

General Observations Based on CTE's Intensive Examinations



Tehri Dam & Reservoir

सतर्कता जागरूकता सप्ताह
Vigilance Awareness Week
26th Oct. to 31st Oct. 2015

सतर्कता विभाग
Vigilance Department

2015-16



टीएचडीसी इंडिया लिमिटेड
THDC INDIA LIMITED

(भारत सरकार एवं उ.प्र. सरकार का संयुक्त उपक्रम)
(A Joint Venture of Govt. of India & Govt. of U.P.)

हमारी अभिदृष्टि / Our Vision

पर्यावरण और सामाजिक मूल्यों की प्रतिबद्धता के साथ
एक विश्व स्तरीय ऊर्जा इकाई स्थापित करना ।

A world class energy entity with commitment to
environment and social values.

हमारा मिशन / Our Mission

- ऊर्जा संसाधनों की दक्षतापूर्वक योजना बनाना, उनका विकास तथा प्रचालन करना ।
- To plan, develop and operate energy resources efficiently.
- अत्याधुनिक प्रौद्योगिकियों को अंगीकृत करना ।
- To adopt state of the art technologies.
- सीखने एवं नवोन्मेषीकरण की कार्य संस्कृति को बढ़ावा देकर निष्पादन में उत्कृष्टता प्राप्त करना ।
- To achieve performance excellence by fostering work ethos of learning and innovation.
- पारस्परिक विश्वास द्वारा स्टैकहोल्डरों के साथ सत्त मूल्य आधारित संबंध स्थापित करना ।
- To build sustainable and value based relationship with stakeholders through mutual trust.
- परियोजना प्रभावित व्यक्तियों का मानवीय दृष्टिकोण से पुनर्वास एवं पुनर्स्थापना करना ।
- To undertake rehabilitation & resettlement of project affected persons with human face.



राष्ट्रपति
भारत गणतंत्र
PRESIDENT
REPUBLIC OF INDIA

MESSAGE

I am happy to learn that the Central Vigilance Commission is observing Vigilance Awareness Week from October 26 to October 31, 2015.

Corruption affects the growth of a nation, reduces the Government's income and creates inequalities in distribution of income and wealth. It is a major factor hindering development. It is critical that awareness is generated and public opinion developed on the evils of corruption. Corruption needs to be treated like a disease and focus should be on prevention. It is appropriate that the Commission has adopted the theme of "Preventive Vigilance as a tool of Good Governance" for the current year. The measures adopted for Preventive Vigilance would help not only reduce corruption but also contribute towards good governance by way of increasing efficiency, transparency and adherence to rule of law. I am happy that the Central Vigilance Commission is also focussing on students and youth for creation of awareness against corruption and promotion of good governance.

I extend my greetings to all those associated with observance of the Vigilance Awareness Week, 2015. Let us reaffirm our commitment to make India corruption free and engage in ceaseless efforts to achieve this goal.

(Pranab Mukherjee)

New Delhi
October 6, 2015



भारत के उप-राष्ट्रपति
VICE-PRESIDENT OF INDIA

MESSAGE

I am happy to learn that this year Vigilance Awareness Week is being observed by the Central Vigilance Commission (CVC) from October 26 – 31, 2015 on the theme 'Preventive Vigilance as a tool of Good Governance'.

Preventive vigilance comes into play before any act of corruption takes place. The system itself, through internal checks and balances, can ensure that acts of corruption do not take place. It is important to create awareness among Government Departments, Institutions and general public to implement preventive measures effectively, so that transparency and accountability can be maintained in governance and corruption eliminated at every level. Since its inception the CVC has played a significant role in the promotion of transparency and efficiency in the public sector.

Let us take a pledge on this occasion to remove the menace of corruption from our society.


(M. HAMID ANSARI)

New Delhi
30th September, 2015



सत्यमेव जयते

प्रधान मंत्री

Prime Minister

MESSAGE

I am happy to learn that Vigilance Awareness Week is being observed this year from the 26th to 31st October.

I am also pleased to note that the Central Vigilance Commission has chosen "Preventive Vigilance as a tool of Good Governance," as this year's theme. I am sure, the observance of Vigilance Awareness Week on this theme shall help highlight the importance of preventive vigilance in curbing administrative malpractices, and providing good governance.

On this occasion, I convey my best wishes for the success of Vigilance Awareness Week.



(Narendra Modi)

New Delhi
21 September, 2015

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केन्द्रीय सतर्कता आयोग
CENTRAL VIGILANCE COMMISSION



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सं./No. 015/VGL/068

दिनांक / Dated 05/10/2015

MESSAGE

Vigilance Awareness Week – 26th October to 31st October 2015

Observance of Vigilance Awareness Week every year is one of the various outreach initiatives undertaken by Central Vigilance Commission in its endeavour to fight corruption and create awareness among the public servants as well as the citizens on the ill-effects of corruption and need for integrity. Co-operation of all stake holders is imperative in creating and promoting a culture of integrity, transparency and accountability, which would help fulfil the expectations of the citizens for a corruption free society.

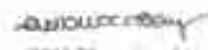
The Commission has chosen "Preventive Vigilance as a tool of Good Governance" as the theme for the Vigilance Awareness Week for the current year. Corruption is one of the factors inhibiting Governance and preventive vigilance can play a prominent role in ensuring Good Governance. Good Governance plays a vital role in promoting economic development of the country and well being of the citizens.

Preventive vigilance is a package of measures to improve systems/procedures aimed at eliminating the scope for corruption and to aid the management to achieve optimum results. Identifying complex rules/procedures and simplifying the same, curtailing discretions, ensuring accountability, sensitizing the officials, facilitating a culture of honesty and promoting ethical practices, etc. are some of the measures. The Commission believes that good governance can be promoted by putting in place strong preventive vigilance measures.

The Commission requests all public authorities to undertake preventive vigilance measures enthusiastically to reaffirm our commitment to the cause of fighting corruption and to improve governance.


(P. M. Bhasin)
Vigilance Commissioner


(Rajiv)
Vigilance Commissioner


(K V Chowdary)
Central Vigilance Commissioner



आर. एस. टी. साई

अध्यक्ष एवं प्रबंधन निदेशक

R.S.T. Sai

Chairman & Managing Director

टीएचडीसी इंडिया लिमिटेड THDC INDIA LIMITED

(भारत सरकार एवं उ.प्र. सरकार का संयुक्त उपक्रम)
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FOREWORD

Vigilance Awareness Week is to be observed from 26th October to 31st October 2015. The Vigilance department of THDCIL is publishing a Booklet on General Observations Based on CTE's Intensive Examinations. This booklet illustrates shortcomings observed during Intensive Examination of various works/contracts by CTE's Organization (CVC). These will certainly be helpful in adherence to Rules and Procedures more meticulously.

This year the theme of Vigilance Awareness Week is, "Preventive Vigilance as a tool of Good Governance". Preventive Vigilance could broadly be described as a package of measures to improve systems and procedures in a way to reduce scope for discretion and eliminate corruption.

On the occasion of Vigilance Awareness Week -2015, I congratulate the Vigilance Department of THDCIL for releasing the Booklet and for its efforts in implementing preventive vigilance approach.


(R.S.T. Sai)

Place : Rishikesh



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(संयुक्त राज्यकार एम जे व्ही. संयुक्तता का संयुक्त उपक्रम)
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कार्यालय मुख्य सतर्कता अधिकारी

PARVEZ HAYAT
IPS
Chief Vigilance Officer

PREFACE

Chief Technical Examiner's Organization in the Central Vigilance Commission has been making a positive contribution by conducting Intensive examination of various works. As a result of these examinations certain observations are made, which can be easily avoided. On the occasion of Vigilance Awareness Week to be observed from 26th October to 31st October 2015, the Vigilance department of THDCIL is publishing a Booklet on General Observations Based on CTE's Intensive Examinations. Study of this booklet by various Executives would definitely enable them to utilize the service of the CTE's Organization in a more purposeful manner.

This year the theme of Vigilance Awareness Week is, "Preventive Vigilance as a tool of Good Governance". Strategically the aim of Vigilance organization is to shift priority of vigilance functioning from punitive to preventive and eventually to proactive & predictive vigilance by creating awareness, bringing about systemic changes, at the same time zero-tolerance to corruption in cases where malafide is proved beyond doubt. THDCIL management has been laying stress on the efficacy of preventive vigilance in curbing corruption. Systemic improvements have been recommended from time to time to reduce opportunities for corruption in any shape.

