

ANNEXURE-I

No.3L PRC 1
Government of India
Central Vigilance Commission

No.3,Dr.Rajendera Prasad Road,
New Delhi,dt.12.11.1982

To

All Chief Vigilance Officers of all Public
Enterprises/Nationalised Banks.

Sub: Irregularities/lapses observed in the construction works
undertaken by Public sector undertakings/banks.

The Chief Technical Examiner's Organization under the Commission has had occasion to examine and comment upon the works undertaken by Public Sector Undertakings, Banks etc. under the guidance of consultants. Common lapses noticed as a result of these inspections are enumerated below:-

- i) Employment of consultant without verifying his credentials and capacity or capability to do the work assigned to him.
- ii) Inadequate planning of work and incorrect preparation or non-preparation of detailed estimates by consultants.
- iii) Non-preparation of justification statement for the rates quoted in tender, resulting in contract being awarded at very high rates.
- iv) Rejection of the lowest tender without adequate justification, on the ground that the contractor is not reliable or lacks capacity to execute the work, even though he was included in the original pre-qualification list.
- v) Improper evaluation of tenders, leading to allotment of works wrongly with ultimate loss to the public undertaking.
- vi) Allowing upward revision of rates in some cases by contractors on very flimsy grounds during the process of negotiations, so that the lowest tenderer manages to make up the difference of cost between his quotation and the second lowest quotation.

- vii) Payment of money to contractors outside the terms of contract. For example, in a large number of cases contract is for fixed price, but substantial payment is made on the ground of escalation of prices.
- viii) Use of inferior material in the construction, while payment is made at full rates on the approval of the consultant without making any financial adjustment.
- ix) Substitution of low-rated items by higher-rated items beneficial to contractor.
- x) Lack of proper supervisory arrangement by the undertakings placing total reliance on the consultant for even preparation of the bill which leads to incorrect measurement of works and payment for the items of work not done.

In view of these factors, it is recommended that while consultants may be engaged for the purposes of original planning and designing, scrutiny of tenders and execution of work should, as far as possible, be done by technical officers directly and fully answerable to the public undertaking/banks etc. concerned. For this purpose, engineers may be taken on deputation from Government departments, such as the CPWD. To the extent a consultant is engaged, it is also necessary to ensure that the relationship between the undertaking and the consultant is correctly defined so that the consultant can be held legally and financially responsible for the work entrusted to him.

It is requested that suitable arrangements may be made for properly awarding works and exercising effective supervision and control in their execution with a view to ensure timely and systematic completion. Care may also be taken to guard against the types of irregularities indicated above.

Sd/-
(D.C. Gupta)
Director