VIGILANCE AWARENESS WEEK -2015

CVC OFFICE MEMORANDUM-8/2/04

Common mistakes in awarding the contracts

Special points of interest:

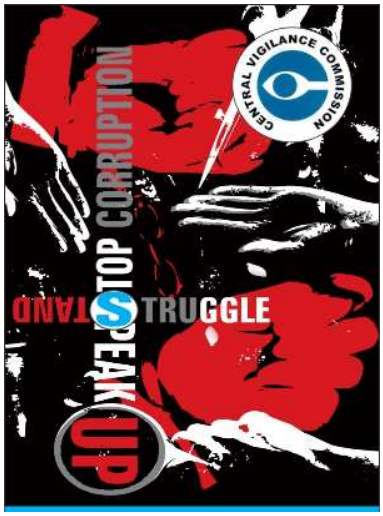
- Appointment of Consultants.
- Case study for Contracts.
- Limited tendering System.
- Inspection of Oil PSU.
- Agreement and Documents for contract.

CTE

The CTE Organization of the Central Vigilance Commission conducts independent intensive examinations of various types of works and contracts executed by the organizations under its purview. The lapses and deficiencies observed during the course of such examinations are brought to the notice of the CVOs, for suitable corrective action. With a view to prevent recurrence of such lapses and irregularities and for improving the systems and procedures in the organizations, a few booklets have also been issued by the CTEO. However, it is observed that certain common deficiencies and irregularities continue to plague the systems in a large number of organizations. Some of these noticed during recent inspections are enumerated as under:

- Appointments of consultants continue to be done in an arbitrary manner. At times two or even three consultants are appointed for a work with no clear cut and some times over lapping responsibilities. A PSU, in a recent case, in addition to the engineering and project management consultants appointed an inspection and expediting consultant with no well-defined role for them.
- The tendency of over dependence on the consultants continues. All activities are left completely to the consultants. In a recent inspection of an Oil PSU, the tenders for a big work of about Rs.20 cores were issued on the basis of a single page estimate submitted by the consultants and the same was revised by the latter upwards by 20% after opening of price bids, in order to justify the quoted rates. A detailed and realistic estimate must be prepared before issue of tender

Common mistakes in awarding the contracts



- Some organizations prefer limited tendering system, restricting competition to their approved contractors. The selection of these contractors at times is arbitrary and due of lack of competition or cartel formation amongst such group 'of contractors, the contracts are awarded at high rates. These needs to be discouraged and the organizations must ensure that contracts are awarded on the basis of competitive bidding at reasonable rates.
- The works are awarded without preparing any market rate justification. The comparison at times is made with works which were awarded few years back. This procedure cannot be considered objective and appropriate for justifying the awarded rates. The justification should be based on realistic prevailing rates.
- In a recent inspection of oil PSU, it was noticed that revised price bids were asked from all the bidders, as rates were high vis-a-vis the estimate. This tantamount to negotiations with firms other than L-1 and is a clear violation of CVC instruction in this regard. The negotiations should be an exception rather than a rule and should be conducted if required, only with the L-1 bidder.
- The organizations generally make provisions for a very small amount of say Rs.50000/- or Rs. 1 lakh earnest money. This amount is grossly insufficient to safeguard the organization's interest in high rate tenders running into several crores of rupees. This needs to be revised to a sufficient amount.

- The post award amendments issued by the organizations, at times recommended by consultants, without into account the financial implications favor the contractors. Such post award deviations without financial adjustment are unwarranted and against the principles of competitive tendering.

"Men are often bribed by their Loyalities and ambitions than by money".

Robert H Jackson

Common mistakes in awarding the contracts

- The tender documents and the agreement are maintained in loose condition, are not page numbered and not signed by both the parties. This is highly objectionable. In order to ensure that the agreements are enforceable in court of law, it is imperative that the agreements are well bound, page numbered, signed by both the parties and well secured. This shall also prevent any possibility of interpolation and tampering of documents.

- Loose & incomplete implementation of contract clauses pertaining to insurance, Workmen's Compensation Act, ESIC, Labour Licenses etc., has been noticed, which give undue financial benefit to the contractors.

- Time is the essence of any contract. It has been observed that at times the work is extended and even payments released without a valid extension to the agreement. This has legal implications and in case of disputes, may jeopardize the interest of the organization. Timely extension to the contracts and BGs of any must be ensured. In order to make contract management more transparent and professional, CVOs are requested to circulate this memorandum to the concerned officials in their organizations. The OM is also available in the Commission's website www. c v c. nic. in.