

Sr. No.	Audit Objectives	Issues
I	<p>Policy guidelines and documentation by the Organisation for procurement</p> <p>—Whether the organization has uniform and well documented policy guidelines so that procurement is done of specified quality, at most competitive rates, in a fair and just manner, ensuring efficiency, economy and accountability?</p>	<ol style="list-style-type: none"> Whether there exists a well documented purchase manual containing detailed purchase procedures, guidelines, and proper delegation of powers? Has the procurement manual been regularly updated? Whether the codified purchase manual assures systematic and uniform approach in decision making process for procurement? Whether accountability centres have been properly identified and demarcated? Have appropriate time frames for each stage of procurement been prescribed by the Departments, to reduce delays in meeting the operational, production and maintenance requirements and make concerned purchase officials more alert? Whether delegation to lower functionaries, with approval of competent authority, has been done for speedy decision making and placement of contract?
II	<p>Record management and documentation of purchase / procurement</p> <p>—Whether adequacy of the documentation and filing system of decisions and deliberations of individuals /Tender Committee has been</p>	<ol style="list-style-type: none"> Whether detailed recording/documentation procedures of all procurement exist? Have decisions/deliberations of individuals / Tender Committee been properly documented so that accountability can be fixed if serious lapses are established? Were part files which are opened as and when new action is initiated, merged with the main file so as to ensure continuity and prevent arbitrariness in decision making?

assessed so as to prevent dilution of accountability and arbitrariness in decision making.?

III Requirement/
provisioning

—Whether quantities purchased were not in excess of requirement and of standard quality so as to avoid wasteful expenditure and avoidable inventory carrying cost?

10. Were files properly paginated?

1. Were excessive, fraudulent or infructuous purchases avoided by taking into consideration important aspects e.g. consumption during last 3-5 years, during current year, average rate of consumption, available stocks, outstanding dues/supplies, past consumption pattern, average life of equipments/items etc?
2. In making forecasts, did the indenting agency only consider “True issues” i.e. actual consumption excluding inter-depot adjustments, non-recurring issues etc?
3. Was inventory carrying cost assessed especially in respect of material lying unutilized for years?
4. Were there cases of purchases less than the actual requirement that might have adversely affected the progress of works and resulted in subsequent procurement at additional and may be higher costs?
5. Were demands for stores received from different wings/units clubbed together so as to reap the benefits of bulk buying?
6. Were requirements intentionally bifurcated/split so as to avoid approval from higher authorities?
7. Was obsolescence factor taken into account by ensuring that the equipment to be purchased conformed to the latest specifications and technology available in the market?

8. Were the specifications drawn up with emphasis on factors like efficiency, optimum fuel/power consumption, use of environmental friendly materials, reduced noise and emission levels, low maintenance cost etc?
9. Did the specifications take care of the country's mandatory and statutory regulations, if any, applicable for the goods to be purchased?
10. Where Indian Standards exist for the required goods, whether the same was adopted?
11. Was preference accorded to procure goods which carried the Bureau of Indian Standards (BIS) mark?
12. Where Indian standards do not exist or, alternatively, decision was taken to try the foreign market also, were International Standards (e.g. ISO etc) adopted?
13. Was cost benefit analysis done to establish justification for procurement?
14. Were requirements prioritized so as to ensure optimum utilization of scarce resources?
15. Was there rush of expenditure on procurement at the close of the financial year or fictitious booking merely with the view to utilizing budget grants?

IV Rate analysis/Estimated rates

—Whether estimated rates were worked out realistically so as to

16. Whether the rates were estimated in a professional manner and not simply by extrapolating prices of low capacity equipment or by applying uniform yearly compounded escalation over prices of similar equipment purchased earlier?

establish the reasonableness of prices?

17. Was Rate analysis done in a realistic and objective manner on the basis of prevailing market rate, last purchase prices, economic indices for raw material/labour and other input costs etc.?
18. Whether comparison of rates vis a vis other departments/zones procuring similar commodities was done through exchange of information?
19. Was last purchase price (LPP) of past successfully executed orders of similar magnitude and scope of supply, used as an input for assessing rates?

