IFA (BORDER ROADS) MANUAL

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2008

Controller General of Defence Accounts
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FOREWORD

There has been a considerable enhancement of the delegated financial powers at various levels over the years, particularly those to be exercised in consultation with the Integrated Financial Advisors. A need has, therefore, been felt for an IFA Manual that would serve as a reference guide for the IFAs and their offices, thereby facilitating prompt processing of the financial proposals in accordance with the prescribed rules and procedures and ensuring optimum utilization of the allocated resources for meeting the defence requirements.

Accordingly, the IFA Manual has been prepared for Border Roads Organisation. This contains an overview of the IFA system and the issues and areas to be examined while processing different types of financial proposals including some advanced issues. The advance issues included in the IFA Manual for Army, Navy & Air Force have also been provided in the Manual, as it would be useful to all the IFAs irrespective of their functional area.

The Manual has been compiled on the basis of the provisions of the Defence Procurement Manual, 2006, the Defence Procurement Procedure, 2008, Border Roads Regulations, the General Financial Rules, 2005, DGS&D Orders, circulars/guidelines issued by the CVC and other rules and instructions which regulate public expenditure. These shall continue to be the basic reference documents and shall override in case of any inconsistency with this Manual.

Ghosh

New Delhi
Date 24 Oct 08

(Smt. Bulbul Ghosh)
Controller General of Defence Accounts

ACKNOWLEDGEMENT

Shri Narinder Gupta IDAS, IFA (Border Roads) and his team of officers have made valuable contribution in collection of material, preparation of check lists and drafting of the Manual.

CDA (BR) contributed inputs especially regarding implementation of IFA System in projects/formations below DGBR in Border Road Organisations and corresponding checklist.

This is the first Manual in IFA system in Border Roads Organisation. Attempt has been made to cover all aspects of the IFA system including specific intricacies of Border Roads Organisation.

The department acknowledges the pain taking effort of all the concerned officials who have contributed in the exercise.

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ANNEXURES

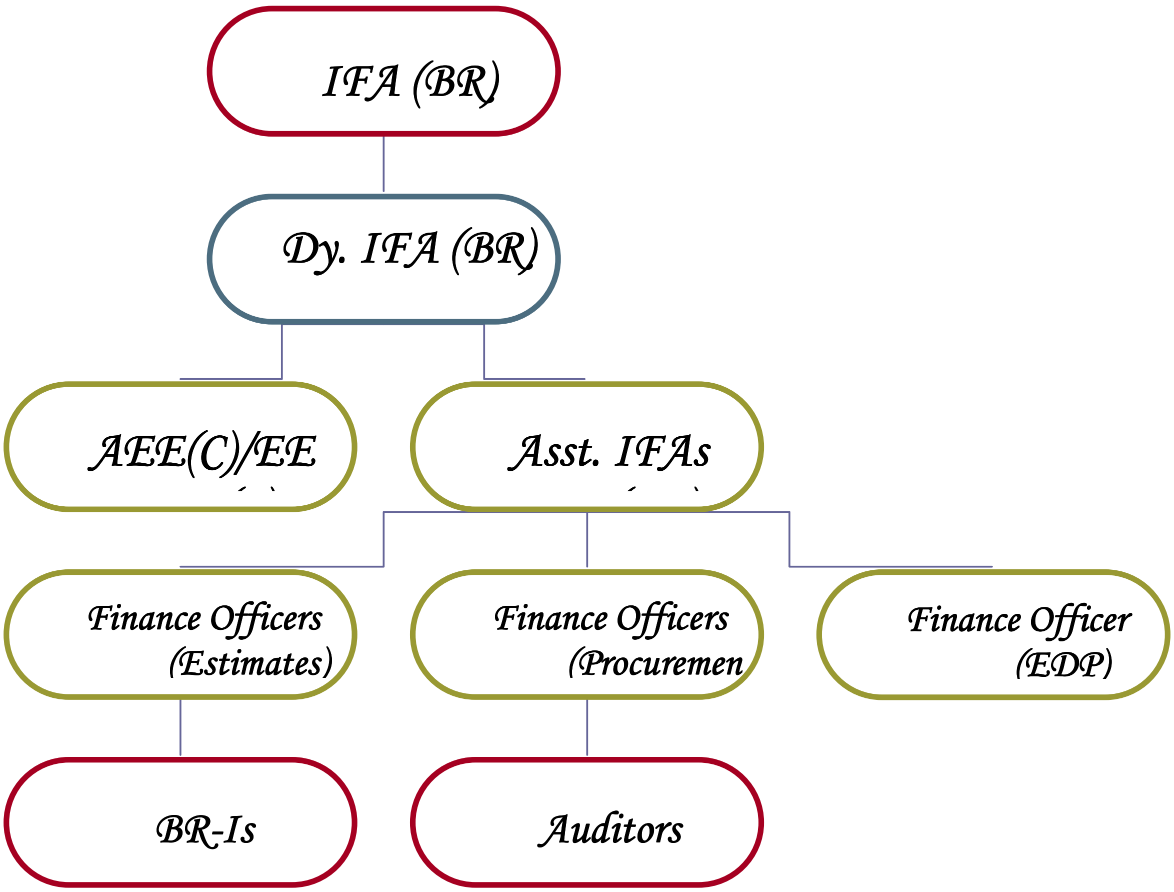
APPENDICES

ABBREVIATIONS

AA	Administrative Approval
ACDA	Assistant Controller of Defence Accounts
ADGBR	Additional Director General Border
AE	Approximate Estimate
AEE (C)	Assistant Executive Engineer (Civil)
AMC	Annual Maintenance Contract
AO	Accounts Officer
APE	Approximate Project Estimate
APP	Annual Procurement Plan
AWP	Annual Works Plan
BCA	Bhutan Compensatory Allowance
BCC	Bridge Construction Company
BE	Budget Estimate
BOO	Board of Officers
BRDB	Border Roads Development Board
BRO	Border Roads Organisation
CAT	Category
CDA	Controller of Defence Accounts
CFA	Competent Financial Authority
CGSC	Central Government Standing Counsel
CL	Casual Leave
CPL	Casual Paid Labourers
DDG (TA)	Deputy Director General (Technical Administration)
DDG (TP)	Deputy Director General (Technical Planning)
DDG (WP)	Deputy Director General (Works Planning)
DGBR	Director General Border Roads
DGL	Draft Govt. Letter
DGOF	Director General Ordnance Factories
DGQA	Director General Quality Assurance
DGS&D	Director General Supplies & Disposals
DMC	Ditch Maintenance Company
DP	Delivery Period
EE (C)	Executive Engineer (Civil)
EL	Earned Leave
GREF	General Reserve Engineer Force
GS Works	General Staff Works
HR	Hard Rock
IBB Works	Indo-Bangladesh Border Works
IFA	Integrated Financial Adviser
IRMD	Immediate Repair to Monsoon Damages
LA	Land Acquisition
LD	Liquidity Damages
LTE	Limited Tender Enquiry

MHA	Ministry of Home Affairs
MOD	Ministry of Defence
MORT&H	Ministry of Shipping, Roads, Transport & Highways
MOU	Memorandum of Understanding
OC	Officer Commanding
OTE	Open Tender Enquiry
PC File	Part Case File
PNC	Price Negotiation Committee
PSUs	Public Sector Undertakings
RAE	Revised Approximate Estimate
RCC	Road Construction Company
RE	Revised Estimate
RM	Raksha Mantri
RRM	Raksha Rajya Mantri
SOP	Standard Operating Procedure
SRMD	Special Repair to Monsoon Damages
SSR	Standard Schedule of Rates
TBOO	Technical Board of Officers
TF	Task Force
TPC	Tender Purchase Committee
TS	Technical Sanction

ORGANISATION OF IFA (BR)



PROJECTS OF BRO

PROJECT	LOCATION	AREA OF RESPONSIBILITY
HIMANK	LEH	LADAKH REGION OF J & K
BEACON	SRINAGAR	KASHMIR VALLEY REGION OF J & K
SAMPARK	JAMMU	JAMMU REGION OF J & K
DEEPAK	SHIMLA	UTTARANCHAL AND HP
CHETAK	BIKANER	RAJASTHAN, HARYANA & MUMBAI AND PUNE REGION OF MAHARASHTRA, PUNJAB
DANTAK	SIMTOKHA	BHUTAN, MEGHALAYA AND SIKKIM
VARTAK	TEZPUR	ASSAM AND ARUNACHAL PRADESH
UDAYAK	DUMDUMA (ASSAM)	ASSAM, ARUNACHAL PRADESH AND NAGALAND
SEWAK	DIMAPUR	MANIPUR, NAGALAND AND MYNAMAR
SETUK	SHILLONG	ASSAM AND TRIPURA
PUSHPAK	AIZAWAL	ASSAM AND MIZORAM
HIRAK	NAGPUR	ANDHRA PRADESH, EASTERN UP, GADCHIROLI/BANDARA REGIONS OF MAHARASHTRA, BASTAR DISTT OF MP AND ANDEMAN & NICOBAR ISLAND
SWASTIK	GANGTOK	SIKKIM
SHIVALIK	RISHIKESH	UTTARAKHAND AND HIMACHAL PRADESH
ARUNANK	GURABANDA (ITANAGAR)	ARUNACHAL PRADESH

CHAPTER-1

INTRODUCTION

1. **Historical Background of Border Roads Organization:** In the mid fifties development works were being taken up for first time after independence. It was noticed with concern that the state of motorable roads was woefully inadequate. The Army Headquarters was gravely concerned with the fact that road heads were far behind the borders, with only footpaths and mule tracks being the means of communication. Prime Minister, Pt. Jawaharlal Nehru visualized that there was a compelling need to take up road construction on a war footing. His far-sightedness, inspiring leadership, visionary zeal and personal involvement were largely instrumental in launching the BRO on the right track.

1.1 On 14 March 1960 the Union Cabinet decided to constitute the Border Roads Development Board (BRDB), under the chairmanship of Prime Minister. The Defence Minister was nominated as Deputy Chairman. The BRDB was constituted to co-ordinate and implement road projects for development and also to meet Defence needs. The BRDB was to exercise powers of a department of the Govt of India with a Secretariat having ex-officio status of a Department under the Ministry of Transport and Communications. As per the system evolved, roads identified by General Staff Branch of Army Headquarters were to be funded by the Ministry of Transport whereas the administration was vested in the Ministry of Defence.

1.2 **Introduction to Border Roads Organisation:** Border Roads Organization (BRO) is a unique construction organization. BRO derives its structure and discipline from the Army and is dedicated to construction of roads in some of the most inhospitable areas of the world. It has an in-build role as an unarmed, non-combatant force, within and integral to the military organization, a force adjunct to the Armed Forces. Here, one will come across men in uniform, of divergent patterns from the Armed Forces and the General Reserve Engineer Force (GREF), blended together imbibing the best traditions of the Army.

The BRO has acquitted itself creditably in peace and war winning many laurels and nation-wide acclaim. In the remote, inaccessible, economically backward tribal regions, high snow-clad mountains, in-penetrable rain forests, scorching deserts, insurgency infested and strife torn areas, BRO has laid infrastructure facilities comprising of roads, airfields, schools, hospitals, tele-communication systems, play grounds and so on. These facilities have ushered in an era of well-being, plenty and prosperity for the nation.

1.3 **Origin and Evaluation of IFA System:** The concept of the Integrated Financial Advice scheme was introduced in the Ministries/Departments of Govt. of India in the wake of the decision on Departmentalization of Accounts in 1976. The main aim of the Scheme was to expedite decision-making and to ensure that all expenditure proposals are subjected to financial scrutiny before the expenditure is sanctioned/committed. The IFA scheme was introduced in the various Ministries at different points of time and in the Ministry of Defence, this Scheme was brought into use in 1983. Basically, the concept covers that the Advisers would be integrated with the Ministry/Departments concerned and would render Financial Advice in all cases of delegated financial powers and would also be consulted in all financial proposals falling outside the delegated field. This would mean that while exercising their delegated powers, the authorities concerned are required to consult their IFAs. In so far as Defence is concerned, the delegated powers fall under two categories viz. Those which could be exercised without consulting Finance and those which are to be exercised only in consultation with Finance.

1.4 **IFA System in Border Roads Organisation:** At the time of creation of Controller of Defence Accounts (Border Roads) in 1991 it was envisaged that the CDA (BR) would also act as Internal Financial Adviser to DGBR in addition to performing the roles of Chief Accounting Officer and Internal Auditor of BRO accounts. The IFA system was formally introduced and implemented vide Govt. of India, Ministry of Surface Transport letter No. F.231(10)/BRDB/BWA/94-Delegation dated 23rd March 1995, wherein the financial powers of DGBR were enhanced. These powers have further been enhanced vide Government of India, MOSRT&H, BRDB letter No. 04/696/2007/ BEA/21801/PC/DGBR/TPC dated 27-11-2007 (Appendix 'A'). With a view to introducing efficiency in performance and establishing linkages between resources utilized and output achieved, it was considered necessary to ensure greater decentralization of responsibilities of budget formulation and financial control together with the adoption of the concept of accountability. The IFA system seeks to achieve this objective through delegation of financial powers and creation of Authority-cum-Accountability Centre. Under this arrangement the Director General Border Roads (DGBR) acts as the Authority-cum-Accountability centre for the Border Roads Organization and is responsible for cost effective management of construction and maintenance of roads, bridges and buildings in the BRO. However DGBR exercises the financial powers, with concurrence of the IFA (BR).

Subsequently, CGDA appointed separate IFA and a separate IFA (BR) office started functioning independently w.e.f. 1st May 2000. Implementation of Internal Financial Adviser system and Authority-cum-Responsibility Centre concept in the Border Roads Organization has been detailed in Appendix II to Annexure 'A'.

1.5 ROLE, OBJECTIVES AND DUTIES OF PR. IFA WING

1.5.1 Role of Pr. IFA is given in Chapter V of CGDA Procedure Manual (Edition 2007).

1.5.2 **Objectives of Pr. IFA Wing:**

a) Aiding and advising the Integrated Service Headquarters Ministry of Defence i.e. Army, Navy and Air Force, Headquarter Integrated Defence Staff and Secretary Defence Finance through CGDA for effective functioning of the IFA System.
b) Overall control, supervision, direction, co-ordination and reporting in relation to the functioning of dedicated IFAs below Service HQrs level.
c) Financial Advice and Coordination in relation to the working of IFAs in the Integrated Service Headquarters, Integrated Defence Staff,

PCsDA/CsDA entrusted with IFA Functions, IFA(Border Roads), IFA(R&D) Hqrs, IFA(R&D) Project-75 and IFA (Coast Guard)

d) Discharging administrative responsibilities relating to the functioning of IFA system as may be assigned to him by the CGDA from time to time.

e) Seeking directions and guidance from the CGDA in matters related to functional responsibility to be discharged by all IFAs.

f) Positioning of IFAs and nominating leave duty relief of IFAs in consultation with CGDA. Processing of cases for the temporary duty move of concerned IFAs to places other than own Command jurisdiction.

g) To Initiate, Review or Accept of Annual Confidential Reports (ACRs) in respect of IDAS officers and Sr. Accounts Officers/ Accounts Officers posted in the dedicated IFA set up as per instructions issued by MoD (Fin) vide its letter No. 1042/Addl. FA (V) dated 21.09.2004 amended from time to time.

h) To institute appropriate Management Information Systems (MIS) for proper monitoring and reporting by IFAs to the CGDA and Secretary (Defence Finance).

1.5.3 **Duties of Pr. IFA Wing:** Pr. IFA will act as the repository for all domain knowledge and in this regard he will be responsible for the circulation of orders relevant to functioning of IFAs and delegation of financial powers, clarification on issues raised by IFAs, manpower planning for IFA coverage, periodical inspection of IFAs as per instructions issued by the CGDA from time to time, watching formulation of SOPs by the executives and monitoring of functioning of IFAs through various reports etc.

1.6 **Need for IFA (Border Roads) Manual** – In view of the substantial delegation of financial powers, now every Defence organization spends a sizable amount of its budget for purchasing various types of goods to discharge the duties and responsibilities assigned to it. It is imperative for IFAs to ensure that these purchases are made following a uniform, systematic, efficient and cost effective procedure, in accordance with the relevant rules and regulations of the Government. To achieve what has been stated in the above paragraphs, it is essential that the IFAs be provided with all the required rules, regulations, instructions, directives, and guidance on best practices in the form of a Manual. This Manual is intended to serve this objective. Without purporting to be a comprehensive compendium of all statutory provisions, rules, regulations, orders and guidelines on the subject of public procurement, this Manual is intended to serve as a portal to enter this vast area and draw attention to basic norms and practices governing public procurement. It contains guidelines and directives concerning purchase of goods with public funds as well as some allied areas like loss regularization, Works cases, Budgetary Management, Administrative powers, etc.

CHAPTER- 2

SCOPE OF IFA'S WORK

2.1 **MOF orders:** The basic role of IFA has been notified by Ministry of Finance as rationalized vide OM F.No.5(6)/L&C/2006 dated 1.6.2006. As per this OM, the role of FA is now conceived to be akin to the role of Chief Financial Officer in a corporate structure, with specific responsibilities for ensuring fiscal prudence and sound financial management. They are expected to bring requisite financial expertise and overall perspective of financial management of the Govt in rendering professional advice to the administrative authorities. The role of FA is considered crucial for successful planning, implementation and monitoring of various schemes and projects. In rendering their advice, the FAs are expected to accord priority to macro management with a view to help in achieving the outcomes set by executive authorities as goals for themselves. These macro issues include schematic appraisal and concept functions, revenue management, subsidy management, fiscal resource transfer issues, defining and evaluating outcomes besides maintaining and safeguarding the budgetary integrity, etc. FAs are also expected to look at the total picture of resources for the areas in which they are functioning, and assist the executives in moving towards greater resource mobilization. FAs are not expected to do any routine administrative functions. Following are some of the specific tasks which the FAs are to be responsible for:-

(a) Budget formulation
(b) Outcome budget
(c) Performance budget
(d) Fiscal responsibility and Budget management related tasks
(e) Expenditure and Cash management
(f) Project/Programme formulation, appraisal, monitoring and evaluation
(g) Screening of proposals
(h) Leveraging of non-budgetary resources for sectoral development
(i) Non-tax receipts
(j) Tax expenditure
(k) Monitoring of assets and liabilities
(l) Accounts and Audit
(m) Procurement and Contract
(n) Financial Management Systems
(o) Nominee Director on boards of PSU
(p) Use of technology

2.2 **Delegation of Financial Powers Rules:** Appendix 2 of DFPRs notified by Ministry of Finance gives the overall expanse of duties and responsibilities of the Integrated Financial Advisors in Ministries/Departments. As per this, IFA in Ministries/Departments will be in overall charge of Budget and Accounts in addition to the Internal Finance section. It will be his duty:-

a) To ensure that the schedule for preparation of budget is adhered to by the Ministry and the Budget is drawn up according to the instructions issued by Finance Ministry from time to time.

b) To scrutinize budget proposals thoroughly, before sending them to Ministry of Finance.
c) To see that complete departmental accounts are maintained in accordance with the requirements under GFR. It should, in particular, be ensured that the Ministry not only maintains accounts of expenditure against the grants or Appropriations directly controlled by it but also obtains figures of the expenditure incurred by the subordinate offices so that the Ministry has a complete month to month picture of the entire expenditure falling within its jurisdiction.
d) To watch and review the progress of expenditure against sanctioned grants through maintenance of necessary Control Registers and to issue timely warnings to Controlling Authorities where the progress of expenditure is not even.
e) To ensure the proper maintenance of the Register of Liabilities and commitments as required under the GFRs to facilitate realistic preparation of budget estimates, watching of book debits and timely surrender of anticipated savings.
f) To screen the proposals for supplementary demands for grants.
g) To formulate the foreign exchange budget for the Ministry and to process individual cases for release of foreign exchange in accordance with the instructions issued by Department of Economic Affairs from time to time.
h) To advise the Administrative Ministry on all matters falling within the field of delegated powers. This includes all powers other than those devolving on a Ministry in its capacity as Head of Office. It has to be ensured by I.F.A. that the sanction issued by Administrative Ministry in exercise of delegated powers clearly indicates that they issue after consultation with IFA.

2.3 **Appendix B of Defence Services Estimates Vol-I:** Issued by MoD, it explains organization and functions of MoD (Fin) & DAD. Following are relevant extracts from it regarding the scope of work of IFAs –

(a) The financial control by IFA is really a careful and intelligent scrutiny of all proposals involving expenditure from the public funds, the objective being the safeguarding of economy, efficiency and propriety in public finance.
(b) Before according financial concurrence to any proposal involving fresh expenditure, it is the duty of the Finance Officer to seek justification for the proposal.
(c) IFA may even challenge the necessity for spending so much money or on such a scale to secure a given object.
(d) IFA may ask:-
   (i) whether the proposal is really necessary;
   (ii) whether the same results could not be obtained otherwise with greater economy;
   (iii) whether the expenditure involved is justified in the circumstances;

(iv) whether individual items are in furtherance of the general Government Policy,

(e) IFA is to see whether the canons of financial propriety, as given below, have been observed –

(i) Every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

(ii) No authority should exercise its power of sanctioning expenditure to pass an order which will be indirectly or directly to its own advantage.

(iii) The amount of allowances such as traveling allowances, granted to meet expenditure of a particular type, should be so regulated that an allowance is not on the whole a source of profit to the recipient.

(iv) Government revenues should not be utilized for the benefit of a particular person or section of the community unless the amount of expenditure involved is insignificant, or a claim for the amount could be enforced in a court of law or the expenditure is in pursuance of a recognized policy or custom.

(f) In fact IFA can ask every question that might be expected from an intelligent taxpayer bent on getting the best value for his money.

(g) The rules provide that no expenditure which has not been provided for in the Budget or which having been provided, has not been sanctioned shall be authorized without the concurrence of the Secretary (Defence/Finance) or representative. The strict observance of this rule is automatically ensured as the Controllers of Defence Accounts will not make any disbursement in respect of charges not covered by regulations or Govt orders.

(h) The according of financial concurrence by the Finance Division of MoD falls generally in three more or less defined stages –

(i) The examination of the proposal on its merits.

(ii) The assessment of the financial effect.

(iii) If the proposal is accepted. The careful examination and vetting of the final orders before issue.

(i) Sometimes two or more of these stages are combined, but all proposals having a financial bearing inevitably follow through this process. This procedure ensures not only close and adequate control by finance, but also enables them to give constructive suggestions and advice from the financial point of view at a fairly early stage of the consideration of a proposal.

2.4 **MoD orders:**

2.4.1 **Govt. of India, Min of Fin Defence New Delhi letter No.F.21(2)/COORD/74 dated 10th July 1975** prescribed the role of IFAs in the exercise of the delegated financial powers. Later, **GOI Letter No: No.10(3)-E(Coord) /83 dated 16th July 1983** introduced the Integrated Financial Advise

System in the Deptt of Defence. In matters within the delegated powers of the Ministry of Defence, FA(DS) or his officers was to be consulted before exercise of financial powers. In such cases, it was open to the Administrative Secretary to over-rule the advice of the Financial Adviser Defence Services, by an order in writing, but it was also open for the FA(DS) to request that the matter be placed before the Raksha Mantri. In all matters beyond the powers delegated to the Ministry, FA(DS) and his officers was to function as Associate Finance and was to be responsible to and have the right of access to the Ministry of Finance, and to the Finance Minister through Secretary (Expenditure). FA(DS) will have the right to access to RM and FM through Secretary (E) on such issues where he differs from the view of the administrative Ministry. Later, **MoD vide their letter No.48503/st-11/4810-B/D(OS) dated 23.9.92** prescribed detailed guidelines for giving financial concurrence coverage by CsDA or their reps in the capacity of Financial Advisors to various Army authorities.

2.4.2 **MoD letter no 3(7)/93/D(Work) dated 26.8.98:** This letter authorized the role of IFAs in the area of Civil Works proposals as under:-

(a) IFAs to give financial concurrence for Acceptance of Necessity, Vetting of AEs and Administrative Approval for all authorities above the level of Station Hqs to Service Hqs.

(b) IFAs to involve themselves in watching the expenditure against the funds released, along with the executive authorities.

(c) The scrutiny of tender documents by IFA prior to acceptance by MES authorities was not necessary.

2.4.3 **MoD (Fin) letter F.15(1)/C/04(1646) dated 9.12.2004:** This letter delegated powers of HODs to IFAs at par with CsDA as under –

(a) Exercise all powers of Heads of Depts, as laid down in Sch V, VI & VII of DFPR, 1978.

(b) Exercise all powers of Heads of Depts, under provisions of SR.2(10) of FR&SR.

(c) Exercise all powers of Heads of Depts, as laid down in GFR except in regard to alteration of date of birth in the case of non-gazetted Govt servants under note below Rule 79, GFR.

(d) Exercise all powers of Heads of Depts, as laid down in various Govt letters.

2.5 **Report of Committee on Delegation of Financial Powers:** VK Misra Committee's report of June 2006, approved by Honorable RM, added few vital functions for IFAs. Para 11 (e), (f) & (o) and Appendix F of Report provide for the involvement of IFAs in Planning, Budgeting, Data-base management and Contract Management activities. These are as under:-

(a) **Planning –** Priority Procurement Plans will be made both at Hqs level and Command level in respect of various budget holders in consultation with IFAs.

(b) **Budgeting –** The Budget allocation at various stages against Sub Heads and detailed heads will be notified only after consultation with IFAs.

(c) **Data-base Management –** IFAs will become part of networking of data-base along with CFAs and MoD/ MoD (Fin).

(d) **Contract Management –** IFA is to be involved in Contract Monitoring of Capital cases along with Service HQrs.

2.6 **Ministry of Road Transport & Highways No BRDB.04/56/2004/BEA/ 21801/PC/DGBR/TPC dated 14-12-2004:** This letter delegated enhanced Administrative powers to the authorities of DGBR and made it mandatory for them to obtain IFA's concurrence wherever financial implications are involved. This added a new dimension to the work of IFA.

2.7 **Ministry of Road Transport & Highways No BRDB.04/696/2007/BEA/ 21801/PC/DGBR/TPC dated 27-11-2007:** This letter enhances the delegated powers of various authorities as indicated in the Annexure 'A' to this Manual. Theses delegated financial powers are to be used as per system laid down in Annexure-II to Appendix 'A' of Manual. Dte DGBR will also ensure:-

(a) that the powers are delegated by the Govt, any deviation in the nature of withdrawal of these powers of a lower functionary by his/her immediate superior shall be with the approval of Govt. only;
(b) that Govt. Rules/Regulations and procedures will be followed in exercising these powers;
(c) that the powers delegated to various authorities cannot be delegated further down by them;
(d) Proposals, which do not fall within the delegation to DGBR and where Govt approval is required will be referred so, with the concurrence of IFA (BR);
(e) The financial canons indicated in Financial Regulations will be observed;
(f) Financial powers of various authorities in areas not covered in this letter will be as per orders in force;
(g) BR Regulations will be deemed to have amended accordingly.

2.8 **Financial Regulations:** Concept of IFA system was not in existence when FR was promulgated. However, it occasionally brings out the role of FA and CDAs as local FAs. **An important para is mentioned as under -**

"Para 54 - No order involving abandonment of revenue shall be issued without the concurrence of concerned Financial Advisor."

2.9 **DPM-2006:** This Manual brings out the role of IFA in Procurement activities. As mentioned in DPM-2006, particularly from para 5.13 to 5.18, Appendix A & A-1, IFA's role in procurement cycle can be summarized as under:-

(a) AON stage:
(i) Necessity angle clearance
(ii) Vetting of quantities
(iii) Competence of CFA
(iv) Funds' availability
(v) Mode of tendering
(vi) Vetting of Tender Enquiry

(vii) Amendments to TE / Extension of tender opening date

(b) Tendering stage –

(i) Procedural aspects related to Opening of tender

(ii) Vetting of CST

(iii) Member of CNC for ranking L-1, holding negotiations, etc

(iv) Cost analysis of quoted rates

(v) Creation and Utilization of Data-base and Market Intelligence

(c) Expenditure sanction stage –

(i) Expenditure angle concurrence

(ii) Decision on re-tender

(iii) Apportionment of quantity, if required

(iv) Acceptance of cost over estimates

(v) Type of contracts for applying in a particular case

(vi) Vetting of Supply order / Contract

(vii) Allotment of U.O. number

(d) Post contract Management –

(i) Extension of delivery

(ii) Imposition / waiver off of Liquidated Damages

(iii) Extension of Letter of Credit

(iv) Amendment of Contract

(v) Termination of contract

(vi) Risk and Expense purchase

(vii) Price variation adjustment

(viii) Exchange rate variation re-reimbursement

2.10 **CGDA Instructions on IFA system:** CGDA has issued several letters, Circulars and Instructions on IFA system, starting from Instruction No 1 vide letter AT/IX/IFA/13381/Army Vol V dated 28.11.2003. IFAs should keep note of all these Circulars, letters and Instructions as they deal with IFA structure, method of working, jurisdiction, guidelines, etc. Some of important issues emerging out of these orders have been highlighted below, this being only an illustrative list:-

(a) When a case has to be processed with various CFAs for different stages of procurement, the concerned IFAs will get involved in those stages according to the involvement of their respective CFAs (Instructions 3 dated 23.1.2004, 4 dated 4.2.2004, 7 dated 9.3.2004 and 11 dated 13.9.2005).

