

**NATIONAL INFORMATICS CENTRE SERVICES INC.
(NICS)**

**PROCUREMENT OF HARDWARE/SOFTWARE ITEM TO
THE TUNE OF RS.890.34 CRORES THROUGH STRATEGIC
ALLIANCE**

[BASED ON PARA NO. 6.1 OF C&AG REPORT NO. 03 OF 2021]

**MINISTRY OF ELECTRONICS AND INFORMATION
TECHNOLOGY**

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2025-26)**

**TWENTY-THIRD REPORT
(EIGHTEENTH LOK SABHA)**



**LOK SABHA SECRETARIAT
NEW DELHI**

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890.34 CRORES THROUGH STRATEGIC ALLIANCE**

[BASED ON PARA NO. 6.1 OF C&AG REPORT NO. 03 OF 2021]

MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

**[Action Taken by the Government on the Observations/Recommendations contained in
the First Report (18th Lok Sabha) on Para No. 6.1 of C&AG Report No. 03 of 2021 of
C&AG relating to National Informatics Centre Services Inc. (NICS)]**

Presented to Lok Sabha on 11 December, 2025

Laid in Rajya Sabha on 11 December, 2025



LOK SABHA SECRETARIAT

NEW DELHI

December, 2025/ Agrahayana, 1947 (Saka)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2025-26)

Shri Baijayant Panda - Chairperson

Members

LOK SABHA

2. Shri Tariq Anwar
3. Shri Sudip Bandyopadhyay
4. Shri Chandra Prakash Joshi
5. Smt. Kanimozhi Karunanidhi
6. Shri Kaushalendra Kumar
7. Shri Shankar Lalwani
8. Smt. Poonamben Hematbhai Maadam
9. Shri B.Y. Raghavendra
10. Shri Mukesh Rajput
11. Shri Sukhjinder Singh Randhawa
12. Shri Pratap Chandra Sarangi
13. Shri Kodikunnil Suresh
14. Shri Prabhakar Reddy Vemireddy
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20. Shri Surendra Singh Nagar
21. Shri Debashish Samantaray
22. Shri Arun Singh

SECRETARIAT

1. Shri Anjani Kumar - Joint Secretary
2. Ms. Mriganka Achal - Director
3. Shri Tenzin Gyaltsen - Deputy Secretary
4. Shri Dhruv - Under Secretary

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2025-26) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-Third Report on Action Taken by the Government on the Observations/Recommendations contained in the First Report of the Committee on Public Undertakings (18th Lok Sabha) on 'Procurement of hardware/software item to the tune of Rs.890.34 Crores through strategic alliance' relating to National Informatics Centre Services Inc. (NICSI)' [Based on Para No. 6.1 of C&AG Report No. 03 of 2021].

2. The First Report of the Committee on Public Undertakings (18th Lok Sabha) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 18 December, 2024. The Action taken Replies to all the 09 recommendations contained in the Report were received from the Ministry of Electronics and Information Technology on 21 July, 2025.

3. The Committee considered and adopted the Draft Report at their sitting held on 05th December, 2025. The Minutes of the sitting are given in Appendix-I.

4. An analysis of the action taken by the Government on the Observations/Recommendations contained in the First Report of the Committee (18th Lok Sabha) is given in Appendix -II.

New Delhi;
08 December, 2025
17 Agrahayana, 1947(S)

Baijayant Panda
Chairperson
Committee on Public Undertakings

REPORT

CHAPTER I

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the First Report of the Committee on Public Undertakings related to audit Para No. 6.1 of Report No. 03 of 2021 of C&AG related to 'procurement of hardware/ software item to the tune of Rs. 890.34 Crores through strategic alliance relating to National Informatics Center Services Inc. (NICSI)', which was presented to Lok Sabha on 18.02.2025. It contained 09 observations/recommendations.

2. Action Taken notes have been received from the Government in respect the 07 of the 09 observations/recommendations of the Committee. The introductory paragraphs (Sr. Nos. 1 and 2) were general observations, on which the Ministry did not offer specific comments.

(i)	Observation/Recommendations which have been accepted by the Government Sl. Nos. 1, 2, 4, 5, 6, 7 and 8.	(Chapter II) (Total: 07)
(ii)	Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies. Sl. No. Nil	(Chapter III) (Total: 00)
(iii)	Observations/Recommendations in respect of which replies of Government had not been accepted by the Committee and which require reiteration. Sl. No. Nil	(Chapter IV) (Total: 00)
(iv)	Observations/Recommendations to which the Government has furnished interim replies and final replies are still awaited. Sl. Nos. 3 and 9.	(Chapter V) (Total: 02)

3. The Committee desire the Ministry of Finance (Department of Financial Services) to furnish final Action Taken Notes/replies in respect of observations/recommendations contained in Chapter I of the Report. The Committee further desire that the final replies in respect of Observations/Recommendations contained in Chapter V for which only interim replies have been given by Government, should be furnished to the Committee expeditiously.

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs.