V Inviting Tenders

—Whether the procedure ensured wide publicity, generated competition and obviated favouritism?

1. Whether in respect of standard type, common-user items, needed on a recurring basis for which DGS&D has concluded rate contracts, the Department has operated such rate contracts, in order to save time, effort and other related costs in repetitive tendering and reduce lead time in procurement?
2. Whether prices paid by a Department, which directly procured DGS&D's rate contracted goods from the suppliers, were not more than those stipulated in the rate contract?
3. Were other salient terms and conditions of the purchase in line with those specified in the rate contract?
4. Whether the tender enquiry was the most preferred and transparent mode of Tendering viz Global Tender Enquiry/Advertised Tender Enquiry?
5. Was the estimated value of procurement proposed for Limited Tender Enquiry within the financial limit prescribed under extant rules?

6. Was the number of supplier firms in Limited Tender Enquiry, at least three?
7. In cases where Limited Tender Enquiry was adopted even where estimated value was more than permissible limit, was there a certification by the competent authority that the demand was urgent, the nature of the urgency, the reasons why the procurement could not be anticipated and that the additional expenditure involved in not procuring through advertised tender was justified in view of urgency?
8. Was there confirmation by the procuring agency that the sources of supply were definitely known and possibility of fresh sources beyond those being tapped was remote in cases of Limited Tendering?
9. Whether the credentials of the firms and criteria adopted for selection of limited number of vendors were recorded?
10. Whether detailed justification was given/ recorded for propriety purchases and selecting a single vendor?
11. Was there a certification by the user department that only a particular firm was the manufacturer of the required goods?
12. Was there recorded advice of a competent technical expert, duly approved by the competent authority, that for standardization of machinery or compatibility of spare parts to the existing set of equipment, the required items was to be purchased only from a selected firm?
13. Was a list of firms of known reliability, periodically examined and revised, maintained

for the purpose of “limited” and “single” tender procedures?

14. Were firms registered as approved suppliers, done carefully, after assessing the capacity cum capability and financial standing, credentials, manufacturing capability, quality control systems, past performance, after sales service, financial background etc. of the firm, using the services, if required, of DGS&D or Research Design and Standards Organisation, Lucknow as in the case of Railways?
15. Whether the performance and conduct of a supplier was regularly monitored/watched by the concerned organization through a vendor development cell?
16. Whether addition/deletion of suppliers from the approved list was effected every year in consideration of their performance and conduct?
17. Was sufficient/wide publicity given so as to generate competition and avoid favouritism to select vendors?
18. Were tender notices put on the web-site of the organization?
19. Whether the advertisement was issued in National News Papers and in Indian Trade Journal (Govt. Publication)?
20. Were tender notices sent by post to past successful suppliers and likely suppliers registered with the department?
21. In case of imported stores, were copies of tender notices forwarded to Indian Missions/ Embassies?

22. Whether adequate time was given in order to receive sufficient responses from the competent suppliers?
23. In cases where tenders were opened within very short periods, was the urgency/emergency recorded and established?
24. Whether in respect of such short-term tenders based on urgency of requirement, the processing was also quick and fast?
25. Were sale of tenders kept open for adequate period or were they closed much in advance of tender opening thereby defeating the purpose of generating competition?
26. Whether detailed instructions in respect of 2-bid system been indicated in the document inviting tender as to the requirements of submitting technical bid and financial bid separately?
27. Whether Government's instructions on reservation of items and price preference to SSI units were incorporated in the bid documents?
28. Whether purchase preference policy (PPP) applicable to Public Sector Enterprises as per the latest guidelines of July 2005, circulated by Department of Public Enterprises been incorporated in the bid document?
29. Was PPP support extended as per DPE guidelines, only to the contracts of the value of Rs. 5 crore and above but not exceeding Rs.100 crore?
30. Was PPP applied only to Central Public Sector Enterprises (CPSE) and their subsidiaries and not also to joint ventures owned by a PSE and a private sector partner?

