G.P.W.-9 (GO – 120/III (2)-2014/20/2011 Dated 08 January 2014 Check that the text of the bidding document is self-contained and comprehensive without any ambiguities with all essential information, which a bidder needs for sending a responsive bid ▶ Check that the bidding document contain the following: • The criteria for eligibility and qualifications to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities and financial position, documents to be submitted by the bidders etc. • The procedure as well as date, time and place for sending the bids, • Details of the pre-bid conference, if applicable					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	• Date, time and place of opening of the bids, • Terms of delivery, • Details of the tender cost, Earnest Money Deposit (EMD)/Bid Security, performance guarantee etc. • Any special terms affecting performance, • Suitable provisions to enable a bidder to question the bidding conditions, bidding process and/or rejection of its bid. • Suitable provisions that in case any bidder/firm quote zero or nil charges, then such bids would not be accepted • Suitable provisions for settlement of disputes, if any, emanating from the resultant contract ► Check that the bidding document clearly indicate that the resultant contract will be interpreted under Indian Laws ► Check that the specifications of the required works are clearly stated without any ambiguity					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that the specification is broad based to the extent feasible based on standard specifications which are widely known to the industry. ▶ Check that the criteria for determining responsiveness of bids, criteria as well as factors to be considered for evaluating the bids on a common platform and the criteria for awarding the contract to the responsive lowest bidder is clearly indicated in the bidding document.					
Bid Management	▶ Check that the bids were advertised adequately ▶ Check that the bidders were given sufficient time to send their bids as per the provision of procurement rules ▶ Check that the bids were opened in public and authorized representatives of the bidders were permitted to attend the bid opening. ▶ Check that late bids were not considered. ▶ Check whether pre-bid conference was conducted in case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipments	Para 3, 14, 20 & 69 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check whether minutes and response to the queries during the pre-bid conference was prepared and shared with all the bidders ▶ Check that any addendum/corrigendum to the bid is done after approval of the competent authority and notice of the same is intimated to all the eligible bidder					
Bid Evaluation	▶ Check that the bids were accompanied with Earnest Money Deposit/ Bid security of required amount and form as mentioned in the tender documents. (The details with respect applicable percentages and form of depositing EMD is mentioned in rule 44 of Uttarakhand Procurement Rules, 2017.) ▶ Check that proper records were maintained for the EMD/ Bid security received ▶ Check that the bidders have submitted all the required information and documents in the format and manner prescribed in the bidding documents ▶ Check that the documents related to all the stages of procurement and along with the considerations evaluated while taking the procurement decisions for a period of 20 years	Para 3, 20, 21, 44 & 70 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that extract of the procurement is maintained in the format given at Annexure – VI which is separate from the store ledger stationery register etc. prescribed under different provisions ▶ Check that bids received were evaluated in terms of the conditions incorporated in the bidding document and no new condition is brought in for evaluation of the bids. ▶ Check that the determination of a bid's responsiveness was based on the contents of the bid itself without recourse to extrinsic evidence or oral discussions. ▶ Check that the Tender Evaluation Committee has been duly notified by the Competent Authority ▶ Check whether the tender evaluation committee has commented upon the aspect of the bid being unbalanced or front-loaded ▶ Check whether the tender evaluation committee has commented upon the aspect of the bid being unbalanced or front-loaded ▶ Check the control process adopted to ensure that the bidders were not permitted to alter and modify					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	their bids after expiry of the deadline for receipt of bids. ▶ Check that negotiation with bidders after bid opening is done only in exceptional circumstances where price negotiation against ad-hoc procurement is necessary due to some unavoidable circumstances, however such negotiation shall be resorted to only with the lowest evaluated responsive bidder. ▶ Verify that the reasons for any negotiations have been clearly recorded ▶ Check that the contract is awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document. ▶ Verify in detail the bidding process, in case it has been noted that higher numbers of contracts are awarded to a single contractor.					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check if any identical contracts are awarded at the same point of time with different rate of major items. ▶ Check that selection of the bidder is approved is by the competent authority as per delegation of power ▶ Check that in case there is only one bidder, then such bid is cancelled and rebid ▶ Check that in case if again only one bidder submits the bid, then such bid is evaluated/considered on following terms: ▶ The procurement was satisfactory advertised and sufficient time was given for submission of bids ▶ The qualification criteria/specification were not unduly restrictive ▶ Prices were reasonable in comparison of market value ▶ Check that to reduce delay, appropriate time frame for each stage of procurement is prescribed by the department					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)																
	► Following chart maybe prepared for assessing the delay in tendering process for a particular work. <table><tr><th>Activity</th><th>Period</th></tr><tr><td>i) Receipt of Tenders</td><td></td></tr><tr><td>ii) Tenders submitted to sanctioning authority and its approval</td><td></td></tr><tr><td>iii) Acceptance of Tenders and concluding agreement</td><td></td></tr><tr><td>iv) Concluding the agreement and starting the work.</td><td></td></tr><tr><td>v) Execution period for completion of the project</td><td></td></tr><tr><td>vi) Total time taken for Tender processing</td><td></td></tr><tr><td>vii) Total time taken between Tender notice and completion of the project</td><td></td></tr></table> ► Check that the department/competent authority ensured placement of contract within the original validity of the bids. (Extension of bid validity	Activity	Period	i) Receipt of Tenders		ii) Tenders submitted to sanctioning authority and its approval		iii) Acceptance of Tenders and concluding agreement		iv) Concluding the agreement and starting the work.		v) Execution period for completion of the project		vi) Total time taken for Tender processing		vii) Total time taken between Tender notice and completion of the project						
Activity	Period																					
i) Receipt of Tenders																						
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vi) Total time taken for Tender processing																						
vii) Total time taken between Tender notice and completion of the project																						