**GFR –APPLICABILITY
(Recommendation No. 3)**

5. The Committee, in their First Report, had recommended the formation of a committee to clarify the applicability of GFRs to CPSEs:

" The General Financial Rules (GFRs) are a compilation of rules and orders of Government of India to be followed by all while dealing with matters involving public finances. The Committee are of the opinion that GFRs as issued from time to time aim to provide a framework within which a Government Organisation manages its business in a financially prudent manner without compromising its flexibility required in varied situations. The Ministry of Electronics and Information Technology during the meeting submitted to the Committee that they were not clear about the applicability of GFRs on the Company. Both DoE and DPE, the Departments under the Ministry of Finance have submitted to the Committee that GFRs are not applicable to the CPSUs as they operate in a competitive environment, implying that GFRs are not applicable to NICS. The Committee, find that NICS in its objectives/functions have mentioned that procurement of ICT product and services for the Government sector is made following provisions of GFR completely and also guidelines issued by Department of Expenditure and CVC from time to time. Department of Expenditure (DOE) also advised NICS to enter in Strategic Alliance under Rule 154 of GFR, 2005 subject to the condition that before placement of each order, PAC, as per rule may be provided by the Ministry/Department. Further, DoE has issued an order Rule 144(xi) of GFR, 2017 wherein certain restrictions have been imposed on Central Public Sector Enterprises. The Committee from the replies received, from NICS, MeitY, DPE and DoE and from the observations of C&AG on this specific issue of applicability of GFR on NICS, note that there is not much clarity amongst the various stakeholders regarding applicability of GFR on CPSEs. At one hand Ministry of Finance is stating that GFRs are not applicable to CPSEs, at another they are imposing restrictions on CPSEs by issuing order under GFR. The Committee, therefore, recommend that a Committee may be formed with representatives from Ministry of Corporate Affairs, DPE, MeitY, DoE and all other stakeholders so as to decide the applicability or extent of applicability of GFR on CPSEs. For this, MeitY should take up the matter with Ministry of Finance (Department of Expenditure)."

6. The Ministry, in their action taken reply, have stated as follows:
- " NICS I has requested MeitY (vide e File No.2025/14052025/CS dated 16.5.2025) to constitute a Committee with representatives from Ministry of Corporate Affairs, Department of Public Enterprises, Ministry of Electronics & Information Technology, Department of Expenditure and all other stakeholders so as to decide the applicability or extent of applicability of GFR on CPSEs. MeitY has further requested Ministry of Finance (Department of Expenditure) to take further necessary action on the subject matter of formation of committee with respect to applicability of GFR vide OM dated 04.06.2025."
7. **The Committee note that MeitY, in response to the recommendation, has stated that they have taken up the matter with the Ministry of Finance (Department of Expenditure) regarding the formation of a Committee to clarify all issues related to GFR and its applicability. The Committee, while emphasizing the importance of this matter, observed that the examination indicated some unclarity, with different wings of the Government offering varying interpretations. This has resulted in CPSEs such as NICS I operating with limited guidance on the financial framework, posing challenges to governance and increasing the risk of non-compliance for public enterprises. The Committee notes that while MeitY has completed its procedural steps, the core recommendations are still under consideration. It therefore suggests that MeitY should continue to engage with the Department of Expenditure to work towards a clear timeline for the constitution of a multi-stakeholder committee and the finalization of its report. The Committee looks forward to being apprised of further progress in this regard.**

INTERNAL CONTROL MECHANISM AND THE ROLE OF MEITY (Recommendation No. 9)

8. The Committee, in their Report, had observed the following regarding regional distribution of loans:

" Meity has informed the Committee that they have recently engaged a leading global consulting firm with a view to make NICS I future-ready. The Ministry further informed the Committee that the overall objective of this organization restructuring exercise is to evaluate the effectiveness of NICS I's organizational structure and management systems in the light of

its present responsibilities as well as emerging opportunities. The Committee, while appreciating the step taken by MeitY, would like to be informed about the salient findings and outcome of the said Study."

9. The Ministry, in their action taken reply, have stated as follows:
" NICS I is a non-for-profit organization of NIC, MeitY. All officers are on deputation from NIC (which is a technical organization). NICS I has various divisions in place to meet its operational requirements.

As suggested by committee, NICS I is carrying out study of similarly placed other CPSEs to arrive upon suitable organizational structure for NICS I, as per emerging scenario. This will help to create verticals and to hire domain expert as per the vertical/business model of NICS I and to make faster procurement process and for better service delivery."

- 10. The Committee note from the reply of the Ministry that NICS I has engaged in a study to determine an appropriate organizational structure thereof, in line with other CPSEs. The Committee however observe that the reply lacks clarity regarding the current status, as also the outcome of the earlier engagement with a leading global consulting firm, which was intended to make NICS I future-ready. This raises concerns as to whether the original strategic roadmap has been modified or set aside. The Committee are of a considered view that a well-defined organizational structure is paramount for NICS I to create specialized verticals and induct domain experts, which is essential for its future growth and efficiency. Further, given the lack of clarity on the restructuring study, the Committee recommend that MeitY provide a clear rationale for the change in approach regarding the restructuring exercise and submit a definitive roadmap with clear timelines for the completion of the current study alongwith the subsequent implementation of a new, vertical-based organizational structure. The Committee expect to be informed of the final approved structure in the subsequent replies.**

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. Nos. 1 and 2)

OVERVIEW

1. National Informatics Centre Service Inc. (NICSI) was established in 1995 as a Section-8 Company under Ministry of Electronics and Information Technology (MeitY) for providing and procuring Information and Technology (IT) solutions for e-governance projects undertaken by National Informatics Centre (NIC), MeitY and other Government Departments and organizations (viz. Public Sector Undertakings, Autonomous Bodies etc.). Rule 160 of General Financial Rules 2005 (GFR 2005) stipulates that all government purchases should be made in transparent, competitive and fair manner so as to secure best value for money. Rule 141A was inserted in GFR with effect from 09 August 2016 to provide for procurement on “Government e-Marketplace” (GeM) which has been established as a portal for online procurement of common use Goods and Services required by various Government Departments/ Organizations/ Public Sector Undertakings. Rule 149 of GFR 2005 provides three standard methods of obtaining bids for procurement including “Single Tender Enquiry”. Rule 154 *ibid*, mentions the circumstances under which procurement from a single source can be resorted such as where only a particular firm is the manufacturer of required goods, and/or for standardization of machinery or spare parts based on advice of a competent technical expert and approval of the competent authority, procurement from a particular form may be resorted. These purchases have to be supported by a “Proprietary Article Certificate” (PAC) provided by the Ministry/Department in prescribed format as mentioned in GFR.

