

Problem Areas of Corruption in Construction

Preventive Vigilance Publication

Chief Technical Examiners Organisation

Central Vigilance Commission

Government of India

N. Vittal

Government of India
Central Vigilance Commissioner
Central Vigilance Commission
Satarkata Bhavan, G.P.O. Complex,
Block A, INA, New Delhi 110 023

Eternal vigilance is the price of liberty and eternal alertness is the price of vigilance. In engineering, there are three types of maintenance, (i) preventive maintenance, (ii) predictive maintenance, and (iii) breakdown maintenance. Both in medicine as well as in every aspect of life prevention is better than cure. Prevention of corruption calls for a high degree of alertness. Alertness not in a general sense but alertness about problem areas where there is scope for corruption. The current publication, "Problem Areas of Corruption in Construction" is the second such publication brought out by the CTE of CVC.

I congratulate CTE, Shri Arumugam for taking the initiative to bring out this publication. This identifies the problem areas of corruption in construction as administrative approval, detailed estimate and technical sanction, consultancy, reparation of tender documents, invitation and opening of tenders, tender scrutiny and award of works, works agreement, payment to contractors, site records, quality in construction. The coverage is quite comprehensive and, what is more important is based on the rich experience gathered by CTE in this area.

I am sure, this publication will go a long way in improving the quality of preventive vigilance in construction in organisation with the purview of the CVC and to that extent help in reducing corruption.

Sd/-
(N. Vittal)

New Delhi
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Preface

Punitive action should not be the main function of the vigilance unit of any organisation. Effective vigilance function lies in the preventive vigilance measures taken. Work specifications, manuals, codes, etc. are available to follow during execution of works. However, they are found to be exhaustive for any one to read and memorise. If vulnerable areas of corruption are brought to the notice of the concerned, prevention of the occurrence of the calamities can easily be achieved. Hence, this preventive vigilance publication was thought of. Excuse of ignorance can also be defeated by the preventive vigilance measures.

Attempt has been made to locate the areas vulnerable to corruption in the construction industry from the experience gained by the C.T.E. Organisation during the intensive examination of works. The problems under various areas are explained with illustrations as far as possible. This publication is not meant for finding faults with any particular organisation. The aim of this booklet is to reduce corruption in the construction industry. I hope this publication would be used by the Vigilance units of various organisations to discharge their functions effectively.

I express my profound gratitude to our dynamic CVC, Shri N. Vittal for his inspiration by his dedication to vigilance administration especially preventive vigilance aspect in publishing books, delivering lectures etc. even by utilizing most of the holidays for that matter. This booklet is the result of the encouragement received from him.

This publication is the outcome of the teamwork of each and every individual working in the CTEO, CVC. Er. K.S. Gaur, former ATE worked hard for preparing the first draft of this booklet. Er. Rabindra Kumar, Er. Surendra Mohan and Er. Shailendra Singh, TEs and Shri S.C. Dixit, ATE had given additional inputs for its improvement. Final form of this publication is possible with the untiring efforts of Er. Vinayak Rai, TE. This booklet could be brought to this shape due to sincere and untiring efforts of Shri Paramjeet Singh, PS of the Commission. I take this opportunity to record appreciation of the above officials. The valuable suggestions given by Er. J.M. Raj, CE(Vig.), CPWD, are gratefully acknowledged. The timely publication of this booklet would not have been possible but for the keen interest and sincere efforts taken by Mrs. Vijaya Kanth, CVO of Chennai Petroleum Corporation Ltd. which is gratefully acknowledged.

I am sure that this publication would be useful to all concerned.

Any error or omission and suggestions for improvement may be brought to the notice of the undersigned.

Sd/-
R.A. Arumugam
Chief Technical Examiner
Central Vigilance Commission

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Problem Areas of Corruption

1. Introduction

Corruption in construction industry was at a lower level of the hierarchy in the past. Bribes paid at that time were mostly for allowing poor quality during construction. However, the top officials maintained a high level of integrity those days, and had even gone to the extent of ordering dismantling of the defective parts of the structure then and there. As time passed, corrupt practices have not spared even the Chief Executives of the organisations. Inflated estimates are prepared to give sufficient margin for the above purpose. Consultants are appointed arbitrarily. Unnecessary and stringent criteria is prescribed for pre-qualification to reduce competition, to get high rates and to favour certain favourite firms. Ultimately, the works are awarded at high rates to favourite firms at the cost of the exchequer. Since huge funds are earmarked for building infrastructure in the country, the construction industry is vulnerable to corrupt practices. An attempt is made in this publication to identify the problem areas of corruption in the construction industry alongwith the related problems. The problems and the areas given in this publication are not exhaustive. They cover only the irregularities/problems encountered during intensive examination by the CTE Organisation in the recent past.

2. Problem Areas

Quality in the construction was the area exploited initially for getting bribes from the contractors by allowing inferior quality of works. The payment to the contractors became the next area. Most of the activities in the construction had now become problem areas of corruption. The following areas are identified as the problem areas from the past experience.

- (i) Administrative Approval
- (ii) Detailed Estimate & Technical Sanction
- (iii) Consultancy
- (iv) Preparation of Tender Documents
- (v) Invitation and Opening of Tenders
- (vi) Tender Scrutiny & Award of works
- (vii) Works Agreement
- (viii) Payment to Contractors
- (ix) Site Records
- (x) Quality in Construction.

Problems identified in the above areas are discussed in the following chapters.

3. Administrative Approval

For every work (excluding petty works and repairs), it is necessary to obtain, the concurrence of the competent authority of the administrative department before commencement. The formal acceptance of the proposals by the competent authority is termed as "administrative approval". The following are the main purpose of the above approval :

- i) To check whether the work is really required.
- ii) To see whether the estimate is not an inflated one.
- iii) To see whether yardstick for various provisions are not exceeded.

3.1 PROBLEMS

3.1.1. No approval accorded

According to A/A provides to the competent authority an opportunity to take decision regarding scope of work, specifications and cost involved. Otherwise there is likelihood of misuse of the powers by the subordinate authority.

ILLN : A/A for a work costing Rs.30 crores nearly completion was not obtained. On scrutiny it was learnt that funds meant for other works were diverted for this work which are meant for luxury for the staff and not within the yardsticks.

3.1.2 Inflated provisions in the P.E.

At the conception stage itself, inflated provisions are incorporated in the preliminary estimate and the margin thus available in the sanctioned estimate is misused for non essential works and also for awarding the work at higher rates to the contractor.

3.1.3 Major changes made during execution

The scope and specifications of the work are drastically changed by the executing authorities. This exercise is mainly to give undue benefit to the contractor by allowing him to execute the items at higher rates. Apart from the high rates, the contractor gets additional work without competition.

ILLN.-1: Number of spans in a bridge were increased during execution from 3 to 8 without the knowledge of competent authority in a bridge work awarded at high rates.

ILLN -2: CC & Terrazo flooring of an office building was substituted with the costly polished granite flooring etc. and thereby increasing the total cost of the project by 30% and by deciding high rates for the substituted item.

3.1.4 Funds allotted to one head incurred on another

There were instances of utilizing the funds on the works not approved by competent authority by diverting funds from approved works. There is no financial discipline in this case apart from utilizing the funds for the lavish expenditure.

ILLN : An office building was constructed almost at double the sanctioned cost by diverting the funds from other sanctioned projects for providing expensive finishing items and air-conditioning items.

3.1.5 Cost over run due to delay in award of work

In many instances it was noticed that there has been unreasonable delay in A/A after submission of the estimate, planning and design, inviting tenders, acceptance and award of work after receipt of administrative approval. This results in exorbitant cost overruns to the tune of crores of rupees.

ILLN : A/A was accorded for an amount of Rs.370.00 crores for a Hydel scheme. But due to delay in taking up the work, the cost had increased to Rs.1150.00 crores.

3.1.6 No check on the preliminary estimate prepared by Consultants

The consultants engaged for planning, design and execution of work may furnish the preliminary estimates with ambiguous provisions and inflated rates etc. The administrative departments simply sanction these estimates without scrutiny resulting in the approval of inflated cost estimates which can be a source of corruption.

ILLN : A consultant prepared an estimate to the tune of Rs.2360 crores for a project. The estimate gives lumpsum amount for various components without giving any basis for the L.S. amount. The administrative approval has been accorded without checking the estimate. During the intensive examination it was found that the estimate is an inflated one.

3.1.7 Non observance of Yard stick

There must be some yard stick prescribed for various requirement such as floor area, finishing items, air-conditioning works etc, for various type of buildings for a particular use. The competent authority should see that these yard sticks are observed strictly while according administrative approval to safeguard the public money against its misuse for personal comfort and benefit.

ILLN.: In a work of construction of an office building, the estimate prepared by the consultant provided for expensive finishing items, polished granite flooring, Italian marble flooring etc. and lavish facilities such as air-conditioning etc. for low paid staff etc.

3.1.8 Unit Cost not considered

The estimate prepared for obtaining administrative approval should have some basis, such as unit cost etc. Some organizations such as CPWD follow well established practice, such as "plinth area rates" for preparation of estimate for accord of A/A. If no such practice is adopted, it is difficult to exercise control over the cost, and there is every possibility of approving an inflated cost estimate by the administrative authority.

4. Detailed Estimate & Technical Sanction

The detailed estimate supported by complete details such as schedule of all items, quantities, rate, cost, drawings, specifications, rate analysis, measurement details needs to be prepared for each work and technical sanction of competent authority should be obtained. Technical sanction ensures that the proposal is structurally sound and estimate is an economical one. The nomenclature of various items of works should be without ambiguity. The rates should be adopted from standard schedule of rates and for non-schedule items, rates should be based on proper an analysis of rates. If the estimate is prepared by the consultants, the estimate has to be checked and sanctioned by the competent engineers of the organisation which appointed the consultant to ensure economy as well as structural soundness of the project.

4.1 PROBLEMS

4.1.1 Estimate not prepared

Instances have come to the notice of this organization, where the process of preparation of detailed estimate and call of tenders was dispensed with and contractors were asked to execute the work.

ILLN 1 : An additional work which cost Rs.5.00crores was straight away entrusted to the contractor who was executing the adjoining work. As such, undue favour was extended to the favourite contractor, who got the additional work without going through the competition.

ILLN 2: Tender was invited on the plinth area basis and the work was awarded at exorbitantly high rates based on the rough cost estimate prepared by the plinth area method.

4.1.2 No sanction accorded for the estimate to ensure economy and structural soundness

Very often, the detailed estimate prepared by the consultants were not checked by the Department. Tenders were invited based on the cost estimated by the consultant. The estimate prepared by the consultants are usually inflated one. Invitation of tenders based on such inflated estimates often lead to the possibility of acceptance of the same at higher rates extending undue financial benefit to the contractor.

ILLN : Item of brick drain costing Rs.2.00crores was incorporated arbitrarily in the estimate of highway project without doing proper design for the drain. The drain collapsed later on resulting in huge loss of the public money.

4.1.3 Nomenclature of items - ambiguous

Any ambiguity in the nomenclature of the items in the estimate results in quoting of erratic rates by the contractor as well as in disputes, ultimately resulting in loss to the organization.

ILLN : Items of aluminum works having high unit rates were taken on sq. mtr. basis without giving any reference to relevant drawing number etc. in the nomenclature of items. The contractor provided lightweight sections during execution resulting in undue benefit to him.