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	must be discouraged and resorted to only in exceptional circumstances)					
Contract Management – Pre commencement activities	▶ Verify whether a register of agreements and contract bonds entered by the competent authority is maintained and the documents are serially numbered as they are signed. Obtain the register of contracts along with copies of contracts and agreements ▶ Verify whether bond/ agreement/ contract is reviewed and approved by Divisional Accountant ▶ Verify that in case of contracts entered into with a firm, each one of the partners or in their absence their attorneys have signed the contract. Further in case of contracts signed by attorneys, verify the original power of attorney duly registered in a court of law and obtain its attested copy for audit purpose ▶ Verify that the contract should not have been entered by or on behalf of a minor ▶ Verify whether standard templates are used for all contracts, previously vetted by legal and finance department	Para 3, 20, 21 & 44 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify that any additional terms added in the bond/ agreement/ contract are vetted through legal department/ authorized person ▶ Check that a letter of award/intent is issued to the selected bidder along with the details of the contract, timeline, details of consignee, amount of performance guarantee, if applicable, etc. within the bid validity period. ▶ Verify that a formal acceptance of the LOI/LOA or contract has been executed with the selected bidder and competent authority on behalf of procuring entity for the works. ▶ Verify that the signed contract was based on the terms & conditions and technical specifications provided in the bidding documents and bid submit by the contractor ▶ Verify whether a provision is made in the contract for safeguarding Government property entrusted to contractors ▶ Verify that in case a contract is likely to endure for a period of more than five years, a provision for its unconditional revocation or cancellation by					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	Government at any time after expiry of six months ‘notice should have a mention in the contract ▶ Check if there is any discrepancy between award of contract (Letter of Award) and conditions mentioned in contract agreement specially regarding amendments, modification having financial implication ▶ Verify whether the security deposit / guarantees have been furnished by the vendor, are of required amount, validity, prescribed format and within the stipulated time as per the requirements of the contractual terms and conditions. (The amount, validity, mode and methodology of collection PG is provided in para 44 of The Uttarakhand Procurement Rules, 2017) ▶ Verify whether in case of delay in submission of Security deposit/Performance Guarantee, penalty has been levied and collected as per the terms and conditions of the contract. ▶ Verify that the PG instruments such as bank guarantee, fixed deposits including the renewed bank guarantee, fixed deposits documents are					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	verified independently and confidentially from the issuing banks for authenticity and validity ▶ Verify that the PG instruments such as bank guarantee, fixed deposits etc. has been duly entered in the BG register/Interest Bearing Security Register and properly stored ▶ Verify that necessary control mechanism has been implemented to ensure renewal of PG instruments such as bank guarantee, fixed deposits before its expiry ▶ Verify the BG register and identify the list of expired BGs and report the reason for its non-renewal. ▶ Verify the Interest-Bearing Security Register and identify the list of expired fixed deposits and report the reason for its non-renewal. ▶ Report the amount of loss incurred due to non-renewal of BG ▶ Verify that the Earnest Money Deposit/Bid Security is returned to the unsuccessful bidders after awarding of contract to successful bidder					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	► Check that the name of the successful bidder and contract amount is mentioned in the departmental notice board/bulletin/website.					
Contract Management – post commencement activities	► Check whether inspection of works is carried out by the engineer, supervising the works to ensure that the works are executed as per specifications laid down in the works contract. ► Check that a Quality Assurance Cell exists consisting of experienced technical persons and engineers ► Verify that for works greater than INR 1 Cr. (but less than INR 5 Cr.) necessary inspections is carried by quality assurance cell as per provision mentioned in Uttarakhand Procurement rules 2017 (refer para 51 of Uttarakhand Procurement rules 2017) ► Verify that for works greater than INR 5 Cr. necessary inspections is carried by third party inspection authority appointed by HOD or the Technical Audit Cell of the state as per provision mentioned in Uttarakhand Procurement rules 2017	Refer para 41, 51 & 75 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	(refer para 51 of Uttarakhand Procurement rules 2017) ▶ Verify whether the department has implemented the project management initiative mentioned in para 51 of The Uttarakhand Procurement rules 2017 ▶ Check whether the periodic inspection of the works have been done by engineer in charge to ensure works is carried out as per the contract specifications and inspection report is recorded in the works file ▶ Check that in case any defects or sub-standard quality of material is found during the inspection, then notice have been issued to contractor for correcting such defect or replacing the sub-standard materials ▶ Verify in case where the contractor has not corrected the defects or replaced the sub-standard material, applicable penalty is imposed based on the provisions mentioned in the contract agreement					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify that any amendment in contract price or quantity is reviewed and approved by competent authority as per approval matrix provided in contract agreement/bidding document and delegation of powers ▶ Verify the controls adopted in case of amendment of project duration for an existing contract ▶ Verify that in cases where the extension of time has not been approved, applicable liquidated damages have been levied and collected from the contractor in accordance with the terms and conditions stated in contract agreement ▶ Check that the Head of Office/Competent Authority or his nominee has done annual verification on 31st March every year to ensure the availability of assets/goods as mentioned in the register and also disposal of old and unusable goods. ▶ Check that the execution of assigned work is carried out as per the yardsticks provided at para 41 of The Uttarakhand Procurement Rules, 2017					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
Contact Management – Accounting	Refer the check list provided in works audit manual for accounting of Works					