VI Tender Document

—Whether the bid documents have been comprehensively prepared, have adequately addressed the interest of the Govt. and ensured evaluation of bids on equitable and fair basis and in a transparent manner?

31. Whether the PSE which had the benefit of PPP, on failing to perform, was also subjected to payment of liquidated damages or any other penalty included in the contract?

1. Were the terms and conditions in the bid documents, sketchy and insufficient, conflicting and vague, resulting in wrong interpretation, disputes, time and cost over runs?
2. Was the tender document complete in all respects and included instructions to tenderers, date, time and place of opening the bid, general and special conditions of contract, specifications, schedule giving particulars of stores to be supplied, price schedule to be utilized by the bidders for quoting their prices, agreement form to be signed by tenderer, statement of deviations from specifications, statement of deviations from conditions of contract?
3. Whether the important clauses relating to Earnest Money, Delivery Schedule, Payment terms, Performance Warranty, Bank Guarantee, Pre-despatch inspection, Arbitration, LD/penalty for the delayed supplies, Risk purchases, settlement of disputes etc. been incorporated in the bid documents?
4. Whether the earnest money was reasonable and justifiable to establish the earnestness of the bidder and eliminate frivolous/speculative bidding?
5. Was the EMD/bid amount an absolute amount and not a percentage of the quoted value of goods to be purchased?
6. Was the bid security in the form of Account

Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any commercial bank in an acceptable form, duly safeguarding the purchaser's interest in all respects?

7. Were suitable clauses incorporated to check technical and financial capability of suppliers, past experience and performance, manufacturing facilities etc?
8. Were evaluation/ loading criteria with respect to important items like payment terms, delivery period etc. specified in unambiguous terms in the bid document, so that evaluation of bids after tender opening could be made without any subjectivity?
9. Were payment terms clearly stipulated to prevent bidders from quoting prices based on varying advance payments and thereby also enabling evaluation on an equitable basis?
- 10 Whether detailed technical specifications including performance parameters and technical evaluation criteria, if required, were specified in the bid document in unequivocal terms so as to ensure evaluation of offers on an equitable basis, avoid subjectivity in decision making and prevent leverage to bidders?.
- 11 Were training, technical support, after sales service and annual maintenance contract requirements, if any, recorded suitably?.
12. Have specific delivery periods as per terms of delivery such as FOR station of dispatch/ destination been incorporated?
13. Have specific dates been stipulated not just for supply of equipment but also for installation

		and commissioning, where this is to be carried out by supplier?
		14. Have specific pre dispatch inspection dates, been indicated especially where terms of delivery are on CIF/FOR destination basis?
		15, Whether a detailed warranty clause was incorporated and whether it was reckoned from the date of installation/commissioning so as to ensure that warranty did not expire before installation?,
		16. In case of “by back”, when existing items are being replaced with a new one, whether a suitable clause was incorporated in the bidding document so that prospective and interested bidders could formulate their bids accordingly?
VII	Postponement and Correction/Changes to Tender notice —Whether equal opportunity has been given to all bidders?	1. Whether corrections/changes in the Notice Inviting Tender have taken place? 2. Whether any correction/changes made in the bid document have been notified to all the bidders sufficiently in time? 3. Was the tender opening date extended in view of corrections/amendments in order to give prospective bidders adequate and reasonable time? 4. Has the notice of extension been published in newspapers?
VIII	Receipt of Tenders — Whether the system is temper proof?	1. Whether a proper arrangement for receipt of tenders at scheduled date and time through tender box been devised? 2. In cases where tenders are too bulky to be put in the tender box, whether officers were designated for receiving the same and did the latter issue receipts bearing date and time to