Application of preventive vigilance as a tool of good governance would not only result in removing negative connotations attached with vigilance work but would also contribute positively towards the overall functioning of the organization, ensuring transparency, integrity and equity.


Parvez Hayat, IPS

Date: 05-10-2015

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INTRODUCTION

The Chief Technical Examiner's Organization was created in 1957, in the Ministry of works, Housing & supply for the purpose of conducting a concurrent technical audit of works of the Central Public Works Department with a view to secure economy in expenditure and a better technical as well as financial control. Santhanam Committee on prevention of corruption set up in 1963 observed that the CTE Cell had been doing extremely good work and recommended that this organization not only needed to be continued, but be strengthened to enable it to work more effectively. The Committee further recommended that the jurisdiction of the CTE organization should be extended to cover construction works undertaken by other ministries/departments, as well and to place it under the administrative control of the Central Vigilance Commission. The recommendation was accepted by the Government of India and the Chief Technical Examiner's Organization now functions under the administrative control of the Central Vigilance Commission. Initially, CTE's organization was conducting intensive examination of construction works of civil and electrical, but with the growing expenditure on stores/ purchases including IT related purchases and outsourcing of services, CTE's Organisation started examining these contracts also. All the outsourcing activities of the government i.e. execution of works, various purchases and hiring of various services etc. clubbed together is defined as public procurement.

Definition and Principles of Public Procurement

Public Procurement can be defined as the procurement of goods, works and services by all Govt. Ministries, Departments, Agencies, Statutory Corporations and Public Sector Undertakings in the Centre and the States, Municipal Corporations and other local bodies and even by private Public Sector Undertakings providing public services on monopoly basis.

Public procurement is only an extension of the personal procurement by two key words i.e. transparency and fairness. When we take up any construction work for ourselves or make personal purchases or hire of any services, we always try to ensure that we get the value for money, good quality product and timely delivery. In case of public procurement we have to go a little further i.e. in addition ensure that procurement is done in a transparent fair and equitable manner.

The canon of Public Procurement is to procure work, material, services of the specified quality within the specified time at the most competitive prices in a fair, just and transparent manner.

In brief, the watchwords in this context are

- Transparency
- Fairness
- Value for money
- Quality
- Time

Adhering to the canons of public procurement is in fact a tight rope walk involving a balance between transparent and fair action on one side and achieving timely delivery of quality goods at competitive rates on the other side. It is indeed going to be more demanding to perform the task with the implementation of the Right to Information Act 2005. Now all our actions and decisions are open for scrutiny by public at large.

During intensive examinations of public procurements done by central public authorities, the CTEO have observed a number of irregularities indicating that canons of public procurements have not been adhered to in totality. Some of the irregularities are common

in nature which can be easily avoided by being alert and vigilant through the process. Towards preventive vigilance measures, the Central Vigilance Commission has been issuing guidelines/instructions from time to time. CTEO has also published various booklets enumerating various irregularities observed during various intensive technical examinations. All these circulars and publications are available on the CVC Web Site (www.cvc.nic.in)

1.0 The process of Public Procurement can be categorized in three distinct Stages-

1. **Pre-tender Stage**

(Project formulation, Appointment of Consultants, Preparation of Detailed Project report/ Detailed Estimate).

2. **Tender Stage**

(Preparation of tender documents, inviting & opening of tenders, prequalification, tender evaluation & award of work)

3. **Execution Stage**

(Compliance of agreement conditions, making payments, ensuring quality & timely completion)

Pre-tender stage is further bifurcated into following stages-

- Estimation of requirements and financial sanction.
- Appointment of Consultant
- Detailed Project Report

Tender Stage is further bifurcated into following stages

- Preparation of tender documents
- Inviting and opening of tenders
- Pre-qualification
- Tender evaluation and award of work.

B The important items in the execution stage are as follows:

- Issue of Letter of Intent, Work Order/Supply Order and Signing of the agreement.
- Various Advance Payments like Mobilization Advance, T&P Advance, Secured Advance etc.
- Implementation of various contract provisions such as obtaining labour licenses, insurance policies (CAR Policy, Workmen Compensation policy etc.), employing technical staff etc.
- Watching time and cost overrun.
- Payments for the work done/supply made/services provided by the Contractor/Vendor etc.
- Checking quality of work, ensuring mandatory testing, and visual inspection.

The CTE's organization conducted examination of various power projects recently. The deficiencies observed during various stages of public procurement, relevant instructions issued by the Commission on the subject, check-points to avoid such deficiencies and preventive measures to be taken by the CVO are discussed in subsequent chapters.

DETAILED ESTIMATE, ADMINISTRATIVE APPROVAL AND EXPENDITURE SANCTION

1. Detailed cost estimate of work should be prepared strictly in line with the provisions of Sub-Delegation of Powers / Work Policy for the same, instead of on the basis of rates prepared on locally framed norms.
2. Individual items of work in the estimate should not be deficient in description and should be self contained to the extent that all important parameters are covered.
3. Escalation components should be taken in a rational manner commensurate to the components of items of work involved.
4. At times, it is seen that expenditure beyond sanctioned provisions are not regularized in time. It should be ensured that expenditure incurred or being incurred beyond sanctioned provisions is regularized well in time preferably by way of obtaining prior approval of competent authority.
5. Variation in Bill of Quantities should be prepared on realistic basis with the detailed justifications. An estimate of an ongoing Agreement should not be revised time and again during execution of work on the ground of variation in quantities.
6. In case an estimate is required to be revised, proper justification thereof must be provided, clearly mentioning therein the specific reasons attributable to the revision of estimate.
7. During framing of an estimate the hidden expenses and Contractor's profit etc. should be considered on the basis of approved guidelines applicable for the work.
8. The estimate for purchase items should be prepared in realistic manner after verifying the reasonability of rates from the suppliers for similar specification items.
9. The current input of market rates may also be kept in view while framing the detailed estimate.
10. Normally, the detailed estimate should be prepared and approved before issue of NIT. In case, this is not possible due to some reason, the estimate contained in the approved Project Estimate with appropriate adjustments on account of base date, quantities, specifications etc. may be adopted before issue of NIT.
11. Use of bond stone is technically essential to maintain homogeneity in the mass of random rubble masonry wall to withstand various stresses due to axial / eccentric loading and therefore essential for structural stability of such wall. This aspect should be taken care of both at the time of preparation of detailed estimate and also at the time of execution of the same.
12. Element of carriage should be taken in an appropriate and justified manner for cement, sand, stone, aggregate, stone ballast, steel & brick etc., since these accounts for a substantial impact on the total estimated cost.
13. At times, instead of proposing boulders filled wire crate barrier walls at different levels for stopping the flow of soil / earth from a higher level to lower level, possibility of carrying out other cheap soil stabilization measures like grassing, plantation etc. may also be considered for adoption.
14. It has been observed that many items of detailed estimate are not executed, instead extra items costing crores of rupees are initiated and executed. Initiation and execution of extra items of such a huge cost leads to suspicion and many a times, it was observed that the above was done with a view to accrue undue benefit to the

agency. A copy of technically sanctioned detailed estimate, approved by the competent authority may also be kept at site, so that the same is readily accessible to the officials connected with execution of work. This will help them in getting the work executed in a much better way in addition to initiation / non initiation and execution of genuine extra items.

15. During preparation of detailed estimate, while providing for pre- constructional anti-termite treatment, the chemical to be used should be mentioned specifically, so that the rates are prepared accordingly in a justified manner and quality assured.
16. The specifications of purchase items should be firmed properly before indenting an item and no variation should be allowed in the same during procurement.
17. The estimate for work / purchase should be composite in line with real work requirements. It should not be splitted into parts to facilitate the bidders/suppliers.
18. The administrative approval and expenditure sanction for the work should be readily available both with Corporate contract and Execution deptl. at site so that the same is accessible to CTE's Organization during /ME of the works.

CALL OF TENDERS, PRE-QUALIFICATION AND AWARD OF WORK

The PQ conditions should be exhaustive, yet specific. The factors that may be kept in view while framing the PQ Criteria includes the scope and nature of work, experience of firms in the same field and financial soundness of firms.

As per CVC O.M No. No. 12-02-1-CTE-6, dated 17th December 2002, following points must be kept in view while fixing the P.Q criteria:-

A) For Civil/Electrical Works :

- i) Average Annual financial turnover during the last 3 years, ending 31st March of the previous financial year, should be at least 30% of the estimated cost.
- ii) Experience of having successfully completed similar works during last 7 years ending last day of month previous to the one in which applications are invited should be either of the following:
 - a. Three similar completed works costing not less than the amount equal to 40% of the estimated cost.
 - or
 - b. Two similar completed works costing not less than the amount equal to 50% of the estimated cost.
 - or
 - c. One similar completed work costing not less than the amount equal to 80% of the estimated cost.
- iii) Definition of "similar work" should be clearly defined.