(b) The officers of PCDA/CDA, when doubling up as IFA reps in additional assignment, should report through the IFA channels in so far as their functioning is concerned. Similarly, in the eventuality of officers posted in the IFA set-up, but also doubling up with some internal audit/accounting/payment functions in offices of PCDA/CDA, they will report for those functions to PCDA/CDA (Letter AT/IX/IFA/13381-Navy dated 17.8.2004).

(c) IFAs to depots will perform the role earlier performed by LAOs in Fixation of RGP, Downgradation of class 'B' vehicles, Condemnation/valuation Boards (Instruction 8 dated 12.7.2004).

(d) PCDA/CDA should provide the necessary IFA cover in respect of units/formations located within their audit jurisdiction, irrespective of the location of the Hqs of such units/formations, till the time dedicated IFAs are posted for such units/formations (Instruction 9 dated 25.8.2004).
(e) No Supply orders under delegated powers are to be placed without having been vetted by IFA. IFAs to ensure that all Supply Orders and amendments, if any, thereto bear specific IFA numbers and date under which vetting of Supply Orders has been done (Letter PIFA/Instructions/2004/Vol-I dated 14.1.2005).
(f) All queries / points of doubt relating to IFA matters should be addressed to Principal IFA in CGDA's office for clarification (Letter AT/IX/IFA/13381/Navy Vol II dated 20.1.2005).
(g) For tender opening, LAOs/nominated AAO/AO can be deputed but IFA will need to participate or brief adequately his rep to participate in the TPC discussions, so that, as far as possible TPC decisions are honoured and entirely different view is not required to be taken (Letter AT/IX/IFA/13381/AF Vol-IV PC dated 22.7.2005).
(h) Any instructions in contravention of DPM by SOP may not be adhered to as the latter do not have the authority to overrule the former (Letter AT/IX/IFA/13381/IT Vol IX dated 31.10.2005).
(i) Raising of piecemeal queries have to be avoided by IFAs (Letter AT/IX/IFA/13381/Army Vol IX dated 25.4.2005).
(j) IFAs Command (Army) would be the IFAs for the respective Command MAP as per Table II item 2 of Works Procedure for DGMAP. The IFAs Command (Army) would also be members in the respective Command Committee (MAP) as laid down at 3(e) of Appendix to Works procedure for DGMAP (Letter 18189/AT-X/Vol IV dated 20.10.2004).
(k) IFA in an Ordnance Depot will report to Command IFA and not to IFA (O), (CGDA's Letter AT/IX/IFA/13381/Navy Vol II dated 4.10.2004).
(l) PCsDA in Command Hqs to act as Principal Advisors to GOCs-in-C and Coordinating Controllers (Letter AT-Coord/13393/Coord-Cont(Vol II) dated 29.3.2007).
(m) There is no provision under the delegated financial powers to obtain 'ex-post facto' concurrence of the IFA. Such cases where prior IFA concurrence/CFA sanction has not been/could not be obtained, would be treated as breaches of rules and regulations and referred to next higher CFA (which may or may not be Government) for regularization as per the provisions of Rule 178 (b) FR Pt. I read in conjunction with HQ office clarification No. O/185/9/AT-5Vol dated 28.11.73. Such regularization will be subject to concurrence of IFA to the next higher CFA. Any extension sanction issued with retrospective date in cases of AMC/Tpt contracts, where the validity of the contract has already expired, would also fall under the category of 'ex-post facto' sanctions and treated as such and sanction of next higher CFA should be obtained with concurrence of IFA to the next higher CFA.

2.11 **Duties and responsibilities of IFA (BR)**

The IFA (BR) is responsible for carrying out the following duties:-

a) The IFA (BR) acts as a dedicated Internal Financial Adviser (IFA) to the DGBR.
b) The IFA (BR) is an Adviser to the BRO for interpretation of Financial Regulations.
c) The IFA (BR) will act as part & parcel of the organization.
d) Cases falling within the delegated powers of DGBR will be concurred by the IFA (BR).
e) Cases beyond the delegated powers will be examined and processed by IFA (BR) before these are sent to the BRDB/Ministry for approval.
f) The IFA (BR) will play a definite role to ensure optimal utilization of scarce resources of BRO.
g) The IFA (BR) will be associated from the conceptual to the completion of various projects/schemes.
h) The IFA (BR) will carry out cost-effective analysis of proposals.
i) The IFA (BR) will monitor physical & financial progress of projects to avoid time & cost overrun.
j) The IFA (BR) will suggest mid course corrections.
k) The IFA (BR) will examine the proposals with reference to the availability of funds as approved in Annual Works Plan and Annual Procurement Plan.
l) The IFA (BR) will verify the proposals in accordance with the principles of Financial Propriety & Govt. Accounting procedures.
m) The IFA (BR) will implement NMS.

2.12 **Registers & Reports:** Registers will be maintained and reports rendered as per chapter 15 of this Manual.

2.13. **Training:** Training requirements of IFAs are required to be projected to the nearest RTC.

2.14 **Inspection:** Inspection of IFA office is covered under the authority of Para 7 of **CGDA letter 13125/Ins Cell/06-07 dated 28.6.2006**. As per this, PIFA or a nominated officer of Hqs office would inspect the offices of IFAs at service HQrs and Command HQrs. IFA Commands will inspect offices of lower IFAs in the respective Command Areas.

CHAPTER-3

KNOWLEDGE MANAGEMENT FOR IFAs (WHAT THEY OUGHT TO KNOW)

3. **Grasp Basic Statutory Provisions/Rules/Govt instructions**

3.1 **Legal Framework for Govt contracts:** At the apex of the legal framework governing public procurement is Article 299 of the Constitution, which stipulates that contracts legally binding on the Government have to be executed in writing by officers specifically authorized to do so. Further, the Indian Contract Act, 1872 and the Sale of Goods Act, 1930 are major legislations governing contracts for sale/ purchase of goods in general. There is no law exclusively governing public procurement of goods. However, comprehensive rules and directives in this regard are available in the General Financial Rules (GFR), 2005, especially chapter 6; Delegation of Financial Powers Rules (DFPR); Government orders regarding price or purchase preference or other facilities to sellers in the Handloom Sector, Cottage and Small Scale Industries and to Central Public Sector Undertakings etc. and the guidelines issued by the Central Vigilance Commission to increase transparency and objectivity in public procurement. These provide the regulatory framework for the public procurement system.

3.2 **Constitution of India:** Following provisions of Constitution of India are relevant for the Government Purchase System:-

(a) Article 14 – The State shall not deny to any person Equality before the Law.
(b) Article 19 (1) (g) – All citizens shall have the right to practice any profession or to carry on any occupation, trade or business.
(c) Article 298 – Government of India may make contract with private parties.
(d) Article 299 – Government Contracts are to be executed by persons only authorized by President. All such contracts will be executed by such persons on behalf of President of India.
(e) Article 300 – Government of India may sue or may be sued.

3.3 **Legal judgments on Govt Contracts:** There are several judgments of Supreme Court and High Courts on various issues related to Government Contracts. Knowledge of these judgments will give an edge to IFA's expertise. Apart from the basic issue of 'What is Govt Contract', 'How Government Contracts ought to be awarded', etc, Courts have also covered topics which call for consideration in Law relating to Government Contracts and must be given their due place. These topics are Promissory Estoppal, Executive Necessity and Legitimate Expectation. Browsing through SC website and various AIRs will help in IFAs to keep themselves updated in this area.

3.4 **Legislative provisions:** Parliament has passed several Acts, which have a direct and indirect bearing on government procurement system. They are mentioned below:-

(i) INDIAN CONTRACT ACT 1872
(ii) ARBITRATION & RECONCILIATION ACT 1996
(iii) SALES OF GOODS ACT 1930 – Section 64-A
(iv) THE CENTRAL SALES TAX ACT, 1956
(v) CENTRAL EXCISE ACT, 1944
(vi) CENTRAL EXCISE TARIFF ACT, 1985
(vii) CUSTOMS DUTY ACT, 1962
(viii) THE PATENTS ACT, 1970 & 1999
(ix) THE PATENTS RULES, 1972 & 1999
(x) THE STANDARDS OF WEIGHTS & MEASURES ACT, 1976
(xi) THE TRADE & MERCHANDISE MARKS ACT, 1958
(xii) THE BUREAU OF INDIAN STANDARDS ACT, 1986
(xiii) THE NEGOTIABLE INSTURMENTS ACT, 1881
(xiv) THE LIMITATION ACT, 1963
(xv) THE CONTRACT LABOUR ACT, 1970

3.5 **GFR-2005**: GFR has been issued by Department of Expenditure, Ministry of Finance under the powers of delegated legislation. It deals with general principles of Govt financial management to be followed by all offices of Government of India while dealing with matters of a financial nature. These principles are essential for IFAs to know while processing various types of cases. Following chapters are especially relevant for various areas dealt by IFAs:-

(i) General System of Financial Management – Chapter 2
(ii) Budget formulation and expenditure monitoring - Chapter 3
(iii) Works cases - Chapter 5
(iv) Procurement of goods and services - Chapter 6
(v) Inventory Management – Chapter 7
(vi) Contract Management – Chapter 8
(vii) Grants-in-aid cases - Chapter 9

Rule 137 is especially important as it contains **Fundamental principles of public buying,** and is quoted as under:-

(a) Every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement.
(b) The procedure to be followed in making public procurement must conform to the following yardsticks :-

    (i) the specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organizations. The specifications so worked out should meet the basic needs of the organization without including superfluous and non-essential features, which may result in unwarranted expenditure. Care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory carrying costs;

(ii) offers should be invited following a fair, transparent and reasonable procedure;

(iii) the procuring authority should be satisfied that the selected offer adequately meets the requirement in all respects;

(iv) the procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required;

(v) at each stage of procurement the concerned procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision.

3.6 **MoF Manual on Policies and Procedures for Purchase of Goods:** Dept of Expenditure issued this Manual on 31.8.2006, which is primarily based on GFR-2005 and DGS&D Manual. It contains broad generic guidelines, which can be seen for macro-level issues. Chapter 2 & 3 of this Manual are important for knowing the fundamental policies of Govt purchase and basic principles for entering into contracts. Chapters 8 & 12 will be handy for IFAs to deal with post-contract management issues. Paras 1.12 & 1.13 are especially important for IFAs as they contain basic objectives of Govt Procurement and are quoted as under:-

(a) **Para 1.12.** - Transparency, Competition, Fairness and Elimination of Arbitrariness - Public buying should be conducted in a transparent manner to bring competition, fairness and elimination of arbitrariness in the system. This will enable the prospective tenderers to formulate competitive tenders with confidence. The following are some important measures to achieve the same and, thus, secure best value for money:

(i) The text of the tender document should be user-friendly, self-contained, comprehensive, unambiguous, and relevant to the objective of the purchase. The use of terminology used in common parlance in the industry should be preferred.

(ii) The specifications of the required goods should be framed giving sufficient details in such a manner that it is neither too elaborately restrictive as to deter potential tenderers or increase the cost of purchase nor too sketchy to leave scope for sub-standard supply. The specifications must meet the essential requirements of the user department. Efforts should also be made to use standard specifications, which are widely known to the industry.

(iii) The tender document should clearly mention the eligibility criteria to be met by the tenderers such as minimum level of experience, past performance, technical capability, manufacturing facilities, financial position, ownership or any legal restriction etc.

(iv) Restrictions on who is qualified to tender should conform to extant Government policies and be judiciously chosen so as not to stifle competition amongst potential tenderers.

(v) The procedure for preparing and submitting the tenders; deadline for submission of tenders; date, time & place of public opening of tenders; requirement of earnest money and performance security; parameters for determining responsiveness of tenders; evaluating and ranking of tenders and criteria for full or partial acceptance of tender and conclusion of contract should be incorporated in the tender enquiry in clear terms.

(vi) Tenders should be evaluated in terms of the criteria already incorporated in the tender document, based on which tenders have been received. Any new condition, which was not incorporated in the tender document, should not be brought into consideration while evaluating the tenders.

(vii) Sufficient time should be allowed to the tenderers to prepare and submit their tenders.

(viii) Suitable provisions should be kept in the tender document allowing the tenderers reasonable opportunity to question the tender conditions, tendering process, and/or rejection of its tender and the settlement of disputes, if any, emanating from the resultant contract.

(ix) It should be made clear in the tender document that tenderers are not permitted to alter or modify their tenders after expiry of the deadline for receipt of tender till the date of validity of tenders and if they do so, their earnest money will be forfeited.

(x) Negotiations with the tenderers must be severely discouraged. However, in exceptional circumstances, where price negotiations are considered unavoidable, the same may be resorted to, but only with the lowest evaluated responsive tenderer, and that too with the approval of the competent authority, after duly recording the reasons for such action.

(xi) The name of the successful tenderer to whom the supply contract is awarded should be appropriately notified by the purchase organization for the information of general public, including display at notice board, periodical bulletins, website etc.

(b) **Para 1.13.** Efficiency, Economy and Accountability: Public procurement procedures must conform to exemplary norms of best practices to ensure efficiency, economy and accountability in the system. To achieve this objective, the following key areas should be taken care of:

(i) To reduce delays, each Ministry / Department should prescribe appropriate time frame for each stage of procurement; delineate the responsibility of different officials and agencies involved in the purchase process and delegate, wherever necessary, appropriate purchase powers to the lower functionaries with due approval of the competent authority.

(ii) Each Ministry / Department should ensure conclusion of contract within the original validity of the tenders. Extension of tender validity must be discouraged and resorted to only in absolutely unavoidable, exceptional circumstances with the approval of the competent authority after duly recording the reasons for such extension.

(iii) The Central Purchase Organizations should bring into the rate contract system more and more common user items, which are frequently needed in bulk by various Ministries / Departments. The Central Purchase Organizations should also ensure that the rate contracts remain available without any break.

3.7 **CVC guidelines:** The Central Vigilance Commission Act empowers CVC to ''exercise superintendence over the vigilance administration of 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'.' CVC have been working towards system improvements to encourage transparency and the culture off honesty. In order to achieve this objective, the Commission has issued a number of letters containing instructions and guidelines. IFAs must ensure that these guidelines are complied with while giving their financial advice. While Chapter XIV of DPM-2006 contains gist of existing CVC guidelines, it will be necessary for IFAs to keep them updated with latest CVC instructions at their site http://cvc.nic.in. A list of CVC orders on procurement is given below for reference:-

Office Order No.	Circular No.	Date of Issue	Subject
	No.3L PRC 1	12.11.1982	Irregularities/lapses observed in the construction works undertaken by Public sector undertakings/banks.
	No. 3L – IRC 1	10.01.1983	Appointment of Consultants.
	No.UU/POL/19	08.10.1997	Grant of interest free mobilization advance.
-----	8(1)(h)/98(1)	18.11.1998	Improving Vigilance Administration (L1) (L1)
	No.98/ORD/1	15.03.1999	Improving vigilance administration-Tenders
-----	3(v)/99/9	01.10.1999	Applicability of CVC's instruction No.8(1)(h)/98(1) dated 18/11/98 on post-tender negotiations to Projects of the World Bank & other international funding agencies
-----	98/ORD/1	24.08.2000	Improving Vigilance Administration-Tenders

-----	98/ORD/1	03.08.2001	Improving Vigilance Administration-Tenders (H1)
	No 12-02-1-CTE-6	07.05.2002	Pre-qualification Criteria (PQ).
	No.OFF1 CTE 1	25.11.2002	Appointment of Consultants
	No 12-02-1-CTE-6	17.12.2002	Prequalification criteria (PQ).
-----	98/ORD/1(Pt.IV)	12.03.2003	Use of web-site in Govt. procurement or tender process
-----	98/ORD/1	05.05.2003	Purchase of Computers by Govt. Departments/ Organisations
33/7/03	98/ORD/1	09.07.2003	Short-comings in bid documents
44/9/03	98/ORD/1	04.09.2003	Irregularities in the award of contracts
46/9/03	98/ORD/1	11.09.2003	E-procurement/Reverse Auction
-----	2EE-1-CTE-3	15.10.2003	Tender sample Clause
-----	06-03-02-CTE-34	20.10.2003	Back to back tie up by PSUs
-----	98/ORD/1	18.12.2003	Improving Vigilance Administration:Increasing Transparency in Procurement/Sale etc.
9/2/04	98/ORD/1	09.02.2004	Increasing transparency(Sale)
10/2/04	98/ORD/1	11.02.2004	Increasing transparency(Tender process)
20/4/04	98/ORD/1	06.04.2004	Cutting Delays by e-payments and e-receipt by Govt. Organisations
-----	4CC-1-CTE-2	08.06.2004	Mobilization Advance
47/7/04	98/ORD/1	13.07.2004	Commission's Directives on use of Website in Public Tenders
72/12/04	004/ORD/9	10.12.04	Transparency in tendering system-Guidelines regarding
	98/DSP/3	24/12/2004	Participation of consultants in tender
11/03/05	005/ORD/1	10/03/2005	Delays in payments to contractors
13/3/05	005/VGL/4	16/03/05	Details on award of tenders/contracts...
18/3/05	000/VGL/161	24/03/05	Banning of buisness dealing with firms
15/3/05	OFF-1-CTE-1(Pt) V	24/03/05	Notice inviting tenders
	No. 98/VGL/25	16.05.2005	Intensive Examination of works by CTE's Organization- Submission of Quarterly Progress Report
46/07/05	005/VGL/4	28/07/2005	Details on award of tenders/contracts Publishing
57/09/05	005/VGL/4	20/09/2005	Details on award of tender
68/10/05	005/CRD/12	25/10/2005	Tendering Process negotiation with L-1
	98/VGL/25	10/11/2005	Intensive Examination of works by CTE's Organisation

71/12/05	005/VGL/66	09/12/2005	Undertaking by Members of Tender Committee
21/05/06	006/VGL/29	01/05/2006	Examination of Public Procurement Contracts by CVOs
15/05/06	005/CRD/19	09/05/2006	Transparency in Contracts awarded on Nomination Basis
31/09/06	005/vgl/004	01/09/2006	Posting of details on award of tenders/contracts on websites/bulletins.
37/10/06	005/crd/012	3/10/2006	Tendering process – negotiation with L1.
	No 005/CRD/12	3.3.2007	Tendering Process ,Negotiation with L1

3.8 **Financial Regulations I:** The instructions contained therein on basic issues are essential to IFAs working. Following Paras are especially relevant for various areas dealt with by the IFAs:-

(i) Rule 5 - Essential conditions governing expenditure from public funds
(ii) Rule 6 - Standards of financial propriety
(iii) Rule 13 - Earnest Money Deposits
(iv) Rule 15 - Responsibility for public funds and stores (To be used in concurring Loss cases)
(v) Rule 16-18 - Responsibility for accounting of public transactions (same as above)
(vi) Rule 19 - Internal check against irregularities, waste and fraud (same as above)
(vii) Rule 20 - Responsibility for Control of Expenditure
(viii) Rule 37 - Responsibility for Losses
(ix) Rule 39-40 - Official Rates of Exchange
(x) Rule 51-52 - Exercise of powers on behalf of President of India
(xi) Rule 53 - Conditions under which Defence expenditure can be sanctioned
(xii) Rule 54 - Proposals involving Abandonment of revenue
(xiii) Rule 55 - Powers of MoD / service Hqs
(xiv) Rule 56 - Classes of expenditure that may not be sanctioned
(xv) Rule 57 - Delegation of powers by President
(xvi) Rule 58 - Objects on which expenditure may be sanctioned
(xvii) Rule 59-60 - Financial powers of Subordinate authorities
(xviii) Rule 62 - Provision of funds necessary before financial powers can be exercised
(xix) Rule 63 - Powers are personal
(xx) Rule 64 - When lower authority cannot sanction a measure in installments
(xxi) Rule 65 - Other officers may be authorised to sign for an officer possessing financial powers
(xxii) Rule 66 - Manner of exercising financial powers
(xxiii) Rule 69 - Date of effect of sanction
(xxiv) Rule 70 - Lapse of sanction
(xxv) Chapter IV - Budget formulation / Preparation of Budget Estimates
(xxvi) Chapter V - Budgetary control and Re-appropriations

(xxvii) Chapter VI - Procurement and Disposal of stores
(xxviii) Chapter VII - Losses, Wastage and Damage to Public property
(xxix) Chapter IX - Security Deposits
(xxx) Chapter X – Contracts
(xxxi) Chapter XII - Contingent and Miscellaneous charges

3.9 **DGS&D Manual:** This is the most exhaustive Govt Procurement Manual available to IFAs for consultation on as required basis. Due to its extensive coverage, it can provide guidance for some intricate issues in Procurement. Some of these paras are mentioned below:-

(i) Para 2.1 to 2.17 – General principles of entering into Contract
(ii) Para 3.3 to 3.11 – Product Reservation, Purchase and Price Preference
(iii) Para 5.17 to 5.18 – Removal, Suspension and Banning of vendors
(iv) Para 6.1 to 6.21 – EMD and PGB
(v) Para 9.2 to 9.3 – Preparation of CST and scrutiny of tenders
(vi) Para 9.15 – Verification of Financial standing
(vii) Para 9.18 – Deviation in delivery schedule
(viii) Para 9.20 – Lack of competition
(ix) Para 9.21 – LPP
(x) Para 9.26 – Consideration of proposal
(xi) Para 9.29 – Extension of validity of offers
(xii) Para 9.32 – Intimation of Acceptance of tender
(xiii) Para 9.34 – Intimation to unsuccessful tenderers
(xiv) Para 9.35 – Preservation of rejected quotations
(xv) Para 10.1 and 10.2 – Elements of Price and Variable Price
(xvi) Para 10.3 to 10.18 – Duties and taxes
(xvii) Para 12.4 – Definition of Delivery Date
(xviii) Para 12.11 – re-fixing the Delivery Date
(xix) Para 12.12 to 12.28 – Extension of DP

3.10 **Defence Procurement Manual (DPM), 2006:** This is the basic manual for IFAs, dealing with the area of procurement. The provisions contained in DPM-2006 are in conformity with Govt rules like GFR, FR, other Government instructions, CVC guidelines, etc. However, wherever in doubt about the import and interpretations of any specific provision in the DPM vis-a-vis the Government rules and statutory provisions, IFAs have to abide by the latter. The Manual, though, supersedes orders and instructions issued by various wings of MoD on procurement in order to create uniformity amongst the purchase practices followed by various wings of Ministry. The Manual also has overriding powers over the provisions of Material Hand Book of OFB. It is applicable to all Committee based central provisioning and Procurement proposals of Revenue stores.

3.11 **Defence Procurement Procedure (DPP), 2008:** This is specifically applicable to Capital procurements, where powers have been delegated to services for the first time in 2006. It covers Buy, Buy & Make and Make categories of capital acquisitions in addition to Indigenous Naval shipbuilding procedure and Fast track procedures. The Defence Procurement Procedure –

2008 (DPP-2008) has rationalized the offset policy, which requires foreign vendors involved in large projects to actively invest in Indian firms and joint ventures. This DPP-2008 also provides for inclusion of broad details of the trial methodology to form part of RFP. It covers all Capital Acquisitions, (except medical equipment) undertaken by the Ministry of Defence, Defence Services and Indian Coast Guard both from indigenous sources and ex-import.

3.12 **Ministry of Road Transport & Highways No BRDB.04/696/2007/BEA/ 21801/PC/DGBR/TPC Dated 27-11-2007:** This letter along with its Annexure-I as also Notes mentioned in Schedules contain instructions on exercise of financial powers. Important issues, relevant for IFAs, covered by various paras of Annexure-II of this letter are mentioned as under:-

(a) Para 2 of Annexure-II – In his capacity as the High level Budget Holder, DGBR would also responsible for:

(i) Para 3.1 of Annexure-II – **Long term roll on works programme-**The DGBR will have a works programme, including agency works on a long term basis for say for five years on the basis of indicative budgets. The long term roll-on works programme should take into account the full capacity of the organization carry over liabilities, including new works/agency works in progress and agency works likely to be received etc.

(ii) Para 3.2 of Annexure-II - **Annual Works Programme-** From within the purview of a long term roll-on works programme, the annual works programme should be carved out after proper correction and reconciliation at the pre-budget stage. In other words, the budget proposals should be supported by a detailed works programme.

(iii) Para 3.3 of Annexure-II -. **Inclusion of works in BRDB Programme-** Inclusion of works in BRDB programme should be a pre-budget and budget linked exercise. Any changes in that during the year for supplementing, complementing, correction/re-adjustment of strategy related changes should be incorporated within the available budgetary allocation of the DGBR with the concurrence of the IFA up to Rs. 5 Crores beyond which the matter should be referred to the Ministry.

(iv) Para 3.4 of Annexure-II -. **Vetting of Estimates-** The works estimates prepared by the technical officers on the basis of technical approval, laid down norms, scale prevalent, rates etc. and approved by the Senior Engineer Officers will be vetted by the IFA (BR) and, on their clear concurrence, would be accepted by DGBR/ADGBR to the extent of delegated financial powers, without financial limits as long as the estimates are for the approved works programme and within the available budgetary allocation.

(v) Para 4 of Annexure-II - **Long Term Equipment Procurement Plan-** DGBR will have a long term equipment procurement lan on the basis of indicative budgets, and need for the different types and numbers of equipment on the basis of specific targets in the long terms works programme etc.

(vi) Para 4.2 of Annexure-II – **Annual Equipment Procurement Plan-** DGBR will prepare a definite and detailed annual equipment procurement plan as a part of the budgetary exercise and this should be approved by the Ministry along with the budget within the purview of the long term plan. Thereafter, following the laid-down procurement procedure, DGBR/ADGBR should implement the same with the concurrence of IFA (BR) to the extent of the delegated powers. Any changes in the approved plan during the course of the year for supplementing, complementing, corrections/re-adjustment to the extent of Rs. 5 Crores may be done by the DGBR with the concurrence of the IFA (BR) and for increase beyond this limit; the matter should be referred to the Ministry.

(vii) Para 4.3 of Annexure-II - **Annual provision review of spare parts-** DGBR will assess the requirement of spare parts annually through provision review as per orders laid down in Govt. of India, MOST, BRDB, letter BRDB/01/148/BEA/2002/54113/ DGBR/E4/ INV(P&P)-Part-I dated 17-6-2004 (Appendix 'P').

(b) Para 5.1 of Annexure-II **Tender Purchase Committees (TPCs)-** All procurement will be made on the advice of the Tender Purchase Committees (TPCs). The Tender Purchase Committees will be set up at two levels to expeditiously process procurement cases. The composition of the two TPCs along with the financial limits will be as per Appendix 'A' to Ministry of Road Transport & Highways No BRDB.04/696/2007/BEA/ 21801/PC/ DGBR/TPC Dated 27-11-2007 (Appendix 'A').

(c) In regard to procurement of all Cat 'A' stores, where the value of stores exceeds, Rs. 300 lakhs, the tenders together with a comparative statement of quotations and the recommendations of TPC level-I will be referred to BRDB Secretariat for obtaining the approval of the competent authority. After the decision of the BRDB Secretariat is communicated, the contracts will be concluded by the DGBR Hqrs.

(d) Subject to the broad guidelines, issued vide Govt. of India, MOST, BRDB letter No. 153(21)/BRDB/BWA/Gen/Procurement/92-93 dated 13.1.93 as amended from time to time, it will be the responsibility of the DGBR HQrs. to initiate actions for all purchases and process the placement of the Supply Order after obtaining the approval of the competent authority. For this purpose, the arrangements of the issue of tender enquiries supply/sale of tender documents, drawings, specifications etc., receiving and opening of tenders, convening TPC meetings, formalization of the TPC proceedings, submission of proposals to the IFA (BR)/Sectt. BRDB as the case may be, for issue of Acceptance of Tender (AT) and post contract administration of the contracts shall be made by the DGBR.

(e) In case of difference of opinion between the CFA and other members of TPCs the decision of CFA will be final. However, in case of difference of opinion between member finance of TPC level-II and the concerned CFA, the matter shall be reported to the TPC level-I who shall look at the matter ab-initio and take a decision. As regards difference of opinion between member finance of TPC level-I and the CFA, the latter shall refer the matter to BRDB Sectt. for taking a decision as per the existing orders.

3.13 **SOPs:** These cover all Schedules and provide the manner in which cases are to be processed under each of these Schedules. Though they are vetted by CGDA/MoD (Fin), yet IFAs need to remember that wherever SOPs conflict with Govt Rules / Instructions, the latter will prevail over the former.

3.14 **Update with latest Govt Policies:** Various government policies operate in a dynamic scenario. They change from time to time depending upon the changing environment and priorities. IFAs have to keep themselves updated on all such policies, which have a bearing on government purchase decisions. They are as under:-

(a) **BUDGET** – The annual Budget announcements by Central Government invariably have an impact on the various industries, which ultimately gets reflected in pricing of their products.

(b) **EXPORT IMPORT POLICY** – This policy is relevant to Foreign Purchases.

(c) **SALES TAX/ VAT POLICY OF STATES** – The concerned State governments also present their annual Budget and decision on Sales Tax/Vat levied upon various products has a direct co-relation with pricing of those products by vendors.

(d) **INDUSTRIAL POLICY** – Issues like providing incentives to Small Scale Industries, Purchase Preference to Public Sector etc., are decided by Ministry in consultation with Ministry of Finance, which effect Purchase decisions in Ministries of Central Government.

(e) **WELFARE POLICY** – Orders in this area are issued by Ministry of Personnel and Public Grievances. Some of these decisions like Product reservation, Purchase preference, Price preference, Single Tender Purchase to Kendriya Bhandar / Central Government Co-operative Society, etc also affect Purchase decisions.