<p>K Opening of Tenders</p> <p>— Whether the system ensures complete transparency?</p>	<p>the bearer of the tender, record the bids received, in a register and store them in safe custody?</p> <ol style="list-style-type: none"> 3. Whether the procedure for receipt of tenders ensures that tempering is over ruled? 1. Was total value of tender the criteria for deciding the 'competent authority' for acceptance of the tender? 2. Was the Tender Committee properly constituted comprising of representatives from Accounts, Indenting Departments, Inspecting Agency etc? 3. Whether the tenders have been opened in public i.e.in presence of the trade representative thereby preserving the sanctity of tendering system and ensuring total transparency? 4. Were bids not accompanied with earnest money deposits along with tenders, ignored/ rejected? 5. Whether at the time of opening, tender documents have been numbered serially, initiated and dated at the first page? 6. Whether the pages of the tender documents were numbered and particularly important items like prices, important terms and conditions etc. been encircled and initiated? 7. Whether technical bid and financial bids were duly superscribed and sealed separately in cases of 2-bid system? 8. Whether technical bids were evaluated by the competent authority at the first stage? 9. Whether financial bids were considered only after a technical bid was found acceptable?
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10. Whether at the second stage only those financial bidders were considered that were technically acceptable and ranked before awarding a contract?
11. Was the EMD in case of a two bid system incorporated at a fixed amount on the basis of estimated value of the purchase, instead of as a stated % of tender value so as to obviate the possibility of giving the bidders an indication of prices quoted by competitors and using this information to the disadvantage of his competitor if prices are subsequently modified?
12. Were overwritings attested by the tender opening officer/committee to make it clear that such alterations were present on the tenders at the time of opening?
13. Were bidders permitted to alter or modify their bids after expiry of the deadline for receipt of bids?
14. Were 'late bids' i.e those received after the specified date and time for receipt of bids, also considered?
15. Whether 'On the Spot Statement' was recorded by the tender opening officer/ Committee giving details of the quotations received and other particulars like the prices, taxes duties and EMD etc, as read out in the opening of tender been recorded?
16. Was the tender finalized within the initial validity of offer?
17. Whether additional features which were never a part of the original conditions or

specifications, also considered when evaluating the bid?

18. Whether contract was awarded to the lowest bidder whose offer conform to the technical specification and other conditions given in the tender document, without recourse to extrinsic evidence?

X Post tender Negotiation

Whether post tender negotiation was on lines permissible by extant guidelines/orders and one major source of corruption was plugged?

1. Whether during any post tender negotiation CVC guidelines were followed? Was negotiation done with other than L-I?
2. Whether in case the quantity to be ordered was much more than what L-I alone could supply, the quantity order was distributed in a fair, transparent and equitable manner?

XI Advance payment

Whether advance payment was unavoidable and if resorted to, was done with suitable safeguards to fully protect Govt. interest?

1. Whether current policy of Govt. of no advance was adhered to?
2. If unavoidable, was payment of advance agreed to only in exceptional cases of contract for manufacturing of equipment system or for a project with long execution time?
3. Whether advance payment was made to successful bidder/supplier only against appropriate Bank Guaranty?
4. Whether mobilization advance if paid, was interest- free, in contravention of CVC guidelines?

XII Performance Bank Guarantee(PBG)

Whether adequate measures were taken to avoid loss to Govt. in the

1. Was PBG too low in comparison to contract value?
2. Was the guidelines of the BG checked from the issuing Bank?

event of non performance of the contract?

3. Was the validity of the BG monitored, and in case of extensions in delivery period, whether the BG was appropriately extended?
4. Whether Bank Guaranty accepted was conditional and thereby against the financial interest of the organization?
5. Whether timely action for encashment of the Bank Guaranty was taken so as to protect Govt. interests in case of non- supply?

XIII Contract Management

Whether the contract terms and conditions were comprehensively drawn up, and whether they are unambiguous, free from uncertainties, indefinite liability and misinterpretation and serve to protect Govt. interests?

(a) Completeness of the contract

1. Whether documents forming integral part of a contract were together viz., (i) tender comprising instructions to Tenderers, conditions of contract, standard of special specifications, schedule of items, quantities and rates Agreement form and Tender form (ii) Formal Acceptance of tender?
2. Did the contract place beyond all reasonable doubt all the matters upon which parties intended to agree viz.,
 - (i) What the contractor is to do, when, where and to whose satisfaction it is to be done;
 - (ii) What Govt. is to do; and on what terms

- (iii) What payment is to be made; what is to cover, to whom it is to be made and the method and basis of making it.
- (iv) The responsibility of the contractor in respect of adequate supervision, care of Government property.
- (v) The terms on which variations and modifications, if any are to be permitted the authority; competent to order and to assess them, and the occasion and basis of such assessment.
- (vi) The measures to be adopted in the event of a breach of a contract by either party thereto, and the method of and grounds for the determination thereof.
- (vii) The method of settling disputes.