In addition to above, the criteria regarding satisfactory performance of works, personnel, establishment, plant, equipment etc. may be incorporated according to the requirement of the Project.

B) For Store/Purchase Contracts :-

Prequalification/Post Qualification shall be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their (i) experience and past performance on similar contracts for last 2 years (ii) capabilities with respect to personnel, equipment and manufacturing facilities (iii) financial standing through latest I.T.C.C., Annual report (balance sheet and Profit & Loss Account) of last 3 years. The quantity, delivery and value requirement shall be kept in view, while fixing the PQ criteria. No bidder should be denied prequalification/post qualification for reasons unrelated to its capability and resources to successfully perform the contract.

2. Tender for any work should be invited only after the approval of its detailed estimate by competent authority.
3. The constitution of Tender Committee for processing and award of work should be strictly in line with the provisions of Sub Delegation of Powers.
4. Tendered rates of similar items in a work quoted by other agencies for other works in the vicinity, which in case are in progress, may also be considered for comparison with the quoted rates of L1, so that a comparison on this account could be made to help arrive at better decision.
5. The process of tendering and award of work should be completed in an expeditious manner by avoiding delay. Works earmarked as urgent should be dealt with promptly.

6. The conditions relating to pre-qualification, GCC, technical specification etc. should be finalized and frozen before floating NIT / putting the work to tender, as in many a cases, it was observed that because of modification in pre-qualification requirements, GCC, technical specification etc., a considerable time was lost, which ultimately did not, in fact, generate wider and enough competition amongst the prospective bidders and also led to escalation in the project cost.
7. Similar nature of smaller works, which are constituent component parts of a bigger project, proposed to be executed at adjacent or near by locations, to the extent possible and found tenable on merits, may be considered to be processed for estimation, tendering and award as a one single package with a view to affect economy and bring in more contractors for competitive bidding. This may however not be applicable for smaller works, which are tendered on reach wise / package wise basis.
8. Pre-qualification of prospective bidders should be scrutinized thoroughly and only such nature and amount of works, as are covered as per NIT stipulations, should be considered for pre-qualification.
9. Many a times, the agencies give description of various on going / completed works by them, the nature of which are different from those mentioned in the NIT and are therefore not covered as per the NIT stipulations and should therefore not be considered. This may be given due consideration while scrutinizing pre-qualification of prospective bidders.
10. Many a times, during pre-qualification stage, the party submits details of an ongoing but delayed and incomplete work of such similar nature, as is stipulated in NIT. Here, the reasons of poor performance and inefficiency of the agency, if any, should also be looked into and verified while considering him for pre-qualification.
11. At the time of drafting scope of work, EMD, pre-qualification requirements, construction methodology, tender conditions etc., efforts should be made to incorporate condition / clause relating to any possible eventuality so that as many less amendments as possible to the scope of work, EMD, pre-qualification requirements, tender conditions, construction methodology, various dates of opening and submission of bids etc. are issued. Issuance of large number of amendments, in addition to delaying the process of tendering, also has cost implication to the project.
12. At times, during pre-bid discussion, such conditions of bidders, as are advantageous to them, but were not stipulated in the tender documents, are accepted. This, to the extent possible, should preferably be avoided by putting efforts in the direction of including such conditions in the tender documents in the initial stage of floating the tender.
13. Before issuing the letter of award, the reasonableness of the rates offered for the items and their components with respect to their market rate justification should be prepared, checked and kept on record in justification of award of work by approving authority.
14. Instances have come to notice, where even though the estimate and the quoted prices practically pertained to the same period, the work was awarded at a much higher cost. In such cases, efforts should be done to press upon the contractor to reduce the rates, so as to match with the approved cost.
15. Following consolidated instructions of CVC circular no. 005/ CRD/012 dt. 03.03.2007 should be referred by the Tender Committee for negotiations with L-1 bidders.
 - A- (i) As post tender negotiations could often be a source of corruption, it is directed that there should be no post-tender negotiations with L-1, except in certain exceptional situations. Such exceptional situations would include, procurement of proprietary items, items with limited sources of supply and items where there is suspicion of a cartel formation. The justification and

details of such negotiations should be duly recorded and documented without any loss of time.

- (ii) In cases where a decision is taken to go for re-tendering due to the unreasonableness of the quoted rates, but the requirements are urgent and a re-tender for the entire requirement would delay the availability of the item, thus jeopardizing the essential operations, maintenance and safety, negotiations would be permitted with L-1 bidder(s) for the supply of a bare minimum quantity. The balance quantity should, however, be procured expeditiously through a re-tender, following the normal tendering process.
- (iii) Negotiations should not be allowed to be misused as a tool for bargaining with L-1 with dubious intentions or lead to delays in decision-making. Convincing reasons must be recorded by the authority recommending negotiations. Competent authority should exercise due diligence while accepting a tender or ordering negotiations or calling for a re-tender and a definite timeframe should be indicated so that the time taken for according requisite approvals for the entire process of award of tenders does not exceed one month from the date of submission of recommendations. In cases where the proposal is to be approved at higher levels, a maximum of 15 days should be assigned for clearance at each level. In no case should the overall timeframe exceed the validity period of the tender and it should be ensured that tenders are invariably finalized within their validity period.
- (iv) As regards the splitting of quantities, some Organizations have expressed apprehension that pre-disclosing the distribution of quantities in the bid document may not be feasible, as the capacity of the L-1 firm may not be known in advance. It may be stated that if, after due processing, it is discovered that the quantity to be ordered is far more than what L-1 alone is capable of supplying and there was no prior decision to split the quantities, then the quantity being finally ordered should be distributed among the other bidders in a manner that is fair, transparent and equitable. It is essentially in cases where the organizations decide in advance to have more than one source of supply (due to critical or vital nature of the item) that the Commission insists on pre-disclosing the ratio of splitting the supply in the tender itself. This must be followed scrupulously.
- (v) Counter-offers to L-1 in order to arrive at an acceptable price, shall amount to negotiations. However, any counter-offer thereafter to L-2, L-3, etc., (at the rates accepted by L-1) in case of splitting of quantities, as pre-disclosed in the tender, shall not be deemed to be negotiation.

B- It is reiterated that in case L-1 backs-out, there should be a re-tender.

- 16. It is clarified by the commission that there should normally be no post-tender negotiations. If at all negotiations are warranted under exceptional circumstances, then it can be with L-1 (Lowest Tenderer) only if the tender pertains to the award of work/supply orders etc. where the Government or the Government Company has to make payment. However if the tender is for sale of material by the Government or the Govt. company, the post tender negotiations are not to be held except with H1 (i.e. with Highest tenderer) if required. (For further details: -CVC Circular No. 01/01/10 dated 20th January 2010 on "Tendering process -negotiations with L-1").
- 17. Tendering process should be completed in an expeditious manner and abnormal delay in awarding the work ought to be avoided, as in addition to resulting in huge escalation payments, it might also result in some post award conflicts between the contractor and the client.
- 18. At times, it also happens that a numbers of packages of similar nature of jobs are put to tender simultaneously and a particular agency quotes for all/ few of the such packages, but quotes different rates for the same items existing in all the packages. Since the tenders for all such packages were processed at the same time and works of all / few of the packages awarded to one agency, rates for common items should

be rationalized, as it is illogical and unfair to accept different rates for same items in different packages at the same point of time.