- 4.1.4 i) No schedule of rates followed
- ii) No analysis for non-schedule items

Detailed estimates should be prepared on the basis of standard schedule of rates and in case standard schedule of rates is not followed, the rate need to be analysed based on NBO/CPWD guidelines etc. If the above procedure is not followed, it results in adoption of arbitrary rates for items in the Detailed Estimate. This ultimately will lead to inflated estimated cost, which could be a source of corruption.

ILLN : In a building work, arbitrary lump sum rates were adopted. Coefficients for various components of analysis of rates were taken arbitrarily such as contractor's profit to the tune of 25-30% against the standard 10%. This formed the basis for awarding the work at much higher cost than the justified.

4.1.5 No details and reference to drawings for quantities adopted

It was observed in many cases that the details of measurements and drawings are not made as a part of the detailed estimate resulting in arbitrary adoption of quantities in the estimate. This often led to abnormal and unreasonable deviation in the quantity of various items of the work. The above again can be a source of corruption during execution to extend undue benefit to the contractor.

4.1.6 Same component repeated in more than one item

Repetitive stipulation of the same component in more than one item in the detailed estimate, results in over payment to the contractor.

ILLN: Tack coat was included in the bituminous items such as bituminous macadam, asphaltic concrete etc. In addition to the above, separate item for tack coat was also provided in the estimate of an airport work. During execution, duplicate payment was made to the contractor to the tune of Rs.50 lakhs.

- 4.1.7 i) No check on the estimate prepared by the consultants
- ii) No check on use of imported Material

It is the tendency of the consultants to use costly as well as imported items in the estimate to increase the cost of work as the fee payable to them is fixed as certain percentage of the cost of work. Due to the above, the works are awarded at high rates. Thus the consultants and contractors were benefited during the above process which had become the source of corruption.

4.1.8 Technical sanction based on earlier accepted rates

Instances have come to the notice of this Organization where technical sanction of detailed estimates was prepared based on the high rates quoted by the contractor and accepted in earlier tenders. This resulted in the high estimated cost, which was used for award of work to the contractor at higher rates extending undue benefit to contractor by corrupt officials.

5. Consultancy

A few Government departments and most of the Public Sector undertakings appoint Consultants. It was observed that the appointment of consultants were mostly made arbitrarily without transparent manner.

5.1 PROBLEM

5.1.1 No Publicity

Appointment of consultant is generally being done without proper publicity and without collecting adequate data about their performance, capabilities, experience etc. Most often, panel of known firms is made and the consultancy contract is given arbitrarily to one of the firms at higher fee without proper publicity and competition.

ILLN : Consultant was appointed by a PSU for a fee of Rs.58 crores without inviting tender for a petroleum project.

5.1.2 Appointment From Old Panel

It has been observed that consultants are picked up from very old panels kept by the department and contracts were awarded to them arbitrarily. For big projects, the consultants have to be selected by inviting fresh tenders indicating the requirement to get competent consultants at competitive rates instead of selecting them from the old panel.

ILLN-1: One organisation engaged Architects from a very old panel prepared 15 years back.

ILLN-2: One organization engaged a private firm as the institute's architect for more than 20 years by paying a very high fee resulting in extending undue benefit to single firm.

5.1.3 Ad-hoc Rates

Award of consultancy contract at pre-determined/ad-hoc rates and not resorting to competitive price bids results in acceptance of exorbitant fees.

ILLN: Architect was appointed arbitrarily for planning and design at a fixed rate of 5% of the cost of construction for construction of a training institute building.

5.1.4 Consultant appointed when in-house facility is available

Appointment of consultants when in-house expertise is available, becomes the source of corruption in addition to non-utilisation of available resources.

ILLN : One of the Government departments, for a project costing Rs.20.00 crores, incurred expenditure to the tune of Rs. 60.00 lakhs towards payment to the consultants though in-house expertise was available with them. This resulted in loss to the exchequer apart from corruption in the deal.

5.1.5 No action for part Performance

Punitive action against the consultants is generally not taken even though they fail to perform the required services as per terms of the contract. This result in financial loss to the Government and also the project is delayed resulting in indirect loss in terms of payment of escalation to the contractor.

ILLN : In one of the works, the consultants were paid substantial amount at the early stage of the project though they had submitted only preliminary drawings. Subsequently, the consultants failed to complete the job and no action was taken against them by the Department.

5.1.6 No Maximum limit fixed for payment

The Consultants tend to increase the cost of work for more fees as generally the fees of the consultant is fixed at a certain percentage of the cost of the work. In case, the clause related to maximum ceiling of payment is incorporated in the agreement, then this can serve as a tool to check such tendency of consultants to increase the cost of the project.

ILLN: In a office building work, tender was accepted for Rs.10.00 crores but during execution, specifications were changed and actual cost on completion was twice the tendered cost. Thus the consultant was benefited in the same proportion as there was no maximum limit fixed for the consultant's fee.

5.1.7 Rates for repetitive works not fixed

In the consultancy agreement, generally nature of repetitive type of work is not defined. Fee for such work should be less as no extra input other than issue of additional set of drawings is required.

ILLN: In one work, 4 similar blocks comprising of 100 hostel rooms each were constructed. The Consultants were paid same standard fees for each block. Due to the above the organisation suffered loss at the cost of the consultant.

5.1.8 Paid for the services not rendered

In many instances, it was observed that payment was released to the consultants even though services required to be rendered were not complete in all respects, e.g. complete structural drawings were not submitted by the consultant but payment was released or supervision not done but payment released.

5.1.9 Consultants were allowed to receive sale proceeds of tenders

Some of the banks and public sector undertakings allowed consultants to invite tenders on behalf of the organisation. Consultants collected the sale proceeds of the tender documents sold and did not remit the amount to the concerned PSUs etc. This is highly irregular as it amounts to undue financial benefit to the consultant beyond the scope of contract.

ILLN : In case of a pipeline project, consultant was asked to invite tenders. The consultant, in turn, charged exorbitant cost for tender documents and kept the sale proceeds with them, resulting in undue benefit to them.

5.1.10 No control on the travel expenses of consultants for site visits
Many cases of excess payment to the consultants on travelling expenses have been observed. Payment made towards travelling expenses some times exceeds the fee payable to the consultants.

ILLN : For a work in Punjab, Mumbai based Architects were appointed. The fee payable to them was Rs.6.00 lakhs. But the actual travelling expenses paid to them were Rs.7.5 lakhs. This was mostly done to extend favour to the known firms.

5.1.11 No check on consultants' planning, design, and execution - Contractors benefited in the process.

In many cases, it has been observed that the departments entrust the responsibilities relating to the preparation of estimate, structural design and execution of work to the consultant. The consultant tends to be over safe in the structural design because of the fact that the above adds to the fees payable to them on account of increase in cost. It has also been observed that the consultants generally do not take much pain while doing the structural design and essential criteria such as earthquake resistance design etc. is ignored. Hence the checking the structural design and drawings of the consultants by the departmental officers is a must to ensure that the design is an economical one apart from the structural soundness.

ILLN: Pile foundation for a workshop building was designed with the capacity of piles, capable of carrying twice the required load. In the same project, high capacity piles (450mm dia, 20m deep) were provided for a single storeyed ordinary office building which does not require pile foundation at all.

5.1.12 Consultants passing on their responsibility to contractor

ILLN : Consultant was supposed to give design and drawing as per the consultancy agreement. While preparing the tender document for construction work, the responsibility of the preparation of drawings and structural design was entrusted with the construction contractor by adding a condition to that effect. Finally, the contractors loaded the quoted rates for the above work and the consultant was benefited during the above process at the cost of the organisation.

6. Preparation of Tender Document

Tender documents (generally called NIT) comprising of notice inviting tender, standard tender form with conditions, schedule of quantities, set of drawings, specification of the work etc. should be prepared and approved by the competent authority. The NIT should be properly bound and sealed and it should be made available for inspection.

6.1 PROBLEMS

6.1.1 Approval of competent authority not accorded

In many PSUs/Bank's tender documents as prepared by the consultants are issued to the contractors without scrutiny and approval. Tender documents should be issued only after scrutiny and approval by the competent authority of the department to avoid irregularities.

- 6.1.2 Contain conflicting, vague and ambiguous provisions resulting in disputes, delays and financial losses
Conflicting provisions in the tender documents often lead to dispute, delay and financial loss to the Government.

ILLN : In one of the Road contracts, a condition was stipulated that entire quantity of bitumen to be used in the work shall be brought by the contractor before commencement of work. At the same time, under escalation clause, it was mentioned that the difference between the actual purchase rate and stipulated rate (for issue of Bitumen by the Department) as and when the Bitumen brought by the contractor shall be paid to the contractor. The two stipulations were ambiguous. But the latter was operated to the benefit of contractor to the tune of Rs.1.5 crores on account of escalation in the price of bitumen.

- 6.1.3 Prequalifying criteria ambiguous/stringent

It has been observed that either eligibility/prequalifying criteria is not specified clearly in the NIT or made very stringent thereby restricting the numbers of intending bidders.

ILLN : The pre-qualification criteria in one of the works of a Port was kept so stringent which resulted in pre-qualification of only one firm. The above was only to favour the favourite firm and ultimately work was awarded to the single contractor without competition.

- 6.1.4 Rate only Item

"Rate only" items are seen provided in the bill of Quantities without giving quantity against the item. Such items do not alter the position of the tenderers irrespective of the rates quoted. For such items, generally abnormally high rates are quoted by the tenderers and such A.H.R. items are operated to the advantage of the contractor during execution. Therefore, the rate only items should not be provided in the tender documents.

- 6.1.5 Advance for old machinery already in possession of contractor

It has been observed that in some of the hydel projects, plant and equipment advance to the tune of crores of rupees were allowed to the contractor for the old machinery acquired by the contractor prior to award of work for which no additional expenditure was incurred by the contractor after award of the work.

- 6.1.6 Mobilisation advance without interest

This commission vide O.M. No.N4/POL/19 dated 8.12.97 directed that mobilisation advance should be allowed for selected works only and it should be interest bearing. But it has been observed in a number of cases that the contractors were given interest free mobilisation advance.

- 6.1.7 Unworkable period of construction

The stipulated period of completion of work should be realistic based on magnitude of work etc. Stipulation of unworkable period leads to frequent grant of extension of time, litigation and corrupt practices.

ILLN-1: In one hostel work of Rs.6.00 crores, initial time stipulated of 21 months in the NIT was reduced to 8 months during negotiations after receipt of tenders. However, period of completion reduced was not practicable considering the magnitude of work. This

resulted in frequent grant of EOT and huge escalation payments and ultimately led to corrupt practices.

ILLN-2: The period of completion of seven-storied building with basement was kept 12 months only. The work could ultimately be completed in three years, resulting into huge payments on accounts of escalation, irregularities in sanctioning E.O.T. etc.

6.1.8 Tender documents prepared by splitting bigger works deliberately to fall within the competency of subordinate officers.

Subordinate officers deliberately split the bigger works into smaller works so that these small works fall within their jurisdiction in respect of technical sanction, award of work etc.

ILLN : A jetty work was split into two parts to bring the tender within the powers of the subordinate officer. This resulted into a loss of Rs.1.5 crores(approx.) to the government by way of awarding the work at high rates.

6.1.9 Particular Brand of products stipulated

It is appropriate to stipulate the use of ISI marked products instead of stipulating a particular brand of product in the tender document, as it encourages restrictive trade practice. Use of a particular brand of product might have been done to favour the known manufacturer.

