

VIGILANCE AWARENESS WEEK -2015

REASONABLENESS OF PRICES

**Preventive
Vigilance**



Vigilance
Corporate Governance
**as a Tool of
Good Governance**



सतर्कता जागरूकता सप्ताह जागृति ತಿಳುವಳಿಕೆ ಸಪ್ತಾಹ
VIGILANCE AWARENESS WEEK
26th - 31st October, 2015

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REASONABLENESS OF PRICES : IMPORTANCE

- This is the most important criteria for award of work.
- Increase in quantities of AHR (Abnormally High Rate) & ALR (Abnormally Low Rate) may result in a change in L1 position itself. This may easily attract vigilance angle.
- Sensitivity Analysis may be included in such cases where a variation in quantity is expected.

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REASONABLENESS OF PRICES : LAPSES

- Works are awarded to the firms by virtue of being lowest among all the bidders without analysing and establishing the reasonableness of the quoted rates vis-à-vis the estimated rates and the prevailing market rates.
- In some cases, even the Abnormally High Rated (AHR) and Abnormally Low Rated (ALR) items are not identified.

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REASONABLENESS OF PRICES : EXAMPLES

- A work was awarded to L-1 firm at 20% higher than estimated rates. However, the officials of the department found these rates reasonable as compared with the prevailing market rates.
- It is interesting to note that the same officials had prepared the estimates based on the prevailing market rates approx. 3 months before award of work.
- This is construed as a manipulative practice & attracts vigilance angle.

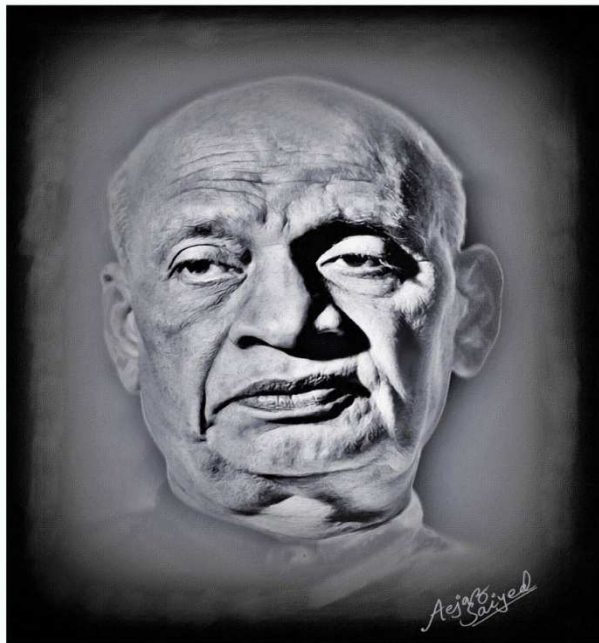
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REASONABLENESS OF PRICES : TRANSPARENT

- It is very important to establish the reasonableness of rates on the basis of estimated rates and the prevailing market rates.
- The AHR and ALR items should be duly identified and the officials/agencies responsible for execution of work should be intimated to exercise appropriate control on such identified items.
- Any deviation to the guideline in establishing reasonableness of prices due to any exigencies to be highlighted in the approval note itself.

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THANK YOU



“Character is to man,
what carbon is to
steel”

- Napoleon Hill