2. The present Audit Para no. 6.1 of C&AG Report No. 03 of 2021, examined by the Committee, relates to procurement of hardware/ software item to the tune of Rs. 890.34 crore procured by National Informatics Center Services Inc. (NICSI) through strategic alliance (SA). In the case, NICSI undertook single source procurement through SA route between April 2014 and April 2017 with PACs as perfunctory compliance. Procurements prior to September 2015 using this route were not in accordance with Rule 154 of GFR and procurements, thereafter, undertaken based on PACs were also found lacking required details in test checked cases by the C&AG. Following audit objections and setting up GeM, the practice of SAs was discontinued by the Company after April 2017. The Committee, before finalizing their observations in their report heard the views of the officers from C&AG who conducted the Audit and also the views of the representatives

of NICS I and Ministry of Electronics and Information Technology. The Committee, for further clarifications took the written replies from the Department of Expenditure (DoE) and Department of Public Enterprises (DPE) of Ministry of Finance. The evidences of the stakeholders, the information and clarifications submitted by them and internal deliberations made by the members enabled the Committee to arrive at the conclusions and make suggestions as mentioned in the succeeding paragraphs.

Reply of the Government

“The recommendations of the Committee have been noted.”

[Ministry of Electronics and Information Technology]

(O.M. No.30(1)/2023-EG-II dated 21.07.2025)

Recommendation Sl. No. 4

CLARITY ON STRATEGIC ALLIANCE

Audit had observed that NICS I procured hardware and software items costing Rs.890.34 crore through "Strategic Alliance (SA)" route in contravention of GFRs 2005 and thus failed to ensure transparency and competitiveness in the procurement process. As procurement through Strategic Alliances was not covered under any rule/order issued by Ministry of Finance (DOE), NICS I in its 88th Board of Directors meeting (September 2014) decided to send a proposal through MeitY, to the Department of Expenditure (DoE) for inclusion of Strategic Alliance as a process of procurement in GFR 2005 for providing ICT goods and services (including solutions). MeitY further informed the Committee that, one write petition challenging the Notice inviting Tender (NIT), the Hon'ble High Court of Delhi, vide its order dated 25.8.2014 in W.P.(C)4370/2014, directed that no further steps be taken pursuant to the tender in question. Against the backdrop of this order, since requests were being received from various Departments and organizations for implementing Performa Invoices already issued by NICS I under Strategic Alliance for various ongoing IT projects, the management approached the Board for approving implementation of such Performa invoices. Keeping in view the serious difficulty faced in procuring spare parts for maintenance of various existing IT installations at reasonable cost, the Board, in its meeting held on 26.9.2014, while extending the validity of the existing Strategic Alliances expiring before 31.1.2015 till they said date, advised that NICS I may take up the matter with the Government for recognition of the process of Strategic Alliances. Accordingly, Proposal for inclusion of SA in GFR was sent to Ministry of Finance .by NICS I. Ministry of Finance (DoE) while not specifically allowing incorporation of SAs in GFR, conveyed in August-2015 that, they have no objection if NICS I enters into Strategic Alliance under Rule 154 of GFR 2005 subject to the condition that before placement of each order, Propriety Article Certificate (PAC) as per Rule 154 is provided by the Ministry/ Department'. The Ministry of Electronics and Information Technology (MeitY) advised NICS I to carefully examine the response of MoF (DoE), before its formal adoption as a process of procurement. NICS I construed the communication from DoE as approval for the system of SAs provide procurement was undertaken on the basis of PACs and decided to continue with the system. The Committee feels that, to avoid complications, NICS I should have carefully examined.

The advice of DOE as directed by Meity before further undertaking procurement through SA. Meity, too, should have ensured that their direction is complied with and therefore, the Committee desire that Meity should ensure that due importance is given to the advice rendered by them and DOE in future.

Reply of the Government

As an immediate measure, NICSI had discontinued the Strategic Alliance process after 30.04.2017. NICSI shall ensure that they shall carefully examine the advice(s) of DoE in future for all matters including considering Strategic Alliances. A SOP was also issued on 10.02.2023 (Annex-A) for procurements being carried out by NICSI.

MeitY is following up on the matter/communication sent by them to NICSI to provide inputs as per directions. Further, the Audit Committee and Board of Directors meetings of NICSI are also chaired by JS&FA (MeitY) and Additional Secretary, MeitY respectively and all procurements in NICSI is being carried out as per provisions of GFR and all relevant rules, procedures and directions issued by Department of Expenditure.

[Ministry of Electronics and Information Technology]

(O.M. No.30(1)/2023-EG-II dated 21.07.2025)

Recommendation Serial No. 5

The Committee was informed that 25% of total procurement by NICSI was done through SA. However, the Committee note that this is not supported by figure furnished by NICSI. Total procurement by NICSI during the period 01.04.2005 till 31.03.2014 amounts to Rs.1906.61 crore and out of this Rs.1016.33 crore of procurement equivalent to 51.64 percent was done through SA. Similarly, during the period 01.04.2014 to 30.09.2017, out of total procurement of Rs.2052.19 crore, 43.38 percent i.e. Rs.890.34 crore of the total procurement was done through SA route these procurements were more than 25% of total procurement against the claimed of 25% by NICSI through SA. The Committee would like to know the reasons for this mismatch and therefore, advise NICSI to be careful in furnishing fact and figures to the Committee in future.