19. Various clauses, conditions of tender and contract should not be ambiguous and contradictory in nature and should be clear in their intent and spirit. Ambiguous and contradictory conditions may create unnecessary legal problems.
20. All the correspondence with the contractor should always be in writing. Verbal orders are never valid.
21. Any significant change being considered after floating of tender but before the award of work, in specification, tender condition or quantity, which is likely to have a significant financial implication should be intimated to all the prospective bidders.
22. The blank technical data sheets enclosed with the tender forms and wherever required to be mandatorily filled in by the tenderers, should be got filled in by the tender committee, if not already filled in by the tenderers. Non-filling of the technical data sheets enclosed with the tender shows lack of interest on the part of tender committee in technical evaluation of the tenders.
23. Limited tenders from private persons on selection basis without prescribing and verifying any eligibility criteria and without verifying their antecedents etc. should not be invited. Antecedents and complete postal address of the contractors should be mentioned while inviting limited tenders on selection basis.
24. Sufficient time should be allowed between sale and opening of tenders.
25. In case of limited tender enquiry, any corrigendum issued before the opening of price bid should be sent to all the contractors, who had purchased the tenders.
26. Tender sale amount should preferably be deposited by the prospective bidders in finance deptt. directly, in case of their purchasing the tenders by cash, or a demand draft for an amount equivalent to the cost of tender documents should be entertained by the respective deptt. / contracts deptt. for sale of tender documents. Cash transaction may be avoided.
27. Even in case of L1 bidder, in addition to considering overall estimated cost and tendered cost, item wise comparison based on market rate justification, before the award of work should also be done.
28. The P.Q. criteria, performance criteria and evaluation criteria should be incorporated in the bid documents in clear and unambiguous terms as these criterion are very important to evaluate bids in a transparent manner. Whenever required the departments / organizations should follow two-bid system, i.e technical bid and price bid. The price bids should be opened only of those vendors who technically qualified by the Deptt./ Organization.
29. None of the tender Committee member should have any personal interest in the Companies / Agencies participating in the tendering process. An undertaking in this regard should be given by the tender committee member at the appropriate time otherwise committee member should refrain from participating in the Tender Committee.
30. No modification in tender conditions and price-bids should be considered by the tender committee after expiry of date & time of submission of bids.
31. Any rebate offered by the bidders should be considered only when it is the part of main tender document. Any separate rebate / offer should be ignored.
32. Letter of intent / award issued to the contractor by the accepting authority should indicate accepted tendered cost.
33. Belated decision to recall the tenders should, as far as possible, be avoided.

34. There should be wide publicity in case of open tenders by way of publication in National/Local, English and Hindi newspapers as applicable to the type and value of work including displaying the same on website.
35. The documents submitted by the contractors with respect to their credentials like details of executed work done earlier whether including or excluding the cost of stock, whether the work was completed or is still under execution, whether the proof of the executed work is from Govt. deptt. or from a private firm etc., should be scrutinized thoroughly. Proof of executed work from a private firm is not valid unless supported by TDS certificate.
36. Tender documents being issued to the bidders should be properly binded. Tender documents being important documents are prone to tampering, if not issued in a proper binded form.
37. The opportunity to reduce rates and negotiate with the contractor should be availed within the validity of his price bid, wherever indicated, as otherwise, the expiry of validity of his price bid leads to a loss of an opportunity to negotiate with the contractor, which ultimately may also lead to loss of public money.
38. Efforts should be made to reduce the rates of such items, which have been quoted high as compared to their estimated cost, so that no undue benefit is derived by the agency.
39. Selection and appointment of consultant and architect should not be in an arbitrary, pick and choose manner without resorting to competitive bidding through open advertisement.
40. The appointment of consultant should be absolutely need based and for specialized jobs only. The selection of consultant should be made in a transparent manner through competitive bidding.
41. **Selection and employment of Consultants:** Consultants are appointed due to lack of in-house expertise in technical matters. The appointment should be need based and for specialized jobs only and should not be done in an ad-hoc and non-transparent manner without inviting tenders and without collecting adequate data about their performance, capability and experience. Their selection should be made in a transparent manner through competitive bidding. The scope of work entrusted to the consultant and their role should be clearly defined and the contract should incorporate the clauses having adequate provision for penalizing the consultants defaulting by them at any stage of the project including delays attributable to them. Schedule indicating maximum permissible time for each activity should be prepared with a view to arrest time over runs of the project. The consultants should be appointed with clearly established job content and consultation fee payable to them. The role of the consultant should be advisory and recommendatory and final authority and responsibility should be with the departmental officers only. (For details refer CVC Circular No. 08/06/11 dttd. 24.06.2011)
42. Various important provisions, as are prevalent in a normal work contract like submission of BG for satisfactory completion of the work, ceiling on payment of fee, penalty for delay and default in drawing / design etc. should be incorporated while engaging a consultant/ architect and further these provisions should be strictly adhered to also.
43. In most of the govt. deptts., estimated cost is also included in the NIT published in the newspapers, so as to enable the prospective bidders to assess the amount of work involved. At times, not mentioning the estimated cost in the NIT leads to quoting very high rates by some of the prospective bidders as well as this may also lead to non-participation of some of the reputed firms in the bidding process, because of lack of knowledge of value of work involved, thereby ultimately leading to restricted participation / competition amongst bidders and consequently defying the very purpose of open tendering through newspapers. The estimated cost of the work should be indicated in the NIT being published.

44. Before acceptance of work, abnormally high rated and abnormally low rated items (AHR / ALR) should be identified, so that proper check could be kept in deviation of quantities of these items during execution to avoid undue benefit to the agency.
45. The dates of receipt / opening of tenders, if required to be extended after issue / publication of NIT, the same should be done after recording complete reasons for such extension and the extension notice should be issued in the same manner as adopted for original NIT.
46. Unless the sale date of tender is to be extended, there is no reason for going to press for extension of bid submission date. Extended dates of opening of tenders etc. are normally to be conveyed to the prospective bidders.
47. Before the tender documents for any work are sold to the prospective bidders, the draft of the tender document should be got approved from the competent authority and kept on record. All the tender documents for sale should be strictly as per the approved draft tender document.
48. Proper tender sale register / tender opening register should be maintained in which complete record of sale of tender including full name, address with signatures of the tender purchaser, number of tender documents sold, number of tenders received against the NIT should be entered in addition of the normal entries regarding rates, earnest money etc.
49. The tender opening officer(s) / committee should authenticate and verify all the rates and documents enclosed with the tenders, as also the cuttings, over writings & insertions in rates and conditions etc., if any, in the tenders received. In order to eliminate any scope for tampering with the rates of the tenders after opening of tenders, the tender opening officer(s)/committee should ensure that the word "Rs." is prefixed with the rates and the amount for each item is worked out and entered in the schedule of "Quantities and Prices" of the tenders received and opened. In case, it is not done by the tenderers, specific remarks to this effect should be entered in the tender by the tender opening officer(s) committee and the word "Rs." prefixing the rates should be put by the tender opening officers/ committee with their own hand(s) and dated signatures.
50. Specifications, according to which the works are to be executed under the contract should be clearly mentioned under the relevant clause of contract document / agreement.
51. The contract should always contain a clause in respect of use of useful material available and obtained from the excavation under the contract works, as follows:-

"If any of the materials obtained from excavation on the site is such, as can be used in the execution of work under the contract with due approval of Engineer-in-Charge, the same should be appropriately stacked and measured and issued to contractor for use as departmental materials at the prevalent stock issue rates of such materials or the market rates, whichever is higher. The material which cannot be used or is otherwise sub-standard should be disposed off as required under the contract and should not be allowed to be stacked near the useful material at work site."
52. The processing and approvals of time extension and variation cases should be realistic. Repetition of time extension & variation in a contract agreement attracts Vigilance angle.
53. In supercession of earlier circulars following composite guidelines of CVC O.M. No. 4CC-1-CTE-2 dtd. 10.04.2007 should be referred to in case of provision of 'Mobilization Advance'.
 - (i) Provision of mobilization advance should essentially be need-based. Decision to provide such advance should rest at the level of Board (with concurrence of Finance) in the Organization.

- (ii) Though the Commission does not encourage interest free mobilization advance, but, if the Management feels its necessity in specific cases, then it should be clearly stipulated in tender documents and its recovery should be time based and not linked with progress of work. This would ensure that even if the contractor is not executing the work or executing it at a slow pace, the recovery of advance could commence and scope for misuse of such advance could be reduced.
- (iii) Part 'Bank guarantees' (BGs) against the mobilization advance should be taken in as many numbers as the proposed recovery instalments and should be equivalent to the amount of each instalment. This would ensure that at any point of time even if the contractor's money on account of work done is not available with the Organization recovery of such advance could be ensured by encashing the BG for the work supposed to be completed within a particular period of time.
- (iv) There should be a clear stipulation of interest to be charged on delayed recoveries either due to the late submission of bill by the contractor or any other reason besides the reason giving rise to the encashment of BG, as stated above.
- (v) The amount of mobilization advance; interest to be charged, if any; its recovery schedule and any other relevant detail should be explicitly stipulated in the tendered document upfront.
- (vi) Relevant format for BG should be provided in the tender document, which should be enforced strictly and authenticity of such BGs should also be invariably verified from the issuing bank, confidentially and independently by the Organization.
- (vii) In case of 'Machinery and Equipment advance', insurance and hypothecation to the employer should be ensured.
- (viii) Utilization certificate from the contractor for the mobilization advance should be obtained preferably, mobilization advance should be given in instalments and subsequent instalments should be released after getting satisfactory utilization certificate from the contractor for the earlier instalment.

