

Prasar Bharati
(India's public broadcaster)
PRASAR BHARTI SECRETARIAT
PRASAR BHARTI HOUSE, COPERNICUS MARG
New Delhi-110011

No. PBS/Audit/Circular (18-19)/

Date: 3.05.2019

Subject: Procurement of Goods/Services & carrying out Works and Mandatory rules for Compliances as per GFR-2017- reg.


Audits on various occasions have recorded their adverse observations regarding:

1. Procurement of Goods and Services
2. Carrying out the various Works

Therefore, this order is being issued to highlight the basic concepts in the above mentioned matters to reduce adverse audit observations & better utilizations of resources (i.e. ANNEXURE-I). However, dealing officer/officials should refer exact rules for completeness in this regard.

This order is being issued with the approval of competent authority for compliance by all offices under Prasar Bharti.

Encl: As above


Rajesh Kr. Sharma
Deputy Director (Budget & Audit)

1. DG:AIR, DG: DD,
2. DG:NSD, DG:DD-DDN
3. E-in-C: AIR & DD

Email Copy to:

1. PBS: ADG (B&A)/ADG (E&A)/ADG (F)/ADG (IT&PP)/DDG(F)
2. DG:AIR/DD : ADG(F), ADG(A), ADG(NABM)
3. Zonal ADG(E) & ADG(P), Chief Engineer (CCW)
4. DE(T)(PBS): request for uploading order on PB web-site for compliance by all offices under PB.

ANNEXURE-1: BRIEF DESCRIPTION OF RULES (GFR 2017) OF PROCUREMENT/WORK

1 Introduction

There are three categories of **Works** (as per GFR 2017) i.e. Original works, Minor works, & repair works. Original work means all new constructions, site preparation etc. Minor works mean works, which add capital value to existing assets but do not create new assets. Repair works means works undertaken to maintain building and fixtures. Works will also include services or goods incidental or consequential to the original or repair works.

Definition of Goods: The term 'goods' used in this Annexure includes all articles, material, commodity or group of machineries, software, technology transfer (*Please refer to GFR for complete definition*). The term 'goods' also includes works and services which are incidental or consequential to the supply of such goods, such as, transportation, insurance, installation, commissioning, training and maintenance.

2 GFR Rules Related to Works: GFR (Rule 131-141) tell about Administrative control, Powers to sanction works, selection of executing agencies & general rules etc. However, only few Rule are mentioned for ready reference (please refer to exact rule for complete details/doubts).

2.1 **Rule 136(1)-Pre-condition of commencing of work:** No works shall be commenced or liability incurred in connection with it until:

- a. Administrative approval has been obtained from the appropriate authority in each case.
- b. Sanction to incur expenditure has been obtained from the competent authority.
- c. Estimates, specifications, & quantities of various items have been prepared.
- d. Funds are available to meet expenditure.
- e. Tenders invited and processed in accordance with rules.
- f. A Work/Procurement Order issued.

2.2 **Rule 137:** Competent authority should not allow splitting of quantity/work/procurement of similar nature.

2.3 **Rule 139(Procedures for Execution of Works):** The broad procedure to be followed for execution of works under its own arrangements shall be as under:-

- a. The detailed procedure relating to expenditure on such works shall be prescribed by departmental regulations/Manuals framed in consultation with the Accounts Officer, generally based on the procedures and the principles underlying the financial and accounting rules prescribed for similar works carried out by the CPWD.
- b. Preparation of detailed design and estimates shall precede any sanction for works.
- c. No work shall be undertaken before Issue of Administrative Approval and Expenditure Sanction by the competent Authority on the basis of estimates framed;
- d. **Open tenders will be called for works costing Rs. Five lakh to Rs. thirty lakh;**
- e. **Limited tenders will be called for works costing less than Rupees five lakhs;**


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- 3 GFR Rules Related to Procurement of Goods & Services:** GFR (Rule 143-206) tells about fundamental concepts, principles, & procedures for procurement of Goods & Services. However, important Rules of GFR 2017 are being reproduced with intention to understand basic objective, purpose and for ready reference, but it is expected that complete understanding of all relevant rules of GFR as well as organization's policy and rules are necessary for complete understanding.
- 3.1 Rule 144(Fundamental principles of public buying):** Competent authority (according to delegation of financial powers) to procure goods is accountable for efficiency, economy, and transparency in matters of procurement along with fair/equitable treatment to all suppliers/contractors to promote competition with following yardsticks:-
- The description of the procurement to the extent practicable should be objective, functional, generic, and measurable and specify technical, qualitative and performance characteristics. The specification should not favour any specific trademark/trade name/brand.
 - The specifications in terms of quality, quantity should be clear & should match specific needs of office/organisations. The specifications should not include superfluous and non-essential features to curb unwarranted expenditure.
 - The technical specifications, to the extent practicable, should be based on the national technical regulations/standards/codes and in their absence, be based on the relevant international standards.
 - The quantities of items should optimum to avoid inventory carrying costs.
 - Procurement procedure should be fair, transparent, and reasonable procedure.
 - The Competent authority should be satisfied that the offer's quality meets the requirement & offer price is reasonable.
- 3.2 Rule 149** {refer to exact updated rules for Government e-Market place (GeM)}.
- 3.3 Rule 150** Registration of Suppliers
- For goods and services not available on GeM, Head of Department may also register suppliers of goods and services, which are specifically required by that Department or Office, periodically. Registration of the supplier should be done following a fair, transparent and reasonable procedure and after giving due publicity. Such registered suppliers should be boarded on GeM as and when the item or service gets listed on GeM.
 - The list of registered suppliers for the subject matter of procurement is exhibited on websites of the Procuring Entity/ e-Procurement portals.
 - Credentials, capability, quality control systems, past performance, after-sales service, financial background etc. of the supplier(s) should be verified before registration.
 - Performance/conduct of every registered supplier is to be watched. The registered supplier(s) are liable to be removed from the list of approved suppliers if they fail to abide by the terms and conditions of the registration or fail to supply the goods on time or supply substandard goods or make any false declaration or for any ground which is not in interest of organization's/Public.
- 3.4 Rule 154:** Purchase of goods up to the value of Rs. 25,000 (Rupees twenty five thousand) only on each occasion may be made without inviting quotations or bids).
- 3.5 Rule 155(Purchase of goods by Purchase Committee):** In case a certain item is not available on the GeM portal; Purchase of goods costing above Rs. 25,000 (Rupees twenty five thousand only) and up to Rs.2,50,000 (Rupees two lakh and fifty thousand only) on each occasion may be 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 the Department. The committee will survey the market to ascertain the reasonableness of rate, quality, and specifications and identify the appropriate supplier. Before recommending placement of the purchase order, the members of the committee will jointly record a certificate as per GFR.