3. Whether legal advice was sought for, before drafting and entering into a contract agreement?

(b) General Conditions

- 1. Whether the terms of contract were precise and definite and free from ambiguity or was there misconstruction thereon?
- 2. Whether the contract was placed only after tenders have been invited and cases where the lowest tender was not accepted reason there for recorded?
- 3. Whether a standard form of contract was used and terms thereof scrutinized beforehand?
- 4. Whether the terms of contract including scope and specifications were materially varied after entering into, without consultation of the competent financial authority?

(c) Price Variation

5. Where material variation in any of the terms or conditions in a contract were unavoidable, whether such changes in the form of an amendment to the contract duly signed by all parties to the contract?
 6. Whether there were any uncertain or indefinite liabilities or any condition or an unusual character having no consent of the competent financial authority?
 7. Whether at least a written agreement has been made for placing an order where a formal written contract has not been made?
1. Whether a price variation clause has been provided even in short terms contracts not exceeding 18 months?
 2. Where a price variation clause is provided, whether the price agreed upon has specified the base level viz. the month and year to which the price is linked, to enable variations being calculated with reference to the price levels prevailing in that month and year?
 3. Whether a formula for calculation of the price variation has been incorporated in the contract document, in case of long term contract by using indices published by the Government of Chambers of Commerce periodically?
 4. Whether the Price Variation Clause incorporated in a contract specified a cut off date for material and labour before the scheduled delivery date, as the inputs taper off well before scheduled delivery date?
 5. Whether the Price Variation Clause provided a ceiling on price variation, in terms of percentage or an overall ceiling or both?

6. Whether there is a clause stipulating a minimum percentage of variation of the contract price above which price variations will be admissible e.g. where resultant increase is lower than two percent, no price adjustment will be made in favour of the supplier?
7. Whether a stipulation of non admissibility in price variation was made in the Price Variation Clause on such portions of the price after the date of such payment, where advance or stage payments were involved?
8. Whether a stipulation has been incorporated in the conditions of contract that no price variation would be admissible beyond the original scheduled delivery date for defaults on the part of the supplier?
9. Whether a clause has been included in the contract for price variation beyond the original scheduled delivery date by specific alteration of that date through an amendment to the contract in cases of Force Majeure or defaults by Government?

(d) Delivery

1. As time is the essence of any contract, has the period for delivery of the ordered goods, and completion of allied services e.g. installation, commissioning, operators training etc., been properly specified with definite dates?
2. Have vague terms such as 'immediate', 'as early as possible' etc been used to immediate delivery period?
3. As terms of delivery, date of delivery and quoted prices are closely linked, have terms of delivery been clearly specified viz ex-works, (date the supplier delivers the goods to purchaser at its (supplier's) factory

premises); FOR, Station of Despatch, (date on which goods are placed by supplier on rail with clear RR); FOR Destination (date on which the ordered goods reach the destination railway station specified in the contract); CIP, Destination (date on which delivery is effected at destination mentioned in contract); FAS, port of shipment, (date on which supplier delivers the goods alongside vessel at specified port of shipment); CIF, port of destination (date on which goods arrived at the destination port)?

(e) Taxes and Duties

1. Does the contract include a provision for payment of all applicable taxes by the contractor to the supplier?
2. Where contracts are for supply of imported equipment, goods etc (subject to customs duty and foreign exchange fluctuations) and/or are locally manufactured (subject to excise duty and other duties and taxes) have the % and element of duties and taxes been specifically stated and selling rate of foreign exchange element taken into account in calculation of price of the imported items?
3. Have the mode of calculation of variations in duties and taxes and foreign exchange rates and documents to be produced in support of claims for such variations also been stipulated in the contract?