54 Commission had decided that following additional guidelines may be followed in case of grant of Mobilization Advance.

- i) The Bank Guarantee etc., taken towards security of Mobilization Advance should be at least 110% of the advance so as to enable recovery of not only principal amount but also the interest portion, if so required.
- ii) The mobilization advance should not be paid in less than two instalments, except in special circumstances for the reasons to be recorded for keeping check on contractor misutilizing the full utilization advance when the work is delayed considerably.
- iii) A clause in the tender enquiry and the contract of cases providing for interest free mobilization advances may be stipulated that if the contract is terminated due to default of the contractor, the 'Mobilization Advance' would be deemed as interest bearing advance at an interest rate of _____ % (to be stipulated depending on the prevailing rate at the time of issue of NIT) to be compounded quarterly.

(For further details:-CVC Circular No. 02/02/11 dated 17th February 2011)

55 Award of Works / Purchase / Consultancy contracts on nomination basis would amount to a breach of Article 14 of the constitution guaranteeing right to equality, which implies right to equality to all interested parties. The tendering process or public auction is a basic requirement for award of contract by any Govt. agency. (Refer CVC O.O. No. 005/CRD/19 dtde. 05.07.2007)

56 Commission vide Circular No. 15/5/06 dated 09/05/06 had prescribed certain measures to be followed on the works/purchase/consultancy contracts awarded on

nomination basis by PSUs. These have been reviewed and Commission is of the view that the Board of the PSU is not required to scrutinize or and post facto vet the actions of the operational managers and their decisions to award work on nomination basis

Therefore the following amendment is made in sub-Para (i) of Para 2 of Commission's above circular ->

All works awarded on nomination basis should be brought to the notice of the Board of the respective PSUs for scrutiny and vetting post facto.

Read as

All works awarded on nomination basis should be brought to the notice of the Board of the respective PSUs for information.

(For further details; -CVC Office Order No.19/05/10 dtd 19th May 2010 on Transparency in Works/ Purchase/Consultancy contracts awarded on Nomination basis").

57. The details of tender invited and awarded should invariably be posted on the THDC's website.

CONTRACT AGREEMENT

1. All negotiations / modifications including original technical price bids submitted by the lowest contractor should unfailingly be formed part of agreement, so that entire proceedings with the lowest contractor right from submission of bids could be contained in one sealed document enforceable to both the parties.
2. Papers of original contract agreement should not be left loose in open envelopes, and the same ought to be properly binded to avoid any chances of tampering.
3. The Bank Guarantee(s) submitted by the contractor should be independently got verified from the concerned bank(s).
4. At times, various provisions pertaining to insurance are not complied with. The clauses pertaining to insurance covers against men and machines, indemnity bond etc. should be strictly adhered to as per provisions of contract.
5. Validity of insurance policies against men & machine etc. should be monitored properly to keep them alive as per requirement of contract.
6. Timely compliance of various contract provisions regarding deployment of labour, supply of power and water, achievement of mile stone dates, resources report, sales tax, hypothecation deed, deployment of technical staff, haul roads, fire fighting equipments and fire protection measures, communication, proper illumination and ventilation, monthly rental of equipments issued to contractor, appointment of DRB for settlement of dispute, if applicable; explosives, submission of initial security deposit, deduction of security deposit, supply of cement, steel, admixtures etc. should be strictly ensured as per provisions of contract.
7. The contract requirement of full time Safety Engineers and doctors should be strictly enforced.
8. Many a times, while processing the time extension case, various reasons / shortcomings are mentioned only of the deptt., whereas the ground realities speak something else. Various reasons which led to the delay in the work need to be evaluated and appreciated in a realistic and fair manner and it should be ensured that delay in achieving scheduled progress is not attributable to contractor, otherwise appropriate action as per terms of the contract should be taken.
9. Agreement should be signed as soon as possible after the issuance of letter of award to the agency and there should not be any undue delay between the issuance of letter of award and signing of agreement.
10. Work should be got executed at the proposed site of work and not at some other / changed site of work, as, in addition to having contractual problems, it also has financial implications.
11. In case of departmental supply of cement, steel, structural steel, admixture and other materials, their estimated quantities to be issued by the deptt. should be mentioned in the agreement to check abnormal issue of these materials during execution.
12. Wherever the contract provisions stipulate for testing room equipped with various apparatus and manpower to be constructed / provided by the agency at their expense, compliance of the same should be ensured alongwith arrangement of proper sampling of material to avoid undue favour to the contractor.
13. Deployment schedule of machines and equipments during execution of work should be verified as per the contract agreement.
14. Wherever the agreement stipulates for insurance of all the construction plants and other things brought at site by the contractor, the same should be verified as per the terms of the contract.
15. The contractor should not be allowed to sublet any portion of contract without prior written permission/ consent of the Engineer-in-Charge.

SITE RECORDS & TESTS

1. Water, cement, steel, sand, aggregate, admixture and various other materials being used in the construction work, whether procured by THDC or by contractor and all concrete / shotcrete works should be regularly tested as per terms and conditions of the contract i.e. to emphasize that specific attention is called for ensuring tests as per prescribed norms and frequencies specified in the contract agreement/BIS codes.
2. In case of any structure or a part thereof or a test sample taken there from not satisfying test requirements as contained in the contract agreement / BIS codes, at times, affecting only meager recovery from the contractor may not serve the purpose. In such cases, in addition of ensuring the structural soundness of the structure / work, it should be ensured that it also serves the technical requirements for which the structure in question was constructed.
3. At times, it also happens that test reports of the equipments supplied by 'X' agency, i.e. the contractor, are in the name of Y agency. In such a situation, it might be difficult for the client to operate guarantee / warranty clause. The client, in such cases, may consider taking joint deed of guarantee / warranty.
4. If the agreement stipulates for anti termite treatment to be done, the same should be done by an approved firm and required number of years of guarantee bonds should be obtained in this respect.
5. The source of procurement of cement and steel and their brand should be mentioned in the contract agreement to keep a watch and samples from each consignment of cement and steel should be tested and materials should not be allowed to be used in the work, unless test results received are acceptable.
6. Hindrance register, site inspection register / site order book, sample test register, MAS a/c register for cement, steel, admixture etc. should invariably be kept, maintained and updated regularly at site, as site records.
7. Concrete mix designs, wherever applicable, should be changed whenever quarries of fine and coarse aggregate and source of cement are changed.
8. Material Consumption register for major items of works like cement, steel & additives etc. should be maintained even in case of same are to be supplied by the contractor, to keep cross check on quality of work.
9. At times, the contract agreement stipulates that water, cement, sand and aggregate are to be measured separately and not cumulatively in the batching plant, but the marks put in the measuring device of batching machine indicate only cumulative quantity of cement and sand. This aspect may be considered during execution.
10. The measuring device of batching plant should be capable of controlling the delivery of materials, so that inaccuracies in feeding and measuring do not exceed from the specified percentage of deviation for example, for cement (1.5%), water (3%) and aggregate (3%).
11. Materials to be used in the execution of the contract work should be got tested and approved by Engineer-In-Charge, before their use in the works. Complete records of such tests should be maintained and kept till the completion of the work for further comparison.
12. The Quality of deposit works should also be checked by the concerned monitoring department of THDC in line with MOU provisions.

EXECUTION OF WORK & SITE INSPECTION

1. Disposal of excavated materials should be done based on lead chart, which should be prepared and maintained at site.
2. Materials disposed at the disposal site should be leveled and dressed as per terms of contract before releasing full rates, which generally require the disposed materials to be leveled and dressed.
3. Haul Roads should be maintained in proper condition.
4. Strict control on water cement ratio should be maintained in case of concrete / shotcrete work.
5. Appropriate checks should be exercised to ensure proper curing. All the cement / brick / RCC / shotcrete works etc. should be dated to ensure for adequate curing. Sufficient water should be available freely and easily for curing.
6. Required thickness of shotcrete/RCC/concrete work should be ensured as per terms of contract.
7. Proper record of spares, repairs & maintenance should be maintained for equipments in case of O&M contracts.
8. Mixing of constituent components of shotcrete work should be done by weigh batching and not by volumetric batching.
9. If drainage holes are required to be made in any cement / shotcrete construction surface, these should be made during the construction of the cement / concrete / shotcrete surface, so that there is no damage to the already constructed concrete / shotcrete surface.
10. The quality of concrete should be ensured with respect to its surface irregularities, centering and shuttering, concrete cover, effective thickness/ width of the structure concerned, honeycombing- because of poor compaction and use of over size aggregate, thickness of binding wire, quality of shuttering oil, hacking of RCC surface while the same is green to provide key to subsequent plastering / lining, uniform surface, trueness to line and level, bulging, plumb, proper welding of reinforcement, wherever applicable; addition of a certain percentage (for example 2%) of bentonite in grout mixes for back fill grouting work, wherever applicable; proper formation of joint fillers by covering concrete surface, quality of cement grout composition for grouting of cable anchor etc.
11. Wherever applicable, as per CPWD specification, at some specified locations in building work, flash butt welding is required to be done instead of arc welding, which may be ascertained and ensured accordingly.
12. In marble chips flooring, mosaic skirting should not sound hollow. Marble chips should not come out from mosaic flooring. The glass strips provided in the flooring should be clearly visible.
13. Special care should be exercised to ensure quality of sanitary and various sewerage pipes, fittings and accessories thereof. The quality of wash basin, sink, vitreous china urinals, and W.C., cistern etc. should be strictly ensured as per contract provisions.