Auditable Sub Area - B4: Payment to contractor B5: Statutory Compliance						
Contract Management – Payment to contractor	Advance Payment: ▶ Check that advance has been provided as per the terms and conditions mentioned in the contract agreement in exception cases only as per provision of procurement rules, 2017 ▶ Check that advance bank guarantee, if required as per contract, has been obtained for required value and validity before releasing of advance ▶ Verify that advance bank guarantee has been verified withy issuing banks independently and confidentially for its validity and authentication ▶ Verify that the applicable (As per contract) interest is recovered from contractor ▶ Check that another advance has not be drawn unless the first has been adjusted as per terms of bond/ agreement/ contract document	Refer para 53 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that advances are adjusted against the bills submitted within a period not exceeding the period as defined in agreement/ bond document from the date of drawl					
	Measurement Book: ▶ Check whether works are being paid based on measurement entered in measurement books. ▶ Verify whether all measurement books (MB) are serially (machine) numbered ▶ Verify whether the measurements are crossed off as soon as bills are passed for payment, voucher numbers noted and pay order signed by the disbursing officer soon after the payment ▶ Verify whether the entries are recorded continuously in the measurement book and no blank pages are left or torn out ▶ Check that in case, any pages are left blank inadvertently, such pages are cancelled by diagonal lines and such cancellations are attested and dated by the competent authority	Refer para 43, 45, 52 & 53 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify whether in case of cancelled measurements, reasons for cancellation are recorded under the initials of the officer ▶ Verify whether any corrections in the measurement book are properly attested ▶ Check that the entries in the measurement book should be made with indelible ink ▶ Verify whether each measurement book contains an index which is kept up to date ○ Serial Number of each book ○ Names of the sub-divisions (Camp office) to which they are issued ○ Date of issue ○ Date of return (so that its eventual date of return to the divisional office may be checked) ▶ Verify whether all the measurements have been correctly and accurately recorded ▶ Verify that the measurement books have been signed by authorized representative of contractor with providing of acceptance.					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify that the date of measurement of works is mentioned in the MB and is within the contractual period ▶ Verify that measurement book has been signed by authorized representatives (JE/AE/EE) ▶ Verify that JE/AE/EE have recorded on MB that they have test checked certain percentage of work (as applicable) on sample basis and found the same in compliance to the terms and condition of the contract ▶ Check that each set of measurement should commence with ○ Full name of works as given in the works order ○ Location of work ○ Name of contractor ○ Number and date of agreement/works order ○ Date of commencement of works as per contract ○ Period of claim ○ date of measurement					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	○ Name and designation of the person recording the measurement ▶ Check that necessary deduction with regard to statutory dues such as sales tax, GST, income tax, labor cess etc. has been done ▶ Verify that all the applicable deduction such as security deposits, penalty (LD) etc. have been deducted in accordance with the provision of the contract agreement ▶ Verify the rates and quantities recorded in the MB are in accordance with the approved contract agreement					
	Running Bill: ▶ Verify whether the Contract Agreement Number and date, Work Order number and date, date of commencement of work and date of completion of work as per agreement, extension of completion time granted by the competent authority, if any, has been correctly indicated in the bill ▶ Compare the running account bills with the previous bill to check its correctness	Refer para 43, 45, 52 & 53 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify the rates and quantities recorded in the bill are in accordance with the approved contract agreement ▶ Verify that price escalation payment, if any, has been paid as per the provision mentioned in the contract agreement. ▶ Verify whether the bills are signed by the contractor or their authorized representative with date and acceptance of the measurement ▶ Verify on the random basis the arithmetical calculation such as totaling of bill, calculation of amount etc. ▶ Verify that deduction regarding applicable retention money, mobilization advance (if any), penalty (if any), income tax., labor cess etc. has been done from the running bills in accordance with the contract agreement ▶ Verify whether all recoveries such as supply of rent, water and electricity charges and hire charges of plant and equipment etc. have been made properly					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify that all cheques/payments should be signed and approved by two authorized people out of which one person should be from finance department like divisional accountant. ▶ Check whether the rates for extra/substituted items have been derived as per the provision in the contract agreement/Procurement Manual ▶ Verify that bills have been signed and approved by authorized official					
	Final Payment: ▶ Follow the process mentioned for running bill ▶ Verify whether the Final Payment for the contract has been processed only after receiving a certificate from the Engineer/ Officer-in-Charge detailing the fact that he is satisfied that the work has been executed as per the contractual specifications ▶ Verify that the contractor has accepted and signed on the final bill and declared that there are no dues pending from the department to the contractor ▶ Verify that all advances are adjusted	Refer para 43, 45, 52 & 53 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify that all recoveries, LD and penalties are deducted from the bill ▶ Verify that required security deposit has been deducted as per the provision of the contract agreement for defect liability period					
Contract Management – Statutory compliance	▶ Check that TDS for income tax and GST has been deducted from contractor payment at the prevailing rate ▶ Check that TDS certificate for Income tax and GST has been issued as per the provision of applicable acts ▶ Check the statement of tax deduction (TDS/TCS) for Income tax and GST has been filed online before the due date ▶ Check that TDS for Income tax and GST has been deposited to respective authority within in the prescribed timelines ▶ Check that labor cess, if applicable, has been deducted from contractor payment at the prevailing rate					