Reply of the Government

Mismatch in % of procurement through SA:

Reference observations above, it is submitted that the matter has been examined thoroughly. The percentage figures communicated earlier regarding 25% of the procurement being carried out through strategic alliances was based on estimates. The actual percentage of total procurement through strategic alliances during the entire period (01.04.2005 to 30.09.2017) is around 23.96%. The breakup is as below:-

S. No.	Period of procurement	Procurement through Strategic Alliance (Rs. in cr.)	Total Procurement (Rs. in cr.)	% of procurement through Strategic Alliance
1	1.4.2005 to 31.3.2014	1016.33	4786.35	21.23%
2	01.04.2014 to 30.09.2017	890.34	3171.4	28.07%
	Total	1906.67	7957.75	23.96%

The reasons for the mismatch have been enquired into and it is found that till 30.06.2017, NICS I was using TALLY application for day-to-day business activities. TALLY has some limitations in managing purchase orders (PO) and has limited ability to handle complex procurement workflows and supplier relationship. As part of upgradation, advance ERP (Electronic Business Suite) was implemented in NICS I w.e.f. 01.07.2017. Due to this limitation, total procurement figures were not completely accurate. The same is regretted and NICS I shall ensure to take care in future while furnishing facts and figures to the Committee.

[Ministry of Electronics and Information Technology]

(O.M. No.30(1)/2023-EG-II dated 21.07.2025)

Recommendation Serial No. 6

The Committee further note that NICS I had resorted to the method of SA more than it was needed, indicating that NICS I employed SA method not just as an exigency requirement but as routine-ones. A stay was imposed by Delhi High Court (DHC), on a Notice Inviting Tender (NIT) in 2014, and for finding a way therefore, BOD asked NICS I to take recognition of the process from Ministry of Finance (DoE) by incorporating the provision of SA in GFR. Neither MeitY nor NICS I took any interest in the matter before this. Stay by DHC and rules were allowed to be flouted for more than a decade till the practice was discontinued in 2017, after the introduction of GeM. The Committee therefore, feel that NICS I should have taken the advice of DOE before initiating process of SA in 2005-06 itself, and would have devised their own set of financial rules. The Committee would like to know the reasons behind such omissions by NICS I and desire that financial rules and procedures for procurement may be framed by BOD of NICS I for transparent procurement.

Reply of the Government

NICSI caters to requirements of central government, state governments, government organizations, judiciary, constitutional bodies, autonomous bodies and PSUs. All these users follow procurement manuals and GFR rules of Government of India. All officers in NICSI are on deputation from NIC. These officers typically are on deputation for 3 years. Process of Strategic Alliance (SA) was approved by board. However, while formulating the process for SA, NICSI followed the procedures as approved by the Board, from time to time. The Board of Directors reviewed the arrangement with agency(ies) for SA on regular basis and it was directed in 2014 that NICSI should get the procurement through SA process recognized by Ministry of Finance (DoE) by incorporating the provision of SA in GFR.

In addition, NICSI vide office memorandum no. 4(1)/2025-NICSI-Admn/24 dated 16.5.2025 (Annex-B) has constituted a committee for drafting of Procurement Manual for NICSI. The Committee is working towards framing rules and procedures for procurement. NICSI has taken necessary steps to ensure all procurement as per laid down rules and provisions of GFR.

[Ministry of Electronics and Information Technology]

(O.M. No.30(1)/2023-EG-II dated 21.07.2025)

Recommendation Serial No. 7

VIOLATION OF RULE 154 OF GFR-2005-FAILURE IN OBTAINING OF PROPRIETY ARTICLE CERTIFICATES (PAC)

The Audit had observed that NICSI didn't obtain the Propriety Article Certificates (PAC) as per the Rule 154 of GFR between the period April 2014 and September 2015 for its procurements from single sources as advised by DOE. From September 2015, NICSI began obtaining PACs for purchases .made from single source as advised by DOE.

However, a test check revealed that these were being furnished and used without mentioning clear, specific and cogent reasons as per the format prescribed in GFR, for procurement through a single source. The Audit had further stated that the main intent was thus, to only show perfunctory compliance with GFRs. The officials of NICSI did not examine whether the same was in order and in case of lacuna, did not find it fit to intimate concerned Ministry/Department to fulfill the requirement(s). The Committee, therefore, desire that such officials may be identified and responsibility be fixed. Further, the Company should remain more careful in future.

Reply of the Government

NICSI is a non-for-profit organization of NIC, MeitY. All officers are on deputation from NIC (which is a technical organization). Officers involved in procurement are technical by background in terms of qualification and experience. Officers typically are on deputation for 3 years. During the procurement process of aforesaid cases, PAC forms were taken from user Ministry/Departments. Complete approval cycle was followed during above said procurements. However, this lapse happened because of lack of training and workload.

Efforts have been made to train them on procurement processes. After this issue was discovered, office orders dated 10.02.2023 (Annex-C) and 29.05.2025 (Annex-D) have been issued to be careful in future. A separate division has been created by the name Tender & GeM division, to adopt a focused approach on procurement. Rotation of officer is also followed. NICSI is committed to best efforts to further strengthening its procurement processes and record keeping. NICSI is also taking steps towards training of its officers for different domain such as Public Procurement, Contract Management, and Arbitration etc under the training program of Department of Public enterprises and the institutes like NIFM.