(f) **FOREIGN POLICY** – Government relations with other countries also have a bearing on decision on imports. Apart from the issues of sanctions, technology denial, etc, the other equally important point is signing of GATT and WTO Agreement by Government of India. All these factors influence the decision making process in government purchase.

(g) **DEFENCE POLICY** – Government decisions on issues like Industry participation for self reliance in Defence items, Offset policies, etc are important inputs in purchase decisions.

3.15 **Browse through Govt Reports on purchases already done:** Several reports are generated at various levels in the government, which should be regularly read by all Finance Reps. They help in providing important inputs, guidelines and pointers for the future. They are as under:-

(a) Reports of Parliamentary Committee on Defence and Action taken thereon.
(b) C&AG Reports (available at http://cag.nic.in).
(c) Internal Audit Reports issued by CGDA.
(d) Inspection Reports of Principal IFA on inspection of various IFAs.

CHAPTER-4

PROVISIONING OF SPARES IN BORDER ROADS ORGANISATION

4.1 Provisioning is one of the main functions of Material Management. It is the key to procurement. It involves forecasting of future requirements on the basis of past usage, present trends in consumption and future planned utilization. Procurement of spares is a long drawn process and involves protracted correspondence.

4.2 The object of provisioning is to ensure availability of the right kind of store/equipment in right quantity at the right place and right time. The essence of sound provisioning is the realistic estimation of future requirements. Provisioning activity for provisioning of spare parts for the vehicles, equipment and machinery used in BRO is regulated in the following manner:-

4.3 **INITIAL PROCUREMENT**

4.3.1 **Indents:** Initial spares required to be procured along with newly purchased equipment will be covered through one indent which will be known as 'Indent of Initial Spares'. As far as possible, the initial spares should be procured along with the equipment itself. Else, separate Supply Order for these initial spares can also be placed. In case certain depth or range of initial spares is not covered in this indent, this may be covered subsequently through Provision Review Indents only.

4.3.2 **Basis**

(a) **First Time Buy Equipment:** Indent of initial spares in respect of first time buy equipment will primarily be based on Manufacturers Recommended List of Spare Parts. For arriving at the range and depth of spare parts to be covered in the indent, MRLS will be vetted by *Store Divisions/HQ* DGBR in the light of experience available with respect to the similar type of equipment in BRO. For type/model of equipment not so far introduced in BRO but under use in some other Government undertakings, the indents will be vetted by DGBR after a report from such authorities. A certificate to this effect will be made on the indent.

(b) **For the Repeat Buy Equipment:** No separate procurement of initial spares for repeat buy equipment will be done. The requirement will be covered through Provision Review Indents only.

4.4 **Revision of ISG:** ISGs will be revised as under:-

4.4.1 **Maintenance Scales:** Two to three years after preparation of an ISG, review/revision of the maintenance scale both in range and depth will be undertaken in light of the actual experience gained in maintaining an equipment. The maintenance scale in the ISG will be revised taking into account the actual consumption pattern of the spare parts.

4.4.2 **Overhaul Scales:** Overhaul scales covered in the ISG will be revised when about 25% of the population of the newly introduced equipment has been overhauled.

4.4.3 Subsequent to the above revision, ISG will be kept up to date as and when there is any change in part number or any addition/deletion is warranted due to certain modification or other reasons.

4.5 **Quantum to be covered in the Initial Spares Indent in respect of Indigenous equipment:** The following quantum of spare parts will be covered in the indent of Initial Spare Parts:-

4.5.1 **For First Time Buy Equipment**

3.15.1 Maintenance Spares

(i) Item on DGS&D Rate/Running Contract
(ii) For items purchased through Tender Purchase Committee
(cc) For PSU Supply

Requirement of spare parts for 24 months, (including 15 months Lead Time, 3 months safety factor and 6 months initial issue for the Field Workshops) for all the above three cases.)

3.15.2 **Overhaul Spares:** No overhaul spares should be procured in the initial spares. The overhaul spares are to be procured through Provision Review indent only based on the approved Roll-an-Plan.

3.15.3 **Major Assemblies Pool:** Major assemblies may be indented to the extent of the following existing proportion at the discretion of HQ DGBR:

(i) Petrol Engines for vehicles - 10%
(ii) Diesel Engines for vehicles - 10%
(iii) Diesel Engine for all equipments - 10%

4.5.2 **Repeat Buy Equipment:** No initial spares to be purchased as given in Para 3 (b) above.

4.6 **Quantum to be covered in the Indent *of* Initial spares in respect of Imported Equipment:** The quantum of spares be covered in the indent of initial spares for the imported equipment is as under:

4.6.1 **First Time Buy Equipments**

(a) **Maintenance Spares:** Requirement of spares for 24 months.
(b) **Overhaul Spares:** Normally no overhaul spares would be required in the first 24 months. The overhaul spares are therefore to be purchased on PR Indents only based on approved Roll-on-Plan.

(c) **Major Assemblies Pool** - Same as in respect of indigenous equipment given at Para 4(a) (iii) above.

4.6.2 **Repeat Buy Equipment:** No initial spares to be purchased as given in Para 3(b) above.

4.7 **Provisioning of Funds and obtaining sanction for the purchase of Initial Spares**

4.7.1 **Provisioning of Funds:** For planning purposes in the yearly budget, financial provision up to 10% *of* capital cost in respect *of* vehicle/equipment to be purchased, during the year should be catered for purchase *of* initial spares.

4.7.2 **Sanction for purchase of Initial Spares:** DGBR is authorised to procure the initial spares to the extent specified above on receipt of approval for procurement of new equipment. No separate sanction is required to be taken for procurement of initial spares.

4.7.3 **Contractual Clause:** All contracts for purchase of new equipment will incorporate a clause making it incumbent on the part of the suppliers to deliver initial spares along with the capital equipment or within one year of the supply *of* the equipment:

4.8 **Provision Review (PR)**

4.8.1 **Frequency:** The provision review will be undertaken annually for all large population/Major vehicles and equipment held in BRO. For the first time buy equipment, first PR will commence immediately after the equipment completes one year service.

4.8.2 **Stages:** PR will be carried out in one *stage* only. All 'Fast', 'Normal', and the 'Slow' moving items will be reviewed simultaneously.

4.8.3 **Basis for PR:** Provision review henceforth will be based on the following factors:

(a) **For Maintenance Spares:** Equipment population in Classes 'A', 'B' and 'CSP' at the time *of* PR.

(b) **For overhaul Spares:** An agreed overhaul programme which will be made in December every year for a period of 5 years by Standing Committee comprising of OS (W) (Sectt. BRDB), OF A (MOD (Fin/BR), DOG (TA) , Dir EME and Dir (Res).

4.8.4 **Consumption Pattern:** The range and depth of the spare parts to be covered in the provision review indents will be determined on the basis of the consumption pattern. The consumption pattern will be established on the basis of Monthly Maintenance Figure (MMF) of the Store Division. MMF is calculated by adding 12 months normal Issues plus Dues Out on the date of preparation of draft indents minus normal Dues Out at the beginning- of 12 months period divided by twelve. Preferably, MMF should be worked out, where possible, for two to three years period instead of one year. As at the time of indents of Initial spares for First Buy of equipment, ISG will not be available, for the first PR Indent, will, therefore, be made on the basis of ISG so as to ensure full coverage of spare parts both in range and depth.

4.8.5 **Period to be covered in PR:** The PR indent will cover Spares requirement for a total time period *of* 24 months. This includes 15 months lead-time, 3 months safety factor and 6 months initial issue *for* the Field Workshops.

4.8.6 **Quantum of Spares to be covered in PR Indents:** The quantum of spare parts to be covered in PR Indents will be as per guidelines given at paras 9 and 10 above. Actual demand of spares to be catered in each PR Indent should be worked out after taking into account the assets such as stocks held in the Store Divisions, stocks held in Field Workshops above their authorized requirement and dues-in on account of outstanding Supply Orders.

4.8.7 **Time Schedule:** Five year plan *for* overhaul will made and finalised *in* December in each year. Based on overhaul plan and equipment liability, the PR schedule will be issued by HQ DGBR in January every year. The Store Divisions will ensure that all draft PR Indents are sent within the time as given in PR Schedule. The activities *for* processing the draft PR Indents *to* final Supply orders should be completed in 3 1/2 months time as under:

(a) Processing for Final Indent- One month.

(b) Concurrence of Final Indent by IFA (BR) - Within two months of submission of indent to IFA (BR).

(c) Approval by CFA and preparation of Supply Order - Supply Orders to be placed on the supplying agency within fifteen days of concurrence, by IFA (BR).

4.9 **Procedure to be followed for Procurement:** The procurement will be carried out in consonance with the following letters issued by Govt.

4.9.1 **For purchase of stores on DGS&D Rate Contract**: Supply Orders will be placed directly on the firm as per the terms and conditions in DGS&D Rate Contract of the firm.

4.9.2 **For procurement of spares from:** Govt of India MOST letter No F.176 (1) /BRDB/S-67/67710/POLICY/DGBR/E4INV (P&P) dated 29 Aug 1997 as amended from time to time.

4.9.3 **For purchase of stores other than PSU & RC items (i.e. through Tender Purchase Committee):** Govt Of India MOST letter No F153(21)/BRDB/BWN GEN/PROC-9293 dated 13 Jan 1993 as amended from time to time.

4.10 **Procedure for Government Approval Where Necessary**

4.10.1 Indents of value more than Rs. 300 Lacs for indigenous purchases and all indents of foreign purchases will be requiring approval of Govt as per Govt. letter No. F.231 (10)/BRDB /BWA /94/DELEGATION dated 23 Mar 1995 (amended as per Govt. of India letter dated 27-11-2007). They will be processed as under:

(a) Indents requiring approval of Govt. will be submitted by DGBR to Sectt. BRDB together with documents listed in Annexure I to Appendix 'A' attached. Sectt. BRDB after scrutiny will record observations, if any. on the file and pass it on to Min of Def (Finance/BR), for their consideration with a copy to DGBR. Ministry of Defence (Fin/BR) will record their observations, if any. on the file and return the file to Sectt BRDB with a copy of the observations to HQ DGBR

(b) HO. DGBR will furnish complete replies/information called for on the points raised by Sectt. BRDB and Min of Defence (Fin/BR) and record these on the file and send it to Sectt BRDB. Sectt BRDB after examination will record their recommendations/ further observations on the file and send the same to Ministry of Defence (Finance/BR) with a copy of the recommendations/observations to HO DGBR. Min of Def [Fin/BR) will consider the replies furnished by HQ DGBR and recommendations of Sectt. BRDB. If they have further observations to make they will record on the file and send the same to Sectt BRDB with a copy to HQ DGBR.

(c) In case there are points which require clarification on the case. the same will be discussed at a tripartite meeting between Dte GBR, Sectt BRDB and Min of Def (Fin/BR) to finalise the case within a period of about 3 months.

(d) In case any issues arise which do not have a direct bearing on the quantity or value of spares indents like low utilisation of equipment etc.. these should be discussed and finalised separately and the indent need not be held up on this account.

4.11 **Stocking and Holding of Spare Parts:** Stocking of spare parts by the Field Workshops and Store Divisions will be as under:

(a) Field Workshops - Six months requirement of maintenance spares.

(b) Store Divisions - Spare parts for maintenance and overhaul for all the equipment deployed in their sector.

4.12 **Placing Demands on Store Divisions by Field Workshops:** On receipt of supplies against the indent of initial spare parts, the Store Division will automatically issue *six* months requirement of maintenance spares to their dependent Field Workshops. After receipt of this initial fill. the Field Workshops will demand replacement through quarterly indents. Field Workshop will ensure that indents are forwarded to Store Divisions every quarter regularly. Any slippage in this regard will cause not only no availability of spare parts with the Field Workshops but will also affect future procurement.

CHAPTER- 5

PROCEDURE OF ACCEPTANCE OF NECESSITY IN BRO AND OTHER PRE-CONTRACT MANAGEMENT ISSUES

5.1 **Acceptance of Necessity in Border Roads Organisation:** In Border Roads Organization, proposals on acceptance of necessity angle are prepared in the shape of Annual Works Plan and Annual Equipment Procurement Plan. These proposals are prepared by DGBR, financially concurred by IFA (BR) and approved by BRDB. Annual Works Plan contains a job-wise detailed information regarding sanctioned and unsanctioned jobs where work is required to be done in that particular year. Similarly, Annual Equipment Procurement Plan contains the details of Vehicle/Equipment/Plant to be procured in that year. Once these two proposals are approved by the BRDB, proposals related to works estimates and procurement of Vehicle/Equipment/Plant are checked with reference to whether the same is included in the AWP/APP or not.

5.1.1 Acceptance of Necessity in respect of works is based on Annual Works Plan. Detailed information on different types of works viz. GS works, Agency works and Deposit works are provided in the AWP. A sanction in principle for GS works accorded by MO4 Dte. of GS Branch in Army HQrs. is checked for GS works. For other works the Entrustment letter of the Agency concerned is checked to establish the necessity. Cost acceptance letter is obtained from the user Department if it pertains to deposit works.

5.1.2 The necessity in respect of procurement proposal is checked with reference to Annual Procurement Plan which contains detail of the Vehicles/ Equipments/Plants required based on the targets for the year

5.2 Pre-contract stages of Procurement

Pre-contract procurement comprises the following stages:

(a) Selection of sources
(b) Mode of tendering
(c) Vetting of Draft Tender Enquiry
(d) Participation in tender opening
(e) Scrutiny of CST
(f) Participation in TPC/PNC
(g) Financial concurrence
(h) Vetting of Draft supply order
(i) Placement of supply order

5.3 Types of Tender Enquiry

5.3.1 **Open Tender Enquiry:** This system is generally followed where estimated cost of demand is Rs. 25 lakhs and above. Advertisement in such cases should be given in the Indian Trade Journal and at least in one national daily having wide circulation. Organisation having its own website should publish all its advertised tender enquiries and provide a link with NIC website.

5.3.2 **Limited Tender Enquiry:** This system is generally adopted when the estimated cost is upto Rs.25 lakhs. LTE should be issued to all registered suppliers. **Purchase through LTE may be adopted even if estimated value of procurement is more than 25 lakhs, in the following circumstances:-**

(a) When it is not in public interest to call for tenders by advertisements. In such cases, reasons must be recorded.
(b) Where the demand is urgent, the nature of urgency must be recorded by CFA.
(c) When the sources of supply are definitely known and possibility of fresh source is remote.
(d) As per Para 4.3(1) of DPM 2006, number of suppliers in Limited Tender Enquiry is more than three and also as per Rule 151 (i) GFR 2005.

5.3.3 **Single Tender Enquiry: On PAC basis:** This is adopted in case of procurement of Proprietary articles or where it is definitely known that there is only one source of Supply. Proprietary Article Certificates are to be issued by CFA with the concurrence of respective IFA, duly recording the reasons.

Reasons for issue of PAC are as follows:
(a) Fitness: the requirement of fitting equipment in a certain space and interfacing with other equipment is there.
(b) Availability: No other known manufacturer is available.
(c) Standardization: Where there is a need to minimize spares support problem.

Where many of the OEMs are not permitted to respond to RFP as per Government Rules/laws and it is to be ensured that RFP is issued only to the designated agency.

5.3.4 **Single Tender Enquiry: Non-PAC basis:** Procurement from a single source may be resorted to in the following circumstances:-

(i) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods.
(ii) In case of emergency by recording reasons and approval of CFA
(iii) For standardisation of machinery or spare parts to be compatible to the existing set of equipment or on the advice of technical expert approved by CFA.
(iv) See that the selected vendor is a reputed firm
(v) Special dispensation to NCCF/Kendriya Bandar for procuring goods on single tender basis is no longer in force vide para 2.11 of DPM 2006. However Government Instructions exist for reserving certain items to KVIC, Acash, CCIC and SSIs in terms of Rule 144 of GFR 2005. These instructions should be looked in to before clearing the case on single tender.

5.4 **Issue of STE, PAC AND LTE:** Single Tender Enquiry PAC and Non-PAC and Limited Tender Enquiry are to be issued with the concurrence of IFA and approval of CFA. There is no gainsaying the fact that competition is limited to a few established and registered firms, which determines the nature and cost of procurement. Association of Finance in approval of sources and right sourcing in Limited and Single Tender Enquiry is Indispensable in IFA system.

5.5 **Nature of Tender Enquiry**

There are two systems of Tender Enquiry:-

(a) Single Bid System: In case of store items, COTS (commercially off the shelf) items and other items, which do not involve technical evaluation, Single Bid System is followed.

(b) Two Bid System: This system is followed particularly for purchase of Plant & Machinery and specialized stores like IT and communication systems and in projects, where quantitative requirements and technical specifications cannot be framed up ab-*initio*. In this System the tenders are invited simultaneously in two parts.

(i) Technical Bid: Containing the techno-Commercial offer and

(ii) Price Bid: containing price.

Price bids of only technically and commercially acceptable offers will be opened after techno-commercial evaluation by TEC.

5.5.1 Technical Bids should be opened first on prescribed tender opening dates and time Price Bids of technically acceptable offers should only be opened later on a specified date.

5.6 **Register of Approved Contractors:** In cases of LTE capacity of the firms is to be verified and firm is to be registered before issue of Tender. A firm which though not yet admitted to the “Register of approved Contractors” has submitted an application for admission thereto, may be issued tender only on understanding that such tenders will not be considered unless the firm has actually been admitted to the register before opening of Tenders. (Rule 235 of FR Part I Vol I) In other words, no tenders should be rejected after opening of tenders on the grounds of lack of capacity to supply.

5.7 **Reasonable Tendering Time:** Time to be allowed for submission of tenders in case of OTE is not less than 6 weeks and in case of LTE is not less than 4 weeks. A period of 10 days is to be added to above time schedule of 4 weeks where the firms have to obtain specifications/drawings from outside parties. (Para 8.5.6 of DGS & D Manual) In case of OTE a margin of 15 days to be allowed for publication in the Indian Trade Journal.

5.8 Mode of tendering

5.8.1 Open tender:

(a) Subject to exceptions mentioned in sub para (b) (ii), open tender enquiry should be used for procurement of estimated value of Rs. 25 lakh and above as per Rule 150 GFR-2005. For all common use items, which are normally available in open market with a wide range of sources, open tender enquiry should be the preferred mode.

(b) Ensure that notifications are being sent to DGCIS, Calcutta for publication in their weekly issue of Indian Trade Journal and to DAVP, New Delhi for publication in leading newspapers.

(c) Selection of newspapers may be seen to ensure that the same is done keeping in view the nature of item and likely sources of regions in the country.

(d) See that the letter is also being sent to MoD, AHQ and NIC for publishing in their web-sites in addition to all registered suppliers for the particular range of items.

(e) See that User has got User Administration Account from NIC to host Open tender from the User end itself, in terms of MoD ID 4(2)/2004/D(Coord) dated 12.1.2006.

5.8.2 Limited tender:

(a) This method may be adopted when estimated value of the goods to be procured is up to Rupees Twenty-five Lakhs. Copies of the bidding document should be sent directly by speed post/registered post/courier/e-mail to firms which are borne on the list of registered suppliers for the goods in question as referred under Rule 142, GFR-2005. See that the number of supplier firms in Limited Tender Enquiry is more than three as per Rule 151(1), GFR-2005. Further, see that web based publicity should be given for limited tenders. Confirm whether efforts had been made to identify higher number of approved suppliers to obtain more responsive bids on competitive basis. Ensure that the User had done the Registration of firms as per para 3.2 to 3.5 of DPM-2006.

(b) If purchase through Limited Tender Enquiry is being adopted even where the estimated value of the procurement is more than Rupees twenty five Lakhs, look for the following -
   (i) That the competent authority has certified that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. See that the Competent Authority has also put on record the nature of the urgency and reasons why the procurement could not be anticipated.
   (ii) That there are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.

(iii) That the sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped is remote.

(c) If it is proposed on the grounds of urgency, then seek answers as to why the demand could not be anticipated earlier.

(d) If it is proposed on the grounds of limited/known sources, then look for the background papers related to the work done in the past. Does it have the endorsement of agencies like DGQA, DRDO, etc?

(e) If it is proposed on the grounds of public interest, then look for the justification given to do so and ask whether other sister organizations have also done the same for that item.

(f) If it is proposed on the grounds of items having stringent MIL specs, then a detailed justification from indenting officer should be looked into.

(g) If it is proposed on the grounds of Govt policies, then copies of relevant Govt orders may be obtained on file and analyzed.

(h) In case of IT equipments, registered vendors of DGS&D can be selected for Limited tenders and competitive tendering followed, in terms of para 4.12 of DPM-2006.

(i) List of proposed vendors and reasons for including some and excluding some may be gone through to ensure that sufficient competition is generated. The list of registered vendors are to be updated every six months by DGQA and AHSPs and all Central Procurement Agencies are to be intimated of the same. It is essential that the credentials of the firms applying for registration with the Defence Departments, including their financial status, the manufacturing and quality control facilities, the business ethics and their market standing are thoroughly scrutinized before registering them as an approved source of supply. In case of items of special nature, type approval by the DGQA is also required for which prototype or samples may be called for and registration of the firms for supply of these specific items should be approved only on demonstration of satisfactory performance. A vendor registered with one department of MoD can be considered for procurement by other departments of Ministry. However, specific needs of the various wings/departments are to be kept in mind and complied with. Whenever inspection by the Defence inspection agency is involved type approval by the respective Defence inspection authority will be essential. Whenever firm is removed from the list of vendors, their registration stands canceled. Such removal must be promulgated to all concerned agencies so that any department of the MoD conducts no further business relation with such firms. Para 3.2, 3.4 DPM-2006.

5.8.3 **PAC tendering:**

(a) Carefully see that the factors like fitness, availability, standardization and value for money have been considered by the users in PAC cases. Remember that many OEMs do not manufacture assemblies, sub--assemblies and components but outsource these items. Hence, such items may be available at cheaper prices with the actual manufacturers. Confirm that users have kept themselves abreast with the proper source knowledge and are procuring items from the right source to protect the interest of the state. Remember that the spares have to be sourced from OEM or OEM approved/recommended manufacturers only in order to make the OEM responsible for the malfunctioning of the main equipment in which the spares have been fitted.

(b) Look for the confirmation that the said item is only available with the PAC vendor or its dealers, stockist or distributors and the detailed specifications are not available with others to manufacture the item.

(c) In the case of spares, ensure that the PAC is issued only to the OEM or OEM-approved manufacturers.

(d) Remember that when Defence PSUs /OFB have specifically developed an item for the Dept of Defence or have taken TOT, such sources could be treated at par with the PAC firms, as per Para 4.2, DPM-2006. Ensure that this is not being made applicable to procurements based on provisioning / scales.

(e) See that PAC certificate has been issued only to OEM though the purchase can be done through the OEM's authorized distributors or dealers provided the purchase is accompanied by a proper manufacturer certification.

(f) Ensure that the PAC certificate date has not expired as it remains valid only for one year after the date of its issue unless canceled earlier by the CFA.

(g) See that the PAC certificate contains concurrence of IFA and approval of CFA in terms of para 4.1.1.2 of DPM-2006.

(h) Ensure that PAC certificate has been given at a level not below the PSO / APSO/ DG / ADG at AHQ and by GOC-in-C / Corps Commander and Heads of establishments / Formations or units not below the rank of Major General in Command and below, as per Para 15, MoD letter dated 26.7.2006.

5.8.4 **Single tendering:**

(a) Ensure that the case for single tender i.e. for Non-PAC items is done only on the grounds of urgency or operational or technical requirements.

(b) Detailed reasons from User may be insisted upon for justifying the reasons to go in for Single tender.

(c) See that the selected vendor is a reputed firm.

(d) Find out whether reasonable estimate of rates for the item has been prepared in advance by the user.

(e) Special dispensation to NCCF/Kendriya Bhandar for procuring goods on single tender basis is no longer in force vide para 2.11 of DPM-2006. However, Govt instructions exist for reserving certain items to KVIC, ACASH, CCIC and SSIs in terms of Rule 144 of

GFR-2005. Look carefully to these instructions before clearing the case on single tenders.

(f) Where many of the OEMs are not permitted to respond to RFP as per governmental rules / laws, ensure that RFP is issued only to the designated agency (Ex – M/s ROE in case of certain Russian items).

5.8.5 **Rate contract:**

(a) Ascertain whether the items being bought are on the DGS&D Rate contract list or not. If yes, procurement can be done by placing order against Form-131 on DGS&D Contracts.

(b) Ascertain whether the items being bought are on the RC concluded by Central procurement agencies of MoD or Service Hqs or not. Para 8.5 of DPM-2006 may be kept in mind.

(c) Remember that as per Amendment – I of DPM-2006, Rate contract should be concluded for a period of up to three years with firm and fixed prices subject to application of Fall clause.

5.8.6 **Repeat Order:**

(a) See that the items ordered have been delivered successfully.

(b) See that the Original order did not cover urgent/emergent demand.

(c) Analyze carefully the past and present order to find out whether R.O. is not being proposed to split requirement to avoid sanction of the next CFA.

(d) Confirm that there is no downward trend in price through market intelligence.

(e) Confirm that the firm is prepared to hold the same prices terms and condition including delivery schedule as per service requirement.

(f) Ensure that the requirement is for stores of identical nature/specification, nomenclature etc. Minor improvements in spec(s) or phasing out of products due to obsolescence may not be precluded from purview of repeat order.

(g) Look at the date of delivery of last S.O. and ensure that proposal will be placed within **6 months** from the date of supply against previous order and only once.

(h) Ensure that the Repeat order quantity is restricted to a maximum of **50 %** of last order quantity, both in case of indigenous procurement and import orders.

(i) Look at the PNC minutes of last S.O. to ensure that the original order was on the basis of lowest (negotiated) price and not on delivery preference.

(j) Prefer exercising this provision only in case of PAC/Single Vendor OEM case. However, **where multiple vendors are available, necessary care should be taken in exercising the option clause.**

(k) Find out whether where option clause in last S.O. has been availed of, at may not be desirable to place further repeat orders.

5.9 **General Points to be seen for vetting of provisioning/procurement proposals:** At various stages of provisioning/procurement, the following general points may be seen in respect of all the proposals in lists for various Schedules:

5.9.1 **Vetting of draft tender enquiry and selection of sources:** A tender becomes a contract on acceptance hence it should be ensured that Tender Enquiry is complete in all respects and all relevant clauses have been incorporated in TE. While vetting the draft tender enquiry, it may be seen whether the following requirements have been met:

(a) Standard forms have been used for tender enquiry and all amendments authorized to these forms from time to time have been carried out before issue.

(b) Time and date for receipt and opening of tenders has been clearly indicated as per the guidelines.

(c) Prescribed time has been allowed to the tenderers to submit their quotations, depending on the type of enquiry being issued.

(d) Validity period has been indicated realistically keeping in view the nature of stores and the processing time required particularly in cases where consultation with the indenter on the suitability of offers received would be necessary. (The period of validity of a single bid RFP should be normally 90 days and of a two-bid RFP 120 days from the date of submission of offer. In case of imported stores, validity may be up to 180 days.)

(e) Amount to be furnished by unregistered firms as EMD(also called bid security) has been calculated and indicated correctly. It may be ensured that percentage of EMD amount is not indicated rather EMD amount may be fixed in absolute terms between 2% and 5% of the estimated value of the contract. The EMD should normally remain valid for a period of 45 days beyond the final bid validity period.

(f) Description of stores including specifications / drawings is correctly indicated in the schedule. Quantity required worked out correctly is to be ensured.

(g) Required number of copies of drawings/ specifications is proposed to be made available to the tenderers in case the store is required to non-standard specifications/ drawing,

(h) Authority to whom tender sample is required to be furnished for testing and the time within which the sample should be submitted for inspection have been indicated in the enquiry. (The time required for sample inspection must invariably be factored in while fixing the delivery period).

(i) Inspecting authority is correctly indicated.

(j) Where purchase of large quantities of stores is involved or where shelf life of stores is limited, delivery may be specified in installments, depending on staggered requirements of indenter.

(k) Clauses regarding Risk and Expense purchase as also termination of contract on failure to adhere to the terms & conditions of the contract have been included

(l) Standard payment terms have been suitably indicated along with the paying authority.

(m) In case of purchase of imported stores, the appropriate shipping clauses are incorporated. Other special conditions viz. payment terms for FOB/FAS contracts etc. should also be indicated in the enquiry. Purchase to be done through OEM/PAC only. In case of non OEM sources, the firm should be registered with MOD/IHQ.

(n) Requirement of Security deposit and various forms in which SD is to be submitted has been indicated clearly. (The firms registered with DGS&D, NSIC under single point registration and SSI are exempted from furnishing Security Deposit. This is to be clearly indicated in TE.)

(o) Requirement of furnishing performance guarantee to cover warranty period has been indicated in respect of Plant and Machinery and other specified stores. (Performance Bank Guarantee of at least 5% of the contract value has to be provided by the firm. PBG should remain valid for a period of 60 days beyond the date of completion of contract including warranty.)

(p) Sole arbitration clause has been indicated in TE.

(q) Option clause incorporated in TE to increase or decrease the contracted quantity up to 50% at the same rates and on the same terms and conditions at any time during the currency of the contract. (Option quantity during extended DP should be limited to 50% of balance quantity after original delivery period.)

(r) Standard repeat order clause for placing a repeat order to a maximum of 50% of the originally ordered quantity within 6 months from the date of supply against the original order has been included in TE.

(s) Where commercially off the shelf (COTS) items are proposed for purchase, and QRs and technical specifications are clear, single commercial bid system is proposed to be followed. It also needs to be ensured that reference to the brand names and catalogue numbers is avoided.