6.1.10 Improper type of contract followed

Works are generally awarded on item rate contracts. L.S. contracts are awarded when all design, drawings, specifications etc. were ready before inviting tenders.

ILLN: In a flyover construction case, the tender as per the Department is based on lump sum basis. The work is to be executed as per the design and drawing to be given by the Department. The complete drawings should have been finalized before call of tenders. However, only part drawings were available. The contractors were asked to quote their rates in 2 schedules. Schedule I contains quantity of various items to be executed for which lumpsum price was to be quoted by the contractor. Schedule II pertains to rates to be quoted for individual items in case of deviation in quantities specified in schedule 'I'. The tender is neither LS nor item-rate.

The above type of contract is not an appropriate one due to the following deficiencies:-

- i) The financial implication of the rates quoted in Schedule-II could be not the worked out for deciding the "L1".
- ii) Had the "L1" quoted very high rates in Schedule-II, it is a loss to the Govt. while executing additional quantities.

6.1.11 Voids to be deducted for earth filling (other than those below flooring) not specified.

ILLN : In a reclamation work, voids were not deducted on the pretext of non-specifying percentage deduction in the contract resulting in huge financial benefit to the contractor.

7. Inviting And Opening Of Tenders

7.1 PROBLEMS

7.1.1 Adequate time for publicity not given

Adequate time is not given to restrict the competition in tendering so that the work can be awarded to a favoured contractor at exorbitant rates.

ILLN : The period between the date fixed for opening and the date of publication in newspaper was only 7 days instead of normal period of 21 days, resulting in restricted tendering and the work was awarded at rates higher than the rates of other accepted contracts of similar nature during the period.

7.1.2 Wide publicity not given

It was observed in many cases that the tenders were published in newspapers having hardly any circulation. Publicity through websites are to encouraged as far as possible. Also tender notices are not sent to the Building Association. It has come to the notice that wide publicity is not given or restricted tenders are invited by some corrupt officials due to the following :

- (i) To favour a few contractors who normally executes the works for such organizations.
- (ii) To award works to the above contractors in turn by having understanding among the contractors and the corrupt officials.
- (iii) "Bribe Money" for awarding the works is extracted by the corrupt officials well in advance at various stages. In certain cases, the bribe money is paid well before invitation of tenders for the works since the prospective contractors are decided much before the invitation of tenders. Hence wide publicity is a must.

7.1.3 Tenders issued to ineligible applicants

The pre-qualification criteria specified in tender notice is not being checked before issue of tenders resulting in award of works to ineligible contractors.

ILLN : In a Railway project, the tender documents were issued to all the applicants without checking the criteria of selection specified in tender notice. This resulted in opening of price bids of ineligible applicants also. Subsequently the work was awarded to an ineligible contractor on the pretext of being the lowest. The same resulted in inordinate delay and rescission of the contract.

7.1.4 Tender Sale and opening registers not maintained

7.1.5 Opening tenders in the absence of tenderers

For fair and transparent system of tendering, the tenders should be opened at the prescribed time and place in the presence of bidders who choose to be present at that time. The rates quoted by various tenderers are read by the tender opening officer.

ILLN : Tenders were opened in the absence of the intending tenderers in one work. Finally the rates were tampered and, the work was awarded to the 'L2'

7.1.6 Corrections, omissions etc. in tender not numbered and attested by the tender opening officers.

It is a must that all corrections, omissions and insertions etc. are properly numbered and attested by the tender opening officers to avoid possibility of tampering of documents.

ILLN: A work was awarded with the corrected rates. The corrections were not numbered and attested by the officer who opened the tenders. It was found that the rates of 'L3' were reduced to make him 'L1' and the work was awarded to 'L3'.

7.1.7 Rate not quoted in figures by Tenderers

The rates for various items are to be quoted in words also. The tender document should have provision of quoting rates in figures and words by the tenderer. In case the tenderer fails, the rate in words must be written by the tender opening officer.

ILLN: In one of the works executed by a PSU, the rate of an item was increased by L-1 after adding 'O', in connivance with the officials resulting in increase of rates by ten times, after ensuring that he remains L-1 even after this change. The above had happened because the 'L1' had not quoted in words for the above item.

7.1.8 Tender invited without availability of site and approval of local body

Award of works without obtaining possession of site and approval of the scheme by local body is not proper as it results in non utilization of assets created and huge escalation payment to the contractor due to delay in commencement and completion of the works.

ILLN: In case of airport extension, part land between the existing runway and proposed extension of runway was made available to the contractor. The extension of runway was done leaving a portion for which possession of land was not available. Thus, Rs.8.00 crores spend for extension of runway could not yield any benefit and the assets created could not be utilized.

7.1.9 Limited tenders invited as emergency work but later either work delayed or not put to immediate use on completion :

It was observed that limited tenders were invited on grounds of emergency but later either the completion was abnormally delayed or assets were not put to use on completion. The above is done to avoid competitive bidding and mainly to award the work to favourite contractors at higher rates.

ILLN-1: In one of the embankment work, the limited tenders were called on the pretext of emergency and work awarded at rates higher than justified rates. The work of four months could not be completed even after 2 years.

ILLN-2: Another work executed by a Petroleum PSU was awarded to a contractor on single tender basis without call of tenders at exorbitant/high rates showing urgency in construction. The above work took about 1½ years for completing the same against the stipulated time of 4 months. The asset created was also not put to use for a long time after completion of the work.

7.1.10 Tenders received late considered for evaluation/award

Tenders received after due date and time of receipt are not to be considered to maintain the sanctity of tender system and to avoid malpractices.

8. Tender Scrutiny And Award of Works

8.1 PROBLEMS

- 8.1.1 Certificates for satisfactory completion of work executed for private organizations accepted without TDS certificate.

The certificates produced by the contractors for having executed works for private organizations are accepted without ascertaining the TDS details as a proof for completion of work of required magnitude. The same is not proper and may result in award of work to the ineligible contractors. Therefore, TDS certificate in addition to the certificate issued by the Organisation shall form the basis for considering experience of work executed for private organisation.

ILLN: In many works awarded for Jetty construction, reclamation etc. by Port authorities, T.D.S. certificate are not cross-checked before considering works of private Organisation for prequalification resulting in prequalification of ineligible contractors.

- 8.1.2 Non-evaluation of conditions quoted by the tenderers and accepting undue conditions during negotiations to give undue benefits to the contractor.

Financial implications of the conditions given at the time of submission of the tenders are generally not worked out to decide the relative position of the tenderers. Due to the above, the work is not awarded to the actual 'L1' During negotiations certain additional conditions are accepted regarding supply of non-specified material/machinery, interest free mobilization/equipment advance; and increase in rates of few items etc. The same is not proper and results in extending undue advantage to certain contractors.

ILLN : In a bridge work, contractor put forth the conditions of reimbursement of difference in rates of cement, steel, liner etc. prevalent at time of procurement and at time of submitting tender. The financial implication of above conditions was not evaluated at time of scrutiny of tender. This resulted in additional payment to the tune Rs. 1 crore to the Contractor apart from changing the position of the lowest tenderer.

- 8.1.3 Non-finalisation of tenders within validity period

The acceptance of tenders is delayed without any justification. This results not only in time and cost over run but also a major source of corruption.

ILLN: In a hydel project, the validity of period of a tender was six months. The validity period was got extended several times. Ultimately L-1 backed out to extend the validity due to increase in price of material and labour since the delay was two years. The tenders were reinvited and the work was awarded at exorbitantly higher rates.

- 8.1.4 L-1 ignored pointing out non-satisfactory performance or on other flimsy ground

L-1 contractor, though pre-qualified based on the criteria stipulated in tender documents, at times is ignored on flimsy grounds or on unsatisfactory performance. The same is done as the favoured contractor has quoted higher rates and the work cannot be awarded to him unless L-1 is ignored.

ILLN.-1 : In a hydel project, only three firms were qualified by the Department. The L-1 was rejected on the pretext of rates quoted as unworkable. The work was awarded during second call to another contractor at higher rates.

ILLN.-2: In a highway project, tender for L-1 prequalified contractor was rejected on the plea that the firm has failed to complete on earlier awarded work. The work was subsequently awarded to L-2 at much higher rates.

8.1.5 Comparative statement not prepared and checked

It is observed that comparative statement of rates quoted by the tenderers was not prepared, checked and signed by the officials. The same can result in award of work to agency other than L-1.

8.1.6 Market rate justification not prepared to assess the reasonability of quoted rates before acceptance

The rates at which works are to be awarded, shall be reasonable considering the prevailing market rates of material and labour and other factors pertaining to the work. At times, the quoted amount is compared with the inflated estimates of consultants, which were prepared without any basis, resulting in award of work at higher rates.

8.1.7 Justification statement prepared wrongly to justify higher rates

ILLN: As per a Departments' works manual, the work, which is not of urgent nature, can be awarded to a contractor if quoted amount is within 5% of justified cost. In a work executed by the above department, to bring the percentage of market rate justification within 5%, contingencies were added to the estimated cost and work was awarded of an amount more than 5% of the justified cost.

8.1.8 Tenders accepted on higher rates during second call

The tenders during first call, at times, are not accepted on flimsy grounds if the favoured contractor is not the lowest. To avoid the work, to predetermined/favoured contractor, the tenders are reinvited and works awarded at higher rates/amount than first call, either with the same or changed condition.

ILLN-1: In a road work, the tenders of part schedule were not accepted by the Department, on the plea that the same may result in sub-contracting the work to one contractor. The tenders were re-invited with changed conditions of issue of machinery. Earlier machinery was to be issued on hire charges, which was modified to free of hire charges during the second call. The tender during the 2nd call was accepted on rates higher than the earlier quoted rates, even though the condition for the hire charges was relaxed in favour of the contractor.

ILLN-2: In a tender of renovation of building, the rates quoted by L-1 in first call was Rs.1.39 crores. The same was rejected and the work awarded during 2nd call for Rs.1.82 crores. Thus, resulting in additional liability/favour to the tune of Rs.0.43 crores.

8.1.9 Items deleted after opening price bid to make the favoured contractor as the lowest tenderer(L-1)

8.1.10 Work awarded without proper verification of papers furnished by the tenderer

It is often observed that the works are awarded to the contractor without proper verification of documents furnished by the tenderers. Some times, E.M.D. is submitted in mode other than the prescribed one or false proof of completed work is considered or work awarded to the contractor not having valid income-tax clearance certificate or sales-tax registration.

ILLN: In a tender of residential building, incomplete works were considered for issue of tender document to a contractor, which eventually become L-1, resulting in award of work to ineligible contractor. This further resulted in delay in completion of work as the contractor was not technically capable of executing the work.

8.1.11 Similar/Identical contracts awarded at the same time with different rate for major items

The rates quoted by the tenderer are not being compared with the rates of similar/identical works and work is awarded at higher rates.

ILLN : In one of the airport works, overall position of tender considering common civil items was compared with other similar work awarded at the same time. Difference in rates was found to the extent of 28% in two similar contracts, i.e., the contract was awarded at much higher rates.

8.1.12 Contract at risk and cost of contractor

Tender document for the left out work of a rescinded contract is to be executed at the risk and cost of defaulting contractor. The specifications and condition of contract are also not to be altered.