[Ministry of Electronics and Information Technology]

(O.M. No.30(1)/2023-EG-II dated 21.07.2025)

Recommendation Serial No. 8

INTERNAL CONTROL MECHANISM AND THEROLE OF MEITY

The Committee, during the meeting with the representatives of NICSI and Meity, came across the role of Internal Audit Department of the Company and oversight mechanism of the controlling Ministry i.e. Meity. The Committee, note that the representatives of NICSI, during the meeting categorically stated that Internal Audit Department of the Company had never raised any objections regarding the Procurement procedure followed by the Company. Further, MeitY, in a written response to the Committee, submitted that no internal audit of NICSI was done due to shortage of staff priorto2015-16andthere was absence of dedicated Internal Audit Wing in Ministry. Now Controller General of Accounts (CGA) has agreed to provide staff for the purpose. The Committee are strongly critical of above facts and urge both NICSI and MeitY to be more vigilant towards their duties. The Committee, therefore, recommends that internal audit system may be strengthened with suitable effective mechanism so that benefit of Audit may be harnessed and deficiencies may be rectified in time.

Reply of the Government

MeitY audit team has started auditing NICS. Last audit took place during 03.10.2023 to 18.10.2023. The Audit Committee and Board of Directors meetings of NICS are also chaired by JS&FA(MeitY) and Additional Secretary, MeitY respectively. Replies showing action taken on the observation/ Recommendations by the Government contained in the First report of the Committee on public Undertakings (18th Lok sabha) on Procurement of hardware/software item to the tune of Rs. 890.34 Crore through strategic alliance relating to national informatics centre services inc (NICS) based on Audit Para No. 6.1 of C&AG Report No. 03 of 2021 of C&AG.

[Ministry of Electronics and Information Technology]

(O.M. No.30(1)/2023-EG-II dated 21.07.2025)

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

- Nil -

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

- Nil -

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS TO WHICH THE GOVERNMENT HAS FURNISHED INTERIM REPLIES AND REPLIES ARE STILL AWAITED

Recommendation Serial No. 3

GFR-APPLICABILITY

The General Financial Rules (GFRs) are a compilation of rules and orders of Government of India to be followed by all while dealing with matters involving public Finances. The Committee are of the opinion that GFRs as issued from time to time aim to provide framework within which a Government Organization manages its business in a financially prudent manner without compromising its flexibility required in varied situations. The Ministry of Electronics and Information Technology during the meeting submitted to the Committee that they were not clear about the applicability of GFRs on the Company. Both DoE and DPE, the Departments under the Ministry of Finance have submitted to the Committee that GFRs are not applicable to the CPSUs as they operate in a competitive environment, implying that GFRs are not applicable to NICS. The Committee, find that NICS in its objectives/function have mentioned that procurement of ICT product and services for the Government sector is made following provisions of GFR completely and also guidelines issued by Department of Expenditure and CVC from time to time. Department of Expenditure (DOE) also advised NICS to enter in Strategic Alliance under Rule 154 of GFR, 2005 subject to the condition that before placement of each order, PAC, as per rule may be provided by the Ministry/Department. Further, DoE has issued an order Rule 144(xi) of GFR, 2017 wherein certain restrictions have been imposed on Central Public Sector Enterprises. The Committee from there plies received, from NICS, MeitY, DPE and DoE and from the observations of C&AG on this specific issue of applicability of GFR on NICS, note that there is not much clarity amongst the various stakeholders regarding applicability of GFR on CPSEs. At one hand Ministry of Finance is stating 'that GFRs are not applicable to CPSEs, at another they are imposing Restrictions on CPSEs by issuing order under GFR. The Committee, therefore, recommends that a Committee may be formed with representatives from Ministry of Corporate Affairs, DPE, MeitY, DoE and all other stakeholders so as to decide the applicability or extent of applicability of GFR on CPSEs. For this, MeitY should take up the matter with Ministry of Finance (Department of Expenditure).

Reply of the Government

NICSI has requested MeitY (vide e File No.2025/14052025/CS dated 16.5.2025) to constitute a Committee with representatives from Ministry of Corporate Affairs, Department of Public Enterprises, Ministry of Electronics & Information Technology, Department of Expenditure and all other stakeholders so as to decide the applicability or extent of applicability of GFR on CPSEs.

MeitY has further requested Ministry of Finance (Department of Expenditure) to take further necessary action on the subject matter of formation of committee with respect to applicability of GFR vide OM dated 04.06.2025.

[Ministry of Electronics and Information Technology]
(O.M. No.30(1)/2023-EG-II dated 21.07.2025)

Comments of the Committee

(Please see paras 07 of Chapter I of the Report)

Recommendation Serial No. 9

MeitY has informed the Committee that they have recently engaged leading global consulting firm with a view to make NICSI future-ready. The Ministry further informed the Committee that the overall objective of this organization restructuring exercise is to evaluate the effectiveness of NICSI's organizational structure and management systems in the light of its present responsibilities as well as emerging opportunities. The Committee, while appreciating the step taken by MeitY, would like to be informed about the salient findings and outcome of the said Study.

Reply of the Government

NICSI is a non-for-profit organization of NIC, MeitY. All officers are on deputation from NIC (which is a technical organization). NICSI has various divisions in place to meet its operational requirements.

As suggested by committee, NICSI is carrying out study of similarly placed other CPSEs to arrive upon suitable organizational structure for NICSI, as per emerging scenario. This will help to create verticals and to hire domain expert as per the vertical/business model of NICSI and to make faster procurement process and for better service delivery.