(t) Criteria for evaluation and acceptance of bids have been prescribed in the TE.

(u) A clause seeking confirmation from the bidders for acceptance of part quantity has been included.

(v) Clause regarding the Purchaser's right of rejection of any or all tenders without assigning any reason has been included in the TE. This clause can be invoked in cases where it is discovered after opening of tenders that the requirement has ceased to exist or there is a major change in technical specifications.

(w) Clause regarding successful installation and commissioning has been included. A part of payment needs to be held back until installation and commissioning is completed successfully.

(x) Clause about imposition of Liquidated damages of 0.5% per week or a part thereof subject to a maximum of 5% of the order value of undelivered goods has been included.

(y) Provision regarding Price Preference of 15% to the SSI units as compared to the large-scale industries as per the Govt policy has been included. (optional clause).

(z) Purchase Preference clause in respect of Central PSUs has been included. In purchases amounting to Rs 5 crores and above where Central PSUs have quoted a rate within 10% of the lowest rate, they are entitled to purchase preference at the rate offered by the lowest tenderer provided they have made a value addition of 20%.

(aa) Clause about hardware/software upgradation has been included in TE particularly in respect of IT items, other high technology items and EPABX systems. (This binds the bidder to provide all the upgrades free of cost if the same have been launched free of cost by the OEM as a matter of policy otherwise the purchaser has the option to get the upgrades by making necessary payments.)

(bb) An uptime clause has been included in case of electronics items, IT items, exchanges, etc. An uptime clause indicating a minimum uptime of 95% during warranty/AMC may be included in the TE. In case of non-adherence to this clause, the bidder will be subject to the payment of penalty, which may be specified in the TE.

(cc) AMC clause has been included in the TE where required asking the bidder to give confirmation of AMC for the life of the equipment specifying the minimum years for which AMC should be provided and the rate in terms of percentage of cost of equipment for the same.

(dd) Book Examination clause is included particularly in the case of high value single vendor cases in which case option of examination of books of account will be there with the purchaser to assure himself of reasonability of price.

(ee) List of vendors has been furnished. It will be verified to see whether all past suppliers and respondents are included for floating T.E. If not, reasons for the same are recorded.

(ff) Delivery period and schedule clearly specified.

(gg) Letter of regret is asked from the vendors who do not wish to respond

(hh) Warranty is clearly specified in the T.E

(ii) The following are the standard terms and conditions, which need to be considered for inclusion in a Tender Enquiry.

- (i) Description of stores and specifications
- (ii) Quantity
- (iii) Inspection Authority
- (iv) Inspection Officer
- (v) Inspection Procedure
- (vi) Testing Facilities
- (vii) Sampling Procedure
- (viii) Right of acceptance/rejection
- (ix) Performance criteria, if any
- (x) Place of Inspection
- (xi) Identification And Packing Instruction
- (xii) Mode of Dispatch
- (xiii) Dispatch Instruction
- (xiv) Terms of Delivery
- (xv) Delivery Schedule
- (xvi) Earnest Money Deposit

(xvii)	Consignee
(xviii)	Risk of Loss or Damage to Government Property
(xix)	Risk and Expense Clause
(xx)	Security Deposit
(xxi)	Performance Bank Guarantee
(xxii)	Failure And Termination
(xxiii)	Liquidated Damages
(xxiv)	Option Clause
(xxv)	Repeat order
(xxvi)	Price Preference to SSI
(xxvii)	Purchase Preference to CPSUs
(xxviii)	Software/hardware Up gradation Clause
(xxix)	Uptime
(xxx)	AMC Clause
(xxxi)	Assurance of spares
(xxxii)	Training
(xxxiii)	Users List
(xxxiv)	Paying Authority
(xxxv)	Paying Officer
(xxxvi)	Head of Account
(xxxvii)	Terms of Payment
(xxxviii)	Transit Insurance
(xxxix)	Installation & commissioning
(xl)	Rectification of Defects
(xli)	Warranty / Guarantee
(xlii)	Withholding and Lien In Respect of Sum Claimed
(xliii)	Lien In Respect of Claims In other Contracts
(xliv)	Arbitration
(xlv)	Laws Governing the Contract.
(xlvi)	Jurisdiction of Courts
(xlvii)	Secrecy of Information
(xlviii)	Book Examination Clause
(xlix)	Fall Clause (Applicable in case of Rate Contract Only)
(l)	Validity of offer
(li)	Date and time of receipt of tenders
(lii)	Date and time of opening of tenders etc.

5.9.2 **Participation in Tender opening:** While participating in tender opening, IFA/IFA reps may ensure the following:-

(a) Whether tender box is locked and sealed and the seals are not tampered with.
(b) Whether tender box is opened on the date and time specified in TE by the Board of officers in the presence of authorised representatives of firms.
(c) Whether it has been verified before opening of tenders that all tenders received by post also have been dropped into the box apart from the tenders received by hand.
(d) Whether no delayed or late tenders are considered for opening. (Tenders received after closing time and before opening time are

termed as delayed tenders. Late tenders are those, which are received after opening of tenders.)

(e) Whether Tenders received by FAX and telegram have not been considered. However, in cases of Single Tender Enquiry or PAC purchases, Tenders sent by FAX can be accepted, provided the same are complete in all respects, such as specifications, rates etc and are followed by a regular tender within 3 days from the date of opening of tenders.

(f) Whether rates quoted and taxes, duties, etc are read out to tenderers. EMD, if any submitted is also to be read out.

(g) Whether each tender has been serially numbered and signed by all members on each page of quotations as well as covers.

(h) Whether the rate, taxes and duties, payment terms, delivery period etc., have been encircled by tender opening officers and initialed using red ink pen.

(i) Whether any alterations made in tenders by the firm have also been initialed legibly to make it clear that such alterations were present on the tender at the time of tender opening.

(j) In case of two bid system where only technical bids are opened first, tender opening officer / committee should sign on the sealed envelopes containing commercial bids and obtain initials of trade representatives if present. Thereafter, these sealed envelopes are to be placed in a bigger envelope and sealed duly signed by the tender opening officer / committee and trade representatives.

(k) A comparative statement of tenders is prepared and signed by the authorised officer of the concerned Purchase Cell and submitted to IFA/CDA for scrutiny.

5.9.3 **Scrutiny of CST:** At the time of scrutiny of CST, the following points should be observed / examined:-

(a) CST has been prepared in conformity with the rules of FR Part-I.

(b) Rates & taxes, duties, packing & forwarding, freight charges and other terms and conditions are properly accounted for in CST and should be verified with original quotations.

(c) Ranking of offers has been done properly.

(d) Estimated cost or last purchase price is indicated in CST for enabling fair competition.

(e) Deviations from Tender Enquiry have been brought out in CST.

(f) Rates received are not abnormally high or low compared with last paid rates. The offer of the lowest tenderer has been recommended for placing order. If not, specific reasons have been recorded for rejection of the lowest tenderer.

(g) There is adequate competition.

(h) No. of firms on whom TE was floated and number of firms who have responded has been recorded in CST

(i) No late/delayed/ unsolicited tenders have been included in CST.

(j) Firms have quoted standard payment terms and no advance payment request should be accepted except in case of fabrication contracts, turnkey contracts and AMCs to the extent prescribed in the Rule 159(1) of GFR.

(k) Modes of delivery, delivery period, LD, security deposit, warranty as per TE clauses are acceptable to the firm.
(l) Offers are technically acceptable and there is no deviation from specifications.

(m) Whether the firm is holding DGS&D rate contract or not should be indicated in the CST.
(n) The CST has been signed by all members of the committee.
(o) If any standard clause is not acceptable to the firm the same is highlighted in CST.
(p) Validity of the quotations has not expired.
(q) Remarks regarding furnishing of EMD by the vendors where EMD has been asked for in the T.E.

5.9.4 **Participation in TPC/PNC:** The following points are to be examined before participation in TPC/PNC:-

(a) Whether the constitution of TPC is in order, depending upon financial powers delegated.
(b) Whether Indent/Provisioning has been vetted by IFA and sanctioned by appropriate CFA depending on value.
(c) Opening of tenders has been done properly as per Rules. All amendments/corrections of Tenders have been initialed by opening officers with date.
(d) C.S.T. has been prepared properly taking into account amongst other things, taxes/duties, transportation, and packing and forwarding charges. Ranking statement has been prepared properly.
(e) Validity of quotations on the date of holding TPC is verified. Validity period means valid for the period notified in enquiry excluding the date of tender opening. (Para 8.5.7 DGS&D Manual)
(f) It is to be ensured that only L1 has been called for negotiations, if required. In cases, where firm other than L1 has been called, adequate reasons are to be recorded by CFA and prior concurrence of IFA is to be obtained.
(g) Scrutiny of Tenders is to be undertaken with regard to payment terms, delivery period, inspection clause, taxes and duties, LD clause, SD Clause, Arbitration etc.
(h) Basis of selection of sources – Whether established & registered firms have been issued TE with the concurrence of IFA and approval of CFA in cases of PAC and LTE.
(i) Capacity of the lowest tenderer, its financial and commercial status, past performance and load factors are to be examined.
(j) In case of proprietary items; it is to be ensured that prior concurrence of IFA has been obtained.
(k) Whether there is adequate competition.
(l) IFA should ensure that two-bid system is followed for Plant and machinery. In such cases, price bids of only technically acceptable offers are opened. Lowest technically acceptable firm is called for negotiations, where the rates are on the higher side, in consultation with IFA.
(m) Reasonability of rates is to be examined with regard to:
    (iii) Vetted estimated cost/ L.P.R.

(iv) Where last paid rates are not available, assessed cost by specialist Officers.
(v) Cost break-up of the firm.
(vi) No conditional discounts may be taken cognizance of.
(vii) It needs to be seen whether while issuing clarifications to a prospective bidder on tender documents, copies of clarifications were endorsed to all bidders who were issued tender.
(viii) In case of Plant and Machinery, all these factors viz. Maintenance spares for a specified period, AMC, Guarantee/warranty clause, Inspection clause, after-sales service, Performance Guarantee for warranty period, are to be negotiated.
(ix) It is also to be ensured that financial advice, if any offered by IFA, is correctly recorded in minutes of TPC. If not, the minutes of TPC can be modified to record the same.
(x) If re-tendering is recommended by the TPC, it may be recommended in the circumstances some of which are listed below recording reasons:
  - Where offers do not conform to essential specifications.
  - If there are major changes in specifications and/or quantity, which may have considerable impact on the price.
  - Where prices quoted are unreasonably high with reference to assessed price or there is evidence of a sudden slump in prices after opening of tenders.
  - Where lack of competition is there due to restrictive specifications.

(xi) If L1 does not have a capacity to supply within the delivery period as per RFP, after loading the L1 fully as per its capacity and past delivery, recommendation to place order on L2, L3 and so on for the balance quantity at L1's rate could be made by TPC/PNC.
(xii) It may be seen whether bids have been evaluated in terms of the conditions already incorporated in the bidding documents and no new condition which was not incorporated in the bidding documents has been brought in for evaluation of the bids.
(xiii) As per CVC guidelines, one agent cannot represent two suppliers or quote on their behalf in the same tender enquiry. Such quote has to be rejected.
(xiv) In case of imported stores, either the Indian Agent on behalf of the foreign principal or the foreign principal directly may bid in a tender but not both. In cases where an agent participated in a tender on behalf of one manufacturer, it may be seen that he is not allowed to quote on behalf of another manufacturer along with the first manufacturer in a subsequent / parallel tender for the same item.

5.9.5 **Expenditure Angle Sanction:** The following points may be seen while giving concurrence from expenditure angle:-

(a) Whether the evaluation and comparison of responsive bids has been done based on the prices of the goods offered inclusive of levies and taxes i.e. ST, ED, Packing and forwarding, freight and insurance but exclusive of octroi/entry tax which will be paid extra as per actuals, wherever applicable.

(b) Whether tender notice was sent by post to the past successful suppliers and likely suppliers registered with the department even in case of open tendering and postal receipts have been recorded in the file.

(c) Whether in case of PAC purchase, validity of Proprietary Article Certificate which is one year from the date of issue has not expired.

(d) Whether in OTE cases the commercial bid of an unregistered firm meeting the laid down technical parameters detailed in RFP has been opened only on approval of the sample and capacity verification by the AHSP / designated inspection agency..

(e) In case some queries are found to have been raised by a bidder, it may be seen whether copies of the query as well as clarifications issued have been sent to all prospective bidders who have received the bidding documents.

(f) Whether no late bids have been accepted which are to be returned unopened to the bidder.

(g) Whether no bids, which are, deviating from the critical conditions such as EMD (Bid security), warranty and guarantee, applicable law, taxes and duties have been accepted.

(h) Whether price negotiation has invariably been conducted in single tender situations including PAC cases.

(i) Whether in cases involving placement of repeat orders, powers of the CFA have been reckoned keeping in view original quantity plus repeat quantity. The conditions given in Para 5.11 of DPM 2006 need to be fulfilled for repeat orders.

(j) An offer higher than the sanctioned price (based on LPP or asserted price) can be concurred provided that the increased amount is with in CFA's delegated powers duly recording reasons. In case the increased amount exceeds the financial powers of the CFA, approval of ext CFA under delegated powers may be sought.

(k) Whether TEC report has been approved by the CFA.

(l) Wherever revised commercial bids are obtained due to clarifications on technical specifications after opening of technical bids, original price bids have not been opened and approval of CFA for RCB has been taken.

(m) Whether if at TEC stage only one vendor is found complying with all the QRs, the commercial bid of the technically compliant vendor has not been opened and the RFP retracted with the approval of CFA and a fresh RFP issued by suitably reformulating the QRs.

(n) In cases where L1 tenderer has withdrawn his offer, re tendering is to be resorted to. Only in exceptional cases with the reasons to be recorded in writing can negotiation be carried out with L2 in such cases. CVC Circular no 4/3/07 dt 03-03-2007 is relevant in this regard.

(o) Fund position to be indicated clearly and no concurrence may be given, if funds are not available.

5.9.6 **Vetting of draft supply orders:** IFAs have been entrusted with the work of vetting draft Supply Orders. Draft Supply Order is vetted with regard to original quotations/tenders, standard terms and conditions of contracts and other GOI rules. The conditions given in TE are to be included in the supply order. The following points need to be seen while vetting the SOs:-

(a) Payment Terms: Whether paying authority and payment terms are incorporated in the contract as per guidelines of MOD. Payment terms vary depending on nature of items as follows:
   (i) 100% payment against receipt of stores by consignee in acceptable condition.
   (ii) 90% or 95% payment on proof of dispatch and balance after receipt of stores. In no case, should it be 100% payment against proof of dispatch.
   (iii) 80% payment against receipt of Plant and Machinery in acceptable condition by consignee,10% payment after successful erection and final 10% payment after successful commissioning against 10% performance bank guarantee from any Nationalized bank to be kept valid till 60 days after the expiry of warranty period.

(b) Whether the prices have been correctly indicated and variation, if any, has also been stipulated on the basis of a well-defined and clear-cut price variation formula after approval from the competent authority.

(c) Whether the firms have asked for sales tax/service tax separately. If so, whether it has been shown properly in the contract.

(d) Whether the status of excise duty is clearly specified in the supply order.

(e) Whether the delivery period with or without L.D stipulated in the contract is in accordance with the delivery agreed to by the tenderer. Whether the terms of delivery have been correctly specified.

(f) Whether the terms and conditions including special conditions stipulated in the contract are in conformity with the offer of the firm and variation, if any, has been mutually settled.

(g) Whether force majeure clause is incorporated in the supply order only if specific request is made by the firm.

(h) Whether despatch and inspection instructions have been correctly incorporated. Whether Inspection agency and inspecting officer have been clearly indicated in the Supply Order.

(i) Whether the copies of the Supply Order have been endorsed to all concerned including inspectorate and Accounts Office.

(j) The stores should on no account be dispatched / delivered without getting the same inspected and passed by the Inspection Officer stipulated in the order (unless the inspection at destination is required.)

(k) Whether Heads of Accounts are indicated correctly.

(l) Whether the paying authority and paying officer are indicated correctly.

(m) Whether the tendering firm has accepted the standard "sole arbitration clause".

(n) Whether specifications given in the contract are in accordance with T.E. and accepted by the firm and are complete in all respects.

(o) Whether all relevant communications from the contractor leading to his agreement to the contract terms and conditions have been referred to in the contract.

(p) If the firm is unregistered / untried whether it has agreed to lodge security deposit against the contract.

(q) Whether the contract provides for submission of advance sample. If so, whether a definite, reasonable and correct time limit has been laid down.

(r) Whether the transit risk clause has been correctly stipulated.

(s) Whether the firm has asked for any assistance for clearing the raw materials and if so, whether a suitable provision has been incorporated making it clear whether it is a contractual obligation or otherwise.

(t) Whether the firm has agreed to placement of additional 50% quantity under option clause. If so, whether the purchaser's right to do so has been reserved up to specified date.

(u) Whether in case of Plant & Machinery, suitable provisions have been made regarding erection and commissioning, after sales service, warranty period, training of purchaser's personnel, etc.

(v) Whether the following documents have been specified in the supply order for submission along with contractor bills for payment viz.

  (i) Original copy of Supply Order
  (ii) CRV in case of 100% payment
  (iii) Inspection note
  (iv) Guarantee/Warranty certificate
  (v) Excise Invoice
  (vi) Freight receipts
  (vii) Any other document required

(w) Whether in case of prorata payments, there is a provision for submission of Xerox copy of the Supply Order with each bill and original copy of supply order with the final bill.

(x) Whether necessary instructions regarding Military Credit Notes have been incorporated.

(y) Whether suitable packing and transit insurance instructions against loss or damage in transit have been incorporated.

(z) If materials are to be issued to contractor by the Govt, whether suitable provision has been made as regards issue price, collateral security deposit and custody, accounting etc.

(aa) Whether standard Liquidated Damage (L.D) clause has been suitably incorporated in the contract.

(bb) Whether F.C number and date has been correctly and clearly indicated in the supply order.

CHAPTER- 6

TENDERING STAGE

6.1 This stage can be divided into three areas which are mentioned below. For advance issues at tendering stage please refer to Appendix 'C' to this Manual.

6.2 **Tendering stage – Opening of tenders**

6.2.1 **Transparency and fairness:** Ensure that transparent and fair methods were adopted in regard to bidders, in terms of para 6.8 (ii), (vi) and (viii) of DPM-2006.

6.2.2 **TEC report:** In two-bid tendering, ascertain that the TEC completed the action as per Para 4.12.5 and 4.12.6 of DPM-2006 and that their report has been approved by CFA. Remember that if at TEC stage only one vendor is found complying to all the SQR parameters, then the RFP is retracted with the approval of CFA and a fresh RFP issued by suitably reformulating SQRs.

6.2.3 **Revision of commercial bids:** In case there was a need for revision of commercial bids (para 4.12.7 & 4.12.8 of DPM-2006), then ensure that equal opportunity was given to all technically acceptable vendors to give their revised commercial bids in a sealed cover.

6.2.4 **Bids' Opening formalities:** Confirm that the para 4.13 of DPM-2006 was complied with during opening of tenders and that vendors were given opportunity to be present during opening of commercial bids. See that the Tender opening board has serially numbered each bid and initialed with date on each page of the tender. Also, whether they have circled the prices and important terms and conditions and initialed with red ink. Any alterations in tenders made by the vendors should be initialed legibly to make it perfectly clear that such alterations were present on the tender at the time of tender opening.

6.2.5 **Late and Delayed tenders:** Ensure that Late and delayed tenders have not been accepted for opening.

6.2.6 **Modification of bids:** Ensure that the modification to bid by any vendor was done only after a written notice was received by the purchaser prior to deadline prescribed for submission of bids. Remember that no bid can be modified after the deadline for submission of bids.

6.2.7 **Withdrawal of bids:** Ensure that the withdrawal of bid is not allowed in the interval between the deadline for submission of bids and expiration of bid validity period.

6.3. **Tendering stage – Vetting of CST**

6.3.1 **Agents of supplier:** Ensure that one agent does not represent two suppliers or quote on their behalf in a particular tender enquiry. Reject such quote by quoting CVC guidelines no 12-02-6-CTE/Sp-I(1)-2 dated 7.1.2003 and Circular dated 21.4.2004.

6.3.2 **Examination of CST:** Examine that the CST is exhaustive and includes all details given in the quotations.

6.3.3 **Errors by vendors:** See whether any computational errors have been made by the bidders or not. If there is a discrepancy between unit price and total price, the unit price shall prevail. If there is discrepancy between words and figures, the amount in words shall prevail. If the supplier does not accept the correction of the errors, its bid will be rejected and its bid security may be forfeited.

6.3.4 **Enclosures to bids:** See whether required sureties have been furnished and whether the documents have been properly signed**.**

6.3.5 **Deviations:** See that the deviations from tender enquiry have been brought out in CST.

6.3.6 **Responsiveness of bids:** Determine the substantial responsiveness of each bid to the bid documents. A substantially responsive bid is one, which conforms to all terms and conditions of the bid documents without material deviations. Deviations from or objections or reservations to critical provision like Bid Security, Warranty and Guarantee, Applicable Law, Taxes and Duties will be deemed to be a material deviation. Ensure that Bids received are evaluated in terms of the conditions already incorporated in the bidding documents; no new condition which was not incorporated in the bidding documents should be brought in for evaluation of the bids. Remember that determination of a bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence.

6.3.7 **Clarification on bids:** If a clarification is required from any bidder, then ensure that it is done in writing and no change in prices or substance of the bid is sought, offered or permitted. Do not allow any post bid clarification at the initiative of the bidder.

6.3.8 **Comparison of bids:** Remember that all elements of cost, including the terms and conditions with financial implications are to be taken into account while ranking quotes. Ensure that comparison of responsive bids is done on the prices of the goods offered inclusive of levies & taxes i.e., ST and ED, CDE, Packing & Forwarding, Freight and Insurance etc., as indicated in the price schedule of Bid documents but exclusive of Octroi/Entry Tax which will be paid extra as per actual, wherever applicable**.** The ultimate cost to the state on delivery to the consignee's premise should be the deciding factor for ranking of bids. Some factors which need to be taken into account are given below for guidance:-

(a) **Duties and Taxes -** All taxes and duties to be paid in connection with the procurement of an item need to be considered including those for which exemption certificates are issued.

(b) **Delivery Period -** Delivery Period and delivery compliance are important variables for evaluation of bids.

6.3.9 **All Inclusive Cost on Delivery:** The ultimate cost to the state on delivery to the consignee's premise should be the deciding factor for ranking of bids.

6.3.10 In case of foreign suppliers, the basic cost (CIF) quoted by him should be the basis for the purpose of comparison of various tenders. In case of indigenous suppliers, ED on fully formed equipment may be offloaded. See that ST and other local levies are ignored in case of indigenous suppliers and Defence PSUs / OFs. Ensure that the payment conditions / terms are similar for domestic private suppliers, Defence PSUs / OFs and the foreign suppliers.

6.3.11 **LPP in CST:** Ensure that LPP is mentioned, wherever available, in CST for enabling fair comparison.

6.3.12 **Signing the CST:** Vet the CST with regard to original quotations, indents and other supporting documents for checking the calculations as well as the premises on which CST has been prepared. As an IFA rep, sign the CST along with purchase officer, after due examination as above in terms of para 13.5, DPM-2006.

6.3.13 At the time of scrutiny of CST the following points should be observed/examined:-

(a) Rates received are not abnormally high or low compared with last paid rates. The offer of the lowest tenderer has been recommended for placing order. If not, specific reasons have been recorded for rejection of the lowest tenderer.

(b) No. of firms on whom TE was floated and No. of firms who have responded has been recorded in CST.

(c) Whether the firm is holding DGS&D Rate contract or not should be indicated in the CST.

(d) If any clause is not acceptable to the firm the same is highlighted in CST.

6.4 Tendering stage – Negotiations

6.4.1 **Determination of L-1:** As per para 13.5 of DPM-2006, determination of L-1 has to be done by the CNC.

6.4.2 **Reasonableness of price -** As IFA's rep in PNC, your first objective in the CNC should be to establish reasonableness of price being paid by the Govt. This is a complex task and many factors need to be considered, which are mentioned below for guidance:-

(a) Estimated value as given in the indent
(b) Response of the trade to tender enquiry
(c) Last purchase price (LPP)
(d) Database of past contracts for similar items
(e) Movement of price indices of raw materials, electricity, whole sale price index and statutory changes in wage rates

(f) Market intelligence regarding cost of the item or similar items
(g) Material composition and component-wise costing
(h) Technological intricacies involved
(i) Whether of current production or otherwise
(j) Maintenance requirements, spares and warranty etc.

6.4.3 **Spare items' cases -** For procurement of spare parts, consumables and small value contracts which are supplied in the past, the price reasonableness may be determined after comparing with last purchase price after factoring in changes in price indices published by the Government sources.

6.4.4 **Cost analysis:** The Reasonability of price may also be examined, by resorting to Cost Analysis in situations where there is a wide variance over the LPP not explained by corresponding changes in indices. Obtain and analyze to check cost break up details as per format placed at **Appendix 'P' of DPM-2006,** to the extent possible.

6.4.5 LPP is one of the relevant factors in deciding the price reasonableness. However, following needs to be considered while comparing the quoted rates with the LPP:-

(a) LPP of more than three years vintage is not taken as a real scale for comparison. However, such LPP could be used as an input for assessing the rates.
(b) LPP should pertain to a past successfully executed order of similar magnitude and scope of supply.
(c) Factors like basket price and bulk discount offered need to be taken in to account while using LPP as a scales for comparing prices.
(d) Price variation clause, if any, and the final cost paid by the Govt. in respect of last purchase to which LPP pertains to be considered.
(e) Factors like items supplied against LPP being of current production or ex-stock supply need to be taken into account.
(f) Market conditions and extraneous factors like re-starting production lines due to obsolescence may also have to be considered.

6.4.6 **Analysis of Single tender cases:** In the case of single tender, analysis of the costs and price structure may be done to ensure that the price quoted is reasonable with reasonable profit margin. To assess the reasonable price the following steps could be considered for the projects supplied in the past indigenously or by an Indian vendor:-

(a) In case of products, which have been supplied in the past, the actual cost of production of the completed contract or supplies may be obtained in addition to the price quotation. The current Cost of Production may be assessed keeping in view the actual cost of production duly updated to current rates.
(b) The break-up of the material cost into the imported and indigenous material. In case of imported material, obtain break down of Foreign Exchange content, foreign currencies involved, exchange rate adopted and other costs. In respect of Direct Material, ensure that

various types of material used, their spec(s), unit rates and usage factor and credit for scrap arising has been assessed by a Technical Team and vet the rates.

(c) Assess the man hour rate (MHR) rate and Total Standard Man Hours (SMH).

(d) Obtain the Cost Break up as per format placed at **Appendix 'P' of DPM-2006.**

(e) Analyse Balance sheets and profit and loss accounts during the last three years, wherever made available.

(f) In case where advance or progressive payments are required to be paid, consider the advantage of advance in terms of lower cost of production. There should be clear linkage between price negotiated and quantum of advance.

(g) Where the order is for larger quantity, take into account the benefit of economy of scale due to higher capacity utilization and reduction of overheads particularly fixed overheads.

6.4.7 **Inputs from vendors:** In assessing the reasonableness, general analysis of Financial/Cost ratios from published accounts and evaluation of Commercial/Technical information of the Vendor/Bidder may be undertaken. The allocation of overheads should be as per established principles of costing. Assessment should be made on the vendor's approach to controlling cost, adherence to delivery schedule, Cost Accounting System and other factors affecting contractor's ability to meet cost/schedule targets.

6.4.8 **DCF techniques:** The Discounted Cash Flow (DCF) techniques may be used for evaluating long-term project cases. DCF procedure is to reduce both cash inflow and out-flows into net present values (NPV) through the DCF methods, which would be more scientific and reliable. The use of Net Present Value (NPV) analysis in Cost and Price Analysis is based on the concept of time value of money. The money has a time value because of the opportunity to earn interest or the cost of paying interest on borrowed capital. This means that a sum to be paid today is worth more than a sum to be paid in a future time. The cash out flow/inflows and the average cost of capital i.e., cost of borrowing becomes an important constituent in evaluation process. The NPV of a stream of cash flows is described as follows: -

$$NPV = \frac{C1}{1+r} + \frac{C2}{(1+r)2} + \frac{C3}{(1+r)3} + \ldots \text{ Or}$$

$$NPV = \Sigma\, Cn\, \frac{1}{(1+r)t}$$

In the formula **C** is the expected payoff at a period mentioned by the subscript n.

r is the rate of interest.

t is the period after which the payment is done.

n is payment schedule as per the payment terms and conditions.

The alternative with the smallest payment of net present value in the procurement is the obvious choice. The DCF may be made use of to facilitate determination of L1 in following procurement situations: -

(a) To compare different payment terms of the vendors to a common denomination for determining L1 status.
(b) To deal with the cases where entering into AMC over a period of 10 to 11 years is part of the contract for evaluating for L1 status.
(c) Ministry of Finance has also clarified that determination of L1 by merely adding arithmetic values spread over 12 to 13 years (2 years warranty and 10 to 11 year AMC) would be an incorrect procedure for determining L1 and the correct procedure would be reduced cash out flows into present values through the DCF technique for which the discount rate to be adopted should form part of the RFP.
(d) The cost of borrowing to the Government is the relevant discounting rate for the purpose of evaluation. The Ministry of Finance prescribes the lending rates of the loans to be charged by the Central Government from State Governments, Public Sector Undertakings and Financial Institutions etc.
(e) In case cash flow involves more than one currency, the same has to be brought to a common denomination, say Rupees by adopting exchange rate as on the date of the opening of price bids. MS "Excel" or any standard spreadsheet has the features for carrying out this exercise.
(f) Min of Finance letter dated 11.11.2002, at Appendix Q of DPM-2006 may be read for further guidance.