C. Audit of Procurement of Services

Audit Objective: To verify that the procurement of services is carried out as per the provision of The Uttarakhand Procurement Rules 2017, are adequately approved and within the prescribed limit

Control: The control related to procurement process for procurement of services is mentioned in Uttarakhand Procurement Rules, 2017. Some of the key controls/processes have been mentioned at Section 2.3 of this manual.

Key Auditable Area: C - Procurement of Services

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docum ent Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
Auditable Sub Area - C1: Procurement Process including compliance with procurement guidelines						
Proposal Preparation and Approval	▶ Check that consultants are hired in situations requiring high quality services for which the concerned Department /Competent Authority does not have requisite expertise. ▶ Check that approval of the Competent has been obtained for engaging consultant(s) as per delegation of power ▶ Check that the Department/Competent Authority has prepared in simple and concise language the requirements, objectives and scope of assignment.	Para 54 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that the eligibility and pre-qualification criteria to be met by the consultants is also clearly identified at this stage. ▶ Check that the Department/Competent Authority proposing to engage consultant(s) have estimated reasonable expenditure by ascertaining the prevalent market conditions and consulting other organizations engaged in similar activities.					
Auditable Sub Area - C2: Procurement administration and management						
Procurement Methodology	Procurement of services through expression of Interest ▶ Check that for services with estimated cost up to INR 15,00,000/- (INR Fifteen lakh), a list of potential consultants was prepared based on formal/informal enquiries from other organizations/Departments /Chambers of Commerce & Industry etc. involved in similar activities. ▶ Check the for services with estimated cost of more than INR15,00,000/- (INR Fifteen lakh), an 'Expression of Interest' was published in at least one	Para 55 and 56 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docum ent Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	national newspaper and the website of the department/organization.					
	Procurement of services through Quality Based Cost selection: ► Check that before opting for the QCBS method of selection, the Department/Competent Authority should obtain prior clearance of the Administrative Department when the estimated cost is below INR.40,00,000/- (INR Forty lakh) ► Check that where the estimated cost is above INR 40,00,000/- (INR Forty lakh) the Department/Competent Authority shall obtain the concurrence of the Finance Department before starting the selection process.	Para 60 of The Uttarakhand Procurement Rules, 2017				
	Procurement of services through nomination ► Check that single source selection is adopted under some special circumstances where it become necessary to select a consultant in the context of the overall interest of the concerned department/organization. ► Check that full justification for single source selection is recorded and approval of the Competent	Para 59 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docum ent Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	Authority has been obtained before resorting to such single source selection. ► Check that for single source selection above INR 25,00,000/- (INR Twenty-Five lakh), approval of the Administrative Department and concurrence of the Finance Department has been obtained					
	Procurement of services through outsourcing: ► Check that in case the department/ competent authority/ organization/ institution has outsourced certain services in the interest of economy and efficiency, the following procedures are followed compulsorily: - The department/competent authority has prepared a list of likely and potential contractors based on formal /informal enquiry from the specialized firms/ contractors/ institutions / departments/ organizations involved in similar works. - The department/competent authority has prepared the tender enquiry for outsourcing containing the necessary details	Para 61 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	Electronic Reverse Auction: Check that procurement of services through electronic reverse auction is made as per the provisions mentioned in the procurement rule, 2017	Para 12 of The Uttarakhand Procurement Rules, 2017				