[Ministry of Electronics and Information Technology]

(O.M. No.30(1)/2023-EG-II dated 21.07.2025)

Comments of the Committee

(Please see paras 10 of Chapter I of the Report)

New Delhi;
08 December, 2025
17 Agrahayana, 1947(S)

Baijayant Panda
Chairperson
Committee on Public Undertakings

ANNEXURE- I



नेशनल इन्फोर्मेटिक्स सेंटर सर्विसिज़ इन्कोर्पोरेटेड
National Informatics Centre Services Incorporated
(रा. सू. वि. के. के अन्तर्गत भारत सरकार का एक उद्यम)
(A Government of India Enterprise under NIC)
इलेक्ट्रॉनिक्स और सूचना प्रौद्योगिकी मंत्रालय
Ministry of Electronics and Information Technology



जन जन की भाषा है हिंदी

Ref No. 10(16)/2020-NICSI

Dated: 10-02-2023

Office Order

Subject: Standard Operating Procedure(SOP) for PAC buying in NICSI-reg.

Rule 147 of General Financial Rules- 2017

Rule 147 Powers for procurement of goods: The Ministries or Departments have been delegated full powers to make their own arrangements for procurement of goods and services, that are not available on GeM. Common use goods and services available on GeM are required to be procured mandatorily through GeM as Rule 149. (As Amended No.F.1?26/2018-PPD dated 2nd April, 2019) Rule 149 of General Financial Rules- 2017 (As Amended No.F.1?26/2018-PPD dated 2nd April, 2019)

Rule 149. Government e-Market place (GeM)

Government of India has established the Government E- Marketplace (GeM) for common use Goods and Services. GeM SPV will ensure adequate publicity including periodic advertisement of the items to be procured through GeM for the Prospective suppliers. The Procurement of Goods and Services by Ministries or Departments will be mandatory for Goods or Services available on GeM. The credentials of suppliers on GeM shall be certified by GeM SPV. The procuring authorities will certify the reasonability of rates.

Proprietary Article Certificate (PAC) Buying

While making procurement under PAC Buying on GeM, Buyer has to comply with following conditions:- In case a Govt. Buyer wants to make procurement on proprietary basis on the GeM Portal after obtaining the requisite approvals/PAC certificate from their competent authority as per Rule 166 of GFR-2017, the Buyer can use PAC filter provided on GeM for selecting a specific model/ make available from a particular GeM Seller. The Seller's price on the Portal is just their offer prices and the proper discovery of price generally happens through bidding/RA. Moreover, in PAC procurement irrespective of multiple listing by authorised sellers, the important issue of price control remaining with the OEM cannot be overlooked. Therefore, in case of all the PAC procurements, the Buyers will have to carry out extra due diligence in establishing the reasonableness of prices before placement of contract as per para (vii) of Rule -149 of GFR

Das. K.

Page 1/3

Rule 166 Single Tender Enquiry

Procurement from a single source may be resorted to in the following circumstances : (i) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods (ii) In a case of emergency, the required goods are necessarily to be purchased from a particular source and the reason for such decision is to be recorded and approval of competent authority obtained. (iii) 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 the competent authority), the required item is to be purchased only from a selected firm.

Note : Proprietary Article Certificate in the following form is to be provided by the Ministry/Department before procuring the goods from a single source under the provision of sub Rule 166 (i) and 166 (iii) as applicable. (i) The indented goods are manufactured by M/s (ii) No other make or model is acceptable for the following reasons: (iii) Concurrence of finance wing to the proposal vide: (iv) Approval of the competent authority vide: (Signature with date and designation of the indenting officer)

Chapter-4 of Manual for procurement of Goods- 2017

4.6 Proprietary Article Certificate

In procurement of goods, certain items are procured only from Original Equipment Manufacturers (OEMs) or manufacturers having proprietary rights (or their authorized dealers/stockists) against a **PAC certificate (Annexure-6)** signed by the appropriate authority.

Terms and Conditions

- i. User should enclose, with their Indent, a PAC certificate indicating the justification and approval at the appropriate level as per DFPR/SoPP, for sourcing an item from OEM or PAC firms or their authorized agents;
- ii. Proprietary items shall be purchased only from a nominated manufacturer or its authorized dealer as recorded in the PAC certificate;
- iii. In certain unavoidable cases, the procuring authority may have no alternative but to waive payment of EMD/SD for procurement on a proprietary basis;
- iv. To the extent feasible, the firm may be asked to certify that the rates quoted by them are the same and not higher than those quoted with other Government, public sector or private organisations;
- v. In case of PAC/single tender procurements:
 - a) Reports relating to such awards should be submitted to the Ministry every quarter;
 - b) Internal audit may be required to check at least 10(ten) per cent of such cases; and
 - c) Details of such contracts should be published on the website of the Procuring Entity.
- vi. **PAC certificate should be completed in all respects and no column should be left blank.**

Ravi Kumar

Page - 2/3

2. The above process may be followed in NICS I while assignment of contract related to ICT Solutions including procurement of Hardware and Software, Networking and Integration, Data Centre Services and Turnkey Projects.

3. The instructions from FA, NICS I circulated earlier, may also be keep in mind.

- a. PAC submitted must contain the signature and stamp of the user,
- b. If PAC is signed by the NIC Officer, it needs to be countersigned by concerned HoGs/SIOs/ HoDs also,
- c. PAC must clearly have the financial concurrence & competent authority approvals details as per prescribed format,
- d. The approval date mentioned on the PAC shouldn't be of more than one year period, as that PAC cannot be uploaded on GEM portal as approval date of PAC is to be entered on GEM,
- e. For items non-available on GEM, if it is proposed to purchase through LPC, PAC is also required to be submitted with non availability certificate from GEM.

4. This issues with the approval of Competent Authority.

Ravi Kumar
10/02/2023
(Ravi Kumar)
Manager

Enclosures:-

1. Copy of PAC format as Annexure-6
2. Copy of GFR-2017 Rule 166
3. Copy of Chapter 4 of Manual for Procurement of Goods 2017.