6.4.9 **PNC composition:** Price negotiation is normally required to ensure that the interest of the state is fully protected and the price paid is reasonable. Ensure that such negotiations are conducted by a duly appointed Contract Negotiation Committee (CNC) including a IFA's rep unless the negotiation is carried out by the committee CFA itself. CNC is to be invariably conducted in case of single tender situations including PAC cases, or when price is considered high with reference to assessed reasonable price.

6.4.10 **Brief of PNC:** Ensure that brief of PNC is sent in advance by the user. Examine the brief and supplement it with data-base being maintained in IFA's office.

6.4.11 **Need for Negotiations:** As per para 13.5.1 of DPM-2006, in multi - vendor cases, on opening of commercial offers, once L1 vendor is identified, the contract should be concluded with him and there would be no need for any further price negotiations. However, negotiations can be held in exceptional circumstances where valid logical reasons exist and such negotiations should be held only with L1. One of the major reasons could be the quoted price being higher than the estimated reasonable rate. In case of procurement of new equipment, on single vendor / resultant single vendor basis, ensure that CNC establishes a benchmark and reasonableness of price in an internal meeting before opening the commercial offer. Once the commercial offers are opened and the price of the vendor is found to be within the benchmark fixed, in the internal meeting, there should be no need to carry out any further price negotiations. Negotiations are to be conducted only with L-1 as per para 6.8 (xii), DPM-2006. However, in Rate contract tendering, where a number of firms are brought on rate contract for same item, negotiations as well as counteroffering of rates are permitted with the bidders in view as per para 6.8 (xiii), DPM-2006.

6.4.12 As per CVC Circular no 4/3/07 dated 3.3.2007, post tender negotiations could often be a source of corruption, there should be no post-tender negotiations with L-1, except in certain exceptional situations. Such exceptional situations would include procurement of proprietary items, items with limited sources of supply and items where there is suspicion of a cartel formation. The justification and details of such negotiations should be duly recorded and documented without any loss of time. This means that cases of Limited/PAC/Single tendering resulting in insufficient competition, unreasonable rate of L-1, etc could be a reason for negotiations. IFAs should keep this in view.

6.4.13 **Recording of efforts:** Assessing of reasonability may be an arduous task, especially where price data is not available or in case of overseas purchases. In such cases it is important to place on record efforts made for arriving at a price and taking procurement decision.

6.4.14 **Complete work:** As per MoD (Fin), FA (Acq) ID No 375 dated 15.3.2005, entire terms and individual clauses of the contract has to be clearly negotiated during the CNC itself in order to avoid any ambiguity and the consequential delays in the procurement process that result.

6.4.15 **Detailed recording of Minutes:** Ensure that detailed record of discussions regarding compliance with tendered QRs, price and contract clauses held during the CNC is prepared, signed and placed on record in the form of minutes of the meeting.

6.4.16 **Signing of Minutes:** Ensure that PNC minutes are signed within a week of its final meeting by all its members, as per Appendix A & A-1 of DPM-2006.

6.4.17 **Participation in TPC/PNC** - The following points are to be examined before participation in TPC/PNC:-

(a) Whether indent/provisioning has been vetted by the IFA and the sanctioned by appropriate CFA depending on value.

(b) Validity of quotations on the date of holding TPC is verified. Validity period means valid for the period notified in enquiry excluding the date of tender opening (para 8.5.7 DGS&D Manual).

(c) It is to be ensured that only L1 has been called for negotiations, if required. In cases, where firm other than L1 has been called adequate reasons are to be recorded and prior concurrence of IFA and approval of CFA is to be obtained.

(d) No conditional discounts may be taken cognizance of.

(e) In case of plants/machinery, all these factors viz. maintenance spares for a specified period, AMC, guarantee/warranty clause, inspection clause, after sales service, performance guarantee for warranty period, are to be negotiated.

(f) It is also to be ensured that financial advice, if any, offered by IFA, is correctly recorded in minutes of TPC. If not, the minutes of TPC can be modified to record the same.

CHAPTER- 7

POST-CONTRACT MANAGEMENT

7.1 Post contract activities, particularly amendment to the contract or the terms and conditions there of need to be handled with a lot of care and after proper analysis of implications. As per para 5.18 of DPM-2006, the IFA is to be consulted in post contract amendments having financial implications. However, amendments and post contractual activities as per the terms and conditions of the contract can be approved by the CFA and concurrence of IFA would not be needed unless there are deviations and financial implications.

For advance issues at post contract management stage please refer Appendix 'T' to this Manual.

7.2 **Extension of delivery**

7.2.1 Timely delivery as per DP stipulation in Contract / Purchase Order is one of the most important procurement objectives as timely availability of items is vital, particularly for the department of Defence. The stores are considered to have been delivered only when these are handed over to the consignee after due inspection by the designated inspection agency. Most contracts stipulate door delivery at the consignee's end by road. In some cases, the stores are also dispatched by rail, in which case the delivery is deemed to have been made on receipt of RR and inspection note. In certain cases where the contractor offers stores for inspection during the last few days of contract DP or on the last day of the contract DP, the inspector can inspect the store and sentence it as per standard franking clause. On receipt at the consignee's premise, the stores are checked for ascertaining the correctness of quantity, quality and documents. In case the stores are found deficient in any way, the consignee has the right to reject the stores even if these were inspected and cleared by the inspector. When the supplies do not materialize by the stipulated contract delivery date, see that the following options have been explored -

(a) Extending delivery date.
(b) Re-fixing delivery date.
(c) Cancel the contract and repurchase non-supplied qty.

7.2.2 For deciding on these options, you need to balance the time factor required for making repurchase and whether the supply can be arranged earlier than the period of extension sought for at cheaper rates from alternative sources and in the latter case whether the indentor can reasonably wait to take advantage of lower trend in prices. Concur Extension only where it is confirmed on file that supplier would come forward during extended DP. Detailed instructions may be taken further from chapter 12 of DGS &D Manual 1998.

7.2.3 **General checks:** As a delivery period extension constitutes an important amendment to contract having definite financial and contractual ramification, at the time of considering the proposal for extension of delivery period, the status of supply position and supply order is to be reviewed keeping in view factors mentioned below:-

(a) Check for appropriateness/justifiability of reasons for seeking extension by vendor / firm.
(b) Check the information given in SO i.e. normally date of SO, name of the firm, qty ordered original DP, DP extension, if any.
(c) Check the information given in inspection note i.e. date of receipt of stores, date of dispatch of store, stores tendered for inspection and balance qty.
(d) Check the period of DP extension recommended with reference to original DP and requirement of the firm.
(e) Check that recommendation of CFA for extension is with LD or without LD.
(f) Check the proposal is within the delegated financial powers or not.
(g) Check the date up to which B.G. is valid.
(h) Whether the user has suffered any actual or potential loss due to delay.
(i) Whether the requirement of the user is being reviewed.
(j) Whether there is no downward trend in the prices.
(A certificate signed by an authorized officer clarifying the position at Sl. No. (a) to (j) above may be insisted upon)
(k) Whether the state is liable to pay additional taxes/duties/levies during the proposed extension period.
(l) Whether delay in supply has been willful on the part of the supplier.
(m) Whether option of short closure of Supply Order has been considered.
(n) Whether the contract is in the nature of a developmental order.
(o) Whether delay has been caused by factors where the purchaser has any obligation such as providing import licence, materials or facilities etc. for production.
(p) If the firm's request for DP extension is due to force majeure clause, it needs to be verified that this clause is included in the supply order.
(q) Whether a specific request from the firm has been received in advance. (The sanction for DP extension should be issued at least one week before the expiry of the DP).

7.3.1 **Imposition of Liquidated Damages:** Compensation of loss on account of late delivery where loss is pre-estimated and mutually agreed to is termed as the Liquidated damage (LD). The guidelines for levying LD for delayed supplies as given in GOI Letter No. 2(5)/2000/D(Supply-II) dated 05th Nov 2004 are given at Appendix 'G'-DPM 2006. Law, allows recovery of pre-estimated loss provided such a term is included in the contract and there is no need to establish actual loss due to late supply [Mala Baux Vs. UOI (1970)]. The legal position with regard to claim for liquidated damages is as follows:-

(a) Whatever the quantum of the loss sustained, the claim cannot exceed the sum stipulated in the contract.

(b) Only reasonable sum can be calculated as damages, which in a given situation may be less than the sum stipulated.
(c) What is reasonable sum depends on fact.
(d) Court may proceed on the assumption that the sum stipulated reflects the genuine pre-estimates of the parties as to the probable loss and such clause is intended to dispense with proof thereof.
(e) The distinction between penalty and L/D has been abolished by the Indian Contract Act and in every case, the Court is not bound to award more than 'reasonable compensation' not exceeding the amount so named.
(f) Remember that Consequential damage is imposed over and above LD in case of time critical Turn Key Projects.
(g) Check up whether any local purchase has been done during the extension/delayed period.
(h) Check the inclusion of all relevant elements in calculation of L.D. chart with reference to inspection note i.e. date of dispatch and date of receipt of stores, date of inspection and Qty of stores; check for arithmetical accuracy of LD calculation.
(i) Check for correctness of overall delay calculated by executives with reference to following key dates:-
    (aa) Date of dispatch of stores, date of original DP etc.
    (bb) Date on which the stores tendered for inspection and date of inspection.
    (cc) Request for extension and date of issue of amendment letter for DP extension.
    (dd) Total delay – inspection delay beyond 30 days.
    (ee) Check for availability of DP extension.

7.3.2 As a general rule, if the contractor fails to deliver the stores or any installment thereof within the DP or at any time repudiates the contract before expiry of such period, the CFA without prejudice to the right of the purchaser to record damages for breach of contract may recover from the contractor as agreed L/D including admin expenses and not by of penalty a sum equivalent to **0.5%** of the prices of any stores which the contractor has failed to deliver within the period agreed for delivery in the contract, for **each week or part thereof** during which the delivery of such stores may be in arrears where delivery thereof is accepted after expiry of the aforesaid period. The total damages shall not exceed **value of 5% of undelivered goods**. **The LD cannot exceed the amount stipulated in the contract.** [NC Sanyal Vs. Calcutta Stock Exchange (1971)].

Note: LD will be calculated on the basis of total value of the stores including elements of statutory duties and taxes viz., sales tax, customs duty, excise duty etc. as indicated in the supply order.

7.3.3 The provisions of token LD in GoI, MoD, Deptt. of Defence Prod. & Supplies, New Delhi letter No.2(5)/2000/D(Supply-II) dated 5.11.2004 (reproduced as Appendix 'G' to DPM 2006) would no longer be applicable (MoD (Fin.) ID No. 32(1)/2004-Estt. I dated 16.01.2007 refers).

7.3.4 There could be cases when the delay in delivery was due to reasons not within the control of the supplier or when the supplier cannot be held responsible for the delay in delivery. In such cases, the IFAs may consider giving concurrence for waiving off the LD. However, in such cases, they must ensure that adequate reasons have been recorded to justify such a waiver of LD.

7.4 **Extension of Letter of Credit:** Following points should be checked before concurring the case for extension of LC:-

(a) Extension of delivery date in the contract and corresponding amendment in LC for latest date of shipment.
(b) Performance Bank Guarantee (PBG) extension.
(c) Onus of charges for LC extension.

7.5 **Amendment to contract:** Amendment to a contract already concluded may become essential in certain situations when either side requests for such a change and the same is acceptable to either side:-

a) For enhancement in contract rates, ensure that user obtains the financial concurrence of IFA except in cases where the contract provides for price variation clauses or the change is due to variation in ED/Custom Duties.
b) Ensure that Financial Advisor is consulted for vetting of price variation clauses/exchange rate variation clauses.

7.6 **Termination of contract:**

7.6.1 See that the proposal for termination of contract is complying with one of the conditions mentioned below:-

(a) When the supplier fails to honour any part of the contract including failure to deliver the contracted stores in time.
(b) When the contractor is found to have made any false or fraudulent declaration or statement to get the contract or he is found to be indulging in unethical or unfair trade practices.
(c) When both parties mutually agree to terminate the contract.
(d) When the item offered by the supplier repeatedly fails in the inspection and the supplier is not in a position to either rectify the defects or offer items conforming to the contracted quality standards.
(e) Any special circumstances, which must be recorded to justify the cancellation or termination of a contract.

7.6.2 Ensure that specific comments for cancellation of Contract and BG encashment are in order.

7.6.3 See whether legal advice was necessary and check for positive recommendation of Legal Advice for cancellation of Contract.

7.7 **Risk and Expense Purchase:** Risk and expense purchase is undertaken by the purchaser in the event of the supplier failing to honour the contracted obligations within the stipulated period and where extension of delivery period is not approved. While initiating risk purchase at the cost at the expense of the supplier, satisfy yourself that the supplier had failed to deliver and he had been given adequate and proper notice. Ensure that the supplier is being asked to pay the additional amount spent by the Govt, if any as compared to the contracted amount. See that the method of recovering such amount has been considered while considering risk purchase.

7.8 **Price variation adjustment:** As per para 13.13 of DPM-2006, the Price Variation Clause and its implication is to be vetted by IFA. If there was a Price variation clause in Tender enquiry and the case is received to concur the case for price adjustment at execution stage, then see following points:-

(a) Base dates shall be due dates of opening of Tenders.
(b) Date of adjustment shall be midpoint of Manufacture.
(c) Price adjustment will be applied only if the resulting increase or decrease is more than 2% of contract price.
(d) No price increase is allowed beyond original DP unless the delay is attributable to the buyer.
(e) Total adjustment will be a maximum of 10% of contract price.
(f) No price adjustment shall be payable on the portion of contract price paid to the contractor as an advance payment.
(g) Base price of raw material should be that of a canalizing agency, wherever available for the purpose of PRV clause in terms of para 13.13 of DPM-2006.

7.9 **Exchange Rate Variation re-reimbursement:** In case DP is re-fixed/ extended, see to it that ERV is not made admissible if this is due to default of supplier. See the Base exchange rate of each major currency used for calculating FE content of the contract. The base date for ERV would be contract date and variation on the base date can be given upto the midpoint manufacture unless firm has already indicated the time schedule within which material will be exported by the firm. Other conditions as above for price variation adjustment would be applicable. Ensure that following documentation is available in file:-

(a) A bill of ERV claims enclosing worksheet.
(b) Banker's Certificate/debit advice on FE paid & Exchange rate.
(c) Copies of import orders placed on the suppliers.
(d) Invoice of supplier for the relevant import orders.

7.10 **Project Monitoring:** Where ever revenue spending is in the nature of a project with diverse elements like civil works, manpower induction, testing/evaluation, erection and commissioning warranting synchronized action, ensure that a formal structure is put in place to review major physical & financial milestones with reference to PERT chart with a view to avoiding time and cost overruns.

CHAPTER-8

BUDGET IN BORDER ROADS ORGANISATION

8.1 In BRO, the budget is based on the Annual targets fixed in the Annual Works Plan approved by BRDB/MOD (Fin). The AWP consists of the works in respect of General Staff Works, Agency Works of MORT&H and other State Govts/Central Govt. Ministries/Deptt. and Deposit works of autonomous bodies, semi-Govt./Non-Govt. bodies. In accordance with the provisions contained in the DGBR Policy letter No 2250/Policy/2006-07/DGBR/25/E5B dated19-03-2007, it was decided to follow the following modus operandi:-

(a) The job wise fund figures in the BE folder will form the basis for job wise allotment.

(b) Copies of the BE folder containing job wise details of funds will be endorsed by HQ DGBR to CDA (BR) and to various AO (P)/AO (TF) by respective Project HQ/TF HQ.

(c) For the sanctioned jobs, the fund figures given under column 27 of BE folder will constitute the allotment for the FY. As regards unsanctioned jobs, on receipt of sanction, the allocation will be made by HQ CE (P) in consultation with ACDA/AO Project based on the amount indicated in BE Folder. A copy of allotment letter will be endorsed to HQ DGBR/E5B, WP Dte, TP (East)/(West) and CDA (BR) besides the concerned units/formations.

(d) The allotted funds in each job will be reflected in MER accordingly.

(e) During the RE discussions/Mid Term Review, the Projects will review their job wise requirement of funds based on progress of work and other parameters, as applicable. Once RE is approved, revised job wise allocation will be made and the RE folder will be transmitted to CDA (BR), AO (P) and AO (TF) etc in the same manner as the BE Folder.

(f) The final review of allotment of funds will be carried out by the CEs Project during next year's BE discussion to ensure proper utilization of allotted funds. The details of this exercise will be forwarded to CDA (BR) not later than 15 Feb of each Financial Year.

(g) Monitoring of expenditure shall also be done job wise henceforth as stipulated in BRR Para 576 and will be reflected in the MER accordingly.

(h) While allocating the funds against various jobs by HQ DGBR/CE Projects, it will be ensured that the sanctity of the Adm Approval amount be maintained (i.e.), in no case allotment will be made beyond the Adm Approval amount. This would need to be strictly adhered to by all the levels. The Accounts Office will have no authority to release the payment in the absence of allotment and to book the expenditure beyond that amount. In case of any difficulty, the cases will be referred to HQ DGBR/ CDA (BR) for getting necessary clarification/decision.

(i) The present system of Major Head wise allotment/sub allotment to CE (Projects) etc. in consultation with CDA (BR) by moving PC files, will continue hither-to-fore.

8.2 The fund flow for carrying out the above works based on targets fixed is as under:-

(a) **GS Works and Agency Works of MORT&H:** The funds/budget for the above works are included in the Demand No. 85 of Demand for Grants of MOSRT&H through BE/RE.

(b) **Agency Works:** The funds for the above works are allotted by various Agencies through allotment letters and are booked to the Code Heads allotted for the same.

(c) **Deposit Works:** The funds for these works are received through cheques/drafts deposited by the autonomous bodies, semi-Govt./non-Govt. bodies. The amount so received is credited to Misc. Receipt Code Head i.e. 0/017/05 by CDA (BR) and as and when expenditure against these works is incurred, the same head is debited by them.

8.3 **Monthly Expenditure Statement:** A Monthly Expenditure Statement in respect of General Staff Funds, Agency Works and Maintenance Works of the Ministry of Shipping, Road Transport and Highways is rendered every month by CDA (BR) to Chief Controller of Accounts of MOSRT&H. The report gives head-wise details of expenditure incurred during the month and progressive expenditure as well as excess/savings in all the heads in respect of Border Roads Organisation. A copy of the same is also endorsed to DGBR, IFA (BR), Secy. BRDB, MOD (Fin.) and CGDA for their information.

CHAPTER-9

LOSSES

9.1 **Promptness:** In dealing with cases of losses, promptitude of action is of paramount importance. Every case of loss shall be pursued vigorously to finality so that adequate action, both remedial and escape punishment by mere lapse of time.

9.2 **Categories of losses:** Ensure that all losses, whether of public money or of stores, were subjected to a preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and amount involved. As regards the procedure of investigation to be followed thereafter, losses may be classified as under:-

(a) Losses of stores; and
(b) Losses of public money.

9.2.1. Ascertain that Courts of Enquiry was invariably convened to investigate all losses which require the sanction of the Government of India to write off. The holding of a Court of Inquiry may, at the discretion of the competent financial authority, be dispensed with in cases of loss of stores where the loss is not due to theft, fraud or neglect or where the reported loss due to theft, fraud or neglect is less than Rs. 10,000/-.

9.3 **Systems and procedural defects:** When an investigation into a case of loss due to theft, fraud or gross neglect discloses a defect of procedure or system and when irrecoverable debts of units are attributable to that cause, a report shall be made to the Government of India through the usual channels and the Controller of Defence Accounts concerned together with a recommendation for rectifying the defect. Petty defalcations or petty thefts need not be reported.

9.4 **Splitting of sanction:** The monetary limits specified for the sanction of losses refer to each separate case of loss and it shall not be permissible to sub-divide a case of loss with the object of bringing the amount within the financial powers of the authority dealing with it (see also rule 64) Losses shall not be written off without the specific approval of the competent financial authority.

9.5 **General points:** Look for the following details:-

(a) Nature of irregularity/loss.
(b) Period involved.
(c) Check the L.S. for correctness of prescribed format and for indication of price.
(d) Check the amount given in the SOC, loss statement CDA audit report.
(e) Accounting documents affected.
(f) Modus operandi of the fraud, if it is a case of suspected fraud.

(g) How it was detected?
(h) Whether an enquiry has been ordered and if so, with what results; or whether sanction of the competent authority has been obtained for not holding a Court/Board of Inquiry.
(i) Whether any disciplinary action has been/is proposed to be taken and if disciplinary action has already been taken the nature of it and names and designations of the individuals affected.
(j) Remedial measures taken to avoid recurrence of the irregularity.
(k) Any other useful details.

9.6 **Delay report:** Check that the delay report covers entire period.

9.7 **Audit Report:** Go through the Audit report furnished by CDA(BR) and ascertain whether the comments made therein are being addressed satisfactorily by the concerned before the case is put up to CFA. Compare the recommendations regarding price, regularization action and penalty in the LS and SOC with the audit report of CDA(BR) for variance/agreement. Where audit authorities wish to satisfy themselves about the adequacy of disciplinary action in cases of loss, sufficient facts shall be given to satisfy them that whatever action was reasonable or possible has been taken. If in any particular case audit authorities consider it essential to see the actual court of inquiry proceedings, the senior audit officer of the Command concerned shall make a request to that effect. The proceedings shall then be sent to him personally.

9.8 **Pricing of loss statements:** Ensure that pricing of loss statements has been done as per Rule 163, FR Part I Vol I. If pricing has been done by the executives, then ensure that post-scrutiny has been done by CDA. Remember that loss statements for losses in respect of which penal recoveries from individuals are involved, has to be priced by CDA.

9.9 **Investigation:** It is of the greatest importance to avoid delay in the investigation of any loss due to fraud, negligence or financial irregularity. Find out that the administrative authority took the assistance of the Controller of Defence Accounts in pursuing the investigation, for all vouchers and other documents that was relevant to the investigation and if the investigation was complex and he needed the assistance of expert audit personnel to unravel it, whether written request was sent promptly to the Controller of Defence Accounts concerned, by name. Find out whether CDA provided the services of an investigation staff. Remember that the administrative authority and the audit authority are personally responsible within their respective spheres, for the expeditious conduct of the enquiry.

9.10 **Fixing responsibility:**

(a) The responsibility for disciplinary action in cases of financial irregularities rests with the administrative authorities and ultimately with the Government of India. Ensure that concerned Branch has informed the CDA of the exact nature of disciplinary action taken by them. If in any particular case it has not been possible to take adequate action, the reasons for not doing so need to be indicated.

Ensure that sufficient facts have been given to satisfy audit that whatever action was reasonable or possible has been taken.

(b) The cardinal principle governing the assessment of responsibility is that every public officer should exert the same vigilance in respect of public expenditure and public fund generally, as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. While, therefore, the competent authority, may in special case condone an officer's honest errors of judgment involving financial loss, if the officer can show that he has acted in good faith and done his best up to the limits of his ability and experience, personal liability must be strictly enforced against all officers who are dishonest, careless or negligent in the duties entrusted to them.

(c) If it appears that recourse to judicial proceedings is likely, ask the Branch to get competent legal advice as soon as the possibility emerges. In the case of losses involving a reasonable suspicion of fraud or other criminal offences, advice Branch to bring the offender to trial unless the legal advisers consider that the evidence available is not such as will secure a conviction. The reasons for not launching a prosecution may be got placed on record in all such cases.

(d) In cases where loss is due to delinquencies of subordinate officials and where it appears that this has been facilitated by laxity of supervision on the part of the superior officer, ensure that the latter was also called strictly to account and his personal liability in the matter was carefully assessed.

(e) The question of enforcing pecuniary liability should always be considered as well as the question of other forms of disciplinary action. In deciding the degree of an officer's pecuniary liability, it will be necessary to look not only to the circumstances of the case but also to the financial circumstances of the officer, since it should be recognized that the penalty should not be such as to impair his future efficiency.

(f) In particular, if the loss has occurred through theft, fraud and gross neglect, every endeavor should be made to recover the whole amount lost from the guilty persons and the supervising officer, if laxity of supervision has caused the loss.

(g) Ensure that the recoveries are being made either directly be requiring the individuals concerned to make good the loss in money or :

  (i) if the persons concerned are subject to the Army Act by enforcing recovery under the provisions of Army Act, Sections 90 (g),91 (g) and Army Rule 205 or by award of suitable punishment by the appropriate authority under Army Act section 71 (1), 80 (i), 83 (b), 84 (c), and 85;

  (ii) if the persons concerned are subject to Navy Act by enforcing recovery under the provisions of Navy Act, Sections 28 (5) and 29 (4) or by the award of suitable punishment by the appropriate Naval Tribunal under the Navy Act;

  (iii) if the persons concerned are subject to Air Force Act, by enforcing recovery under the provisions of Air Force Act, Sections 91 (g), 92 (g) or by award of suitable punishment by the appropriate authority under Air Force Act, Sections 73 (m), 82 (h) and 86 (c); and

(iv) if they are civilians paid from Defence Services Estimates by the award of suitable punishment by the appropriate authority under the Central Civil Services (Classification, Control and appeal) Rules, 1965.

(h) Always consider whether the value of government property or equipment lost, damaged or destroyed by the carelessness of individuals entrusted with their care should be recovered in full up to the limit of the Government servant's capacity to pay or not.

(i) Ensure that steps have been taken to ensure that a Government servant concerned in any loss or irregularity which is the subject of enquiry is not inadvertently allowed to be retired on pension, released or otherwise discharged form service while the enquiry is in progress. Accordingly when a Government servant is concerned in any irregularity or loss, ensure that investigating authority has promptly immediately informed the PCDA (Pensions) and the authorities competent to sanction pension/gratuity, release or discharge. The Air Force Central Accounts Office will also be informed in case of Air Force. It will be the duty of these authorities to make a note of the information and to see that the pension, gratuity, release or discharge benefits are not sanctioned before either a conclusion is arrived at as regards the Government servant's culpability, or it has been decided by the sanctioning authority that the result of investigation need not be awaited.

(j) Remember that as a general rule, the final settlement of the dues of a Government servant suspected of having caused a loss should not be made unless the deficiency detected is made good or he is exonerated of the blame.

(k) Ensure that the fact that some of the officers who were guilty of fraud or irregularities have been demobilized or have retired and have thus escaped punishment, should not be made a justification for absolving others who are also guilty and who still remain in service.

9.11 **Loss Statements:** All loses whether of public money or of stores are subject to a preliminary investigation by the officer in whose charge the money or store were, to fix the cause of loss and amount involved. All losses are classified as:-

(a) Loss due to theft, fraud or neglect
(b) Loss not due to theft, fraud or neglect

9.11.1 All losses of stores are investigated by Court of Inquiry except those provided in Item No. 40 of Govt. letter dated 27-11-2007 (Appendix 'A) wherein DGBR/ADGBR have been given powers to dispense with holding of court of Inquiry. The powers of DGBR/ ADGBR for dispensing with Court of Inquiry will be exercised in consultation with IFA (BR), which are as under:-

(a) Loss of stores not due to theft, fraud or neglect

DGBR Rs.1, 00,000/-

ADGBR	Rs. 30,000/-
CE	Rs. 10,000/-

(b) Loss of stores due to theft, fraud or neglect

DGBR	Rs. 20,000/-
ADGBR	Rs. 5,000/-
CE	Rs 2,000/-

Note: An addition of 8.5% (4.5% departmental charges and 4% transportation charges) will be made to the PV rates of stores, in assessing the charges of stores lost, damaged and or destroyed by gross neglect. Vide para 1068 (a) BR Regulations.

9.11.2 In case where Court of Inquiry is held, losses are written off by authorities to the extent of powers with concurrence of IFA (BR) as per delegated powers. The cases of these natures are sent by Chief Engineers (Project) to HQ. DGBR for sanction/regularization. The cases are processed by Chief Engineers (Project) and forwarded to HQ. DGBR. In turn, HQ. DGBR sent these loss cases to IFA (BR) for financial concurrence as per Item No. 41 and 42 of Govt. of India letter dated 27-11-2007 (Appendix ‘A’).

9.11.3 After according financial concurrence by IFA (BR) the case is sent to DGBR for sanction.

CHAPTER-10

OPERATING PROCEDURE FOR WORKS ESTIMATES

10.1 **Types of Works**

(a) **GS Works:** The works which are executed on behalf of the Army. The priority for execution of a particular road is fixed by the Army Headquarters.

(b) **Agency Works:** These works are those which are executed on behalf of the state government or central government department/Ministries who reimburse the cost of the works.

(c) **Deposit Works:** These are the works executed on behalf of autonomous bodies, semi-government, non-government bodies on receipt of cheque/draft of the estimated cost of works.

10.2 **Annual Works Plan**

10.2.1 DGBR in consultation with IFA (BR) is responsible for :-

(a) Preparation and implementation of long term works plan and annual works plan.

(b) Inclusion of works in BRDB programme.

(c) Preparation of APEs and AEs.

Annual Works Plan is prepared by DGBR and processed to IFA (BR) for financial concurrence before getting approval by BRDB with eventual financial concurrence by MOD (Fin).

10.2.2 Annual Works Plan included in four categories:-

(a) General Staff Works: GS works is for Army and approved by Directorate of Military Operations.