14. Sufficient slope should be maintained in the roof of the building to provide adequate slope to drain off rain water. Sloping cement plaster done over the R.C.C. slab without any water proofing treatment will ultimately neither provide the slope nor will serve as water proof surface and may result in leakage.
15. Wherever CPWD specifications are adopted, R.R. walls should be constructed by using bond stones as provided in CPWD specification.
16. Excavated and disposal material should be disposed off only at the designated disposal area and not at other location, which may have lead different than the specified one and consequently might incur financial implication.
17. The earth work excavation / filling should be paid on the basis of calculation based on the levels recorded.
18. A set of relevant IS codes / CPWD specifications should be readily available at site, so as to help the execution officials in getting the work executed as per specifications.

BILLING

1. Even the unmeasured bill, if any, should be paid after proper assessment and record of quantities in the measurement book.
2. Approval of tender accepting authority should be obtained for issue of non-stipulated items.
3. In case of making payments against plant and equipment advance for old / used equipments, it may be ensured that advance is released only for such old equipments, as are procured by the contractor after the date of award of work and not for such old equipments, as were already lying with the contractor before the award of the work.
4. Every R.A. bill should contain an upto date statement of various recoveries on account of mobilization advance, plant and equipment advance, interests, security deposit, IT, ST, electricity charges etc. to keep a proper watch on various recoveries.
5. While giving such departmental equipments to contractor on hire charge basis, as are not stipulated in the contract, prior approval of the authority, who had accepted the tender, should invariably be obtained, in addition to signing of an agreement between THDC and contractor in line with CWC guidelines, in case of major works.
6. At the time of making payment on account of mobilization advance and plant & equipment advance, it may be ensured that plants and equipments procured by the contractor from one of the above advances are not shown as part of the expenditure incurred with respect to the other advance.
7. Test check of measurements as per prescribed norms must be done and a statement of percentage check of measurements done by each official should invariably be incorporated in the measurement book in every R.A. bill. The signatures of the officials recording and checking measurements should be a dated one. The measurements recorded in the M.B. should not have unattested cuttings and over writings. Original ground levels must be checked by Senior officers at site only. Due care and diligence ought to be exercised while recording and checking of levels.
8. Hypothecation deed, insurance in case of plant and equipment advance, insurance for plants / equipments, third party, materials and accidents, etc. to be done by contractor should be ensured as per terms of contract. It has generally been observed that sometimes these insurance are not done timely and their first premium is paid only after some agency's pointing it out. It may be ensured that insurance on various counts are done in time, i.e. with effect from their respective due dates and kept in forces till the time, as required under the terms of contract.
9. The measurements of various items of work done are to be recorded as on actual date of work executed and not on one single date. Items of work should be recorded in sequence with respect to the bill of quantities, in the abstract of work.
10. In case of bills containing supply portion, copy of challans / excise duty gate passes etc. should be enclosed.
11. Reasons for delay in completion of work are to be analyzed meticulously and this exercise should not be taken as a cursory process, as contractors have been found to have benefited unduly because of it.
12. There has been a tendency on the part of contractors to either not execute at all the quantities of such items as are lowrated and instead execute almost similar extra items of high cost. This aspect may be considered and taken care of during execution.

13. Generally, the agreement conditions of major works provide for release of plant and equipment advance on old equipments as per the depreciated value worked out on the basis of CWC guidelines. The depreciated value of old equipments should be calculated correctly as per the CWC guidelines and advance should not be released on the depreciated value determined by valuer or CA engaged by contractor. While releasing plant and equipment advance on old equipments procured by the contractor after the award of work, the authentic documents, which could substantiate the veracity of purchase cost, year of purchase, used life, registration number, engine / chasis no. etc. of old equipments should only be taken into consideration and a mere certificate from CA or valuer of the contractor should not be relied upon in this regard.
14. It should be ensured that mobilization advance, plant and equipment advance released to a contractor is properly utilized and accounted for in a bonafide way. In the case of a contractor working for more than one project / contract simultaneously, in the same organization with the same client, it may be prudent to ascertain whether out of these advances, the expenditure incurred on account of same plant and equipment, deployment of men and machinery, mobilization etc. against one contract was not repeated for the other contract.
15. Value of departmental materials, which has gone waste because of reasons attributable to the contractor should be recovered from the contractor. Non recovery of such amount on the above account tantamounts to extension of undue favour to the contractor.
16. If the contract agreement stipulates for submission of bank guarantee issued by a schedule bank, bank guarantee should be accepted only from such banks.
17. Theoretical cement consumption statement at intermediate bill stages should be prepared so as to readily know the total quantity of cement consumed so far and corresponding theoretical requirement of the same, which will help the site officials to ascertain how much less or more cement is being consumed. In case of less use of cement, in such cases, recovery should be made from the contractor.
18. In case of contractor requiring to pay royalty against materials to the state govt., it should be ensured that the royalty as due, is paid by the contractor to the state govt., otherwise recovery on this account should be made from contractor.
19. In case of payment of excavation beyond pay line, it should be ensured that excess excavation done by the contractor is not due to lack of reasonable care and skill in excavation.
20. While making payments towards escalation, value of work done on which price adjustment is payable, should be worked out correctly as per the terms of contract, as value of cost of materials issued by dept., electricity charges, hire charges of equipments, extra items derived on market rates are generally to be deducted to arrive at the admissible value of work done. While calculating the escalation amount, correct indices should be adopted for labour, materials, cement, steel, other materials and POL as per Govt. circulars. It may also be ascertained whether the price adjustment is allowed beyond stipulated period of completion as per contract agreement.
21. Full rates of items of work should not be released to the contractor, unless items being measured and paid are complete in all respect. It is appropriate to hold part of the full rates commensurate to the components of items incomplete and then make payments to the contractor.
22. Rates of extra items should be derived strictly as spell out in the contract agreement and various inputs like labour, materials, machine and equipment components should be taken correctly in the rate analysis of extra items.
23. Secured advance should be supported by authentic invoices/ purchase orders of materials against which advance is proposed to be paid.

24. Full rates of materials against which secured advance is being paid should be worked out on the basis of contractor's quoted rates or as per the rates of corresponding materials taken in the estimate. By paying secured advance based on purchase vouchers / invoices, contractor is generally paid secured advance at higher rates than he is entitled.
25. While paying secured advance against aggregate, boulder etc., their net quantities after deducting voids should be considered and not their total quantity including voids.
26. Various rebates offered by the contractor on different counts should be worked out on the gross value of work done and not on the reducing sum. Similar rebates should also be taken on extra items.
27. Departmental M.B.s, correspondence files, note sheets etc. should not be given to contractor.
28. As far as and to the extent possible, prior approval of quantity variation, cost escalation, time extension in the work etc. should invariably be obtained from the competent authority.
29. Rounding off the digits appearing after decimal should be as per BIS norms (i.e. upto three places of decimals).
30. Clear distinction should be made in items having reduced rates and those with part rates.
31. When the work is nearing completion and the use of departmental issue materials like cement, steel, admixture etc. is over, the surplus quantity of these materials available at the site should be immediately returned to the stores.
32. During intensive examination of one of the works, the Chief Technical Examiner of Central Vigilance Commission has pointed out that recovery of steel and cement was not made from the running bills of the contractor, but the same was affected later on, when pointed out by CTE.

It may therefore be ensured that recovery for steel, cement or of any material issued to the contractor, is made from the running bills of the contractor as soon as these recoveries are due, strictly in terms of the contract agreement.
33. Wherever facilities are available, the mechanism of e-payment and e-receipt should be implemented instead of payments through cheques.