Preparation of Bid Documents	Procurement of services through Expression of Interest and QCBS ► Check that the enquiry for seeking expression of interest include in brief, the broad scope of work/service, inputs to be provided for eligibility and pre-qualification criteria to be met by the consultant and consultant's past experience in similar work/service. ► Check that RFP is issued to the short-listed consultants to seek their technical and financial proposal and contains the following: - i.) A letter of invitation (LOI), - ii.) Information to consultants (ITC) regarding the procedure for submission of proposal, - iii.) Terms of Reference (TOR), - iv.) Eligibility and pre-qualification criteria in case the same has not been ascertained	Para 29, 55, 56, 57 & 60 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docu ment Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	through enquiry for expression of interest (EOI), v.) List of works, human resources, experiences, financial status to be evaluated, vi.) Bid evaluation criteria and selection procedure, vii.) Standard formats for technical and financial proposal, viii.) Proposed contract terms, and ix.) Procedure proposed to be followed for midterm review of the progress of the work and review of the final draft report					
	Procurement of services through outsourcing: ► Check that the department/competent authority has prepared the tender enquiry for outsourcing containing the following details: i.) The details of works/services to be performed by the consultant, ii.) The facilities and the inputs which will be provided to the consultant by the department/competent authority,	Para 61 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docu ment Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	iii.) Eligibility and qualification criteria to be met by the consultant for performing the required work/service, and iv.) The statutory and contractual obligations to be complied with by the consultant.					
	Other key Points related to Bid Preparations: ▶ Check that the text of the bidding document is self-contained and comprehensive without any ambiguities. ▶ Check that all essential information, which a bidder needs for sending a responsive bid, is clearly spelt out in the bidding document in simple language ▶ Check that the Department/Competent Authority has prepared the detailed TOR for the assignment containing: • Precise statement of objectives, • Outline of the tasks to be carried out, • Schedule for completion of tasks, • The support/inputs to be provided by the Department/Competent • Authority to facilitate the consultant, and	Para 3, 20, 57 & 60 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docum ent Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	• The final outputs that will be required of the consultant. ▶ Check that the scope of the services described in the TOR is compatible with the available budget. ▶ Check that TOR has clearly defined the objectives, goals, and scope of the assignment and provide background information (including a list of existing relevant studies and basic data) to facilitate the consultants for preparation of their proposals. ▶ Check that if transfer of knowledge or training is an objective, it is specifically outlined along with details of number of staffs to be trained, and so forth, to enable consultants to estimate the required resources. ▶ Check that the instruction to consultant contains all necessary information that would help consultants prepare responsive proposals ▶ Check that bidding document clearly define the process, evaluation criteria, factors and their respective weights and the minimum passing quality score.					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that bidding documents include suitable provisions for settlement of disputes, if any, emanating from the resultant contract ▶ Check that the bidding document clearly indicate that the resultant contract will be interpreted under Indian Laws.					
Bid Management	Procurement of services through EOI and QCBS ▶ Check that under EOI process the bid shall be called in two stage process (EOI followed by RFP) ▶ Check that the RFP document has been issued only to the consultant shortlisted at the EOI stage ▶ Check that the RFP proposal is called from consultants in a ‘Two-bid’ system with technical and financial bids sealed in separate envelopes	Para 30 of The Uttarakhand Procurement Rules, 2017				
	Procurement of services through outsourcing: ▶ Check that for estimated value of the service up to INR 10,00,000 (INR Ten lakh) the department/competent authority has invited tender enquiry from the preliminary list of likely firms/consultants identified as per Rule 61 of The Uttarakhand Procurement Rules, 2017	Para 62 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that the number of the institutions/ organizations so identified should not be less than four. ▶ Check that for estimated value of the services above INR 10,00,000/- (INR Ten lakh) the department/competent authority has issued tender enquiry in at least one largely circulated national newspaper and also on the website of the organization ▶ Check that for estimated value of service above INR 50,00,000/- (INR Fifty lakh) a Two-bid system is adopted be adopted through the EOI/RFP route as prescribed in rule 14, 29, 30, 31, 56, 57, 58 & 59 of The Uttarakhand Procurement Rule, 2017					
	▶ Check that all procurements of services with an estimated value of more than INR 2,50,000 is procured through e-procurement as per the process provided in The Uttarakhand Procurement Rules, 2017	Para 35 of The Uttarakhand Procurement Rules, 2017				