(b) Agency works: Works given to Border Roads Organisation by other agencies like other Ministries, PSUs etc. - e.g. works from North Eastern Council

(c) China Study Group works: Special works on Indo-china border

(d) PM Package works

10.2.3 AWP includes all new works proposed to be executed in the year and also liabilities in respect of jobs sanctioned in previous years.

10.3 **Vetting of Estimates:** With the introduction of the Internal Financial Adviser system and Authority-cum-Responsibility centre concept in BRO, DGBR has full powers for inclusion of works in BRDB programme and sanction of works estimates with the concurrence of IFA (BR), after the approval of Annual Works Plan from Sectt. BRDB. DGBR in consultation with IFA (BR) is also inter-alia responsible for:-

(a) Preparation and implementation of Long Term Works Plan and Annual Works Plan.
(b) Long-term Roll-on Works Programme:- The DGBR has a works programme, including agency works on along term basis for say five years on the basis of indicative budgets. The long term roll-on works programme should take into account the full capacity of the organisation, carry over liabilities, including new works/agency works in progress and agency works likely to be received etc.
(c) Inclusion of works in BRDB Programme:- Inclusion of works in BRDB programme is a pre budget and budget linked exercise. Any changes in that during the year for supplementing, complementing, corrections/re-adjustment or strategy related changes are incorporated within the available budgetary allocation of DGBR with the concurrence of IFA (BR) upto Rs. 5.00 Crores, beyond which the matter is referred to the Ministry.
(d) Preparation of APEs/AEs:- After issue of Adm Approval for RS&TC, project report and recee report would be prepared and based on these reports a detailed APE/AE is submitted to WP Dte. of DGBR along with the statement of case duly signed by SO1 and countersigned by Dir (Estg), APE/AE Part-II and details of works quantities and other calculations in support of various items of works incorporated in estimate duly signed by SO2 and countersigned by Dir (Estg), duly supported with details like plans, index map etc.

10.4 Administrative Approvals

10.4.1 The procedure adopted for issuing the Administrative Approval and undertaking the work by the BRO is enumerated below:-

(a) Inclusion of the work in BRDB programme on receipt of request from the concerned authority.
(b) Undertaking RS&TC work and preparation of approximate project report.
(c) Sponsoring Deptt. should accept the necessity of works and its cost as per approximate estimate.
(d) The project estimates is prepared on the basis of Standard Schedule of Rates (SSR) and after its scrutiny included in the BRDB programme with the approval of the Competent Authority.
(e) After scrutiny by DDG (WP), the estimates are financially concurred by IFA (BR) and these works estimates are accorded Administrative Approval (AA) and expenditure sanctions for execution of works by DGBR as per delegated financial powers under Government of India, MOSRT&H, BRDB letter No. 04/696/2007/BEA/21801/PC/DGBR/TPC dated 27-11-2007 (Appendix 'A'). If the actual cost of construction is likely to exceed the A.P.E., the work is re-included in the BRDB programme.
(f) Based on the inclusion cost of any APE/AE, the work is executed after issue of AA.

10.4.2 The AA of any job can also be accorded for a small stretch of road for different type of works keeping in view the convenience and development of unit/Task Force responsible for the development of roads within the overall cost acceptance amount. Generally, separate AA, is accorded in respect of the following works:-

(a) Formation cutting and pavement works.
(b) Land Acquisition.
(c) Surfacing.
(d) Provision of furniture.
(e) Construction of Buildings.
(f) Restoration of culverts damaged due to landslides, floods and other natural calamities.

10.4.3 The BRO is undertaking the works departmentally and on contract (Appendix 'C'). For economical and effective utilization of resources placed at the disposal of DGBR, occasions may arise to accord 'Go-Ahead' sanction to proceed with the works in case delay is anticipated in according AA.

10.4.4 **'Go-Ahead' sanction** is accorded only for 30% average cost of formation cutting/permanent works and 20% of the estimated cost of bridge, provided bridges are undertaking for execution departmentally, Go-ahead sanctions are not issued/accorded for surfacing works.
(Auth: BRDB letter No. F.61 (Gen/BRDB/Proj/CCO dated 21-6-1993) (Appendix 'E').

10.4.5 The major permanent bridges are classified with length more than 30 meters. The responsibility for framing the proposal and its design rests with Bridging & Tunnel Directorate at HQrs. DGBR. All these estimates are based on scheme finalized by the Br. & Tnl. Dte. of HQrs. DGBR, while finalizing the scheme, necessity may arise at times to undertake Sub Soil Investigations (SSI) for which a separate administrative approval is required.

10.5 **Estimates under Para 559 of BR Regulations:** In order to assess, the extent and nature of damages as a result of heavy rains during monsoon and during the period of winters in snow bound areas, a Board of Officers is ordered for each road and proceedings of Board of Officers forms a part of the estimates submitted to obtain sanctions. All efforts should be made by the Executives that restoration of these damages is done within one year of sanction with the aim to prevent further damages to road structures. Accordingly provision of funds is made in budget so that such work may not linger on.

10.6 **Estimates under Para 560 of BR Regulations:** Works under provision of para 560 of BR Regulations are taken up in consonance with the spirit of powers vested in OC, RCC and it is to be seen that these powers are invoked very sparingly and only in inescapable circumstances with a clear aim to complete the work within a short span of time which should not exceed six months.

The total extent to which works may be taken up under para 560 and para 559 is less than 25% of the Budget for Maintenance and Resurfacing of the particular project. While taking up works under para 560, a report by signal to that effect is sent to all concerned immediately after ordering works under para

560. The AE is initiated by OC, RCC, Task Force Commander and CE (P) to DGBR. Such AEs must reach DGBR within two months of the order of such works and a copy of technical sanction should be enclosed with the AE. Cost variation/permissible limit be +/- 2.5% and where work cannot be completed within 6 months, the permissible variation is +/- 5%.

10.7 **Revised Estimates:** In case of any project, where the expenditure is likely to exceed more than the permissible limit of Admn. Approval amount, intimation on this account is made by the Chief Engineer to HQrs. DGBR, and C.E. initiates RAPE at an appropriate time and ensure to obtain revised sanction. Head of account should be mentioned in AA in order to facilitate its proper accounting. The revised estimates are to be initiated when expenditure is likely to exceed tolerance limit of 10% (20% in respect of cases prior to 1-1-1992).

10.7.1 The old files in which the original estimate was vetted invariably accompany the revised estimate proposal. The original drawings, administrative approval, Part-I & Part-II etc. should be in the old file to facilitate comparison and decision making process.

10.7.2 In addition to the above mentioned points following points are checked and scrutinized:-

(a) Report as required under Para-552 of BR Regulations.
(b) Reasons for delay in execution of work.
(c) Reasons for excess expenditure.
(d) Change in scope of work.
(e) Item-wise cost comparison with other similar jobs in adjoining sector/road.
(f) Comparison of quantities in AA with RAE, supported with details.
(g) Check list/questionnaire are properly answered.
(h) Expenditure statement of work done duly verified by Audit authority [AO, Task Force/ACDA (P)].
(i) Detailed calculation of work done and balance work supported with drawings.
(j) Cost of actual resources for work done period wise as per work diaries in support of cost arrived at in RAPE Part-I & Part-II.
(k) Comparison for theoretical and actual resources deployed as worked out in relevant work diaries with reasons for delay.
(l) Index map.
(m) Details of liabilities.
(n) Details of assets including salvage stores.
(o) Copy of authority letter for change of scope.
(p) Cost acceptance letter from competent authority for revised cost.
(q) Deviation letter duly approved.
(r) Details of sub-judice cases/arbitrations effecting scope, expenditure, and likely to cause delay in completion of work.

10.8 **Role of DGBR and IFA (BR):** Processing of APE/RAPE and obtaining AA is dealt by WP Dte. of DGBR. As regards preparation of works plan and accepting necessity of works, these are dealt by the TP Dte. of HQrs. DGBR.

Under this arrangement, the entire responsibility of framing the proposal, deciding technical specifications and mode of execution rests with DGBR. At the time of issuing the AA, financial aspects and guideline as laid down by the Govt. and executives are required to be checked up by IFA (BR), who would vet the estimates and accord financial concurrence.

10.9 **Financial Scrutiny of AEs:** The estimates are concurred after the financial scrutiny and technical evaluation of the cases. The main points which are generally required to be checked during financial scrutiny are as follows:-

It is ensured that:-

(a) Following budgetary information should be given in the proposal:-
  (i) Code Head under which the expenditure is proposed.
  (ii) Total allocation under the code head.
  (iii) Committed Liability carried forward from previous year.
  (iv) Balance available for fresh commitments in current financial year [(ii)-(iii)].
  (v) Commitments already made during the current financial year.
  (vi) Cash outgo expected in current financial year against (v) above based on schedule of delivery and payment terms in supply orders/contracts.
  (vii) Net balance available for further concurrence [(iv)-(vi)].

(b) The work is included in Annual Works Plan and funds are available.

(c) Work is linked with RE/BE.

(d) Approval-in-principle for undertaking the agency/deposit work in question has been obtained from the Govt.

(e) The entrustment letter and its amount are attached with the estimate.

(f) Cost acceptance letter by user department is placed in the file.

(g) Details of money to be deposited on year-to-year basis have been elucidated.

(h) Alignment and other relevant details have been approved by the sponsoring authority.

(i) The proper head of accounts has been indicated in the estimate.The provision of security cover, BCA and Air-lift charges are not included in the estimates pertaining to GS works as separate funds are allotted for this purpose. However, in case agency/deposit works such provisions may be made on the basis of requirements of the case.

(j) The following charges have correctly been levied and framed in the estimates, the details of which are narrated in Annexure I-VIII attached:-
  (i) Royalty and monopoly charges.
  (ii) Physical contingency charges (Appendix ‘H’ & ‘I’).

(iii) Quality control charges (Appendix ‘L’)

(iv) Provision of 2% road side accommodation (Appendix ‘D’).

(v) Price escalation charges on cost of works on applicable rates (e.g. @ 7% per annum on SSR 2004 and @7% compounded annually on SSR 2004. As such no escalation charges shall be levied on the element of cost assessed on the basis of prevailing market rates, contracts recently concluded, rates prescribed by Govt. authorities like compensation rates for land acquisition, amount required for afforestation etc. However, the executives may assess and add suitable percentage as escalation on this element of cost in the following circumstances:-

(aa) Latest contract rates are not available or firm trends exist to ascertain that there is a likelihood of increase in the prices at the time of execution of works.

(bb) Govt. orders exist to add suitable percentage for escalation, interest etc.

(k) The departmental charges in case of agency/deposit works (Appendix ‘F’) have correctly been levied and framed in the estimate as given below:-

(i) Where cost of CE’s office is not included in estimate = 15% w.e.f. 29.1.1999.

(ii) Where cost of CE’s office is included in estimate = 7% w.e.f. 29.1.1999.

(l) Checking of calculations of Part-I and Part-II of the estimates with SSR.

(m) The mode of execution of work has been indicated as to whether departmental or on contract basis. The cost of work through contract shall be compared with the same executed through departmental resources. Any variation in cost should be reviewed in the light of justification provided.

(n) The status of land acquisition, forest clearance/environmental clearance is clear. In this regard a separate estimate is to be prepared by the executives and hence the estimate for works should be vetted subsequent upon the clear status of land acquisition, forest clearance/ environmental clearance. However, the urgency may arise to commence the work immediately due to operational requirements. In such cases, provision for compensation on account of land acquisition, forest clearance/ environmental clearance etc. is to be afforded to the work estimates. The provision so afforded shall be verified with reference to rates obtained from land/revenue authorities. The details of land viz. type of land-private, forest, govt. land; area in each type of land and the corresponding rates of compensation shall be checked to ascertain the correctness of the provision on this account. The aspect of forest/environmental clearance is equally important. It’s status shall be critically examined and the proposal shall be vetted on sufficient grounds indicating the urgency to commence the work and an assurance from the concerned authorities to go-ahead with the commencement of work.

(o) In case of agency/deposit works the estimates shall be vetted only when land is available free from all legal encumbrances and environmental clearance has been obtained by the agency.

(p) The estimate is costed on the basis of scope of work as brought out in the recce report/recommendation of Board of Officers/signal message regarding invoking of para-560/requirements of the sponsoring agency.

(q) Statement of case duly signed by CE (P) and countersigned by DDG (WP) comprising all factors of the work to be executed.

(r) It may be assumed that 50% quantity of stones required for pavement and permanent works will be available from hard rock excavation during Formation cutting. This will be subjected to the quantity not exceeding 33.33% of the total quantity of excavation in hard rock.

(s) Credit for quantity of hard rock available from formation cutting to the extent indicated as above will be given in the APEs/AEs.

(t) No Royalty charges etc. will be payable for stone obtained from rock blasted during Formation cutting and incorporated in works.

(u) As regards APE for road works, it should not be more than 50 km under any circumstances at one time or length which can be completed in three years whichever is less.

10.10 **Necessary Certificates:** Following necessary certificates by Executives/CE (P) should be attached with the estimate:-

(i) That all items of works are essential.
(ii) Soundness of designs of work proposed.
(iii) Incorporation of minimum inescapable requirements in all items of works.
(iv) Works proposed is not covered by earlier estimates/sanctions.
(v) Correctness of arithmetical calculations.
(vi) Quantities proposed are supported by relevant drawings and details.
(vii) In case of RMD/SRMD/IRMD works, cost is within 25% of maintenance and re-surfacing grant.

10.11 **Necessary Documents:** The following documents are invariably sent along with APE/AE:-

(i) Recee Report duly authenticated by Recee Officer, OC RCC, Task Force Commander and CE (P).
(ii) A copy of handing/taking over notes.
(iii) Forest clearance status, duly signed by CCF.
(iv) A copy of MoU and cost acceptance letter in case of Agency/Deposit works.
(v) Details of amount deposited by agency with CDA (BR) and phases of balance deposit along with certified photocopies thereof.
(vi) Contemporaneous certificate duly signed by OC RCC, Commander TF, CE (P) showing the record of damages.

(vii) Statement of case duly signed by CE (P) and countersigned by DDG (WP) on prescribed proforma.

(viii) Comparative Statement

(ix) In case of road works statement showing the comparison of cost per km of APE/AE with at least two adjoining sectors should be made available.

10.12 **Technical Evaluation:** Even though the Technical points are already checked by the Project authorities/WP Dte. of HQrs. DGBR, some of the technical points which have financial bearing as enumerated below will be checked and verified by EE(C):-

(a) Scrutiny of rate analysis in those cases where rates are not provided in SSR.

(b) That the following charges have correctly been levied and framed in the estimates:-

   (i) Road lift charges, extra transportation charges.

   (ii) The quarry charts showing the distance from work site must invariably be attached with the APE/AE so as to compute road lift charges/extra transportation charges.

(c) Credit on account of C.P. mason in case of permanent works.

(d) Drawings for the proposed jobs are attached with APE/AE. The drawings must be authenticated and bear identification marks such as drawing No., revision No., etc. Drawings must correspond to the job.

(e) That the bridge estimates have been concurred in by Br. & Tnls Dte. of HQrs. DGBR. Brief history of existing bridge, present condition, scope of work, formation works including approach roads, permanent works, surfacing works have also been reflected in the estimates/statement of case.

Note: This operating procedure generally attempts to bring out the salient features of checking and vetting of various types of works estimates but does not replace the Govt. policies and letters issued from time to time by Govt. of India, MOSRT&H, BRDB, DGBR and IFA (BR). These will be continued to be referred in addition to whatever points are enumerated in this operating procedure.

CHAPTER-11

OPERATING PROCEDURE FOR PROCUREMENT OF CAT 'A' STORES (VEHICLES/EQUIPMENTS/PLANTS)

11.1 **Annual Equipment Procurement Plan:** Long Terms Equipment Plan is prepared by DGBR on the basis of indicative budget and needs for the different types and no. of equipment on the basis of specific targets in the long-term works programmed. From within the purview of a long term equipment Plan, DGBR prepares a definite and detailed Annul Equipment Procurement Plan as a part of the budgetary exercise, which is required to be approved by Sectt BRDB/MOD Fin (B/R) with reference to the budget provisions for the year. Thereafter the procurement action is initiated by DGBR with the concurrence of IFA (BR).

11.1.1 The under mentioned points are checked/verified, while vetting the APP:-

- (i) Target assigned for various types of activities viz. formation cutting, surfacing, re- permanent works and building works.
- (ii) Requirement of vehicle/equipment/plant are as per approved norms fixed for each equipment by the govt.
- (iii) Past experience and output achieved in the past.
- (iv) Existing population.
- (v) Dues in.
- (vi) Assessed deficiencies.
- (vii) Liability outstanding upto the last year
- (viii) Equipment proposed for procurement under priority No 1 & II

11.1.2 The proposal is sent through IFA (BR) to the Sectt. BRDB for approval. Once Annual Equipment Procurement Plan is approved it becomes the basis for procurement of plants and machinery during the year.

11.2 **Procurement proposals and vetting of various types of Supply Orders:** The Mode of procurement and adoption of rates of various vehicles/plant/ equipment in BRO is as under:-

- (a) When Supply Order is placed on PSUs the rates are approved by PNC.
- (b) When Supply Order is placed on a firm which have Rate Contract with DGS&D rates of Supply Order should be as per DGS&D rate contract.
- (c) When Supply Order is placed on a private party the rates are approved by the Technical Purchase Committee (TPC) at appropriate levels.

11.3 **Procurement through Tender Purchase Committee:** All procurement of Cat 'A' stores e.g vehicles/plant/equipment/spares which are not covered under Rate/Running contract of DGS&D or not procured from PSUs be made on the advice of TPC. The TPC is set up at two levels in order to process procurement cases. The composition of the TPC at two levels with the financial limits is as follows:-

Composition of TPCs for Cat 'A'
Vehicles/Equipments/Plants/Spares/Clothing articles

S/No	Value limits of each item			Composition of TPC
1.	Beyond Rs. 200.00 lacs	Level-I	i)	DGBR (Chairman)
			ii)	IFA(BR)
			iii)	DDG (TA)
			iv)	DDG/DGQA
			v)	DDG(TP)
2.	Upto Rs 200.00 lacs	Level-II	i)	Addl DGBR (Chairman)
			ii)	JIFA(BR)/DIFA(BR)
			iii)	DDG(TA)
			iv)	Dir/DGQA
			v)	Dir (Resources)
			vi)	Dir (Inventory)

11.3.1 In regard to procurement of all Cat 'A' stores, where the value of stores exceeds Rs 500.00 lacs for Cat 'A' V/E/P, the tenders together with a comparative statement of quotations and the recommendations of TPC Level-I are referred to BRDB Sectt for obtaining the approval of the competent authority. After the decision of the BRDB Sectt, is communicated, the contract is concluded by the DGBR HQrs.

11.3.2 On receipt of papers from the HQrs DGBR for the TPC meeting the following points are examined:-

(a) No of equipment required.
(b) Notice to tender issued to the firms
(c) Tender document collected by the firms
(d) Date of opening of 'bids
(e) Receipts of Technical bid and financial bid separately
(f) Acceptance of technical bid by Technical Board of Officers (TBOO)

11.3.3 Financial bid is accepted only for those tenders whose technical bid is accepted by the TBOO.

(a) Whether specification of the equipment as per tender inquiry
(b) Rate quoted by the various firms
(c) Lowest Rate quoted by the firm i.e. L-1 rates
(d) Last procurement price and date of procurement
(e) Difference/percentage in rate with reference to last procurement price
(f) The following clauses have been accepted by the firm as per tender inquiry:-
    i) Warranty
    ii) Delivery period

iii) Payment terms
iv) Security deposit
v) Liquidated damages
vi) Inspection
vii) Erection & commissioning
viii) After sales & services.

11.3.4 After the TPC is held, the minutes of the TPC are circulated by the DGBR. On receipt of the minutes of TPC it is checked by the AAO (Procurement) that the minutes contain the decision taken in the TPC. If there is any variation, the same is brought to the notice of DGBR and rectified with the concurrence of Finance Member. The minutes of TPC become the basis for approving proposal & supply order.

11.4 The following points are checked while vetting the procurement proposals and supply orders:-

(a) Following budgetary information should be given in the proposal:-
   (i) Code Head under which the expenditure is proposed.
   (ii) Total allocation under the code head.
   (iii) Committed Liability carried forward from previous year.
   (iv) Balance available for fresh commitments in current financial year [(ii)-(iii)].
   (v) Commitments already made during the current financial year.
   (vi) Cash outgo expected in current financial year against (v) above based on schedule of delivery and payment terms in supply orders/contracts.
   (vii) Net balance available for further concurrence [(iv)-(vi)].

(b) The vehicles/equipment/plants have been included in the approved Annual Equipment Plan for the year and in case procurement is to be made out of agency fund necessity of the equipment has to be approved by the Sectt BRDB and it is seen that either budget Allotment have been made by the agency of funds deposited by the Agency and the procurement is limited to the extent fixed by the Govt. against the total funds deposited by the Agency.

(c) HQrs DGBR assesses the requirement of spare parts annually through provision review indent as per procedure laid down in Govt of India, MOST BRDB, letter No. BRDB/01/ 148/BEA/2002/54113/ DGBR/E4/ INV(P&P)-Part-I dated 17th June 2004.

(d) No specific admn approval for procurement of clothing item is issued. The quantity to be procured is determined in consultation with the BRDB/MOD(Fin/BR). With reference to the anticipated strength of the personnel, the prescribed scale of issue, a reserve and the list of items and the quantities, if any, already procured.

(e) The procurement is made (through DGOF and in case these are not available with the DGOF then procurement is made through DGS&D rate contract.

(f) The amount of Supply Order falls under the delegated powers of ADGBR/DGBR otherwise the proposal is forwarded to Sectt. BRDB for approval.

(g) Description of stores, quantity and their rates are correctly mentioned and the rates have been compared with the rates approved by the PNC/TPC or as per DGS&D Rate Contract.

(h) The inspection agency, the name and address of the consignee, mode of conveyance and freight charges, delivery period, payment terms and paying authority have been clearly mentioned as approved by the PNC/TPC.

(i) The Head of Account is verified as enumerated here under:-

Major Head 5054 AA 2(1)(1)

Cat A Equipment	65/069/04
Cat A Spare	64/069/04
Cat A Signal Equipment	66/069/04
Cat A Clothing	67/069/04

(j) The following clauses have been incorporated clearly in the Supply Order:-
- (i) Security deposit
- (ii) Warranty/guaranty
- (iii) Force majeure clause
- (iv) Erection and commissioning
- (v) Liquidated damages.

(k) In case procurement are made on the basis of DGS&D rate contract the same is scrutinized with reference to the terms & condition of the DGS&D rate contract.

(l) In case procurements are made on the basis of TPC, the terms and conditions agreed in TPC as reflected in minutes are incorporated in the supply order.

(m) If procurements are made from PSUs the terms and conditions mentioned in the minutes of PNC or Govt letter are reflected in the supply order.

(n) There is no ambiguous term in the supply order.

(o) Dispensation sanction for procurement of equipment on single tender basis is placed on file.

11.5 **Amendment to Supply Order:** The Supply Orders issued by HQrs are sometimes required to be amended due to various reasons. Some of the most common instances are as under:-

(a) Request from Firm (Supplier) for extension of delivery period.

(b) Subsequent changes in specifications

(c) Subsequently changes in rates, excise duly etc. Such cases are received in this office for according financial concurrence and vetting of the draft amendment. The procedure of vetting of such cases is described in the subsequent paras.

11.6 **Extension of Delivery Period:** Following points should be checked before considering the proposal for extension of delivery period:-

(a) The supplier is required to submit the store for inspection at least two weeks before the expiry of delivery date stipulated in the Supply Order to ensure inspection and release of inspection note in time to enable him to deliver the store.

(b) The failure to submit the store for the inspection by the period recommended will not be itself a ground for refusal to receive stores by the inspector for inspection. If such stores or part of it is not tendered before the expiry of the stipulated Delivery Period, it will be entirely the supplier's responsibility.

(c) In case where only portion of the stores ordered is tendered for inspection at the fag end of the delivery period and also in case where inspection is not completed in respect of the portion of the stores tendered for inspection during the D/P, the purchaser reserves the right to cancel the balance quantity not tendered for inspection within the delivery period fixed, without further reference to him, if these are tendered for inspection during the fag end of the delivery period and are not found acceptable after carrying out the inspection, the purchaser is entitled to cancel the contract in respect of these eqpt at the risk and expense of the contractor. If however, the stores tendered for inspection are found acceptable, the purchaser may grant an extension of the delivery period, subject to that the purchaser has right to recover from the contractor under the provision of a clause of the General Conditions of the contract liquidated damages of the stores which the contractor has failed to deliver within the delivery period fixed for delivery.

(d) The following information/details furnished by HQrs DGBR is verified for rendering financial advice/concurrence:-

(i) Whether the stores have been tendered for inspection two weeks before the expiry of DP.

(ii) The details of non-supplied portion of stores/full stores

(iii) Date of offer for inspection of stores to DGQA/SQA

(iv) The supplier has applied for extension of DP within the delivery period or after the date of delivery period.

(v) The request letter duly signed by the authorized person.

(vi) Date of dispatch of stores by the supplier (with proof of dispatch)

(vii) Date on which stores has been received by the consignee

(viii) Original PC file through which the Supply Order was placed.

(e) It is ensured that:-

(i) The case has been brought to the notice of DDG (TA), where the lead period of 30 months has been over and a certificate to the fact that "Even after the lead period, the store/spares are required and the receipt of these stores will not result in obsolescence".

(ii) The extension of more than 10 weeks is not allowed, normally, as the maximum L.D can be imposed upto 5% (@ 0.5% per week) of the cost of the Supply Order. However the cases recommended by HQrs DGBR for extension beyond 10 weeks may be considered in view of the requirements/circumstances elucidated and the extension beyond this limit may be concurred.

11.7 **Change in Specification/Rates/Consignee:** The under mentioned points are looked into:-

(a) Whether the change in specification is due to some unavoidable reason and there should be no upward financial effect.

(b) Rate of excise duly if changed due to any Govt, policy, it should be supported with sufficient proof for the change.

Note: This operating procedure generally attempts to bring out the salient features of checking and vetting of various types of procurement proposals but does not replace the Govt. policies and letters issued from time to time by Govt. of India, MOSRT&H, BRDB, DGBR and IFA (BR). These will be continued to be referred in addition to whatever points are enumerated in this operating procedure.

CHAPTER-12

OPERATING PROCEDURE FOR CATEGORY 'B' STORES

12.1 The procurement of Category 'B' equipment and stores will normally be arranged by the Chief Engineer in consultation with respective DCDA/ACDA. Where, however, it is more convenient, the procurement may be arranged centrally by the D.G.B.R. whenever procurement of these stores is undertaken by the DGBR in consultation with IFA (BR), before indents are placed on the supplying agencies.

12.2 DGBR, Chief Engineer, Commander Task Force and O.C Base Work Shops shall have the full powers (as delegated in Sl No 34 & 35 of Govt letter dated 27-11-2007) of purchase of stores and equipment under this category through the DGS&D or other supplying departments. Save in cases of emergency, stores in respect of which Rate Contracts and Running Contracts exist will not be obtained from any other source. Indent for stores other than those local origins which are not covered by Rate Contract may be placed on the DGS&D.

12.3 The powers for local purchase of items other than ASC items are as follows: (Sl No 34 of Govt letter dated 27-11-2007).

Sl	CFA	Powers
1	DGBR	Full
2	ADGBR	10 lakhs
3	CE	Up to Rs 5 lakhs
4	Commander T.F	Up to Rs 2 lakhs
5	CE EBW	Up to Rs 50,000/-
6	Commander WBW	Up to Rs 25,000/-
7	OC Base Depot	Up to Rs 10,000/-
8	GE/ OC RCC	Up to Rs 10,000/-
9	OC ESD/WSD	Up to Rs 20,000/- where ever specifically authorized by DGBR in consultation with IFA (BR)
10	OC Fd WKsp Indep. Platoon	Up to Rs 5,000/-
11	Commander G/ Centre	Up to Rs 1 lakhs

12.4 The powers for local purchase of items of ASC items like fresh rations, fuel, medical supplies and hygiene chemicals etc are as follows:

Sl	CFA	Powers will be exercised in consultation with DCDA/ACDA/SAO/AO
1	CE	Rs 1 lakh
2	CDR T.F.	Up to Rs 50,000/-
3	CE/Commander Base WKsp	Up to Rs 10,000/-

12.5 It will be ensured that the Budget allocation for direct purchase of category ‘B’ Stores (other than constructional materials), placed at the disposal of the above authorities is not exceeded.

12.6 The powers of local purchase laid down as above will be determined with reference to the value of each article and a number of similar articles purchased at the same time and not with reference to the total cost of all the items purchased at the time. In case of purchase of dissimilar items, a certificate that the items are dissimilar will be endorsed on the Supply Order.

12.7 Except for articles of propriety nature purchased from accredited agents, purchases will be made on the basis of the competitive tenders, whenever applicable.

12.8 Local purchase of stores other than constructional stores will only be resorted to when:-

(a) the stores are urgently required and delay in obtaining them form the normal sources will be detrimental to the work and

(b) the stores are not available in Base Depot.

12.9 Medical stores may be similarly purchased when they are urgently required or when they are not available with the army sources.

Note: This operating procedure generally attempts to bring out the salient features of checking and vetting of various types of procurement proposals related to Cat ‘B’ items but does not replace the Govt. policies and letters issued from time to time by Govt. of India, MOSRT&H, BRDB, DGBR and IFA (BR). These will be continued to be referred in addition to whatever points are enumerated in this operating procedure.