8.1.13 Back to back contracts by PSUs

Some PSUs undertaking construction works participate in the tender for works by having pretender tie-up with one contractor. In the above tie-up, the contractor agrees to execute the works of certain percentage less than the tender amount awarded to the PSU. This is irregular since the competition in awarding the work by the PSUs(undertaking construction works) is missing in addition to award of works to favourite contractors.

ILLN : One Government Department awarded the work to a PSU and the above PSU in turn awarded the work to a contractor (without inviting tender) at 5% lower than the tendered amount accepted by the Govt. Department. In the above illustration, following irregularities were observed –(i) The Govt. Department awarded the work at higher rates; (ii) Govt. Department allowed the PSU to sublet the contract against the provisions in the agreement; and (iii) The PSU awarded the work without call of tenders to a favourite contractor.

9. Works Agreement

9.1 PROBLEMS

9.1.1 Unwanted papers in the agreement

Most often, it is observed that contract documents are not drawn in complete and detailed manner, i.e. either lot of unwanted papers are kept or vital papers e.g. original price bid, letters of negotiations etc. are kept in loose file. Therefore, the contract document should be precise, definite and complete.

ILLN : In one agreement of a Govt, Undertaking, the following irrelevant documents were made part of the agreement :--

b) Protocol between the Govt. of India and a foreign country;

c) Approval accorded by the Lt. Governor with respect to protocol;

d) Same proposal submitted by the organization during various stages etc.

On final scrutiny, it was difficult to work out the exact requirement/provision made in the agreement

9.1.2 Important papers such as negotiation letters missing

Important papers such as negotiation letter, copies of amendments subsequent to issue of tender documents etc. shall be made part of contract agreement to avoid contractual complications.

IILN : In one of the works executed by a Bank, negotiations were conducted twice with the contractor. Second negotiation letter was not found in the agreement and payments were made to the contractor based on first negotiation, resulting in overpayment to the contractor.

9.1.3 Performance guarantee obtained late

It has been observed that the performance guarantee is being obtained later than stipulated in the tender document. Late submission of performance guarantee amounts to giving undue advantage to the contractor by way of saving bank charges.

9.1.4 Insurance not taken as per conditions

Contract documents of most of PSUs stipulate, furnishing of insurance policies such as Contractor's all risks policy, workmen compensation, third party policy and policy of machinery/T&P by the contractor. The contractors either do not submit these policies or submit policies for less period. The same can result in large commitments due to mishap during execution. The contractor also gets benefit by saving the insurance policy charges.

ILLN : In a hydel work, insurance for flood was not obtained by the contractor even though specific provision exists in the agreement resulting in large saving to the contractor. During execution, flood occurred resulting in huge loss to the department that could not be recovered from the contractor

9.1.5 Bank Guarantee not verified through issuing bank

In many cases, it has been observed that the bank guarantees are not verified from the issuing banks. In one of the cases, on verification of BG, subsequent to intensive examination, the BG was found to be fake.

9.1.6 Labour Licence not obtained

As per the agreement and the relevant Act, labour licence from appropriate authority is to be obtained by the agency before commencement of work. But this aspect is not taken care of and work is allowed to proceed without labour licence.

9.1.7 Technical staff not employed by the contractor

It has been observed that the technical staff required as per the terms and conditions of contract are not employed by the contractor resulting in execution of bad quality work due to lack of supervision as well as undue financial benefit to the contractor.

9.1.8 Safety precautions not taken at site

A number of provisions regarding safety precautions to be taken at site during execution, such as providing barricading, red flags, night lamps, road diversion boards and double steel scaffolding etc. are made in the agreement. But it has been observed that no importance is given to such an important aspect, which can result in fatal accidents and also contractors are benefited by not complying with the contract provisions.

9.1.9 Issue of material/machinery not stipulated in the contract agreement

Material/machinery for which no provision is made in the agreement is being issued to the contractor on meager charges, resulting in financial benefit to the contractor.

ILLN: In one of the works being executed by a PSU, no provision was made for issue of machinery to the contractor. On contractor's failure to deploy the required machinery, the machinery was issued by the Department and hire charges were fixed at a much lesser rate than the prevailing market rates resulting in undue advantage to the contractor.

9.1.10 Stipulations regarding approval of sample not adhered to/work not executed as per the approved sample

In most of the cases, it has been observed that the samples of material to be incorporated in works are not approved by the competent authority. In works where samples are approved, the work is not executed as per the approved samples and contractor is benefited by using substandard materials.

ILLN: In one hospital work, flooring and dado in the building was of marble stone. The quality of the marble used in the work was inferior to the quality of sample approved by the competent authority.

9.1.11 Price escalation paid though not stipulated

It has been observed in a few cases that price escalation was paid to the contractor though there was no provision for the same in the agreement resulting in undue benefit to the contractor.

ILLN: In one work executed by a Petroleum PSU, the quoted prices were fixed and no escalation was to be paid to the contractor. The completion of work was delayed and escalation to the contractor was paid by the Department.

9.1.12 Risk and cost action not taken and balance work awarded at high rates

On failure of the contractor to provide the desired services, the contract agreement is rescinded by the Department. The left over work is awarded at the risk and cost of the original contractor.

ILLN : In one work, the contract was rescinded due to delay on the part of the contractor in completion of building. The work was awarded to another contractor on single tender basis with additional liability of approx. Rs.44.0 lakhs. No action was taken by the department to encash the various bank guarantees to recover the additional liability from the defaulting contractor resulting in undue favour to the contractor.

9.1.13 Guarantees on various accounts not obtained

Certain guarantees for water proofing treatment/anti-termite treatment etc. are to be obtained as per the provisions in the agreement. These guarantees are not often obtained and no action can be taken against the contractor for defects noticed in the guarantee period.

9.1.14 Non-execution of specialized work through specialized agencies

A provision for execution of specialized works like anti-termite treatment, water proofing treatment, aluminum work, fire check doors, flush doors etc. is often made in the agreement. These conditions are not implemented at site resulting in large savings to the contractor and execution of sub standard works.

9.1.15 Design of concrete mix not done by the approved lab and design not revised with change in source of ingredients

9.1.16 Recording fictitious date of completion though work not completed

The date of completion, at times, is recorded before actual date of completion of work to favour the contractor by non-levy of liquidated damages due to delay and also to relieve him early of his responsibility of defect liability period.

10. Payments To Contractors

10.1 PROBLEMS

10.1.1 Excessive deviations allowed without approval of competent authority

The quantities of various agreement items advantageous to the contractor are indiscriminately deviated during execution of work. The deviation can also occur due to inaccurate detailed estimates and due to wrong/over measurements. Prior approval of the authority competent for deviation is not generally taken by the subordinate officers.

10.1.2 Less quantity of Abnormally Low Rated items executed and paid

Items for which contractor has quoted abnormally low rates are to be identified at the time of award of contract. Execution of less quantity or substitution of such items result in undue advantage to the contractor.

ILLN: In one work, terrazzo tiles flooring was to be carried out and the rates quoted by the contractor were abnormally low. During execution about 15% of quantity was executed and remaining quantity was substituted with marble flooring. Thus, undue advantage was extended to the contractor.

10.1.3 More quantity of AHR items executed and paid

Similarly, abnormally high rated items are to be identified at the time of award to avoid increase in quantity of these items during execution since it results in undue advantage to the contractor.

ILLN : Contractor's accepted rate for item of M.S. grill/railing in a work was abnormally high and 250Kg was only stipulated in the agreement. To favour the contractor, the above quantity was increased from 250Kg to 11900 Kg by allowing the contractor to use higher size square bars without any technical requirement which resulted in financial benefit to the contractor.

10.1.4 Items substituted to the advantage of contractor

It has been observed quite often that items not beneficial to the contractor are substituted to other items. The above practice is more prevalent in Organisation which engaged consultants for the purpose of estimation, supervision and preparation of bills etc.

ILLN-1: In one building work, RCC structure was substituted with structural steel and pre-cast slab and the requirement was justified by showing urgency in completion. The extra cost on account of substitution was Rs.1.00 crore(approx.) but the work could not be completed in the revised period of completion. Thus, the substitution was aimed to favour the contractor.

ILLN-2: In another work, pile foundation was changed to well foundation without any technical necessity thereby increasing cost of the project by Rs.2 crores which had gone to the benefit of the contractor.

10.1.5 Inadmissible extra items paid

At times, extra items which are not admissible, are paid to extend undue benefit to the contractor

ILLN: In one building work, as per the conditions given in the agreement, nothing extra was admissible to be paid for extra height of centering and shuttering. In spite of specific provision in the agreement, extra item was sanctioned, measured and paid to give undue benefit to the contractor.

10.1.6 Exorbitant rate fixed for extra/substituted items

It has been observed that the rates of extra/substituted items are not derived based on the conditions of contract. They are derived on abnormally high rated items, which results in undue benefit to the contractor.

ILLN : In one hydel project, extra items amounting to Rs.100.00 crores were allowed and the same were sanctioned at high rates. The rates were analysed by adding 49% on account of contractor's profit and overheads as against the normal 10%.

10.1.7 Measurements not recorded in MBs

Measurements of the items are to be recorded and kept in a bound Book which should be kept ready for inspection. But in many cases, the same were found in loose sheets, which could be changed at any time.

10.1.8 Checking measurements

The measurements including hidden and high rated items are to be checked by senior officers to avoid overpayment. But it is not done in many cases.

10.1.9 Incomplete items paid on full rates or excessive part rates allowed

The payments to contractor for various items are being made as per contractors quoted rate even if the complete scope of the item is not executed by the contractor and this results in over-payment. In certain cases, it was observed that part rates allowed were more than the admissible.

10.1.10 Voids not deducted before allowing payment to contractor for work in filing.

Deduction on account of voids in earth/stone filling work is to be done where compaction is not as per the desired density under OMC conditions. Non-deduction of voids results in huge overpayment to the contractor in connivance with the field staff.

ILLN : In a reclamation work costing Rs.15 crores, deductions on account of voids was not made which resulted in overpayment to the tune of crores of rupees.

- 10.1.11
 - i) Measurement no restricted as per the drawing
 - ii) More working space measured than admissible in earth work in excavation
 - iii) Excessive offset and side slope than admissible measured and paid in earth work in excavation.
- 10.1.12
 - (i) Secured advance paid for larger quantity than required for execution at Site
 - (ii) Secured advance paid for perishable materials without insurance cover
 - (iii) Secured advance paid without adequate testing of materials
 - (iv) Not effecting recoveries of secured advance in respect of material utilized in the items which were measured and paid.

10.1.13 Non-recovery of I.Tax and Works Contract Tax

Statutory deductions are not made as per the requirement resulting in huge benefit to the contractor. In few cases, it was observed that Income Tax and Works Contract Tax were not recovered from the contractor's bills. At times recovery is made on net amount after deducting cost of stores/hire charges from contractor's gross payment. The above practice is highly irregular. Recovery shall be made on gross amount of the bill.

10.1.14 Wrong payment of escalation

Escalation, at times is paid based on provisional indices. It has further been observed that the escalation is paid on gross amount of bill without deducting cost of materials issued by the Department. The above result in extending undue benefit to the contractor.

10.1.15 Escalation paid for period for which extension of time was not granted by the competent authority

10.1.16 Wrong mode of measurements/wrong coefficients adopted

It has been observed that the mode of measurement for brick work in most of the works is not as per the relevant IS Code and also wrong coefficients of reinforcement are adopted while working out quantity for payment to the contractor, resulting in overpayment to the contractor.