	▶ Check that the bids were advertised adequately	Para 3, 14, 20 & 69 of The				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that the bidders were given sufficient time to send their bids as per the provision of procurement rules ▶ Check that the bids were opened in public and authorized representatives of the bidders were permitted to attend the bid opening. ▶ Check that late bids were not be considered. ▶ Check whether pre-bid conference was conducted ▶ Check whether minutes and response to the queries during the pre-bid conference was prepared and shared with all the bidders ▶ Check that any addendum/corrigendum to the bid is done after approval of the competent authority and notice of the same is intimated to all the eligible bidder	Uttarakhand Procurement Rules, 2017				
Bid Evaluation	Procurement of services through EOI ▶ Check that based on responses received from the interested parties to EOI, consultants meeting the requirements has been short listed by competent authority for further consideration ▶ Check that at least three consultants are shortlisted	Para 31, 56 & 58 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docu ment Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Check that the RFP is issued only to the shortlisted consultant ▶ Check that the technical bids are analyzed and evaluated by a Consultancy Evaluation Committee (CEC) constituted by department/competent authority ▶ Check that the CEC has recorded in detail the reasons for acceptance/rejection of the technical proposals after thorough analysis. ▶ Check that evaluation of technical proposal is done as per the provisions mentioned in the bidding documents ▶ Check that the financial bids of only those bidders, who have been declared technically qualified by the CEC, are opened, for further analysis, evaluation, ranking and selection of successful bidder					
	Procurement of services through QCBS ▶ Check that evaluation of the proposals is carried out by the competent authority as per the process defined in the procurement rules and bidding documents	Refer Para 60 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	Procurement of services through outsourcing ▶ Check that evaluation of the proposals is carried out by the competent authority as per the process defined in the procurement rules and bidding documents	Refer Para 63 of The Uttarakhand Procurement Rules, 2017				
	▶ Check that the bidders have submitted all the required information and documents in the format and manner prescribed in the bidding documents ▶ Check that the documents related to all the stages of procurement and along with the considerations evaluated while taking the procurement decisions for a period of 20 years ▶ Check that extract of the procurement is maintained in the format given at Annexure – VI which is separate from the store ledger stationery register etc. prescribed under different provisions ▶ Check that bids received were evaluated in terms of the conditions incorporated in the bidding document and no new condition is brought in for evaluation of the bids. ▶ Check that the determination of a bid's responsiveness was based on the contents of the bid	Para 3, 20, 21, & 70 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docum ent Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	itself without recourse to extrinsic evidence or oral discussions. ▶ Check the control process adopted to ensure that the bidders were not permitted to alter and modify their bids after expiry of the deadline for receipt of bids. ▶ Check that negotiation with bidders after bid opening is done only in exceptional circumstances where price negotiation against ad-hoc procurement is necessary due to some unavoidable circumstances, however such negotiation shall be resorted to only with the lowest evaluated responsive bidder. ▶ Check that the contract is awarded to the selected bidder as per the provision mentioned in the bidding document ▶ Check that selection of the bidder is approved is by the competent authority as per delegation of power ▶ Check that in case there is only one bidder, then such bid is cancelled and rebid ▶ Check that in case if again only one bidder submits the bid, then such bid is evaluated/considered on following terms:					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	- The procurement was satisfactory advertised and sufficient time was given for submission of bids - The qualification criteria/specification were not unduly restrictive - Prices were reasonable in comparison of market value ► Check that to reduce delay, appropriate time frame for each stage of procurement is prescribed by the department ► Check that the department/competent authority ensured placement of contract within the original validity of the bids. (Extension of bid validity must be discouraged and resorted to only in exceptional circumstances)					
Contract Management – Award of Contract	► Verify whether a register of agreements and contract bonds entered by the competent authority is maintained and the documents are serially numbered as they are signed. Obtain the register of contracts along with copies of contracts and agreements ► Verify whether bond/ agreement/ contract is reviewed and approved by Divisional Accountant	Para 3, 20 & 21 of The Uttarakhand Procurement Rules, 2017				