CHAPTER-13

OPERATING PROCEDURE FOR MISCELLANEOUS PROPOSALS

13.1 **Training Courses:** For training of GREF Officers and personnel and to acquaint them with latest development and techniques, DGBR/ADGBR have been delegated powers to depute officials to attend Seminars, co-sponsor technical seminar and payment to subscribe to technical institutions. Proposals relating to training are centrally processed by D&S Dte. of HQrs. DGBR and forwards these proposals to IFA (BR) for financial concurrence before getting approval of the CFA. Following points, in general, are checked before according concurrence:-

(a) Necessity aspect of course/training for GREF Officers/Personnel

(b) Availability of funds/budget during the financial year under the relevant head.

13.2 **Hiring of Equipment:** BRO is an organisation where maximum work is executed departmentally. For execution of works different type of equipment are procured by HQ. DGBR and deployed with Chief Engineers (Project) for execution of work. The requirement of equipment is assessed on the basis of targets assigned, total holding and output norms of equipment. The equipment to be procured is also directly related with the availability of budget. Occasionally the equipments required for execution of works are not available and to achieve the assigned targets the equipments are hired from other Govt. agencies or markets. DGBR has been given powers for hiring of equipment from Govt. agencies/PSU/private companies for not more than six months. These cases of hiring are processed by E2 Resources under TP Dte. of HQ. DGBR. IFA (BR) accord financial concurrence to these proposals after verifying following points:-

(a) The necessity of hiring has been justified.

(b) Holding of equipment of a particular unit is calculated on the basis of targets assigned to unit.

(c) The requirement of equipment is as per output norms fixed by the Govt.

(d) The rates of hiring have been obtained on the basis of comparative bidding in case of private parties and it is seen from rate analysis that rates are comparable to Standard Schedule of Rates.

(e) The requirement, holding and deficiency of equipment in unit.

13.3 **Annual Maintenance of Computers:** Prior to issue of Govt. of India letter dated 27-11-2007 (Appendix ‘A’) no powers were delegated to DGBR for procurement of computer or their maintenance. As per delegation of powers vide (Sl no 71 of Govt. of India letter dated 27-11-2007 (Annexure ‘A’) DGBR/ADGBR has been given powers for procurement of computers and their maintenance. The powers for maintenance of computers and their peripherals through Annual Maintenance Contract have been delegated to DGBR/ADGBR. All these proposals are centrally processed by EDP Cell of HQ. DGBR and forwarded to IFA (BR) for financial concurrence. The proposals are examined with reference to following points:-

(a) Quotations have been obtained on the basis of OTE/LTE.
(b) It is checked as to whether the warranty of computer has expired. The machines which are on warranty are not put on AMC.
(c) The comparative statement of quotations is placed in file and BOO has recommended the L-1 quote.
(d) The audit report of AO is placed in file.
(e) The rates obtained are compared with the last year's AMC rates.

13.4 **Court Cases:** For effective monitoring of court cases a Legal Cell has been set up in HQ. DGBR. The Legal Cell is responsible for handling and monitoring of court cases being contested in Supreme Court of India, High Courts of States, CAT and lower courts. The Legal Cell is also responsible to deal with all matters pertaining to court cases of entire organisation with BRDB Sectt./Ministry of Law and other Govt. agencies including Litigation Section, Govt. counsels/advocates.

13.4.1 As per Govt. of India letter dated 27-11-2007 (Appendix 'A') DGBR has been delegated full power for implementation of court cases with the concurrence of IFA (BR). All court cases of BRO are being centrally monitored by Legal Cell of HQ. DGBR. Before implementing court orders involving payments/financial implications the proposals are forwarded to IFA (BR) for financial concurrence. While examining the proposal it is seen that views of CGSC have been obtained before implementation of court orders. In case IFA (BR) feels that BRO should file review petition against the Judgment of lower court, HQ. DGBR is advised accordingly or otherwise recommend the implementation of court orders for approval by CFA.

13.5 **Hiring of Immovable Property:** As per item No. 49 of Annexure I to Govt. of India letter dated 27-11-2007, DGBR/ADGBR/CE/Commander TF have been given powers for Hiring of Immovable Property. These powers are to be exercised in consultation with their integrated finance. The financial limits indicated above will be calculated on the basis of the initial amount of non-recurring compensation, if any, payable plus rental and other recurring charges for one year payable under the agreement/lease. The lower authorities shall not hire for their own office or residence even if such hiring may otherwise be within their powers. Such cases shall be referred to DGBR for sanction. The site plan for land and elevation plan for buildings should accompany all proposals for hire. All cases of hiring, which are referred to Government for approval will include the following particulars:-

(a) Size, description and location of the property
(b) Exact purpose and period for which the property is required
(c) How the property is being used at the time of hire
(d) Compensation, initial and terminal, and estimated annual rent payable
(e) Whether there is any political or toher objection to the hiring.

Note: This operating procedure generally attempts to bring out the salient features of checking and vetting of various types of miscellaneous procurement proposals but does not replace the Govt. policies and letters issued from time to time by Govt. of India, MOSRT&H, BRDB, DGBR and IFA (BR). These will be continued to be referred in addition to whatever points are enumerated in this operating procedure.

CHAPTER-14

INTERNAL FINANCIAL ADVISOR (IFA) SYSTEM IN PROJECTS/FORMATIONS BELOW DGBR IN BORDER ROADS ORGANISATION

14.1 **Introduction:** The Internal Financial Advisor (IFA) and Authority-cum Responsibility concept and delegation of financial powers to various authorities was implemented in Border Roads Organization vide Govt of India, Ministry of Surface Transport (MOST) letter No. F 231 (10)/BRDB/BWA/94-Delegation dated 23rd March 1995. Subsequently, Govt. of India, MOST vide letter No. F. 231(64)/BRDB/BWA/95 dated 30-5-97, delegated the financial powers to Project authorities/formations below DGBR to be exercised in consultation with IFA(BR) and functionaries under CDA(BR) viz JCDA/DCDA/ACDA/SAO/AO. Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB. 04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007 enhanced the delegated financial powers of various authorities as indicated in Annexure-I are to this letter. These powers are to be exercised in consultation with the IFA (BR) and various functionaries under CDA (BR) viz., DCDA/ACDA/SAO/AO as indicated in the Annexure-I to BRDB letter dated 27/11/2007. The powers as per Annexure-I to the ibid letter to be exercised duly observing the guidelines as laid down in Annexure-II to MORT&H letter dated 27/11/2007.

14.2 **Objective of IFA System:** IFA System seeks to achieve the objective of linkage between resources utilized and output achieved, greater decentralization of responsibilities for Budget formulation and financial control together with adoption of the concept of accountability. Under this arrangement, the Director General Border Roads (DGBR) would act as the Authority-cum-Accountability Centre for BRO and is responsible for cost effective management of construction and maintenance of roads, bridges and buildings in the BRO. However, DGBR will exercise the financial powers within the limits prescribed only with the concurrence of the IFA (BR). Similarly, lower formations of BRO will exercise their powers with the concurrence of functionaries under CDA (BR) viz DCDA/ACDA/SAO/AO.

14.3 **Charter of Duties of AOs(P)/TFs as IFA in Projects/Lower Formations in BRO:** With the introduction of IFA system in Projects/lower formations of the Border Roads Organisation vide GOI, MOST, BRDB letter no. F. 231(64)/BRDB/ BWA/95 dated 30-5-97, AOs (P) and AOs (TF) will act as IFA to CE (Project) and TF Commander respectively. The financial powers of Projects/lower formations of BRO have been enhanced vide Govt. of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB. 04/696/ 2007/BEA/ 21801/PC/DGBR/TPC dated 27th November, 2007. The charter of duties and responsibilities of functionaries of CDA (BR) viz DCDA/ACDA/SAO/AO attached with Projects/TFs are as under:-

(a) They will work as IFA to CE (P)/Cdr TF/OC RCC etc. to whom they are associated.
(b) They are associated with project from their conceptual stage to the completion.
(c) This implies decentralization of Budgetary control.
(d) They will be responsible for any commitment of expenditure, payment of bills, cash flow and accumulation of liabilities.
(e) They are not only accounts and audit officers but also a part of BRO in decision making in financial matters and act as financial adviser to the executives.
(f) Cases falling within the delegated financial powers of CEs (P)/Cdr TFs/OC RCC etc. with whom they are associated will be concurred by them.
(g) They are required to ensure optimum utilisation of scarce resources in BRO.
(h) They are required to guide executives regarding cost-effectiveness and if required suggest mid-way corrections.
(i) They should contribute towards achievement of targets as fixed by the BRDB/DGBR.
(j) There should be attitudinal change in the behavior of DAD officers and staff attached to BRO.

14.4 **Functions of AOs/TFs under IFA System:** Under the changed scenario AOs (P)/TFs have following functions:-

(a) As internal Financial Adviser, they should scrutinize all financial proposals and render advice/concurrence.
(b) As Audit Officers, they should audit all sanctions accorded by Chief Engineer (P)/Cdr TF/OC Field Workshop/OC, R.C.C. etc.
(c) As Accounts Officer, they should maintain a clean and transparent financial account of each job/project. Construction accounts should be maintained properly and updated so that these are used as a Management Information System to alert the executive authorities regarding physical and financial progress of jobs.
(d) As a local head of DAD office, they should maintain a clean administration of their offices.

14.5 **Implementation of the IFA System by AOs(P)/TFs**

(i) Performance of Jobs/Projects should be reviewed by AOs periodically.
(ii) Provision of stores and constructional materials should be reviewed and executive authorities should be advised to mobilize resources in advance i.e. at the beginning of the year. Major constructional stores should be procured by CEs (P) in bulk and distributed amongst TFs as per their annual works plan.
(iii) All cases of procurements under the delegation of financial powers to CEs (P)/TFs vide Govt. letter dated 27/11/2007 should be vetted in file. AOs should follow drill/check lists and also refer the Rule Books & Govt. orders issued from time to time while

vetting the procurement proposals and carrying out the pre/post scrutiny of contracts.

(iv) AOs (P) should review flow of expenditure, booking of expenditure and liquidation of liabilities made by AOs (TFs) at the end of each month and render a report to CDA (BR).

(v) Operation of correct code head in PM by AOs(P)/TFs should be reviewed by AOs (P) every month and remedial measures taken promptly.

(vi) AOs (P)/TFs should ensure that expenditure do not exceed allotment under any circumstances. In case of doubt matter should be referred immediately to Main office and followed it up.

(vii) Pay & allowances, TBOs, DID/CID Schedules & book debit Vrs etc. should be taken as 'First Charge' and cleared on priority. Under no circumstances, cash expenditure should find precedence to liquidation of liabilities.

(viii) Procurement proposals should be vetted after deducting the previous years liabilities from current years allotment to be seen while vetting the proposal.

(ix) It must be ensured that proposals are always accompanied with liability statement to see that the earlier liabilities have been taken into consideration.

14.6 **Latest delegation of financial powers:** Govt. of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No.BRDB.04/ 696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007, has delegated/ enhanced the existing delegation of financial powers to DGBR and lower functionaries of BRO viz., CEs(P) and Cdr. TF, etc.

The proposals as per Annexure-I to BRDB letter BRDB.04/696/2007/BEA/ 21801/PC/DGBR/TPC dated 27th November, 2007 as indicated below are to be exercised by the Competent Authorities in consultation with AOs (P)/TFs.

S. No.	Serial no. of Annexure-I	Description
1	14	Sanction of Works Estimates (excluding Accn Wks)
2	15	Furniture sanction for GREF Accommodation works
3	16	Technical minor wks connected with installation of plant & machinery in Base Workshops
4	17	Petty Minor Works (Addition/alteration to building, water supply, security fencing etc.)
5	20	Terminal compensation surrender of hired property
6	23	Procurement of Signal Equipment including Telephone Exchanges, Radio Sets, BEST Eqpt, FAX Machines, Telephones, PA Equipment, Projection System etc. including spares.
7	25	Procurement of spares for Veh/Eqpt/Plant (a) Indents on DGS&D rate contract (b) Direct Supply Order on PSUs (c) Other than indents at (a) & (b) above
8	27	Procurement of Spares (Local purchase)

9	28	Procurement of Spares (Cash Imprest)
10	31	Repair of equipment through trade
11	32	Local Purchase (Construction materials)
12	34	Local purchase of other Cat 'B' stores (excluding all ASC items like ration, fuel, medical supplies)
13	35	Local purchase of fresh ration and POL
14	36	Issue of constr stores to Govt. deptt./Orgn (excluding clothing & explosives)
15	37	Issue of equipment of Govt. Deptt/PSUs on hire
16	38	Approval of survey boards for veh/plant/eqpt. (a) Cases due to Fair, Wear & Tear (b) NOT due to Fair, Wear & Tear
17	39	Acceptance of recommendations of the Board of Survey for other stores (Cat 'B' stores, constructional stores, clothing etc) and to declare stores as unserviceable scrap
18	40	Dispensing with holding of Court of Inquiry (a) Loss of stores not due to theft, Fraud or Neglect (b) Loss of stores due to Theft, Fraud or Neglect
19	41	Write off losses of stores (a) NOT due to Theft, Fraud or Neglect (b) Due to Theft, Fraud or Neglect
20	42	Write off losses of Public Money (a) NOT due to Theft, Fraud or Neglect (b) Due to theft, fraud or neglect
21	43	Regularisation of Infructuous expenditure due to desertion of ICPLS and write-off loss after obtaining audit report from CDA concerned
22	46	Acceptance of contracts
23	47	Acceptance of Execution Contracts for Surfacing/ Resurfacing works, Construction of Bridges and buildings and for supply of stores and materials or for transportation of Personnel and stores. (Surfacing/Re-surfacing works in respect of GS and Agency Works in J&K and only for Agency works in other States.)
24	48	Acceptance of Execution Contracts for Earth work and Formation cutting, Surfacing works Protective works like construction of Retaining/Breast walls, small Culverts/ causeways, Drains and Parapet walls. (Surfacing works in respect of GS and Agency Works in J&K and only for Agency works in other States.)
25	49	Hiring of Immovable Property
26	50	Hiring of Transport and Plant/Equipment from Govt. Deptts/ PSUs/Private Parties.
27	52	Purchase of specialist items for works on single quotation
28	53	Placing of supply orders on Rate Contract (Construction materials and Cat 'B' stores on RC)
29	54	Local Purchase of stationery
30	55	Payment of bills against supply orders placed on DGS&D (construction materials and Cat 'B' stores on Rate contract)
31	58	Medical supplies and hygienic chemicals

32	59	Medical advance to Central Govt. employees. (a) Indoor/outdoor patient for diseases like TB/Cancer etc. (b) Major illness like Bypass Surgery, Kidney transplantation etc.
33	60	Re-imbursement of Medical Claims under emergency at Private Hospitals.
34	63	Settlement of civil compensation claims including Bhutan. (a) Each individual case (b) Any one accident
35	64	Sanction of Payment of Compensation under Workmen's Compensation Act 1923.
36	65	Payment of wages to specialist tradesmen for specific specialist jobs in consultation with local civil/ administration authority.
37	71	Procurement, Repair & Maintenance of Computers and Computer Related Peripherals (i) Purchase of computer (ii) Provision of access connectivity incl associated hardware and software. (iii) Purchase of systems software and application software. (iv) Software development & Tech consultancy for IT projects and IT training (v) Purchase of Computer Peripherals and Ancillaries (vi) Local Repair and Maint. of Computers, Peripherals, Ancillary Eqpts etc. (vii) Maint. of Computer System and their Peripherals

14.7 **Check Points:** To vet the proposals by AOs (P)/TFs as per Annexure-I to BRDB letter dated 27/11/2007, a list of check points is annexed as Annexure 1 to 11 to Chapter-14. These points may be taken as guidelines. However, the basic Rule Books and Govt. orders, SOPs, and Technical Instructions issued by HQ DGBR issued from time to time need to be referred to while vetting the proposals received from CEs(P)/TFs.

CHECK POINTS FOR CONCURRENCE TO ACCEPTANCE OF CONTRACT

(Refer sl. no. 46 & 47 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007)

(i) Whether Adm. Approval/ Tech. Sanction No. is noted on the C.S.T at the appropriate place.

(ii) Whether NIT was issued if so, whether advertisement was made in the press.

(iii) Whether the contractor in whose favour tenders have been issued are enlisted. In case of un-enlisted tenderers, whether the required amount of earnest money has been attached in the shape of FDR/CDR.

(iv) Whether the financial capability of un-enlisted contractors have been verified and recorded as such in the IFA noting.

(v) Whether ITCC is invariably verified before issue of tender.

(vi) That the contract has been awarded to contractor beyond two stages above his class i.e. 'C' Class contractor can take contract upto limit of 'A' Class.

(vii) The total work load held by the contractor should not be more than 4 to5 times of his normal tendering limit.

(viii) That all applications are received within the stipulated time notified in the NIT and wherever an application is rejected, the reasons for such rejection are noted in writing.

(ix) That necessary provision for the relevant quantities proposed to be procured/ executed are available in the T.S.

(x) That the TS categorically show that the work is required to be done through contract. Whether, however, the work is proposed to be under taken departmentally no contract should be accepted unless revised TS/corrigendum Adm. Approval is issued.

(xi) That the rates quoted by the contractor are both in figures as well as in words, where however the rates are only quoted in figures , the opening officer can write the same in words duly authenticated and rerecorded having been done as such.

(xii) That the tenders have been opened by Board of officers comprising of one presiding officer and one officer.

(xiii) That necessary arithmetical check both horizontal and vertical is carried out to arrive at the lowest tender.

(xiv) That the rates quoted by the lowest tenderer are compared favorably with previous contract in the same area besides comparison also needs to be made with other adjoining areas.

(xv) In the case of spot tendering the provisions contained in Para 702 of BR Regs has strictly been adhered to. In that case the competent authority should see that spot tendering has been done when no acceptable tender has been received and any further efforts in this regard will hamper the execution of work.

(xvi) That in the case of Sch 'B' the rates are given in accordance with SSR/Prevailing market rate.

(xvii) That necessary budgetary support is available before under taking work.

(xviii) That no counter offer is acceptable after opening of tenders.

(xix) That in case of re-tendering it may be seen that the tender has also been issued to L2 & L3 of the first call.

(xx) In the case of annual maintenance contracts and handling contracts it may be seen that the period is not over lapped.

CHECK POINTS FOR PRE-VETTING OF SUPPLY ORDERS

(Refer sl. nos. 23, 24, 25, 26, 28, 31, 32, 34, 35, 52, 54 & 58 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007)

(i) Whether the stores proposed to be procured are actually required and whether requirement has been projected in writing and kept in the file.
(ii) That the stores proposed to be procured are covered under the T.S. provision of the relevant job.
(iii) That the stores proposed to be procured are relevant to job .
(iv) That sufficient budgetary support is available against the job under which stores are proposed to be procured.
(v) Stores proposed to be procured against contingency are covered with in percentage laid down for this purpose.
(vi) Items procured against office contingency including stationery does not exceed 0.2% of the relevant job.
(vii) In the case of stationery, limit as provided in BRDB letter dt 27/11/07 is strictly adhered to.
(viii) That the powers for procurement of stores are not exceeded the limits delegated to CFA's as provided in BRDB letter dt. 27/11/07.
(ix) That the powers are not splited to bring down within the powers of lower CFA.
(x) In case of procurement proposed for cat 'A' stores, it may be ensured that NAC is invariably submitted with each case file.
(xi) That the stores available on DGS&D should be procured through rate contract only.
(xii) That the quotation is issued at least to seven enlisted firms.
(xiii) That proper TIN No. allotted by Sales Tax Deptt. is prominently shown in the quotation.
(xiv) That the prescribed limit of two to three weeks depending upon the location of the supplier is adhered to for quoting the rates.
(xv) That spot quotations are resorted to in very exceptional circumstances under the written orders of the competent authority by constituting Board of officers.
(xvi) That the reasonability of the rates invariably be given on the C.S.T. with each case file after proper market analysis/last procurement rates.
(xvii) That the rates are quoted both in words as well as in figures .
(xviii) That the quotation is opened by Board of officers comprising of at least two officers.
(xix) Clear description of stores with complete specification indicating quality/quantity and make is specified.
(xx) Supply orders on single quotations are placed for proprietary stores or on OEM only.
(xxi) FOR and name of the consignee is clearly shown on the supply order.
(xxii) In the case of repair orders, the warranty clause is clearly spelt out.
(xxiii) The clause regarding liquidated damages is incorporated.
(xxiv) In case of rate contract, freight clause from factory premises to the consignee is clearly shown.
(xxv) Delivery date is clearly indicated

(xxvi) Taxes wherever applicable should be clearly exhibited in the supply order viz., C.S.T, G.S.T, octroi & excise duty.

(xxvii) In case of repair orders, a disposal of retrieved material is clearly indicated.

CHECK POINTS FOR ACCORDING CONCURNCE FOR ISSUE OF ADM. APPROVAL FOR PETTY MINOR WORK

(Refer sl. nos. 16 & 17 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007)

(i) That all proposals for fixing of Fans should be either in Married ACCN. O.T.M ACCN, cook Houses, Dining Halls which are held on the R.T.M.B/R.P.M.B. So before according approval, it should be verified whether the building stands in the R.T.M.B/R.P.M.B.

(ii) That Fan is not sanctioned in the non-fan stations.

(iii) That before signing completion report Part 'A' and Part 'B' that the fans fitted are accounted for in the RTMB/RPMB and also in Fan and meter Register.

(iv) That where the fans are already existing and fixed at the time of construction of the buildings, it should be ensured the ceiling Fans now being proposed are against the existing condemned one's or in addition. In case it is against additional requirement, the same should be covered under scale of Accommodation.

(v) That proposals for procurement of Charpoys need to be checked with reference to authorized strength of the unit vis-à-vis No. of Charpoys already procured and held as on date.

(vi) That Exhaust Fans an authorized only in cook houses dining Halls etc. The same are not authorized in the Md ACCN/OTM ACCN.

(vii) That no petty Minor Works is sanctioned against a repair but should be for original works.

(viii) That no false ceiling is being sanctioned in respect of cook houses, labour huts.

(ix) That proposal for Toilets and Bath-rooms should be supported with AE's.

CHECK POINTS FOR RENDITION OF AUDIT REPORT FOR WRITE OFF LOSSES OF STORES /PUBLIC MONEY

(Refer sl. nos. 40, 41, 42 & 43 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/ DGBR/TPC dated 27th November, 2007)

(i) That the loss statement has been price checked.

(ii) In case of losses to be regularized by CEs, preliminary audit report of AOs Task Force is attached.

(iii) In the case of losses involving penal recovery, CFA is determined with reference to Gross value of loss.

(iv) In the case of loss of vehicles involved in accident, CFA is to be determined with reference to depreciated value of the vehicles.

(v) In case of loss partly due to damage of vehicles and partly due to loss of stores CFA is to be determined with reference to Gross value i.e. damages to vehicles plus cost of stores.

(vi) The loss statement is sanctioned by the appropriate CFA in whose power the amount of loss falls.

(vii) To see that necessary audit reports is rendered by AO TF/AO (P) before according sanction by the CFA.

CHECK POINTS FOR COMPENSATION CLAIM UNDER WORKMEN'S COMPENSATION ACT, 1923

(Refer sl. no. 64 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007.)

(i) Whether the individual for whom compensation being claimed is covered under WCA 1923.

(ii) Whether the injury/death is attributable during Govt. bonafide duty.

(iii) In the case of death, 50% of the average monthly wages of last 12 months multiplied with relevant age factor is payable.

(iv) In the case of total disablement, 60% of the average monthly wages of last 12 months multiplied with relevant age factor is payable.

(v) In case of partial disablement, 60% of the average monthly wages of last twelve months multiplied with percentage of disablement and relevant age factor is payable.

(vi) The age factor of last birth day is to be applied for calculation of compensation payable.

(vii) To see whether the following documents are attached **:-**

- (a) Manuscript copy of one man inquiry.
- (b) Signed copy of convening order of one man inquiry.
- (c) Orders of Task Force Commander on one man inquiry.
- (d) Post mortem report in original
- (e) Signed copy of FIR.
- (f) Application for compensation under WCA. 1923.
- (g) Wages statement for last 12 months immediately preceding the accident.
- (h) Calculation sheet.
- (i) Contingent bill.
- (j) No demand certificate.
- (k) Statement of case.
- (l) Delay report.
- (m) DO part – II notifying the death causality.
- (n) In case of CPL, Photocopy of Recruitment- Cum medical form and certificate from O.C. unit regarding correctness of date of birth is attached.
- (o) Job/Head against which amount of compensation is to be booked (to be shown on contingent bill).

CHECK POINTS FOR HIRING OF IMMOVABLE PROPERTY/ HIRING OF TRANSPORT

(Refer sl. nos. 20, 49 & 50 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007)

(i) That the property proposed to be hired is actually required by the Deptt. and there is no proposal for move of the unit during the period of hiring.

(ii) That the period for which properly is proposed to be hired is clearly defined.

(iii) That the period for which property is hired is not overlapped.

(iv) The rates with reference to which concurrence is accorded are based on the rates issued by the state Revenue authorities.

(v) The rates are distinctly given by state authorities for irrigated/unirrigated, class II/Class III land.

(vi) The credentials of the owner in whose favour the concurrence for hiring of property is being accorded should be certified with reference to Revenue papers duly quoted with Khasra No.

(vii) In case of hiring of transport rates prescribed by the state PHE, Deptt. are enclosed.

(viii) The requirement for hiring of transport is supported with statement of case high lighting the necessity for hiring of the proposed transport.

(ix) The rates for stand by charges and fraction of a day are clearly exhibited.

(x) The working hours per day are clearly shown.

(xi) It may be seen that whether the rates are inclusive /exclusive of crew and POL required for use.

(xii) Concurrence is accorded after due verification of limitation of powers to be exercised by the CFAs.

CHECK POINTS FOR MEDICAL ADVANCE CLAIM

(Refer sl. no. 59 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007)

(i) That the sanction of the competent authority for payment of medical advance has been attached with the bill.

(ii) That assessment of the expenditure likely to be incurred on the treatment of the individual duly signed by the Doctor with the seal of the hospital has been attached with the bill subject to the limit of package deal notified by Govt. of India from time to time.

(iii) Ensure that medical advances are entered in the Medical Advance Register (Demand Register) and the demand is cleared only after adjustment claim is received and passed.

CHECK POINTS FOR MEDICAL REIMBURSEMENT CLAIM FOR TREATMENT UNDER EMERGENCY AT PRIVATE HOSPITAL

(Refer sl. no. 60 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007.)

(i) That the prescribed application form for claiming the reimbursement has been properly filled in by the individual and revenue stamp affixed wherever required.

(ii) That the claim should be supported by the medical emergency certificate issued by the private hospital.

(iii) A statement of case prepared by the controlling officer of the claimant alongwith his recommendation for obtaining ex-post-facto sanction of the competent authority for taking treatment in emergency in private hospital under CS (MA) Rules/CGHS Rules.

(iv) That the controlling officer of the claimant has countersigned the claim.

(v) Rates should be admitted as prescribed in CS (MA) Rules/CGHS Rules.

(vi) That the claim has been submitted within the prescribed time after completion of the treatment.

CHECK POINTS FOR SRMD WORKS UNDER PARA-559 OF BR REGS.
(GS WORKS)

(Refer sl. no. 14 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007)

(i) The work is included in the Approved Annual Works Plan.
(ii) Funds have been allotted in the RE/BE.
(iii) Proper head of account has been indicated in the DGL
(iv) The estimate is based on the Board of Officers' proceedings, duly approved.
(v) Financial limits laid down in the procedure PRO/VET-EST/01 have been adhered to.
(vi) Rates of all the items of works are as per the SSR issued by the HQ DGBR.
(vii) The item-wise amount of Part-II of the estimate has correctly been carried over to Part-I of the estimate and correctly summed up.
(viii) Credit on account of retrievable materials has been included.
(ix) Credit on account of stores available from hard rock excavation is given.
(x) Following charges have correctly been levied:-
 (a) Royalty and Monopoly charges.
 (b) Physical contingency charges @ 5%.
 (c) Quality Control Cell Charges @ 1%/0.1%.
 (d) Price escalation charges @ 7% per annum (compounded annually)
 (only for SSR items)
(xi) Compensation/acquisition of land etc. is supported with the authority.
(xii) Following documents are attached:-
 (a) Rain fall data.
 (b) Certificate of Contemporaneous Records.

CHECK POINTS FOR IRMD WORKS UNDER PARA-560 OF BR REGS.
(GS WORKS)

(Refer sl. no. 14 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007)

(i) Funds have been allotted in the RE/BE.
(ii) Proper head of account has been indicated in the DGL.
(iii) The estimate is based on the signal & detailed report regarding invoking the para-560 of BR Regulations.
(iv) Financial limits laid down in the procedure PRO/VET-EST/01 have been adhered to.
(v) Rates of all the items of works are as per the SSR issued by the HQrs. DGBR.
(vi) The item-wise amount of Part-II of the estimate has correctly been carried over to Part-I of the estimate and correctly summed up.
(vii) Credit on account of retrievable materials has been included.
(viii) Credit on account of stores available from hard rock excavation is given.
(ix) Following charges have correctly been levied.
    (a) Royalty and Monopoly charges.
    (b) Physical contingency charges @ 5%.
    (c) Quality Control Cell Charges @ 1%/0.1%.
    (d) Price escalation charges @ 7% per annum (compounded annually)
    (Only for SSR items).
(x) Compensation/acquisition of land etc. is supported with the authority.
(xi) Following documents are attached:-
    (a) Rain fall data.
    (b) Certificate of Contemporaneous Records.