10.1.17 Recording measurement under wrong item of agreement

It has been observed that measurements of items are recorded under items other than the appropriate one to extend undue benefit to the contractor.

ILLN: In one land development work, the rate quoted by the contractor for excavation and filling for pipelines was less than rates quoted for excavation in foundation trenches and filling earth in plinth. The items of earth work in pipe line was measured under earth work in trenches to extend benefit to the contractor.

- 10.1.18
 - i) All the accepted rebates of the contractor were not availed by the department while releasing payment to the contractor
 - ii) Rebate not considered while finalizing the rates for extra/substituted items.

10.1.19 Retention money released before due date

10.1.20 Payment made on full rates for sub-standard work

The work not executed as per the specification is not to be accepted and contractor is supposed to redo the work. If it is structurally impossible to rectify the defect, the payment shall be made of reduced rates, after approval of the competent authority. The payment at times for sub-standard work is made at full rates resulting in huge benefit to the contractor.

10.1.21 Correction in MBs not attested by concerned official

11. Site Records

Proper documentation of test records, site instructions, issue of cement and steel etc. is essential to ensure execution of quality work. Recoveries, grant of EOT etc. are decided at a later date based on site records. Therefore, all the site records prescribed in the works manual are to be maintained at site and produced during vigilance inspection.

11.1 PROBLEMS

11.1.1 Registers with pages numbered serially not issued by the competent authority

11.1.2 Hindrance register not maintained

Hindrance Register is a very vital document. All the hindrances with date of occurrence and removal are to be noted in the hindrance register. Record of hindrances is not only required for grant of E.O.T. but also required for early removal of hindrance by the site officials etc.

ILLN : It was observed in some cases that E.O.T. was granted to the contractor without levy of liquidated damages and payment for cost escalation were made without record of hindrances which resulted in undue benefit to the contractor.

11.1.3 i) Site order book not maintained

ii) Compliance in site order book is not recorded by Engineer-in-Charge

11.1.4 MAS A/c Registers not maintained

In some of the cases, it was seen that MAS A/c registers of important materials viz. cement, steel, bitumen, etc. were not maintained. In the absence of such basic record, source, quality, quantity and day to day consumption of these materials cannot be checked. It is, therefore, essential to maintain MAS A/c registers for above mentioned materials.

11.1.5 Cement and steel not tested/Test Certificates not available

Cement and steel are the major materials used in the construction of any building. Hence, proper quality of these materials has to be ensured by the site officials. Lot wise manufacturer's test certificates should be obtained and kept in record. Reference of these test certificates should be given in corresponding cement and steel Registers to facilitate checking by any independent authority. Independent testing of cement and steel should be also done at regular intervals to ensure proper quality. The above procedure is generally not done and the same results in showing undue benefit to the contractor by accepting inferior quality materials apart from the danger of structural failure.

11.1.6 Cutting/over writings in the cement register. Test checks not done by senior officers.

Cutting/over-writings are to be avoided in cement registers. Any cutting, overwriting etc. gives an indication manipulation of cement records to

cover up less/over issue of cement. Periodical test checks of cement register as per required frequencies are to be done by senior officers to avoid any manipulation by junior officers.

11.1.7 Record for mandatory tests not maintained properly

Mandatory tests on various materials are to be conducted as per the prescribed frequency in the contract document/BIS codes to ensure the quality of materials used in the work. Test results obtained from outside labs are to be properly recorded in the test registers by giving the reference to the test report. The test results should be compared with the acceptability criteria in the test registers to ensure that the results obtained passes the acceptability criteria. Record of quantity of material brought and tests conducted should also be maintained in the test registers to ensure that tests have been conducted as per prescribed frequency.

ILLN: It has been noticed in the past that the test registers were not maintained and mandatory tests are not conducted as per prescribed frequency. During vigilance inspection, samples of materials were taken and tested independently. It was found from the test results that many materials failed to fulfill the quality parameters. Non-carrying out the mandatory tests results in extending undue benefit to the contractor by accepting sub-standard materials and by saving in testing charges.

11.1.8 Record of test of water not maintained.

Water is a very important ingredient which affects the quality of concrete. Use of proper quality water must be ensured by site officials to ensure quality of concrete work. Water must be tested regularly at the specified frequency to ensure proper quality of concrete work and to avoid benefit to the contractor for allowing bad quality water in case the contractor has to arrange water.

11.1.9 Record of check of surface undulations in case of cement concrete pavement/bitumen pavement not maintained

The above will help the contractor in allowing bad quality work which goes to the benefit of the contractor.

11.1.10 Bituminous works

- i) Record of tests of DAC, SDAC, Bituminous Macadam for bitumen content, grading of aggregate and field density not maintained.
- ii) Record of level of bottom/top of DAC, SDAC and bituminous macadam not maintained.
- iii) Record of temperature of bitumen macadam, DAC, SDAC not maintained.
- iv) Record of core test or proctor density test of BM, SDAC and DAC not maintained.

During vigilance inspection, variations which were beneficial to the contractors were detected.

11.1.11 Record of testing of earth brought from outside for filling not maintained.

11.1.12 Record of testing of earth disposed off declaring unserviceable not maintained. Testing of earth is to be carried out before declaring the earth unserviceable to avoid corrupt practices.

ILLN-1: Earth excavated in a building was disposed off on the pretext that the above was unsuitable for filling purpose and earth was brought from outside. When the disposed off soil was tested, the same was found suitable for filling. As such, action of the department resulted in avoidable expenditure of Rs.12,00 lakhs.

ILLN-2: In a work for extension of runway, the soil available from excavation was to be used for filling in embankment. The available soil was disposed off without ascertaining its suitability and a separate contract for embankment will soil to be brought from outside was accepted resulting in avoidable expenditure of Rs.4.83 crores.

11.1.13 Record of disposal of rejected material by specifying Truck No. and date of disposal not maintained.

11.1.14 Testing of piles not done

Initial and routine pile tests are mandatory as per IS codes to check the capacity of piles. Such tests were found not done in many cases. Records were not maintained in certain cases.

ILLN: In a work of construction of chemical storage terminal, no initial test was conducted to check the bearing capacity of pile considered in the design. Further, no routine pile load test was carried out during execution. Due to the above, public fund was wasted due to the execution of larger diameter piles, longer piles and excess number of piles than the design requirement. During the process, the contractor was also benefited by getting additional work and doing bad quality work since the contractor knew the larger safety margin.

11.1.15 Inspection notes not issued by senior officers

Inspection of site by senior officers improves the quality of work. However, it was noticed that senior officers are not issuing any inspection notes as a record of their inspection. This is mainly due to the fact that senior officers are not keen in taking any responsibility for quality of work. The inspection of senior officers are not to be confined only to issues concerning progress, coordination etc. Senior officers are required to inspect the site to check quality of work etc. Works manual of the organization should specify such matters. Inspection note is to be issued invariably for each inspection carried out by senior officers. An inspection register is to be maintained at site and inspection notes are to be entered in these registers. Senior officers must review the inspection notes on subsequent visit to ensure its compliance. In the absence of the above procedure, there is a tendency for the subordinate officials to allow bad quality work for giving undue benefit to the contractor.

12. Quality In Construction

It is noticed in a number of inspections that site officials incharge of the work do not pay much attention to the workmanship and quality of materials used in the work. Sub-standard work were allowed. When deficiencies were pointed out by inspecting officials of CTEO, the department resorted to effecting recovery for sub-standard works. It is hereby again emphasized that recovery is not a substitute for acceptance of bad work. Officials responsible for execution of sub-standard work are liable to disciplinary action apart from the recovery.

12.1 PROBLEMS

12.1.1 Earth work

- i) Surplus excavated earth not leveled and neatly dressed at the disposal place.
- ii) Less sand filling done under floors.
- iii) Proper compaction of earth under floors not done.
- iv) Compaction of earth work in filling not done as stipulated in the contract.
- v) Lead chart for disposal of surplus earth not maintained.
- vi) Excavation of foundation less than specified in drawing.

12.1.2 Concrete work.

- i) Oversize/ disintegrated/soft aggregate used.
- ii) Sand with more silt content used.
- iii) Honey combed concrete.
- iv) Concrete found bulged and not in plumb.
- v) Less thickness of PCC under floors.
- vi) Proper overlaps in reinforcement not provided.
- vii) Reinforcement found exposed.
- viii) Lesser diameter binding wire used.
- ix) Expansion joint not properly located/ provided.
- x) Throating and drip mouldings not provided to chajjas.
- xi) Timber form work used through contract provides for steel form work.
- xii) Clear cover to reinforcement not as per drawing.

12.1.3 Brick work

- i) Hollow vertical and stretcher course joints.
- ii) Joints in brickwork thicker than specified
- iii) Raking of joints not done properly
- iv) Poor quality of mortar and inadequate curing
- v) Sub-standard quality bricks used
- vi) Bricks on edge not provided at desired locations.
- vii) Cross walls not properly bonded with long walls
- viii) Brick layers not laid in proper level
- ix) Less thick brick tiles provided on terrace
- x) Expansion joints filled up

12.1.4 Stone work

- i) Bond stones in required numbers not provided.
- ii) Levelling course of C.C. in case of R.R. masonry not provided at required placed
- iii) Bushing /dressing of stones was not proper
- iv) Joints thicker than specified
- v) Joints not filled with cement mortar
- vi) Poor quality cement mortar
- vii) Cramps, pins and dowels not provided for stone veneering/lining work
- viii) Thickness of stone less than specified

12.1.5 Wood work/Aluminium work

- i) Species of wood other than specified provided.
- ii) Cracked wood/Wood with knots used
- iii) Kiln seasoning not done where specified
- iv) Less size of styles and rails
- v) Coal tar/wood preservative not used for timber in contact with masonry
- vi) Hold fast size found less
- vii) Glass panes of less thickness provided
- viii) Non ISI fitting provided
- ix) Glue not used in joints of wood work.
- x) Non ISI flush doors provided at site
- xi) Less size and number of hinges provided
- xii) Doors/windows not fabricated in approved factory
- xiii) Lighter weight Aluminium sections provided
- xiv) Proper sealing between frame and opening not done
- xv) PVC strip /EDPM lining not provided in Aluminium doors/windows.
- xvi) Less thickness of anodizing/powder coating
- xvii) Wire gauge not turned at right angle in rebate
- xviii) Interior grade ply/particle board used instead of specified exterior grade.