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Docum ent Verifie d	Obser vation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	▶ Verify that in case of contracts entered into with a firm, each one of the partners or in their absence their attorneys have signed the contract. Further in case of contracts signed by attorneys, verify the original power of attorney duly registered in a court of law and obtain its attested copy for audit purpose ▶ Verify that the contract should not have been entered by or on behalf of a minor ▶ Verify whether standard templates are used for all contracts, previously vetted by legal and finance department ▶ Verify that any additional terms added in the bond/ agreement/ contract are vetted through legal department/ authorized person ▶ Check that a letter of award/intent is issued to the selected bidder along with the details of the contract, timeline, details of consignee, amount of performance guarantee, if applicable, etc. within the bid validity period. ▶ Verify that a formal acceptance of the LOI/LOA or contract has been executed with the selected bidder					

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	and competent authority on behalf of procuring entity. ▶ Verify that the signed contract was based on the terms & conditions and technical specifications provided in the bidding documents and bid submit by the consultant ▶ Check that the name of the successful bidder and contract amount is mentioned in the departmental notice board/bulletin/website.					
Contract Management – Monitoring of Services	▶ Check that the Department/Competent Authority is involved throughout in the conduct of consultancy, preferably by taking a task force approach ▶ Check that the Department/Competent Authority is continuously monitoring the performance of the consultant(s) so that the output of the consultancy is in line with objectives and within prescribed time limit	Para 64 of The Uttarakhand Procurement Rules, 2017				
Auditable Sub Area – C3: Payment to contractor C4: Statutory Compliance						

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Contract Management – Payment to Consultants	▶ Check that advance has been provided as per the terms and conditions mentioned in the contract agreement and in exception cases only as per provision of procurement rules, 2017 ▶ Check that advance bank guarantee, if required as per contract, has been obtained for required value and validity before releasing of advance ▶ Verify that advance bank guarantee has been verified with issuing banks directly for its validity and authentication ▶ Verify that the applicable (As per contract) interest is recovered from supplier ▶ Check that another advance has not be drawn unless the first has been adjusted as per terms of bond/ agreement/ contract document ▶ Check that advances are adjusted against the bills submitted within a period not exceeding the period defined in agreement/ bond document from the date of withdrawal ▶ Check that the payment is released in accordance with the conditions (milestones, reports, man days etc.) mentioned in the contract agreement/bidding	Para 18 of The Uttarakhand Procurement Rules, 2017				

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	documents and on submission of valid invoice by the consultant ▶ Check that deduction regarding applicable retention money, mobilization advance (if any), penalty (if any), income tax, GST, labor cess etc. has been done from the payment milestones in accordance with the contract agreement ▶ Verify that bills have been signed and approved by authorized officials/competent authority ▶ Verify that payment has been released directly in the account of the consultant.					
Contract Management – Statutory compliance	▶ Check that TDS for income tax and GST has been deducted from consultant's payment at the prevailing rate ▶ Check that TDS certificate for Income tax and GST has been issued as per the provision of applicable acts ▶ Check the statement of tax deduction (TDS/TCS) for Income tax and GST has been filed online before the due date					

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	► Check that TDS for Income tax and GST has been deposited to respective authority within in the prescribed timelines ► Check that labor cess, if applicable, has been deducted from consultant's payment at the prevailing rate					

D. Audit of Procurement Activities Under Externally Aided project/program

Audit Objective: To verify that the procurement activities carried out under the externally aided projects are done in accordance with the procurement guidelines and process of the funding agencies.

Control: The control related to procurement process for procurement of services would be mentioned in respective funding agency procurement guidelines and process.

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
Requisition and Approval	► Obtain the list of the procurement carried out under the externally aided projects ► Obtain the applicable procurement guidelines and process of the respective funding agency					

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	▶ Check whether a procurement plan has been prepared for each project/program by the department and has been approved by the respective funding agency ▶ Check that the actual procurement is done as per the approved procurement plan. ▶ Check that the procurement requisitions have been approved by the competent authority					
Mode of Procurement	▶ Check that the mode of procurement under the externally aided project is as per the applicable procurement guidelines of the funding agency ▶ Check that the mode of the procurement has been approved by the respective funding agency					
Bidding documents	▶ Check that the bidding documents comply with the standard document prescribed by the funding agencies for procurement of goods, services or works ▶ Check that the bidding documents including the technical specification are reviewed and approved by the respective funding agency ▶ Check that bidding document clearly define the process, evaluation criteria, factors and their respective weights and the minimum passing quality score.					