To,

All Officers in NICS I

Copy to:

1. MD, NICS I
2. FA, NICS I

ANNEXURE- II

5602519/2025/O/o GM(NG)

No.4(1)/2025-NICSI-Admn/24
National Informatics Centre Services Incorporated
(A Government of India Enterprises under NIC)
Hall No.2 & 3, 6th Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi - 110066

Dated: 16.05.2025

OFFICE MEMORANDUM

It has been decided by the Competent Authority to constitute a committee consisting of following officers for drafting of Procurement Manual for NICSI:

- (i) Shri Manoj Kumar Mishra, AFA(NIC) & Board Member, NICSI
- (ii) Shri Sandeep Kumar Singhal, HoG (Contract Governance), NIC & Board Member, NICSI
- (iii) Shri Jitender Kumar, Chief General Manager & Financial Advisor, NICSI
- (iv) Shri Ramdatt Upadhyay, General Manager & HoD-Procurement (Tender & GeM), NICSI- Member Convenor

2. Terms of Reference of the Committee: -

- i. Drafting of Procurement Manual for NICSI
- ii. Committee may co-opt any other member as per requirement.
- iii. Committee may also see any other related aspects for the purpose or issues related to NICSI like record retention period etc.

This issues with the approval of the Competent Authority of NIC & NICSI.


(Mahesh Kumar)
Dy. Manager(Admin)

Copy to:-

1. Chairman and Members of the Committee
2. O/o of DG,NIC.....for kind information
3. O/o MD, NICSI
4. Financial Advisor, NICSI
5. Vigilance Officer, NICSI
6. Company Secretary, NICSI
7. All Concerned through..... email
8. Guard File/Main File

ANNEXURE- III



नेशनल इन्फोर्मेटिक्स सेंटर सर्विसिज़ इन्कोर्पोरेटेड
National Informatics Centre Services Incorporated
(रा. सू. वि. के. के अन्तर्गत भारत सरकार का एक उद्यम)
(A Government of India Enterprise under NIC)
इलेक्ट्रॉनिकी और सूचना प्रौद्योगिकी मंत्रालय
Ministry of Electronics and Information Technology



जन जन की भाषा है हिंदी

No. 10(16)/2020-NICSI

Date: 29.05.2025

Office Order

Subject: Guidelines for Issuing Proprietary Article Certificate (PAC)

1. Reference to GFR 166:

Single Tender Enquiry is permissible under the following circumstances:

- When the user department is aware that only a specific firm is the manufacturer of the required goods.
- In emergency situations where goods must necessarily be procured from a particular source, with proper justification recorded and approval from the competent authority obtained.
- When standardization of machinery or spare parts is required to ensure compatibility with existing equipment. This must be based on the advice of a competent technical expert and with the approval of the competent authority.

2. PAC Format:

A prescribed format for PAC in the Manual for Procurement of Goods, Second Edition, 2024 is attached for reference.

3. Important Considerations:

The following points must be considered when issuing a PAC:

- The PAC is valid only for the current financial year.
- The required goods must be manufactured solely by a particular firm, in line with GFR 166(i).
- There must be **an existing machinery or set of equipments** in reference to which PAC is being issued in line with GFR 166(iii).

The requirement should either be:

For standardization of existing machinery, or

For spare parts compatible with an existing set of equipment, based on the recommendation of a technical expert and with approval from the competent authority.

- A separate document detailing the technical reasons, duly signed by the technical advisor and approved by the competent authority, must be attached to the PAC or included as part of it.
- All fields in the PAC must be completed (none should be left blank), **including the concurrence of the finance department**. If a field is not applicable or information is unavailable, this must be clearly indicated.

[Signature]
29/5/2025

हाल सं. 2 व 3, छठी मंजिल, एन.बी.सी.सी. टावर, 15, भीकाजी कामा प्लेस, नई दिल्ली-110066, दूरभाष: 26105258, 26105054, 26169437, 26169415, फैक्स: 26105212
Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi-110066, Ph: 26105258, 26105054, 26169437, 26169415, Fax: 26105212
Website : www.nicci.com, Corporate Identity Number: U74899DL1995NPL072045 GSTIN: 07AAACN2185J1ZE

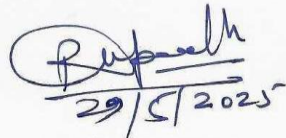
- vi. Details of similar purchases made in the past three years must be provided, if available. If this is the first purchase or such information is unavailable, it should be noted accordingly.
- vii. The document must be signed and stamped by the requestor and the approving authority, clearly indicating their names, designations, and the date.

4. Key Cautions and Common Errors:

- i. Simply ticking box 6(b) in the PAC format is not sufficient; it must be supported by duly recommended and approved valid technical reasons.
- ii. PAC should not be issued for procuring new items such as laptops, printers, Switches.
- iii. Reasons like 'good support from the manufacturer', 'similar equipment already in use', 'suggested by surveyor', which are non-technical and subjective are not considered valid reasons.

The aforementioned process for issuing a PAC must be adhered to in NICSI. Each PAC should be thoroughly examined for its validity, authenticity, and completeness before proceeding with any PAC-based procurement. Additionally, procurement guidelines issued by the Department of Expenditure in accordance with the GFR must be strictly observed.

This issues with the approval of Competent Authority.