12.1.6 Steel work

- i) Non-standard steel sections used
- ii) Priming coat either not done or poor quality priming coat done on steel works
- iii) Tack welding done instead of continuous welding
- iv) Extra slag of welding not removed
- v) Thickness of sheets in rolling shutter found less

- vi) Metal beading and glazing clips not provided in windows though specified.
- vii) Inferior quality hinges and fittings provided
- viii) Steel hinges in M.S. frames not fixed by cutting slots.
- ix) M.S. striking plates fixed in steel windows instead of brass/aluminium
- x) Flash butt welding not done in steel windows
- xi) Top and bottom fixing of windows not carried out
- xii) Non ISI steel windows provided

12.1.7 Flooring

- i) Lesser width and lesser thick glass strips used in flooring
- ii) Smaller size chips used in terrazzo flooring
- iii) Thickness of flooring found less
- iv) Second quality marble stone provided against specified first quality white marble
- v) Floors sounding hollow
- vi) Stones of smaller than specified size provided
- vii) Large panel size of CC/Terrazo flooring than specified
- viii) Joints of tile/stone flooring found thick and crude
- ix) Grinding stone marks visible on final polished flooring

12.1.8 Roofing

- i) Non ISI and lesser thickness of CGI/AC sheets provided
- ii) Side and end laps of sheets found less
- iii) Rusted G.I. hook of lesser dia used
- iv) Brick coba treatment found with cracks, local undulations, sounding hollow with inadequate slope and less thickness
- v) Thickness of mud phuska found less
- vi) Joints of brick tiles laid over roofs not grouted
- vii) PVC sheet thickness found less than specified
- viii) Gola not provided by cutting chase in parapet wall
- ix) Non-ISI marked rain water pipes provided

12.1.9 Finishing

- i) Ceiling plaster found 10 to 20mm thick against the requirement of 6 mm thick.
- ii) Finished surface of plaster found not smooth and uniform and not true to lines/levels.
- iii) Poor quality mortar used in plastering
- iv) Smaller size grit used in external grit plaster
- v) Poor quality primer, distemper, paint etc. used.

- vi) Surface not prepared before painting/distempering
- vii) Distemper/white wash/snowcem etc. coming to hands on rubbing
- viii) Brush marks visible on painted/distempered surface

12.1.10 Water supply, sanitary installations and drainage

- i) Non ISI marked SCI/GI pipes provided
- ii) Less weight SCI/GI pipes used
- iii) Clamping of GI pipes either not done or done at inadequate spacing
- iv) Less size of MS flat used in MS holder bat clamps and MS flat was not galvanized
- v) MS holder bat clamps not fixed in CC blocks
- vi) Less quantity lead used in SCI/CI pipe joints
- vii) Traps with insufficient seal used.
- viii) Commercial quality sanitary wares
- ix) Lesser weight bib taps/pillar taps/stop cocks etc provided
- x) Under weight PVC storage tanks provided
- xi) Less size and weight of gully gratings and manhole covers.
- xii) Inferior quality SW/RCC pipes
- xiii) Earth not properly compacted during refilling of trenches.

12.1.11 Horticulture works

- i) Estimate not prepared as per landscape plan
- ii) Landscape plans do not indicate the location of plant and species
- iii) Species not selected as per environmental conditions
- iv) Details of plants e.g. species, heights etc. not mentioned in the nomenclature of items
- v) Mode of measurement of earth/manure supply is not indicated. Deduction of voids not done.
- vi) Excavation/trenching not done up to required depth at the time of development of new garden or regressing of lawn etc.
- vii) Fresh/semidecayed cowdung manure/farm yard manure accepted in place of well decayed cowdung manure/farmyard manure
- viii) Grass not dibbled at specified distance during development/regressing of lawn
- ix) Pit size for different types of plant not mentioned in nomenclature of items
- x) Composition of refill mixture of earth and manure etc. not mentioned as per the requirement of particular species
- xi) P.H. value of earth not checked before taking its supply to suit the type of plantation
- xii) Manure mixed with earth, stone and other extraneous matters used.
- xiii) Good earth mixed with building rubbish
- xiv) Unhealthy/diseased plants

13 Special Projects

Following special projects are discussed in this chapter

- i) Highways
- ii) Flyovers
- iii) Runways
- iv) Interiors
- v) Sewage treatment plants
- vi) Development of site

These special projects require proper supervision by site officials to ensure execution of quality works. It has been observed that inexperienced engineers are deputed for supervision of these works by the contractors resulting in undue benefit to the contractor and execution of bad quality work. Hence, special attention is required for supervision of these works by qualified and experienced engineers.

13.1 PROBLEMS

13.1.1 Highway Projects

- i) Consultants are appointed arbitrarily without competitive bidding in spite of the fact that the fee payable is in crores of rupees.
- ii) Private consultants are appointed for almost all the activities of the Projects without proper competitive bidding;
 - General Consultants
 - Planning and Design consultants
 - Construction management consultants etc.

The works done by the consultants are not checked by the departmental Engineers, whose job is mainly to issue cheques to the consultants/contractors.

- iii) Payment for the works to the tune of several crores of rupees is made by the departmental officers based on the recommendations of the private consultants and that too without conducting any check by the departmental officers.
- iv) Deviation order for payment of several crores of rupees are made on lump sum contracts as recommended by the private consultants. The recommendations for such payments are generally not checked by the departmental engineers.
- v) Quality of the works executed by the private contractors are checked by another private consultant. As such no responsibility lies with the Department.
- vi) Structural Design and estimate are generally not checked by the departmental engineers
- vii) Inflated estimates and recommendations are made by the consultants by adopting many lumpsum provisions etc.
- viii) Compaction of embankment/sub-grade not carried out upto the desired level.
- ix) Embankment/sub-grade material not spread in uniform thick layers as specified in specifications.

- x) Grading of materials used for granular sub-base, water bound macadam, wet mix macadam, bituminous macadam and dense bituminous macadam not as per the requirements
- xi) Granular sub-base, wet mix macadam, bituminous macadam, dense bituminous macadam etc. not compacted to the desired density.
- xii) Thickness of granular sub-base, WBM, WMMM, BM and DBM found less than that specified
- xiii) Alignment, levels and surface regularity of pavements not executed as per the specification
- xiv) Proportions of various ingredients to be mixed for bituminous concrete not as per design mix.
- xv) Bituminous macadam and bituminous penetration macadam not covered with seal coat before allowing traffic over it.
- xvi) Flexural strength of CC pavement not as per specified requirement
- xvii) Use of sub-standard quality reinforcing element used for reinforced earth work.
- xviii) Variation in dimensions of kerbstone more than the permissible limits

13.1.2 Flyovers

- i) Design and drawings of form work including supports not approved by the Department before execution
- ii) Form work used at site not leak proof
- iii) No precamber provided to the soffit of form work
- iv) Mechanical coupling of bars at additional/extra rate paid though provision for same included in the lump sum price
- v) Concrete mixed in batch type mix though provision for fully automatic batching and mixing plant made in the agreement.
- vi) Surface cracks observed on deck slabs
- vii) Complete record of prestressing along with elongators, jack pressure etc. not maintained though provision exists in contract agreement
- viii) Safety precautions to avoid accidents during construction not taken as per the requirement specified in the agreement.
- ix) Diversion roads not constructed and maintained as per the contract provisions.
- x) Construction done based on RCC solid slab instead of prestressed/voided slab construction accepted at the time of selecting consultant.
- xi) Uneconomical type of retaining works used for approach roads.
- xii) Lumpsum provision for various item costing approx Rs.20.00 crores was kept in estimate.
- xiii) Estimates were prepared based on inflated rates
- xiv) Basic data/Traffic data required for design of flyover was not provided by the deptt.
- xv) Consultancy work awarded to firm not having any experience of planning of flyover.
- xvi) Cost of flyover increased by more than four times the cost estimates furnished by consultants in spite of the fact that the selection of the consultants were based on economical design etc.

- xvii) Private proof consultant were appointed to check the design of another private consultant arbitrarily without any basis.
- xviii) Quality check not based on manual finalized by the department/consultant.
- xix) Provision of independent quality check from outside agency not complied.

13.1.3 Runways

- i) Soil stabilization done without ascertaining its technical necessity.
- ii) Possibility of using the existing concrete/bituminous pavement for the overlay had not been explored as a base layer. But heavy expenditure incurred in dismantling the same and then refilling with less durable layers. Pavement design not done in such cases.
- iii) Expansion, contraction and dummy joints not found in true lines and uniform width
- iv) Expansion joints of CC pavement not properly filled up with the specified material.
- v) Surface accuracy of finished concrete/bituminous surfaces not found within prescribed limits.
- vi) Concrete laid in single layer against the requirement of multi-layers resulting in improper compaction.
- vii) Thickness of ante-friction layer of PVC sheet found less than specified.
- viii) Geotextile fabric not tested for specified parameters
- ix) Embankment made with costly materials such as river sand etc.
- x) Failure occurred in the embankment side slope.
- xi) Surface drains not designed properly.
- xii) Embankment filling not compacted in layers specified.

13.1.4 Interiors

- i) Interior decoration with very costly and imported materials allowed even though existing specifications were adequate.
- ii) Nomenclature of items of interior work not framed properly resulting in litigation and payment of huge amount in the form of extra items.
- iii) Rates of interior items not derived on the basis of detailed drawings and after working out the quantum of material and labour for each item.
- iv) Materials used in interior works e.g., fabric, wood, board, carpet, tiles, marble etc. not found as per approved list specified in the contract document.
- v) Consultants tend to experiment with new materials and design in the name of interiors at the cost of department for their commercial benefits/gains.
- vi) Minimum price range specified for materials of items not adhered to. Purchase vouchers when verified indicated lesser price than specified but cost adjustment not done.
- vii) Fire resistant paint/primer on the unexposed surfaces of paneling ceiling etc. though specified in the contract agreement found not done.

- viii) Sizes of furniture items and other inbuilt components e.g. drawers, partitions, shelves etc. found less than that specified in the drawing.
- ix) Concealed frame sections used in false ceiling found of lesser size and of inferior quality. Hangers fixed at more spacing than specified. Adjustable nuts and bolts not fixed to hangers.
- x) Anti-static PVC flooring not provided inspite of clear stipulation of same in contract agreement.
- xi) Glasses used in cabins not given adequate treatment to get permanent stain free surface.
- xii) False ceiling of different system of cheaper quality used than that specified in the contract agreement.
- xiii) Interior grade (Urea bonded) board and ply used instead of exterior grade (phenol formaldehyde bonded) plywood.
- xiv) Melamine polish found of inferior quality.
- xv) Plaster of paris lining of 20mm thickness done over already plastered and smooth surface resulting in infructuous expenditure.
- xvi) Sub-standard quality venetian blinds, sun control films, floor springs, marble tiles etc. provided.
- xvii) Simple teak wood moulding provided against specified ornamental mouldings
- xviii) Anodizing/power coating thickness found less than specified.
- xix) Gauge of sheet thickness of steel almirah found less.

13.5 Sewage treatment Plants

- i) Capacity of proposed treatment plant was decided arbitrarily i.e., without keeping in view the discharge to be treated.
- ii) The performance of the tenderer/firm with respect to technology followed in similar plants installed earlier was not ascertained/checked independently. The proposed technology was earlier used in small plants and the performance of plants also was not found satisfactory.
- iii) The technology proposed was supposed to be cost effective as compared to conventional plants. However, the technology was not cost effective and investment of double the cost was required.
- iv) Design and drawings submitted by the contractor were not checked by the department for hydraulic design/structural design and economy.
- v) No guarantee of plant available to the department due to delay in completion of work.
- vi) Clearance from Chief Electrical Inspector, Explosives Department and Pollution Control Board not obtained.
- vii) Design of channels, appurtenances and conduits designed for average flow though the same are required to be designed for maximum flow.