(f) Warranty Clause

1. Has a warranty clause been incorporated in the contract requiring the supplier to, without exchange, repair or rectify defective goods or to replace such goods with similar goods free from defect?
2. Was there stipulation that goods required or replaced by the supplier shall be delivered at the buyer's premises without costs to buyer?

(g) Remedies for delay

—Liquidated Damages etc.

1. Whether provision has been made to give purchaser options/remedies for delays in supply/non-supply for which supplier is responsible?
2. Whether clause for Liquidated Damages, forfeiture of performance security, cancellation, imposition of other sanctions/penalties been incorporated in the contract condition?
3. Whether a condition has been incorporated in the contract for levy of Liquidated Damage on the price for delivery beyond the scheduled date, as varied by the operation of the Price Variation Clause?
4. Whether provision exists to cancel the contract for failure to deliver within the time period or non performance of any other obligation at any time after the expiry of notice period when entering into a long term contract?
5. Whether provision exists to terminate the contract, by written notice, without compensation, if the supplier becomes bankrupt or insolvent?

(h) Dispute reconciliation

1. Has legal advice been sought wherever disputes arrive before initiating action for referring to conciliation or arbitration or to file a suit?
2. Whether draft of the plaint has been vetted by obtaining legal advice?
3. Have documents to be filed in the matter of resolution of dispute, if any, been carefully scrutinized before filing, to safeguard Govt. interest?

XIV	<p>Post Contract Management</p> <p>Whether priority was accorded to post contract follow up including disciplining of suppliers so as to avoid time and cost over runs, loss to Govt. and/ or undue benefit to suppliers?</p> <p>(a) Monitoring of contract</p>	<ol style="list-style-type: none"> 1. Has implementation of the contract been strictly monitored and notices issued promptly wherever a breach of provisions occur? 2. Have requisite databases/registers in prescribed format been maintained by designated officials e.g. rejection registers showing names of firms found to be unreliable in view of rejected supplies; register of purchase orders which contains important information relating to delays in supplies; register of defaulting firms containing details of firm's failure to supply in terms of contract; funds register which enables watching the incurrence of liabilities against the budget grant; history cum rate card which is an index card usually kept by the purchase section in Railways dealing with the item that gives a complete history of the past procurement and also the position of current duties including branches still to be supplied by the firms? 3. Whether procedure for same custody and monitoring of Bank Guarantees or other instruments has been laid down and is being followed? 4. Is the review of the progress of supply being monitored? 5. Whether extensions of Bank Guarantee or other instruments, where warranted, have been sought immediately? 6. Have extensions of the scheduled delivery or completion dates been granted as provided for in the contract and followed by formal amendments duly signed by the parties? 7. Have such extensions without imposing penalty on the supplier been accorded only in cases of delay where contractor was not
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responsible e.g. delay in approving sample though submitted by the supplier in time?

(b) Inspection

1. Whether as soon as the contract was awarded for articles which required inspection and/or testing during manufacture or before dispatch/shipment, a complete copy of the contract with specifications, drawings, conditions of contract and other relevant documents were sent to the nominated inspecting agency?
2. Did the nominated inspecting agency comprise of technically qualified and competent personnel?
3. Whether the contractor was informed of the agency, nominated to carry out the inspection and with whom they should further coordinate?
4. Were all articles subjected to inspection before acceptance and did they conform to specifications and/or satisfied the prescribed tests?

(c) Rejected Stores

1. Were rejected stores

removed to a place set apart for the purpose to avoid possibility of their getting mixed up with other stores?

2. Was the supplier informed that such stores would lie at his own risk and that he should arrange for their removal within specified days from the date of issue of rejection memo?
3. In case the stores have not been removed within the specified period, whether the Department has exercised its rights to dispose of such stores at the contractor's risk and recover ground rent and demurrage charges?

(d) Risk purchase

1. In case of defaulting firms did the contracting agency purchased the material elsewhere, at the risk and cost of defaulting firm?