The CVC in its Annual Report 2014 has mentioned some important Prima facie irregularities observed during intensive examinations of various organizations:-

1. (i) In a consultancy contract of civil construction work relating to construction of a tunnel by a Central Govt. Organisation costing around ₹ 197 crores, it was observed that the estimated cost was initially worked out to ₹ 5.59 crores. On receipt of bid where L-1 had quoted cost as ₹ 9.77 crores, negotiation was conducted with him, who reduced his quoted rate by ₹ 2.07 crores in two rounds of negotiation and accordingly work was awarded for ₹ 7.58 crores. Thus, the awarded cost was 35% above the estimated cost prepared 1 year before. There was no justifiable reason for such increase in cost in 1 year period. Thus, it appears that the work was awarded at substantially higher rates, when the bidder had quoted speculative rate and agreed to reduce his rate by 21% during negotiation.
 - ii) No provision to safeguard the organisation interest by way of including professional liability insurance was kept
 - iii) In the consultancy contract requirement of various professional to be engaged in the consultancy contract was stipulated, both local and expatriate. However, essential qualification and experience required, including relevant experience for such personnel were nowhere stipulated. Such condition may lead to employing of lesser desirable person than intended. The rate payable for deployment of expatriates was almost 4 times as compared to rate payable to local persons. Thus, contract conditions were loosely drafted allowing the consultant to manipulate the contract conditions to their advantage.
 - (iv) In the execution contract for justifying of quoted rate, Last Awarded Rate (LAR) of 50% component of work was adopted, by taking the rates of a different Organisation with dissimilar geographical and substrata condition, instead of adopting comparable condition. Thus, the cost worked out for comparison of market rates were misleading. This apparently led to award of work at higher rates.
 - (v) Provision for achieving financial milestones were stipulated in the contract, however, penal action in case of failure to achieve such milestones were not stipulated. In spite of failure on the part of the contractor to achieve stipulated milestone no action was taken by the organization, citing absence of such penal provision.
 - (vi) It was observed that cement content of 480 Kg/m³ in M25 mix concrete was used for shortcreting and 510 Kg/m³ in M30 mix concrete was used for cement concrete lining. Much lower cement content in such mix could have provided the desirable strength. No specific reasons for considering such high cement content was evident. As per relevant IS Code, cement content in excess of 450 kg/cum should not be used unless special consideration has been given in design. Thus, substantially higher cement content than required was being used in concrete without any apparent benefit, leading to infructuous expenditure.
2. (i) In a turnkey contract relating to construction of a Hydro Power Project by a Central PSU costing around ₹ 2900 crores, it was observed that none of the participating bidders were meeting the stipulated pre-qualification requirement, still they were considered qualified by relaxing some of the stipulated criteria. Relaxation of such stipulated criteria in the pre-qualification bid itself, as relaxed later on would have facilitated competition and transparency.
 - ii) The estimated cost put to tender was around ₹ 1337 crores at November, 2005 price level. Price bids were obtained on 29.09.2007 when the L1 bidder had

quoted his cost as ₹ 2961 crores. Updated estimate cost after opening of price bid was worked out for ₹ 1566 cores at September, 2007 price level. On recommendation of negotiation committee it was discovered that cost of certain elements were not included, accordingly, additional cost of ₹ 383 crores were added, resulting in worked out estimated cost for ₹ 1949 crores. The work was awarded after negotiation for ₹ 2919 crores i.e. 49% above estimated cost citing non-quantifiable reasons. Thus, it appears that the work was awarded at substantially higher cost.

(iii)Hydel Dam was located in an area where the temperature was fluctuating from (-) 26. 0C to 28. 0C. As per the relevant Indian Standard Code, the exposure condition for cement concrete in such condition should have been considered as "Severe". Accordingly, minimum M30 mix grade of concrete should have been used whereas M20 mix grade of concrete was being actually used at site. Use of such lower grade concrete in such important structure compromises its durability.

(iv)Stipulated scope of work included construction of a permanent bridge for access to the Dam site; however, such bridge was not constructed. During discussion with site officials, it was stated that this bridge was no longer required to be constructed now. Thus, proportionate cost adjustment should have been made, however, no such cost adjustment was made.

3. (i) In a work relating to construction of office building by a Central Research Organisation costing around ₹ 73 crores, it was observed that work contract tax was to be deducted from the payment made to the contractor. This tax was being deducted earlier up to 14.06.2011, but was stopped due to purported certificate issued by Income Tax Department on 28.02.2011. On perusal of the certificate, it was evident that it was only a tax clearance certificate given regarding work contract tax till 28.02.2011 and not any order for stopping deduction of tax as TDS, as interpreted by officials. It appears that the certificate was misinterpreted by the department which resulted in non deduction of accrued TDS of around ₹ 1.28 crores till inspection of the work.
- (ii) As per contract the contractor was supposed to comply with all mandatory Government Labour Acts, cost on this account was to be borne by contractor. It was also emphasised in the contract that the contractor has to comply with provisions of "Building and Construction Workers Act 1996" and "Construction Welfare Cess Act 1996". Accordingly, making deduction @ 1% of the bill amount was to be done however, no such deduction was being done.
4. In a tender for the work of construction of residential and academic buildings of an institute valuing more than ₹ 100 crores, eleven bidders were qualified at PQ stage but bid documents were issued to 07 bidders only, 04 were eliminated on flimsy grounds in an arbitrary manner. Only three of them submitted their bids, however while opening the tenders one of the tender was found incomplete. It was decided that bids of other two bidders shall not be opened and fresh tenders would be called. In second call of tenders, a condition prohibiting bidders disqualified on earlier call was incorporated which was restrictive and provided ample scope for manipulation and collusion among previously prequalified bidders. L1 rate was 22.75% higher than the estimated cost. No justification was prepared. Rather, the estimated cost was enhanced on account of inadmissible factors.
5. In 3 different works relating to construction of Hospital project by a Central PSU following irregularities were observed:
 - (i) In work costing around ₹ 654 crores interest free mobilization advance of around ₹ 65 crores was paid in a single instalment to the contractor (a central /state PSU) who in turn passed on this amount to their engaged private contractor. The recovery of mobilization advance was being made as per the progress of the

work. The work stipulated to be completed on 30.06.2011 was only 21 % complete till November, 2014, thus, delay in execution of more than 3 years was apparent. Till November, 2014 around ₹ 48.5 crores interest free advance was still lying with the contractor As per CVC guidelines recovery of interest free mobilization advance should be linked with time and not the progress of the work. Thus, huge interest free advance was lying with a private contractor without any benefit to the department and in violation of CVC guidelines.

(ii) Contractor was supposed to take contractor's all risk policy from start of work i.e. 01.07.2009 but the policy furnished was valid only from 03.04.2013 to 30.06.2016 i.e. with large delay. Even the workmen compensation policy to be taken from the date of start of work also could not be furnished.

(iii) As per contract advance against materials brought at site @ 75% of material cost was being paid to the contractor. In calculation towards working out payable escalation cost, this 75% cost of material was only considered instead of considering full value i.e. 100% cost of material. As per prevailing practice and relevant guidelines, this was not being done. Total escalation paid till Dec., 2014 was around ₹ 30 crores.

6. Estimated cost was worked out on the basis of a standard schedule i.e. Delhi Schedule of Rates of CPWD (DSR) and market rates for items not available in this schedule. However, it was observed that certain items which were available in DSR were projected as market rate items and substantially higher cost of such items were adopted without any justification e.g. (i) Aluminium sheet for covering of expansion joint as per DSR was costing ₹ 368.40 per sqm but was estimated at substantially higher cost as ₹ 650 per sqm. (ii) Wood work in frames with 2nd class teak wood as per DSR was for ₹ 52090 per cum but was adopted at substantially higher cost @ ₹ 125000 per cum etc.

SYSTEM IMPROVEMENTS UNDERTAKEN DURING 2014 BY VARIOUS ORGANISATIONS.