- viii) OPC cement used in sludge digestion tank as against blast furnace slag cement.
 - ix) Size of gravel in sludge drying bed was 25mm as against 3 to 6mm recommended by manual issued by Central Public Health and Environment Engg. Organisation.
 - x) Plant initially recommended to be constructed up to primary stage of treatment by the consultant. The secondary stage recommendation to be added at a later date depending on reuse of treated effluent. However, plant being constructed with secondary treatment.
 - xi) Alternative scheme proposed though cost effective and acceptable to consultant not agreed. Plant being constructed at higher cost.
 - xii) No provision exists in agreement for payment of extra item since tender was on lumpsum basis on contractors specification/design. Extra item paid to the contractor, resulting in undue benefit.
 - xiii) Spares of various plants/equipments not supplied.
 - xiv) Water retaining structures were not tested as per provision made in IS 3370
 - xv) Welded joints were not tested by non-destructive testing.
 - xvi) Water used in concreting not tested before use in the concrete work.
 - xvii) Thickness of filter used in sludge drying beds and filter was less than the specified.
 - xviii) Clearance of elevated MS/RCC structures from ground was less than the specified.
 - xix) Various pipe lines laid not tested before covering the lines with earth/concrete etc.
 - xx) Exposed surface of concrete not treated though provision for treatment exists in agreement.
- 13.1.6 Development of Site
- i) RCC pipes covered with CC 1:2:4 around even though the pipes were not in close proximity to trees/tracks etc.
 - ii) Performance test of water supply and sewerage system not carried out.
 - iii) Design of road, sewage, water supply and storm water drainage systems not carried out.
 - iv) Slopes of pipes not provided properly.
 - v) Height and slope of concrete channel in man hole not as per specifications
 - vi) Less weight manhole frame and cover provided
 - vii) RCC/SW/GI pipes not tested before use.
 - viii) Less quantity lead provided in CI pipes

14. Important Technical Circulars

As preventive Vigilance measures, the CVC had issued many circulars. However, the circulars covering the following aspects are reiterated in this section.

- (i) Post Tender Negotiations
- (ii) Interest free mobilisation advance.

- iii) Appointment of Consultants
- iv) Acquisition of Accommodation

14.1 Post Tender Negotiations

As post tender negotiations are the main source of corruption, post tender negotiations are banned vide the circular of the commission dated 18/11/1998 (Annexure-I) except in the case of negotiation with L1 (The Lowest Tenderer). It has been further clarified vide Circular dt. 24/08/2000 (Annexure – II) that if L1 party backs out, there should be retendering in a transparent and fair manner.

It was clarified vide circular dated 28/3/02 (Annexure–III) that the above instructions are not applicable for projects funded from sources other than the consolidated fund of Govt. of India. The above instructions I issued vide circular dated 28.3.02 were withdrawn vide circular dated 29/4/02(Annexure-IV).

14.2 Interest free Mobilisation advance

It has been clarified by the Commission in the circular dated 08.12.1997 that adequate steps may be taken to ensure stipulation of mobilization advance only for selected works and the advance should be interest bearing so that the contractor does not draw undue benefit. Copy of the above circular is enclosed at Annexure-V.

14.3 Appointment of Consultants

It was observed by the Commission that Consultants are appointed arbitrarily and without considering the merit, capability etc. Two circulars were issued in this regard on 12/11/82 (Annexure–IV) and on 10/1/83 (Annexure-VII).

14.4 Acquisition of Accommodation

It was observed by the Commission that accommodation for commercial/residential purposes are being acquired by various PSUs/ Banks etc. in an arbitrary and adhoc manner. Three circulars were issued in this regard on 8/7/99, 8/9/99 and 21/2/2000 respectively (Annexure VIII to X). It has been emphasized in these circulars that an "OPEN" advertisement in the local as well as national newspapers with maximum circulation in the area must be given for acquisition of any commercial/residential property. The tenders should be invited preferably by two bid system viz. technical and financial. The technical bid should be opened in the first instance and suitability etc of accommodation be assessed. The market rate justification for the areas of which property is available should also be assessed before opening the financial bid.

15. **Conclusion**

Thus it can be seen that almost all the activities of construction has become problem areas. Unless preventive vigilance measures are under taken in advance, occurrence of calamity cannot be avoided. Prevention is better than cure. Hence it becomes the duty of the Vigilance Wing of every organization to locate the areas vulnerable to corruption well in advance so that the problems can be avoided before their occurrence.

Abbreviations

A/A	Administrative Approval
AC	Asbestos Cement
AHR	Abnormally high rated
BIS	Bureau of India Standards
BM	Bituminous macadam
CC	Cement concrete
CPWD	Central Public Works Department
DAC	Asphaltic Concrete
DBM	Dense Bituminous Macadam
D.E.	Detailed Estimate
EMD	Earnest Money Deposit
EOT	Extension of Time
E/S	Expenditure sanction
GI	Galvanised Iron
ILLN	Illustration
I.T.	Income tax
L-1	First Lowest
L-2	Second Lowest
MAS	Material At Site
MB	Measurement Book
NBO	National Building Organisation
NIT	Notice Inviting Tender
PCC	Plain Cement Concrete
P.E.	Preliminary Estimate
PSU	Public Sector Undertaking
RCC	Reinforced Cement Concrete
RR	Random Rubble
SDAC	Semi Dense Asphaltic Concrete
SW	Stone Ware
TDS	Tax Deducted at Source
T&P	Tools and Plants
WBM	Water Bound Macadam
WMM	Wet Mix Macadam

ANNEXURE - I

No. 8(1)(h)/98(1)
Central Vigilance Commission

Jaisalmer House, Man Singh Road,
New Delhi – 110011

Dated the 18th November, 1998

SUB: Improving vigilance administration

The Central Vigilance Commission Ordinance 1998 under Section 8(1)(h) directs that the power and function of the CVC will be the following:

“exercise superintendence over the vigilance administration of the various Ministries of the Central Government or corporations established by or under any Central Act, Government companies, societies and local authorities owned or controlled by that Government”.

2. Improving vigilance administration is possible only if system improvements are made to prevent the possibilities of corruption and also encourage a culture of honesty. In exercise of the powers conferred on the CVC by Section 8(1)(h), the following instructions are issued for compliance:

2.1 Creating a culture of honesty

Many organisations have a reputation for corruption. The junior employees and officers who join the organisations hopefully may not be so corruption minded as those who have already been part of the corrupt system. In order to ensure that a culture of honesty is encouraged and the junior officers do not have the excuse that because their seniors are corrupt, that they have to also adopt the corrupt practices, it is decided with immediate effect that junior employees who initiate any proposal relating to vigilance matters which is likely to result in a reference to the CVC can send a copy directly to the CVC by name. This copy will be kept in the office of the CVC and data fed into the computer. If within a reasonable time of say three to six months, the reference does not come to the CVC, the CVC then can verify with the concerned authorities in the department as to what happened to the vigilance case initiated by the junior employee. If there is an attempt to protect the corrupt or dilute the charges, this will also become visible. Above all the junior officers will not have the excuse that they have to fall in line with the corrupt seniors. Incidentally, the seniors also cannot treat the references made directly to the CVC as an act of indiscipline because the junior officers will be complying with the instructions issued under Section 8(1)(h) of the CVC Ordinance 1998. However, if a junior officer makes a false or frivolous complaint it will be viewed adversely.

2.2 Greater transparency in administration

2.2.1 One major source of corruption arises because of lack of transparency. There is a scope for patronage and corruption especially in matters relating to tenders, cases where exercise of discretion relating to out of turn conferment of facilities/ privileges and so on. Each Organisation may identify such items which provide scope for corruption and where greater transparency would be useful. There is a necessity to maintain secrecy even in matters where discretion has to be exercised. But once the discretion has been exercised or as in matters of tenders, once the tender has been finalised, there is no need for the secrecy. A practice, therefore, must be adopted with immediate effect by all organisations within the purview of the CVC that they will publish on the notice board and in the organisation's regular publication the details of all such cases regarding tenders or out of turn allotments or discretion exercised in favour of an employee/party. The very process of publication of this information will provide an automatic check for corruption induced decisions or undue favours which go against the principles of healthy vigilance administration.

2.2.2 The CVC will in course of time take up each organisation and review to see whether any additions and alterations have to be made to the list of items which the organisation identified in the first instance for the monthly communications for publicity in the interests of greater transparency. This may be implemented with immediate effect.

2.3 Speedy departmental inquiries

2.3.1 One major source of corruption is that the guilty are not punished adequately and more important they are not punished promptly. This is because of the prolonged delays in the departmental inquiry procedures. One of the reasons for the departmental inquiry being delayed is that the inquiry officers have already got their regular burden of work and this inquiry is to be done in addition to their normal work. The same is true for the Presenting Officers also.

2.3.2 Each organisation, therefore, may immediately review all the pending cases and the Disciplinary Authority may appoint Inquiry Officers from among retired honest employees for conducting the inquiries. The names of these officers may be got cleared by the CVC. The CVC will also separately issue an advertisement and start building a panel of names all over India who can supplement the inquiry officers work in the department. In fact, it will be a healthy practice to have all the inquiries to be done only through such retired employees because it can then be ensured that the departmental inquiries can be completed in time. If any service/departmental rules are in conflict with the above instructions they must be modified with immediate effect.

2.3.3 In order to ensure that the departmental inquiries are completed in time, the following time limits are prescribed:

(i) In all cases which are presently pending for appointment of Inquiry Officer and Presenting Officer, such appointment should be made within one month. In all other cases, the Inquiry Officer and the Presenting Officer should be appointed, wherever necessary, immediately after the receipt of the public servant's written statement of defence denying the charges.

(ii) The Oral inquiry, including the submission of the Inquiry Officer's report, should be completed within a period of 6 months from the date of appointment of the Inquiry Officer. In the preliminary inquiry in the beginning requiring the first appearance of the charged officers and the Presenting Officer, the Inquiry Officer should lay down a definite time-bound programme for inspection of the listed documents, submission of the lists of defence documents and defence witnesses and inspection of defence documents before the regular hearing is taken up. The regular hearing, once started, should be conducted on day-to-day basis until completed and adjournment should not be granted on frivolous grounds.

2.3.4 One of the causes for delay is repeated adjournments. Not more than two adjournments should be given in any case so that the time limit of six months for departmental inquiry can be observed.

2.3.4 The IO/PO, DA and the CVO will be accountable for the strict compliance of the above instructions in every case.

2.4 Tenders

Tenders are generally a major source of corruption. In order to avoid corruption, a more transparent and effective system must be introduced. As post tender negotiations are the main source of corruption, post tender

negotiations are banned with immediate effect except in the case of negotiations with L1 (i.e. Lowest tenderer).

3. Hindi version will follow.

Sd/-

(N. Vittal)
Central Vigilance Commission

Annexure II

Immediate

No.98/ORD/1
Government of India
Central Vigilance Commission

Satarkta Bhawan, Block 'A',
GPO Complex, INA,
New Delhi- 110 023
Dated 24th August, 2000

To

- (i) The Secretaries of All Ministries/Departments of Government of India
- (ii) The Chief Secretaries to All Union Territories
- (iii) The Comptroller & Auditor General of India
- (iv) The Chairman, Union Public Service Commission
- (v) The Chief Executives of All PSEs/Public Sector Banks/Insurance Companies/Autonomous Organisations/Societies
- (vi) The Chief Vigilance Officers in the Ministries/Departments/PSEs/Public Sector Banks/Insurance Companies/ Autonomous Organisations/Societies
- (vii) President's Secretariat / Vice- President's Secretariat / Lok Sabha Secretariat/Rajya Sabha Secretariat/ PMO

Subject: Improving Vigilance Administration-Tenders.

Sir,

Please refer to the instructions issued by Commission vide its communication No. 8 (1) (h)/98(1) dated 18.11.98, banning post tender negotiations except with L-1.