- 3.6 **Rule 158 (Purchase of goods by obtaining bids):** Except in cases covered under Rule 154, 155, and 156(1), Departments shall procure goods under the powers referred to in Rule 147 above by following the standard method of obtaining bids in :
- a. Advertised Tender Enquiry Rule 161
 - b. Limited Tender Enquiry Rule 162
 - c. Two-Stage Bidding Rule 162-163
 - d. Single Tender Enquiry Rule 166
 - e. Electronic Reverse Auctions Rule 167
- 3.7 **Rule 159 (i) (E-Publishing):** It is mandatory to publish tender enquiries, corrigenda thereon and details of bid awards on the Central Public Procurement Portal (CPPP) even in case of limited tender cases.
- 3.8 **Rule 160 (i) (E-Procurement):** It is mandatory to receive **all bids** (including limited tender case) through e-procurement portals in respect of all procurements.
- 3.9 **Rule 174(Efficiency, Economy & Accountability in Procurement System):** Procurement procedure should ensure efficiency, economy, and accountability in the system. By adhering to following keys, areas should be addressed:
- a. Appropriate period for each stage of procurement should be prescribed to eliminate delay.
 - b. To reduce decision-making time & placement of contract, the competent authority, may delegate, if required, appropriate purchasing powers to the lower functionaries {also GFR Rule.
 - c. Ensure to place the contract within the original validity of the bids & extension of bid validity must be discouraged and should only be done in exceptional cases.

4 Critical Points of Internal Control (also Audit observations)

- 4.1 Adherence to basic principles of (GFR Rule 174) along with speedy tendering process is essential to achieve the intended purpose behind any procurement or execution of work to actually realize the advantages to citizen of country/organization.
- 4.2 The specification & estimation the price of work/goods should be done essentially based on market/past trends essentially. Any procurement/work tendering must be initiated after recording estimation & specification. *{Audit has observed in many cases that competent authority has wrongly approved that cases/tender without estimation (like case of Taxi hiring/Man-power hiring) , clear terms & condition & clearly violating basic GFR concepts}.*
- 4.3 The tendering process should only be started when sufficient budget is available or assurance of funds by competent authority.
- 4.4 Unnecessary delaying the tendering/work/procurement should be avoided especially related to technology related procurement/works due to rapid changing change in technology & cost. The delayed project may restrict the harnessing of benefits on time and there are possibilities that technology itself will be obsolete.

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- 4.5 **Delays in Works:** Ascertain the reasons for delays in projects/CWIP and take appropriate action. Physical and financial targets and achievements should be done periodically associated with such works/procurements/projects.
- 4.6 Periodically Checking/verifying the registration of suppliers/contractors is essential to expedite the procurement cycle and cut cost. As registration of suppliers for particular items eliminates the need to verify each time the credential/eligibility of the supplier. It has been observed that many times verification of the supplier eligibility/credentials takes time even though the same supplier is supplying regularly the similar items to that office. The registration process also eliminates the possibility of mistakes and department can rely on such suppliers in case of urgency of requirement. The registration processes also lead to better estimation and ensures more participation of bidders.
- 4.7 Capitalization of assets after satisfactory completion of projects/order for proper reflection in the asset value.
- 4.8 The organization should procure goods and hire services (if available) through Government e-Market place (GeM) only.
- 4.9 Splitting or dividing the quantity of store /work into parts for purchases/execution of work (a) to avoid procurement through open or NIT bidding (b) to bring the cost within financial power of authority. These wrong practice defeats the purpose or the necessity of obtaining the sanction of higher authorities. Splitting up requirement is serious issue and was noticed in many cases by audit.
- 4.10 Proper assessment of requirement of stores/works is essential.
- 4.11 Proper accounting of receipt & expenditure in case of works under taken by CCW units.
- 4.12 **Deficiencies in Payments to Suppliers:** Undue payment were made to firms towards supply of material based on unauthenticated documents and in violation of the terms and condition of the orders
- 4.13 **Liquidated Damages and Penalty not incorporated in the agreement:** The agreements did not incorporate clauses for the schedule date of completion of work and liquidated damage in the order to take action against the firms for non-completion/delays of the job even after payment for supply of material.
- 4.14 **Control Registers:** Work Expenditure Registers & Register of Tenders are to be maintained properly.
- 4.15 **E Publishing** (on CPP Portal) is mandatory.


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