1. In a work of a Central PSU involving rock excavation, the backup documents generated during detailed feasibility report (DFR) stage were not retained till execution. These records are essential to check correctness of the estimate and also to compare during execution and the assumptions made at DFR stage. On raising the issue the organisation has issued systemic improvement guidelines for keeping reports along with all backup documents generated during DFR stage.
2. In a work by a Central PSU involving construction of various buildings and structures, for measurement of civil works the officials were totally dependent on Project Management Consultant (PMC). No test check was being done by the officials of the organisation regarding cross checking of authenticity of measurements. On raising the issue, the organisation has issued guidelines for systemic improvement regarding carrying out of test check by the PSU officials.
3. In a consultancy contract relating to a work for construction of embankment and protection works by a Central PSU, it was observed that in the contract no provision for professional liability insurance was stipulated. Such insurance takes care of financial liability arising out of errors and omission committed by such professional consultant in providing their service. On taking up this matter with the organisation, the organisation has accepted our advice and issued systemic improvement guideline, for inclusion of provision for such professional liability insurance in future contracts.
4. In a civil construction work being executed by a Central PSU, delay in taking of insurance policies was noticed vis-a-vis stipulation in the contract. This defeats the very purpose of keeping such provision and may create contractual complications regarding its operation when needed. On taking up of this matter with the organisation, they have issued systemic improvement guidelines for enforcing such instruments strictly as per stipulation.
5. In a civil construction work by a Central PSU, it was observed that correction, overwriting, insertion and omissions were not certified during opening of financial bid. Not doing of such attestation might lead to manipulation of financial bid later on. On taking up the matter with the Organisation, they has issued systematic improvement for such attestation and numbering it in red ink.
6. In a civil construction work by a Central Govt. Organisation, it was noticed that in the final agreement, corrigendum issued were not attached and also not got signed by the contractor in token of his acceptance. Such action might lead to contractual complications in implementation of the agreement. On taking of this matter with the organization they accepted our suggestion and accordingly issued systemic improvement guideline for inclusion of corrigendum in agreement.
7. In a civil work construction contract by a Central Govt. Organisation, it was noticed that inspite of implementation of "The Building and other Construction Workers Welfare Cess Act, 1996" by the concerned state, the stipulated deduction @1% of cost of construction work was not being debited from contractor's bills. There was apparent lack of clarity in the contract provision leading to misinterpretation by site officials. On taking up of this matter with the organisation, systemic improvement guidelines were stipulated by modification in their standard contract form.

8. In a consultancy contract of a civil construction work by a Central Govt. Organisation, it was observed that the evaluation parameters for Techno commercial qualifying the bidder were already finalised by the department, before opening the bids. However, the same was not disclosed to the prospective bidders. Such process lacks transparency. Accordingly, the matter was taken up with the Organisation. The Organisation has agreed disclosing marking and evaluation parameters to the bidders beforehand and issued systemic improvement guidelines in this regard.
9. In a mechanical fabrication work by a Central PSU, it was observed that important site records of site order book and hindrance register was not being maintained. These records are essential in analysing of delay on part of contractor and decision regarding imposition of penalty or not. On taking up of the matter with the organisation they have accepted our advice and issued systemic improvement guidelines for maintaining of such site record in future.

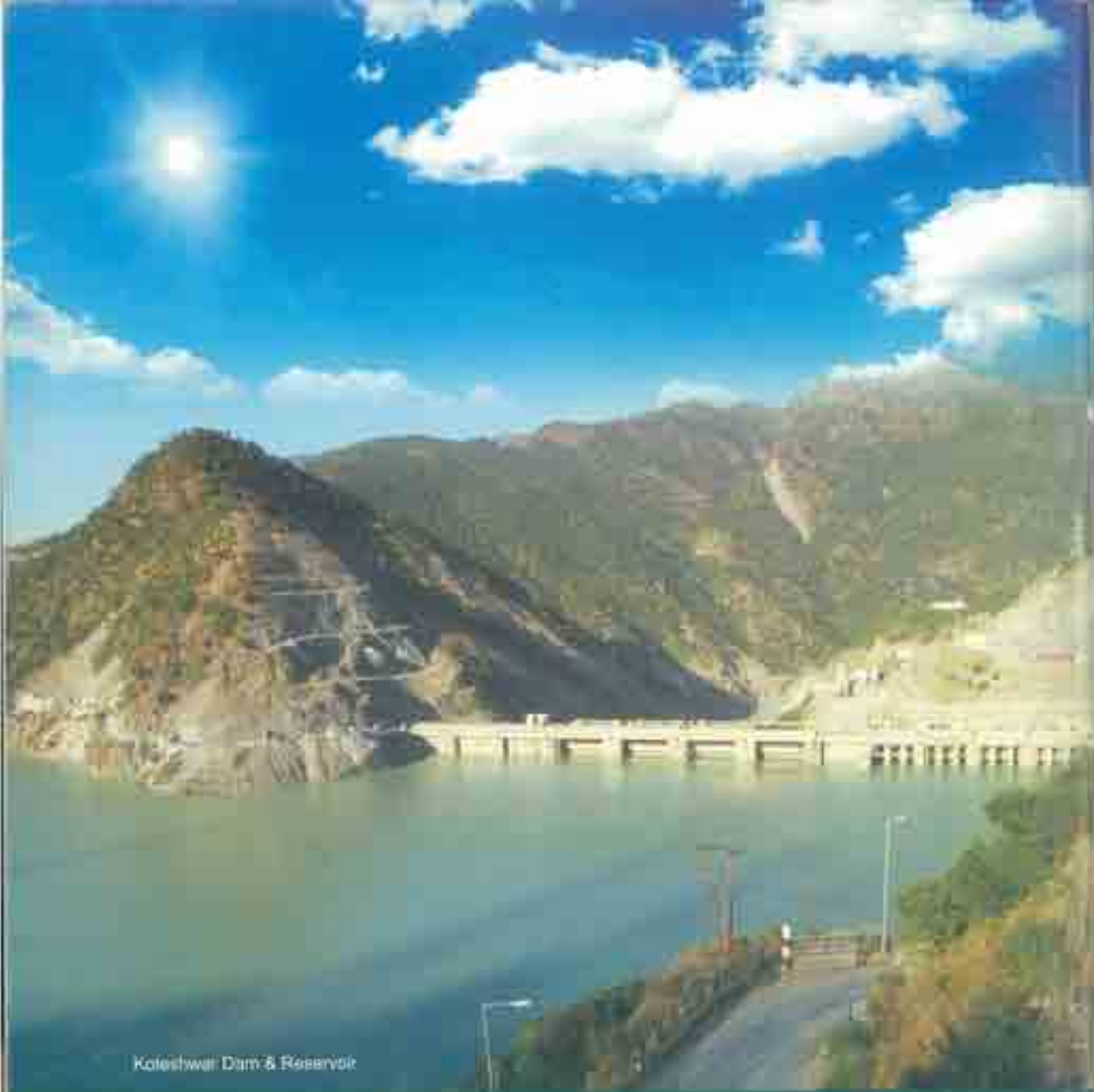
प्रतिज्ञा

हम भारत के लोक सेवक सत्यनिष्ठा से प्रतिज्ञा करते हैं कि हम अपने कार्यकलापों के प्रत्येक क्षेत्र में ईमानदारी और पारदर्शिता बनाए रखने के लिए निरन्तर प्रयत्नशील रहेंगे। हम यह प्रतिज्ञा भी करते हैं कि हम जीवन के प्रत्येक क्षेत्र से भ्रष्टाचार उन्मूलन करने के लिए निर्वाह रूप से कार्य करेंगे। हम अपने संगठन के विकास और प्रतिष्ठा के प्रति सचेत रहते हुए कार्य करेंगे। हम अपने सामूहिक प्रयासों द्वारा अपने संगठनों को गौरवशाली बनाएंगे तथा अपने देशवासियों को सिद्धांतों पर आधारित सेवा प्रदान करेंगे। हम अपने कर्तव्य का पालन पूर्ण ईमानदारी से करेंगे और भय अथवा पक्षपात के बिना कार्य करेंगे।

PLEDGE

We, the Public Servants of India, do hereby solemnly pledge that we shall continuously strive to bring about integrity and transparency in all spheres of our activities. We also pledge that we shall work unstintingly for eradication of corruption in all spheres of life. We shall remain vigilant and work towards the growth and reputation of our organization through our collective efforts. We shall bring pride to our organizations and provide value based service to our countrymen. We shall do our duty conscientiously and act without fear or favour.





Kaleshwar Dam & Reservoir

सतर्कता विभाग Vigilance Department



टीएचडीसी इंडिया लिमिटेड THDC INDIA LIMITED

(भारत सरकार एवं उ.प्र. सरकार का संयुक्त उपक्रम)
(A Joint Venture of Govt. of India & Govt. of U.P.)
शेड्यूल 'ए' - मिनि रत्न (श्रेणी-1) पी एस ई
SCHEDULE 'A' - MINI RATNA (CATEGORY-I) PSE

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