2. The Commission has been getting a number of queries on how to handle the matter if the quantity to be ordered is more than L-1 can supply or about placement of orders on Public Sector Undertakings. It is requested that such matters may be dealt with in accordance with the clarifications issued by the Commission vide its letter of even number dated 15.3.99 (copy enclosed).
3. Some of the organisations have sought clarification as to whether they can consider the L-2 offer or negotiate with that firm if L-1 withdraws his offer before the work order is placed, or before the supply or execution of work order takes place. In this regard, it is clarified that such a situation may be avoided if a two-bid system is followed (technocommercial) so that proper assessment of the offers is made before the award of work order. Therefore, if L-1 party backs out, there should be retendering in a transparent and fair manner. The authority may in such a situation call for limited or short notice tender if so justified in the interest of work and take a decision on the basis of lowest tender.
4. The Commission has also been getting references for its advice on the procedures being followed in individual cases of tenders. The Commission would not involve itself in the decision making process of individual organisations. It, however, would expects the organisations to implement its instructions dated 18.11.98, in its spirit and to ensure that the decisions of administrative authorities are transparent.

Yours faithfully,
Sd/-
(K.L.Ahuja)
Officer on Special Duty

No.98/ORD/1
Government of India
Central Vigilance Commission

Satarkta Bhavan, Block A,
GPO Complex, INA
New Delhi-110023
Dated the 15th March,1999

To

- (i) The Secretaries of All Ministries/Departments of Govt. of India
- (ii) The Chief Secretaries to all Union Territories
- (iii) The Comptroller & Auditor General of India
- (iv) The Chairman, Union Public Service Commission
- (v) Chief Executives of All PSUs/Banks/Organisations
- (vi) All Chief Vigilance Officers in the Ministries/Departments/PSEs/Public Sector Banks/Insurance Companies/Autonomous organisations/Societies
- (vii) President's Secretariat/Vice-President's Secretariat/Lok Sabha Secretariate/Rajya Sabha Secretariat/PMO

Subject: Improving vigilance administration-Tenders

Sir,

Please refer to CVC's instructions issued under letter No.8(1)(h)/98(I) dt. 18.11.98 banning post tender negotiations except with L-1 i.e., the lowest tenderer. Some of the organizations have sought clarifications from the Commission as they are facing problems in implementing these instructions. The following clarifications are, therefore, issued with the approval of Central Vigilance Commissioner

- (i) The Government of India has a purchase preference policy so far as the public sector enterprises are concerned. It is clarified that the ban on the post tender negotiations does not mean that the policy of the Government of India for purchase preference for public sector should not be implemented.
- (ii) Incidentally, some organisations have been using the public sector as a shield or a conduit for getting costly inputs or for improper purchases. This also should be avoided.
- (iii) Another issue that has been raised is that many a time the quantity to be ordered is much more than L1 alone can supply. In such cases the quantity order may be distributed in such a manner that the purchase is done in a fair transparent and equitable manner.

Yours faithfully,

Sd/-
(P.S.Fatehullah)
Director

No.98/ORD/1
Government of India
Central Vigilance Commission

'SATARAKATA BHAVAN'
Block-A, G.P.O. Complex, INA
New Delhi – 110023

Dated the 28th March, 1999

To,

- (i) Secretaries of All Ministries/Departments of Government of India
- (ii) The Chief Secretaries to All Union Territories
- (iii) The Comptroller & Auditor General of India
- (iv) The Chairman, Union Public Service Commission
- (v) The Chief Executives of All PSEs/Public Sector Banks/Insurance Companies/ Autonomous Organisations/Societies
- (vi) The Chief Vigilance Officers in the Ministries/Departments/PSEs/Public Sector Banks/Insurance Companies/ Autonomous Organisations/Societies
- (vii) President's Secretariat/Vice-President's Secretariat/Lok Sabha Secretariat/Rajya Sabha Secretariat/PMO

Subject : Applicability of CVC's instruction No.8(1)(h)/98(1) dated 18/11/98 on post tender negotiation.

1. During the review meeting of the CVOs in Mumbai on 18.01.2002 one of the issue raised the applicability of the CVC guidelines banning post tender negotiation except with L-1 to such projects as are funded by sources other than the consolidated Fund of Government of India
2. It has been decided after due consideration that in so far as funding from sources other than consolidated Fund of Government of India, the Commission's instruction dated 18.11.1998 is not applicable.

All concerned may ensure strict compliance of this instruction.

Sd/-

(C.J. MATHEW)
Deputy Secretary

No.98/ORD/1
Government of India
Central Vigilance Commission

'SATARAKATA BHAVAN'
Block-A, G.P.O. Complex, INA
New Delhi – 110023

Dated the 29th April, 2002

To,

- (viii) Secretaries of All Ministries/Departments of Government of India
- (ix) The Chief Secretaries to All Union Territories
- (x) The Comptroller & Auditor General of India
- (xi) The Chairman, Union Public Service Commission
- (xii) The Chief Executives of All PSEs/Public Sector Banks/Insurance Companies/ Autonomous Organisations/Societies
- (xiii) The Chief Vigilance Officers in the Ministries/ Departments/ PSEs/ Public Sector Banks/Insurance Companies/ Autonomous Organisations/Societies
- (xiv) President's Secretariat/Vice-President's Secretariat/Lok Sabha Secretariat/Rajya Sabha Secretariat/PMO

Subject : Applicability of CVC's instruction No.8(1)(h)/98(1) dated 18/11/98 on post tender negotiation.

Sir,

The undersigned has been directed to refer to the Commission's letter of even number dated 28.3.2002. on the above subject, and to say that the instructions contained therein are hereby withdrawn.

Yours faithfully,

Sd/-

(K.L. AHUJA)
Officer on Special duty

Annexure - V

No.UU/POL/19
Government of India
Central Vigilance Commission

Bikaner House, Ist Floor,
No. 1, Pandara Road,
New Delhi,

Dated the 8 Oct.,1997

To

All Chief Vigilance Officers/PSUs

Sub: Grant of interest free mobilization advance.

Sir,

1. It has come to the notice of this Commission that PSUs are stipulating payment of interest free mobilization advance in their tenders. Many times mobilization advance is allowed after acceptance of tender also. The amount of mobilization advance thus paid to the contractor is prone to be used by him for building his own capital or for the purpose other than the one for which it is disbursed. For big projects mobilization advance of 5 to 10% stipulated in the contract works out to a huge amount and the contractor is likely to be benefited with interest free amount to a very big extent. Normally while preparing justification, elements of gain in terms of interest on capital investment by way of mobilization advance is also not considered and thus the contractor gets higher rates than that may be justified. In case there is a delay in commencement of work the contractor is likely to get undue benefit by way of retention of huge money.
2. It is, therefore, desired that adequate steps may be taken to ensure stipulation of mobilization advance only for selected works and advance should be interest bearing so that contractor does not draw undue benefit. Timely execution/completion of all projects is an essential requirement and the contractor would like to draw interest bearing mobilization advance only when he needs to maintain his cash flow.

Sd/-

(P.K.Gopinath)
Director

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

ANNEXURE-II

No. 3L – IRC 1
Government of India
Central Vigilance Commission

No. 3, Dr. Rajendera Prasad Road,
New Delhi,
Dated 10-1-1983

To,

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

Sub: APPOINTMENT OF CONSULTANT.

Guidelines in connection with the selection of consultants by Public Sector Enterprises for preparation of project reports have been laid down by Bureau of Public Enterprises vide letter No. BPE/GL-025/78/Prodn./PCR/2/77/BPE/Prodn. dt. 15th July, 1978.

In brief the guidelines laid down are: -

- A. For any new projects, expansions, modernization/modification of the existing projects involving an expenditure of Rs.5 crores and above these guidelines are applicable.
- B. The pre-qualifications public notice should be issued to enlist names of suitable consultants.
- C. The pre-qualification bid should be screened by a scrutinising committee.
- D. The final selection and commissioning of the consultant should be done with the approval of the board of public sector enterprises.
- E. Based on the above guidelines each enterprise should prepare their own instructions and procedure duly approved by the board for the appointment of consultants to ensure that the selection is made with maximum attention to the suitability, competence and proven track record.

The Chief Technical Engineer Organisation under the control of the Commission has had occasion to examine and comment upon works undertaken by public sector undertakings. Common irregularities/lapses noticed in the construction works undertaken by the public sector undertakings/banks have already been brought to your notice vide engineering works, it was observed that consultants were appointed on ad-hoc basis without going through proper formalities as suggested by B.P.E. and/or the consultant was chosen from an old panel thereby restricting competition. In most of the cases public sector enterprises have not framed their own instructions and procedures duly approved by the Board.

Even though individually such works are less than Rs.5 crores, it is necessary that the appointment of consultant should not be made arbitrary or ad-hoc.

It is, therefore, necessary that urgent action is taken to formulate a rational policy for employment of consultants based on the broad outlines given by B.P.E.

This may be given priority and progress made in formulation of rules and procedure may be reported by 31-3-1983.

Sd/-

(D.C. Gupta)
Director

No.6DD-5-CTE-6
Government of India
Central Vigilance Commission
(CTE's ORGANISATION)

'SATARKATA BHAVAN'
Block-A, G.P.O. Complex, INA
New Delhi – 110023

Dated the 8th July, 1999

OFFICE MEMORANDUM

Subject :Procedure for acquisition of accommodation on lease/rental basis etc.

Whenever new commercial/residential premises are to be acquired on lease/rent or otherwise, an advertisement in the local as well as notional newspapers with maximum circulation in the area must be given. The advertisement should contain salient features like area of accommodation required, approximate location and other terms and conditions to be quoted by the tenderer. Preferably, tenders shall be invited by the two bid system, viz, technical and financial. The technical bid shall be opened in the first instance and suitability of the accommodation, terms and conditions offered, specifications and other liabilities assessed. The market rate justification for the areas at which property is available shall also be assessed before opening the financial bid. These instructions shall be strictly followed.

Sd/-

(M.K. SINGAL)
Chief Technical Examiner

No.6DD-5-CTE-6
Government of India
Central Vigilance Commission
(CTE's ORGANISATION)

'SATARKATA BHAVAN'
Block-A, G.P.O. Complex, INA
New Delhi – 110023

Dated the 8th September, 1999

OFFICE MEMORANDUM

Subject :Procedure for acquisition of accommodation on lease/rental basis etc.

In partial modification of this office Memo. Of even number, dated 6.7.99, it is clarified that press advertisement is not necessary in case of office accommodation with monthly rent upto Rs.One lakh in metro towns of Delhi, Mumbai, Calcutta and Chennai. For other places advertisement is not necessary for monthly rent upto Rs.50,000/-. It is also clarified that no advertisement is necessary in case of transactions between PSU to PSU, Govt. to Govt. and Govt. PSU.

Sd/-

(M.K. SINGAL)
Chief Technical Examiner

Circular No.15-C

No.6DD-5-CTE-6
Government of India
Central Vigilance Commission
(CTE's ORGANISATION)

'SATARAKATA BHAVAN'
Block-A,G.P.O.Complex, INA
New Delhi- 110023
Dated the 21st February 2000

OFFICE MEMORANDUM

Subject :Procedure for acquisition of accommodation on lease/rental basis etc.

In continuation of this office memorandum of even number dated 8.9.99, it is clarified that the transactions in the PSU or Government and Public Financial Institutions shall also be covered by the exemption from advertisements.

Sd/-

(M.P. JUNEJA)
Chief Technical Examiner