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	▶ Check that bidding documents include suitable provisions for settlement of disputes, if any, emanating from the resultant contract ▶ Check that the bidding document clearly indicate that the resultant contract will be interpreted under Indian Laws.					
Bid Management	▶ Check that the mode of calling bid is as per the provision of applicable procurement guidelines of funding agency ▶ Check that the bids were advertised adequately ▶ Check that the bidders were given sufficient time to send their bids as per the provision of applicable procurement guidelines of funding agency ▶ Check that the bids were opened in public and authorized representatives of the bidders were permitted to attend the bid opening. ▶ Check that late bids were not be considered. ▶ Check whether pre-bid conference was conducted ▶ Check whether minutes and response to the queries during the pre-bid conference was prepared and shared with all the bidders					

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	▶ Check that any addendum/corrigendum to the bid is done after approval of the competent authority and notice of the same is intimated to all the eligible bidder					
Bid Evaluation	▶ Check that the bidders have submitted all the required information and documents in the format and manner prescribed in the bidding documents ▶ Check that the documents related to all the stages of procurement and along with the considerations evaluated while taking the procurement decisions for a period of 20 years ▶ Check that bids received were evaluated in terms of the conditions incorporated in the bidding document and no new condition is brought in for evaluation of the bids. ▶ Check that the determination of a bid's responsiveness was based on the contents of the bid itself without recourse to extrinsic evidence or oral discussions. ▶ Check the control process adopted to ensure that the bidders were not permitted to alter and modify their bids after expiry of the deadline for receipt of bids.					

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	▶ Check that the negotiation with bidders after bid opening is done only in exceptional circumstances as per the applicable procurement guidelines of the funding agency ▶ Check that the contract is awarded to the selected bidder as per the provision mentioned in the bidding document ▶ Check that selection of the bidder is approved is by the competent authority as per delegation of power					
Contract Management – Award of Contract	▶ Verify whether a register of agreements and contract bonds entered by the competent authority is maintained and the documents are serially numbered as they are signed. Obtain the register of contracts along with copies of contracts and agreements ▶ Verify whether bond/ agreement/ contract is as per the standard contract document approved by the funding agency ▶ Verify that the contract should not have been entered by or on behalf of a minor ▶ Verify that any additional terms added in the bond/ agreement/ contract are vetted through legal department/ authorized person					

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	▶ Check that a letter of award/intent is issued to the selected bidder along with the details of the contract, timeline, details of consignee, amount of performance guarantee, if applicable, etc. within the bid validity period. ▶ Verify that a formal acceptance of the LOI/LOA or contract has been executed with the selected bidder and competent authority on behalf of procuring entity. ▶ Verify that the signed contract was based on the terms & conditions and technical specifications provided in the bidding documents and bid submit by the consultant ▶ Check that the name of the successful bidder and contract amount is mentioned in the departmental notice board/bulletin/website.					
Contract Management – Monitoring of Contract	▶ Check that the Department/Competent Authority is carrying out the monitoring and inspection of the project as per the applicable procurement guidelines of funding agency					
Contract Management – Payment	▶ Check that all the payments under the contract are made as per the terms and condition mentioned in the contract and with the approval of the competent authority					

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	▶ Check that the payment is released in accordance with the conditions (milestones, reports, man days etc.) mentioned in the contract agreement/bidding documents and on submission of valid invoice by the consultant ▶ Check that deduction regarding applicable retention money, mobilization advance (if any), penalty (if any), income tax, GST, labor cess etc. has been done from the payment milestones in accordance with the contract agreement					
Contract Management – Statutory compliance	▶ Check that TDS for income tax and GST has been deducted from consultant's payment at the prevailing rate ▶ Check that TDS certificate for Income tax and GST has been issued as per the provision of applicable acts ▶ Check the statement of tax deduction (TDS/TCS) for Income tax and GST has been filed online before the due date ▶ Check that TDS for Income tax and GST has been deposited to respective authority within in the prescribed timelines					

Area	Audit Questions	Reference (Act / Rules/ Policy Guidance, etc.)	Auditors Assessment / Remark (i.e., response to the Question)	Document Verified	Observation noted (Y/N)	HMM No. (in case answer to the previous column in Yes)
	► Check that labor cess, if applicable, has been deducted from consultant's payment at the prevailing rate					