(Ramdatt Upadhyay)
GM & HoD (Tender)

Enclosures:-

- 1. PAC format

To,

All Officers in NICSI

Copy to:

- 1. MD, NICSI
- 2. FA, NICSI

Annexure 9: Proprietary Article Certificate

(Refer Para 4.10)

Valid for the Current Financial Year

File Number and Date Reference	Description of article
1	Forecast of quantity/annual requirement
2	Approximate estimated value for the above quantity
3	Maker's name and address
4	Name(s) of authorised dealers/ stockists
5	I approve the above purchase on a PAC basis and certify that: --
6	Note- Tick to retain only one out of 6(b) or 6(c), whichever is applicable and cross out others. Please confirm 6(a) by ticking it, without which the PAC certificate will be invalid.
6(a)	This is the only firm that manufactures/ stocks this item.
6(b)	AND No other make or model is acceptable for the following reasons (like OEM/ warranty spares):
6(c)	A similar article is not manufactured/sold by any other firm, which could be used in lieu.
7	Reference of concurrence of finance wing to the proposal:
The history of PAC purchases of this item for the past three years may be given below.	
Name of the Supplier	Quantity Ordered
Order/ Tender Reference Date	Basic Rate on Order (Rs.)
	Adverse Performance Reported if Any

Signature of Approving Authority.....
Date Designation of Officer

Rupendra
29/5/2025

APPENDIX-I
COMMITTEE ON PUBLIC UNDERTAKINGS
(2025-26)

MINUTES OF THE FIFTEENTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 5th December, 2025 from 1000 hrs. to 1045 hrs. in Committee Room No. '2', Ground Floor, Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri Baijayant Panda - Chairperson

MEMBERS

LOK SABHA

2. Shri Tariq Anwar
3. Shri Chandra Prakash Joshi
4. Shri Kaushalendra Kumar
5. Shri Shankar Lalwani
6. Shri B.Y. Raghavendra
7. Shri Mukesh Rajput
8. Shri Sukhjinder Singh Randhawa
9. Shri Prabhakar Reddy Vemireddy
10. Shri Lalji Verma

RAJYA SABHA

11. Dr. John Brittas
12. Shri Neeraj Dangi
13. Shri Milind Murli Deora
14. Dr. Bhagwat Karad
15. Shri Surendra Singh Nagar
16. Shri Debashish Samantaray
17. Shri Arun Singh

SECRETARIAT

- | | |
|-------------------------|--------------------|
| 1. Shri Anjani Kumar | - Joint Secretary |
| 2. Smt. Mriganka Achal | - Director |
| 3. Shri Tenzin Gyaltzen | - Deputy Secretary |

2. The Hon'ble Chairperson briefly apprised the Members on the Eleven draft Reports. The Committee then considered and adopted the following draft reports, without any changes/modifications: -

- i. Sagarmala Finance Corporation Limited (SFCL) (Comprehensive Examination);
- ii. Rural Electrification Corporation Limited (REC Limited) (Comprehensive Examination);
- iii. Nuclear Power Corporation of India Limited (NPCIL) (Comprehensive Examination);
- iv. Review of Performance of Petroleum & Natural Gas Sector CPSUs (Horizontal Examination);
- v. "Para No. 2.4 of C&AG Report No. 14 of 2021 regarding 'Loss due to flaring of High-pressure gas' relating to Oil & Natural Gas Corporation (ONGC) Limited. (Audit Based Examination);
- vi. Action Taken by the Government on the Observations/ Recommendations contained in the First Report (18th Lok Sabha) on "Procurement of hardware/software item to the tune of Rs. 890.34 Crores through strategic alliance" relating to National Informatics Centre Services Inc. (NICSI)" [Based on Audit Para No. 6.1 of C&AG Report No. 03 of 2021];
- vii. Action Taken by the Government on the Observations/ Recommendations contained in the Third Report (18th Lok Sabha) on "Undue enrichment through recovery of turnover tax from consumer" relating to Indian Oil Corporation Limited (IOCL) [Based on Audit Para No. 2.1 of C&AG Report No. 14 of 2021];
- viii. Action Taken by the Government on the Observations/ Recommendations contained in the Ninth Report (18th Lok Sabha) on "Industrial Finance Corporation of India Limited (IFCI Ltd)";
- ix. Action Taken by the Government on the Observations/ Recommendations contained in the Tenth Report (18th Lok Sabha) on "Design and Development (D&D) in Hindustan Aeronautics Limited (HAL)" [Based on Chapter-II of C&AG Report No. 18 of 2023];
- x. Action Taken by the Government on the Observations/ Recommendations contained in the Eleventh Report (18th Lok Sabha) on "Reviewing timely submission of Action Taken Notes (ATNs) on C&AG Paras/Reports (Commercial) by the Ministries/Departments"; and
- xi. Action Taken by the Government on the Observations/ Recommendations contained in the twelfth Report (18th Lok Sabha) on "IREL (India) Limited".

3. The Committee authorized the Chairperson to finalize the draft Reports on the basis of factual verification as suggested by the concerned CPSUs/Ministry/Department/C&AG and presentation of the same during the current session of Parliament.

The Committee, then, adjourned.

/-----/

APPENDIX-II

(Vide para 4 of the Introduction)

Analysis of the Action Taken by Government on the Observations/ Recommendations contained in the First Report of the Committee on Public Undertakings (18th LS) on “Para No. 6.1 of Report No. 03 of 2021 of C&AG related to ‘procurement of hardware/ software item to the tune of Rs. 890.34 Crores through strategic alliance relating to National Informatics Center Services Inc. (NICSi)”.

I	Total number of recommendations		09
II	Observations/Recommendations that have been accepted by the Government [vide Recommendations [vide Recommendations at Sl. Nos. 1, 2, 4, 5, 6, 7 and 8]	Total	- 07
		Percentage	77.78 %
III	Observations/Recommendation which the Committee do not desire to pursue in view of Government's replies.- Nil	Total	- 00
		Percentage	0.00%
IV	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and need reiteration.- Nil	Total	- 00
		Percentage	0.00%
V	Observations/Recommendations to which the Government has furnished interim replies. Sl. Nos. 3 and 9.	Total	- 02
		Percentage	22.22%