(e) User readiness

1. Did the user keep site and/or space in readiness for installation and/or storage of equipment and materials?
2. Were adequately trained personnel/manpower in position for operationalisation of machinery and equipment especially in cases of procurement of new technologies?
3. Was training to be provided by the suppliers and if so, was the same done before expiry of contract?
4. Did the material or equipment lie unutilized or get damaged due to lack of trained manpower?
5. Were there changes in site location from that envisaged at the time of contracting thereby giving the suppliers ample excuse/opportunity to justify delays on their part?

(f) Modifications of contract terms

1. Were specifications diluted by authorizing alternatives makes/models of lower price, thereby giving undue benefit to the supplier?
2. Were payment terms amended in favour of the supplier e.g. advance payments being authorized even when there was no provision in the contract for making advance payments or higher advance payments being made than that stipulated in the contract?
3. Whether pre dispatch inspection though incorporated in the contracts was waived without any reasons, thereby jeopardizing the quality aspects?

4. Was submission of Performance Bank Guarantee waived?
5. Whether despite contracts being placed on FOR destination, the locations of the consignees were changed nearer to the supplier's premises, without considering the benefit of freight charges accruing to the supplier?
6. Have maintenance contracts (paid maintenance) been entered into even for the period of warranty which required free maintenance by supplier, in maintenance of contractual provisions?
7. Whether in cases even after expiry of delivery schedule stipulated in the contract and without extension of time granted by the purchaser, the consignees kept the contract alive by exchanging correspondence with the suppliers thereby creating possibility of legal complications especially if it is intended to cancel the contract?

(g) Repeat Orders

1. Was there adequate justification that additional quantities required during the contract period were not sufficiently large to justify invitation to fresh tenders or would not have resulted in more favourable terms?
2. Was there sufficient evidence to indicate that it was not placed to split requirement to avoid sanction of the next CFA?
3. Whether it had been ascertained that there was no downward trend in prices as determined through market intelligence?

(h) Dispute reconciliation

1. Has legal advice been sought wherever disputes arise before initiating action for

referring to conciliation or arbitration or to file a suit?

2. Whether draft of the plaint has been vetted by obtaining legal advice?
3. Have documents to be filed in the matter of resolution of dispute, if any, been carefully scrutinized before filing, to safeguard govt. interest?

(i) Post-procurement actions

1. Does a system for obtaining feedback from users exist and how effective is it?
2. How many/often have suggestions and/ or recommendations of users been implemented and to what effect?
3. Has the organization deployed information technology to enhance the efficiency and effectiveness of its functioning?

Introduction

The Performance Auditing Guidelines issued by this office constitute the authoritative basis for the conduct of Performance Auditing in this department. This includes the entire gamut of activities commencing with the formulation of strategic plans, selection of topics based on these plans, planning of individual audits, audit execution, finalization of reports and subsequent follow up. During the conference of Accountants General held in the year 2005, it was recommended that supplementary guidance was required to be issued to facilitate due implementation of Performance Auditing Guidelines when undertaking Performance Audits. It has now been decided that supplementary guidance will be issued at two levels, one will be a series of 'Supplementary Guidelines', and the other will be a series of 'Practice Guides'. This Practice Guide entitled 'Practice Guide on Audit of Procurement', is the first in the series. The Practice Guides are to be taken as facilitative rather than as mandatory in their application.

In the process of planning an audit, the framing of issues is a vital step, because it forms the very basis of the entire audit effort in the field, and equally important is the fact that only if issues are properly identified and formulated, will the field audit result in findings that are relevant to the audit objectives. Procurement forms a major component of a wide variety of programs cutting across the diverse sectors of the economy. This Practice Guide is intended to facilitate the identification of issues involved in procurement. It is not necessary that all the possible issues relating to procurement that have been identified in this Practice Guide be included in the issue analysis, because the significance of procurement as an area of audit will vary from one audit to another, and so will the scope and intensity of the audit examination of procurement. It is expected that this Guide will enable those concerned to frame the 'Issue Analysis' and 'Study Design Matrix' more cogently insofar as the area of procurement is concerned.