CHECK POINTS FOR ACCEPTANCE OF
RECOMMENDATION OF SURVEY BOARDS FOR OTHER STORES

(Refer sl. no. 39 of Annexure-I of Govt of India, Ministry of Road Transport & Highways, Border Roads Development Board vide letter No. BRDB.04/696/2007/BEA/21801/PC/DGBR/TPC dated 27th November, 2007)

(i) A noting/statement of the case duly mentioning the following facts therein:-

(a) Date of procurement.

(b) Procurement/ assessed rates.

(c) Details of stores converted into Scrap/ rags has been mentioned duly indicating weight against each item or consolidated in the body of the recommendation of the BOO.

(d) All identifiable unserviceable articles and those valuable stores like tents/ tarpaulins, lamps, stoves etc which for any reasons have lost their identity will be brought on charge by generic heading both by numbers & weight.

(e) All other non-identifiable stores accounted for as scraps/ rags in terms of weight only.

(f) Recommendation of the Board of Officers.

CHAPTER-15

MAINTENANCE OF REGISTERS AND RENDITION OF PERIODICAL REPORTS

15.1 IFAs are required to maintain registers for administrative and functional purposes. The detailed list of administrative registers alongwith Fly Leaf Instructions are available in OM Part II Vol. I and Vol. II which may be referred to for detailed instructions.

15.2 The functional registers are meant for capturing all vital information from the proposals received /concurred by the IFAs which will provide MIS to the IFA and will form the basis for rendition of reports and returns to Headquarters/CFAs.

15.3 The registers will be put up to the officer in charge/IFA at periodical intervals as prescribed and also produced for inspection.

15.4 **Registers maintained in the office of the IFA (BR)**

Following registers are being maintained in IFA (BR):-

(a) Receipt Register for Works Estimates.
(b) Dispatch Register for Works Estimates.
(c) Receipt Register for Procurement Proposals
(d) Dispatch Register for Procurement Proposals.
(e) Receipt Register for Non-Procurement Proposals.
(f) Dispatch Register for Non-Procurement Proposals.
(g) Register of Receipt & Dispatch for Important Letters pertaining to Procurement & Non-Procurement Proposals.
(h) Receipt Register for Important Letters pertaining to Works Estimates.
(i) Register for Supply Order.
(j) Register of PNC/TPC
(k) Weekly Progress Register.
(l) Establishment Register.
(m) EL/HPL Register.
(n) CL/RH Register.
(o) Attendance Register.
(p) Dead Stock Register.
(q) Stock Register.

15.5 **Specimen of Register of PNC/TPC**

SN	Brief Particulars of the proposal	Directorate	Amount of proposal	Date and Time of opening of tender	Chaired by Name and Designation	Name and Designation of the IFA rep	Outcome of the PNC including the amount negotiated	Saving (in lakhs)
1	2	3	4	5	6	7	8	9

15.5.1 Objective: To record the details of CNC participated by the IFA or his rep.

15.5.2 Fly leaf Instructions

(a) Purchases exceeding Rs. 5 lakh are necessarily on the advice of TPC to be constituted by the CFA.
(b) TPC/CNC will include IFA or his rep as a member.
(c) Price Negotiation with L1 firm can be considered when the offers received are at wide variation with the estimated cost or when the price quoted are unreasonable. In such cases price negotiation is conducted by the CNC.
(d) This register may be put up to IFA on monthly basis.

(**Authority** : CGDA's letter No. AT/IX/IFA/13381/PC-Registers dated 27.12.05)

15.6 **Reports & Returns:** The following reports will be rendered by the IFAs to Hqrs Office (Pr. IFA Wing). (Annexure 1 to Chapter 15)

15.6.1 **Monthly Activity Report:** IFAs of SAG and JAG level (Command IFAs only) shall send a monthly activity report in narrative form to the Pr.IFA demi-officially by 10th of the following month as per the guidelines contained in HQrs. letter No. PIFA/MAR/15023 dated 23.11.06. In this connection, HQrs. office circular No. PIFA/MAR/15023 dated 16.10.2007 refers. The points to be included in the Report are indicated in Annexure I to this Chapter. A separate quarterly report may be sent to CGDA on important administrative/functional areas considered essential to merit the personal attention of CGDA as mentioned as mentioned in para 5 of the instructions dated 25.9.2007.

15.6.2 **Monthly Progress Report:** All IFAs(dedicated and nominated will furnish a Monthly Progress Report containing information relating to the cases concurred, time taken along with budgetary implications by 10th of the following month to PIFA wing. (Annexure 2 to Chapter 15).

15.6.3 **Quarterly Financial Concurrence Cases Report:** Details of the cases received, concurred in and returned shall be included in the Quarterly Financial Concurrence Report to be rendered to PIFA by 15th of the following quarter. (Annexure 3 to Chapter 15).

MONTHLY REPORTS/RETURNS (IFA CELL)

Sl. No	Name of the Report	Contents of the Report	Rendered to	Authority	Due Date
1.	Monthly Activity Report – IFA System (in narrative form) [By Service Hqrs/ Command IFAs-SAG/JAG]	1) Achievements during the month. 2) Problems faced in the functional areas. 3) Difficulties in application of rules/orders and suggestions for simplification of procedure. 4) Cases of dissent / overruling by CFA, if any. 5) Suggestions for improvement in the functioning of IFA system. 6) Important points of Audit objections including Test Audit objections & Draft Para on cases concurred by IFA. 7) Details of Inspection of sub-offices, major shortcomings noticed and proposed remedial measures. 8) Case studies carried out. 9) Working of control and monitoring systems – Budget Control, PPP including liabilities, maintenance & use of database of rates. 10) Interaction with the executive authorities. 11) Any other point considered necessary to bring to the notice of CGDA.	Pr.IFA, Demi-Officially.	PIFA/MAR/15023/ Circular dated 23/11/2006 and No. PIFA/MAR/15023 dated 16/10/2007	10th of the following month

Sl. No	Name of the Report	Contents of the Report	Rendered to	Authority	Due Date
2.	Monthly Progress Report – IFA Work (Army): Generation of MIS Report for Top Management	1) Details of AON/TE vetting & 2) Details of PNC/SO vetting having fields of OB, Receipt, Cleared, CB, OD, Cleared within 7/15/30 days, Cases returned, Amount proposed, Amount concurred & Savings. 3) (i) (a) Amount proposed, concurred and savings achieved should tally. (b) The amount of savings should be the amount proposed minus amount concurred. (c) The amount proposed should be for the number of cases concurred and should not include the amount of cases returned. (ii) The opening balance should tally with the closing balance shown in the report of the previous month. (iii) The columns of the report should be as per the prescribed format. Columns should not be amended as the MPR is to be compiled through computer. (iv) The number of cases returned should be included in the cases cleared. (v) Total of the number of cases cleared within 7 days, 15 days and 30 days or more should tally with the number of cases cleared during the month.	The AT-Coord, O/O The CGDA, New Delhi-66. Copy to: The PIFA, New Delhi.	AT-Coord. /00012/ MPR/Misc. dated 08/01/07.	10^{th} of the following month

Sl. No	Name of the Report	Contents of the Report	Rendered to	Authority	Due Date
3.	Quarterly Financial Concurrence Report	1) The total time taken has to be computed from the date of receipt of file in IFA's office for AON to final vetting of S.O. 2) The amount concurred is the one cleared at vetting of SO/AE stage. 3) Only financially concurred cases need to be reflected in the report but cases accepted from AON angle / returned with observations would be shown consolidated as a note to the report. 4) The balance number of cases in the pipe-line will be the total number of cases received in IFA's office that are in various stages but not cleared from expenditure angle. 5) If a case is returned with observations and resubmitted during the quarter, it will be taken as a distinct case for the purpose of total receipt.	The PIFA, (Pr.IFA Wing) O/O The CGDA, West Block-V, R.K. Puram, New Delhi-66.	PIFA/QE Report/ 2004-Vol. I dated 15/02/2005	15^{th} of the following month

PROFORMA FOR MONTHLY PROGRESS REPORT
PART –A (AON/QUANTITY VETTING) (ARMY)

Monthly Progress Report for the Month of………….in respect of IFA ……………………………..

Description	OB	Receipt	Total	Break up of cases disposed off with time taken								Cases disposed off	CB (4-7)	Oldest dated	Budgetary allocations	Amt. Proposed (in respect of 6.4	Amount concurred (in respect of	Savings achieved (11-12)	Progressive total of upto the month of report		
				Cases returned without concurrence				Break up of cases cleared											Amount proposed	Amount concurred	Savings achieved
				7 days	15 days	30 days or more	Total cases returned	7 days	15 days	30 days or more	Total cases concur										
1	2	3	4	5.1	5.2	5.3	5.4	6.1	6.2	6.3	6.4	7	8	9	10	11	12	13	14	15	16
1.CHT																					
2.IT																					
3.ACSFP																					
4.Works																					
5.TAG																					
6.ATG/ASG																					
7.Others																					
8. Capital																					
***9. Total* of which**																					

9.1 Cases recommended for concurrence by higher IFA																					
9.2 Balance cases within the competence of IFA rendering the report																					

NOTE:

1. Brief details of cases cleared after 30 days or more should be shown separately as a note below the report with reasons.
2. Total of row serial number 9.1 and 9.2 should be equal to serial number (9).
3. Budgetary allocation under column No. 10, PCsDA/CsDA IFAs may note the budgetary allocation from the cases concurred. PCsDA/CsDA may also obtain the budgetary allocation from the MER rendered to Budget holders.
4. Further the budgetary information may be given by the PCsDA/CsDA/IFAs in whose area the budget holder is situated.

PROFORMA FOR MONTHLY PROGRESS REPORT
PART –B (FINANCIAL/EXPENDITURE CONCURRENCE) (ARMY)

Monthly Progress Report for the Month of…………..in respect of IFA ……………………………..

Description	OB	Receipt	Total	Break up of cases disposed off with time taken								Cases disposed off (5.4 +6.4)	CB (4-7)	Oldest dated	Budgetary allocations	Amt. Proposed (in respect of 6.4)	Amount concurred (in respect of 6.4)	Savings achieved (10-11)	Progressive total of upto the month of report		
				Cases returned without concurrence				Break up of cases cleared											Amt proposed	Amt concurred	Savings achieved
				7 days	15 days	30 days or m	Total cases retur	7 days	15 days	30 days or m	Total cases con										
1	2	3	4	5.1	5.2	5.3	5.4	6.1	6.2	6.3	6.4	7	8	9	10	11	12	13	14	15	16
1.CHT																					
2.IT																					
3.ACSFP																					
4.Works																					
5.TAG																					
6.ATG/ ASG																					
7. Others																					
8.Capital																					
9. Total of which																					

9.1 Cases recommended for concurrence by higher IFA																					
9.2 Balance cases within the competence of IFA rendering the report																					

NOTE:

1. No of cases cleared after 30 days or more should be shown separately as a note below the report with reasons.
2. Total of row serial number 9.1 and 9.2 should be equal to serial number 9.
3. One more column for budgetary allocation has been added at column No. 10, PCsDA/CsDA IFAs may note the budgetary allocation from the cases concurred. (See para 4 (d) of the letter dated 12.07) PCsDA/CsDA may also consult the budgetary allocation while forwarding the MER rendered to Budget holders.
4. Further the budgetary information may be given only by the PCsDA/CsDA/IFAs in whose area the budget holder is situated.

PROFORMA FOR QUARTERLY REPORT ON FINANCIAL CONCURRENCE CASES

Details of cases concurred during Quarter Ending…..

S. N.	Initial date of receipt	Case File No & date	Date of clearance		Time taken by		No of times case returned with observation	Mode of quotation /TE	Amount proposed	Amount concurred	Total Savings	
			AON/ TE Vetting	PNC/ SO Vetting	IFA at various stages	Executives					During PNC	On advice of IFA
1	2	3	4	5	6	7	8	9	10	11	12	13

CHAPTER-16

PROCEDURE FOR INTERNAL INSPECTION OF OFFICE OF THE IFA (BR)

16.1 In order to keep the work of the IFA section up to date and provide quality service to the customers it is essential that senior officers conduct inspection of the section at regular intervals. The officers preferably conduct routine inspection at the following frequency:-

Jt. IFA	Once in three months
Dy. IFA	Once in two months
Asst. IFA	Once in a month

16.2 The above frequency is only a guideline. During leave/temporary duty or because of other emergencies the inspection due is carried out when the emergency is over or the officer returns to duty.

16.2.1 During routine inspection the following aspects are seen:-

(a) Receipt & Disposal Registers.
(b) All other registers pertaining to IFA section.
(c) Environmental condition in which the section works.
(d) Up keeping of instructions, Govt. orders etc.
(e) Handling of PC files.
(f) Maintenance of current & old records.

16.2.2 The above list is only indicative, not exhaustive. In order to ensure quality, the inspecting officer can inspect any aspect and see whether the provision of IFA (BR) manual, Govt. orders, regulations, office manual etc. are being observed or not.

16.3 The result is brought to the notice of Dy. IFA/IFA. Dy. IFA will analyze the lapses, determine what action to be taken and direct to the concerned officer/staff to complete the action and report to Dy. IFA. Dy. IFA reviews the action taken.

16.4 Fortnightly meetings are scheduled and chaired by Dy. IFA, preferably on Monday morning. However, if for some reason it cannot be held on Monday morning, the same is held next day. If Dy. IFA cannot take the meeting on account of his being on leave or on temporary duty or for some other reasons, Asst. IFA holds the meeting. The important points related to the functioning of the office are discussed in the meeting.

Annexure 'A'

CHECK LIST FOR ORIGINAL WORKS (GS WORKS)

Project __________ DGBR SSR _______ Zone ______ PNR:CPL Ratio _______ Job No. ___
Amount (Rs. in lacs) _________ Diary No. ______ File No. ____________________________
Name of the work: ____
____

SI. NO.	POINTS TO BE CHECKED	AAO/ AO	DIFA	IFA
FINANCIAL CHECK POINTS (AAO/AO, DIFA & JIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	The work is included in the Approved Annual Works Plan			
2.	The MO-IV Dte. have approved the work and it's alignment and specifications			
3.	Funds have been allotted in the RE/BE			
4.	Proper head of account has been indicated in the DGL			
5.	Forest clearance status is clearly indicated			
6.	Per km cost of construction has been compared with the similar work in the adjoining sector			
7.	Rates of all the items of works are as per the SSR issued by the HQrs. DGBR			
8.	The item-wise amount of Part-II of the estimate has correctly been carried over to Part-I of the estimate and correctly summed up			
9.	Credit on account of retrievable materials has been included			
10.	Credit on account of stores available from hard rock excavation is given			
11.	Following charges have correctly been levied			
	(a) Royalty and Monopoly charges			
	(b) Physical contingency charges @ 5%			
	(c) Quality Control Cell Charges @ 1%/0.1%			
	(d) Provision of 2% Road side accommodation			
	(e) Price escalation charges @ 7% per annum (compounded annually) (only for SSR items)			
12.	Compensation/requisition of land etc. is supported with the authority			
13.	Following documents are attached:-			
	(a) Handing/Taking over notes in case road taken over from other agency			
	(b) Recce Report			
14.	Bridge estimates are along with the estimates for approaches/have been concurred in by the Bridging Directorate of HQrs. DGBR			

Contd…

TECHNICAL POINTS [TO BE CHECKED BY AEE(C)/EE(C)]		EE(C)		
1.	Rate analysis, if any, are correct			
2.	Surfacing estimates are based on the laboratory test results of CBR value/ Benkelman beam test results			
3.	Following charges have been correctly levied:-			
	(a) Road lift charges			
	(b) Extra transportation charges			
4.	Drawings attached in the file, correspond to the proposed job Control No.:			
5.	Credit on account of deployment of CPL Mason has been included			
6.	Following documents are attached:			
	(a) Quarry Chart			
	(b) Laboratory CBR value report/Benkelman beam test results			
	(c) Traffic census data			
	(d) Rainfall data			
	(e) Reasonability of Earthwork quantities			
	(f) Details of permanent works			

REMARKS:

Annexure 'B'

CHECK LIST FOR ORIGINAL WORKS (AGENCY/DEPOSIT WORKS)

Project __________ DGBR SSR _______ Zone _____ PNR:CPL Ratio _____ Job No. ______
Amount (Rs. in lacs) _________ Diary No. __________ File No. ________________________
Name of the work: ____

Sl. NO.	**POINTS TO BE CHECKED**	**AAO/ AO**	**DIFA**	**IFA**
FINANCIAL CHECK POINTS (AAO/AO, DIFA & JIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	The work is included in the Approved Annual Works Plan			
2.	Approval in Principle has been accorded by Sectt. BRDB			
3.	Requisite funds have been allotted/deposited by Agency			
4.	The Agency has approved the work and it's alignment & specifications			
5.	The entrustment letter and cost acceptance letter is enclosed			
6.	Proper head of account has been indicated in the DGL			
7.	Forest clearance status is clearly indicated			
8.	Per km cost of construction has been compared with the similar work in the adjoining sector			
9.	Rates of all the items of works are as per the SSR issued by the HQrs. DGBR			
10.	The item-wise amount of Part-II of the estimate has correctly been carried over to Part-I of the estimate and correctly summed up			
11.	Credit on account of retrievable materials has been included			
12.	Credit on account of stores available from hard rock excavation is given			
13.	Following charges have correctly been levied			
	(a) Royalty and Monopoly charges			
	(b) Physical contingency charges @ 5%			
	(c) Quality Control Cell Charges @ 1%/0.1%			
	(d) Provision of 2% Road side accommodation			
	(e) Price escalation charges @ 7% per annum (compounded annually) (only for SSR items)			
	(f) Compensation/acquisition of land etc. is supported with the authority			
	(g) Departmental charges :			
	(i) 7% (cost of CE's office included in the works estimates)			
	(ii) 15% (cost of CE's office NOT included in the works estimates) (No departmental charges are to be levied for defence works)			

Contd…

14.	Following documents are attached:-			
	(a) Handing/Taking over notes in case road taken over from other agency			
	(b) Recce Report			
15.	Bridge estimates are along with the estimates for approaches/have been concurred in by the Bridging Directorate of HQrs. DGBR			
TECHNICAL POINTS [TO BE CHECKED BY AEE(C)/EE(C)]		**EE(C)**		
1.	Rate analysis, if any, are correct			
2.	Surfacing estimates are based on the laboratory test results of CBR value/ Benkelman beam test results			
3.	Following charges have been correctly levied:-			
	(a) Road lift charges			
	(b) Extra transportation charges			
4.	Drawings attached in the file, correspond to the proposed job Control No.:			
5.	Credit on account of deployment of CPL Mason has been included			
6.	Following documents are attached:			
	(a) Quarry Chart			
	(b) Laboratory CBR value report/Benkelman beam test results			
	(c) Traffic census data			
	(d) Rainfall data			
	(e) Reasonability of Earthwork quantities			
	(f) Details of permanent works			

REMARKS:

Annexure 'C'

CHECK LIST FOR MINOR WORKS

Project ___________ DGBR SSR ______ Zone ____ PNR:CPL Ratio ______ Job No. ______
Amount (Rs. in lacs) __________ Diary No. _______ File No. __________________________
Name of the work: ____
____

Sl. NO.	**POINTS TO BE CHECKED**	**AAO/ AO**	**DIFA**	**IFA**
FINANCIAL CHECK POINTS (AAO/AO, DIFA & JIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	Funds have been allotted in the RE/BE			
2.	Proper head of account has been indicated in the DGL			
3.	The amount of estimates is within the delegated powers of DGBR (Rs. 1,00,000/- for one case limited to Rs. 20 lakhs per year) or Addl. DGBR (Rs. 50,000/- for one case limited to Rs. 2 lakhs per year with respect of HQ. DGBR)			
4.	Rates of all the items of works are as per the SSR issued by the HQrs. DGBR			
5.	The item-wise amount of Part-II of the estimate has correctly been carried over to Part-I of the estimate and correctly summed up			
6.	Following charges have been correctly levied			
	(a) Physical contingency charges @ 5%			
	(b) Quality Control Cell Charges @ 1%/0.1%			
	(c) Price escalation charges @ 7% per annum (compounded annually) (only for SSR items)			
TECHNICAL POINTS [TO BE CHECKED BY AEE(C)/EE(C)]		**EE(C)**		
1.	Rate analysis, if any, are correct			
2.	Minor works has been initiated to undertake the addition/alteration in the building but NO structural change is involved and plinth area is not increased/decreased			

REMARKS:

Annexure 'D'

CHECK LIST FOR SRMD WORKS UNDER PARA-559 OF BR REGS. (GS WORKS)

Project ________ DGBR SSR ______ Zone ___ PNR:CPL Ratio ______ Job No. __________
Amount (Rs. in lacs) _________ Diary No. _______ File No. ___________________________
Name of the work: ____

Sl. NO.	**POINTS TO BE CHECKED**	**AAO/ AO**	**DIFA**	**IFA**
FINANCIAL CHECK POINTS (AAO/AO, DIFA & JIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	The work is included in the Approved Annual Works Plan			
2.	Funds have been allotted in the RE/BE			
3.	Proper head of account has been indicated in the DGL			
4.	The estimate is based on the Board of Officers' proceedings, duly approved			
5.	Financial limits laid down in the procedure PRO/VET-EST/01 have been adhered to			
6.	Rates of all the items of works are as per the SSR issued by the HQrs. DGBR			
7.	The item-wise amount of Part-II of the estimate has correctly been carried over to Part-I of the estimate and correctly summed up			
8.	Credit on account of retrievable materials has been included			
9.	Credit on account of stores available from hard rock excavation is given			
10.	Following charges have correctly been levied			
	(a) Royalty and Monopoly charges			
	(b) Physical contingency charges @ 5%			
	(c) Quality Control Cell Charges @ 1%/0.1%			
	i. Price escalation charges @ 7% per annum (compounded annually) (only for SSR items)			
	(e) Compensation/acquisition of land etc. is supported with the authority			
11.	Following documents are attached:-			
	(a) Rain fall data			
	(b) Certificate of Contemporaneous Records			
TECHNICAL POINTS [TO BE CHECKED BY AEE(C)/EE(C)]		**EE(C)**		
1.	Rate analysis, if any, are correct			
2.	Following charges have been correctly levied:-			
	(a) Road lift charges			
	(b) Extra transportation charges			
3.	Drawings attached in the file, correspond to the proposed job Control No.:			

Contd…

4.	Credit on account of deployment of CPL Mason has been included			
5.	Following documents are attached:			
	(a) Quarry Chart			
	(b) Laboratory CBR value report/Benkelman beam test results			
	(c) Traffic census data			
	(d) Rainfall data			
	(e) Reasonability of Earthwork quantities			
	(f) Details of permanent works			

REMARKS:

Annexure 'E'

CHECK LIST FOR IRMD WORKS UNDER PARA-560 OF BR REGS. (GS WORKS)

Project __________ DGBR SSR ______ Zone ___ PNR:CPL Ratio _______ Job No. _______
Amount (Rs. in lacs) _________ Diary No. ______ File No. ____________________________
Name of the work: ____
____

Sl. NO.	**POINTS TO BE CHECKED**	**AAO/ AO**	**DIFA**	**IFA**
FINANCIAL CHECK POINTS (AAO/AO, DIFA & JIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	Funds have been allotted in the RE/BE			
2.	Proper head of account has been indicated in the DGL			
3.	The estimate is based on the signal & detailed report regarding invoking the para-560 of BR Regulations			
4.	Financial limits laid down in the procedure PRO/VET-EST/01 have been adhered to			
5.	Rates of all the items of works are as per the SSR issued by the HQrs. DGBR			
6.	The item-wise amount of Part-II of the estimate has correctly been carried over to Part-I of the estimate and correctly summed up			
7.	Credit on account of retrievable materials has been included			
8.	Credit on account of stores available from hard rock excavation is given			
9.	Following charges have correctly been levied			
	(a) Royalty and Monopoly charges			
	(b) Physical contingency charges @ 5%			
	(c) Quality Control Cell Charges @ 1%/0.1%			
	(d) Price escalation charges @ 7% per annum (compounded annually) (only for SSR items)			
	(e) Compensation/acquisition of land etc. is supported with the authority			
10.	Following documents are attached:-			
	(a) Rain fall data			
	(b) Certificate of Contemporaneous Records			
TECHNICAL POINTS [TO BE CHECKED BY AEE(C)/EE(C)]		**EE(C)**		
1.	Rate analysis, if any, are correct			
2.	Following charges have been correctly levied:-			
	(a) Road lift charges			
	(b) Extra transportation charges			

Contd…

3.	Drawings attached in the file, correspond to the proposed job Control No.:			
4.	Credit on account of deployment of CPL Mason has been included			
5.	Following documents are attached:			
	(a) Quarry Chart			
	(b) Laboratory CBR value report/Benkelman beam test results			
	(c) Traffic census data			
	(d) Rainfall data			
	(e) Reasonability of Earthwork quantities			
	(f) Details of permanent works			

REMARKS:

Annexure 'F'

POINTS TO BE CHECKED - RAE

Project __________ Job No. _______ AA Amount __________RAE Amount ______________
%age increase/decrease _____ PDC _________ Date of Commencement ________________
Actual date of completion ____________ When para-552 initiated ____________________
Whether DGBR has taken any action on report ____________________________________
Nature of job: ____

SL. NO.	CHECK POINTS	FOLIO NO.	REMARKS
1.	Revised cost acceptance letter by user department is placed in the file		
2.	Agency has committed to provide funds for balance works		
3.	The proper head of accounts has been indicated in the estimate		
4.	The provision of security cover, BCA and Air-lift charges are not included in the estimates pertaining to GS works		
5.	Following charges have correctly been levied		
	(a) Royalty and Monopoly charges		
	(b) Physical contingency charges		
	(c) Quality Control Cell Charges		
	(d) Road side accommodation		
	(e) Price escalation charges		
6.	The departmental charges are correct		
7.	(a) Quantities in Para-II tally with MPRs		
	(b) Rates adopted in Part-II are correct		
	(c) Calculations of Part-I & Part-II are correct		
8.	(a) The status of land acquisition, forest clearance/environmental clearance is clear		
	(b) Computation of retrievable materials/stores are correct		
9.	Para-552 report has been initiated in time		
10.	Delay in execution of works is justified		
11.	Excess expenditure is justified		
12.	Change in scope of work is supported with authority		
13.	Item-wise cost comparison with other similar jobs in adjoining sector/road is justified		
14.	Comparison of quantities in AA with RAE, supported with details		
15.	Check-list /questionnaire are properly answered		
16.	Expenditure statement of work done is duly verified		
17.	Comparison of resources actually deployed as per norms is justified		
18.	Any other detail		

MAJOR REASONS FOR RAE

Annexure 'G'

CHECK LIST FOR GO-AHEAD SANCTION WORKS

Project __________ DGBR SSR _______ Zone ____ PNR:CPL Ratio _______ Job No. _____
Amount (Rs. in lacs) __________ Diary No. _______ File No. _________________________
Name of the work: ____
____

Sl. NO.	**POINTS TO BE CHECKED**	**AAO/ AO**	**DIFA**	**IFA**
FINANCIAL CHECK POINTS (AAO/AO, DIFA & JIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	The work is included in the Approved Annual Works Plan			
2.	The MO-IV Dte./Agency has approved the work and it's alignment & specifications			
3.	(a) GS – Funds have been allotted in the BE/RE			
	(b) Agency – Funds have been allotted/deposited by agency			
4.	Proper head of account has been indicated in the DGL			
5.	Emergency of the case has been clearly brought out			
6.	The cost of construction is based on the estimate under preparation/the cost of the similar work in the adjoining sector			
7.	The item-wise amount of Part-II of the estimate has correctly been carried over to Part-I of the estimate and correctly summed up			
8	4 Road works – The amount of Go-ahead is within 30% of the average cost worked out on Formation cutting/Permanent works for 15 kms			
	(b) Bridge works – The amount of Go-ahead is within 20% of the estimated cost of the Bridge provided works are undertaken departmentally			

REMARKS:

Annexure 'H'

CHECK LIST FOR EXTENSION OF DELIVERY PERIOD FOR PROCUREMENT OF VEHICLE/EQUIPMENT/PLANT AND SPARES

Diary No. _________ File No. ____

Name of the vehicle/equipment/plant and spares _________________________________

Sl. NO.	POINTS TO BE CHECKED	AAO/ SO(A)	AIFA	DIFA
FINANCIAL CHECK POINTS (AAO, AIFA & DIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	Delivery period checked with reference to Supply Order			
2.	Extension, if any, given earlier			
3.	Present extension of delivery period has been verified			
4.	Recommendation of HQrs. DGBR for grant of extension of delivery period			
	(a) With Liquidity Damages			
	(b) Without Liquidity Damages			

REMARKS:

Annexure 'I'

CHECK LIST FOR PROCUREMENT OF VEHICLE/EQUIPMENT/PLANT AND VETTING OF SUPPLY ORDER (GS FUNDS)

Diary No. __________ File No. ____

____

Name of the vehicle/equipment/plant ______________________________________

____

Sl. NO.	**POINTS TO BE CHECKED**	**AAO/ SO(A)**	**AO/ SAO**	**JIFA**
FINANCIAL CHECK POINTS (AAO, AO/SAO & JIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	The equipment is included in the Annual Procurement Plan			
2.	Mode of Procurement : Whether through PSUs/TPCs/DGS&D has been verified			
3.	Description of equipment & rates as approved by the PNC/TPC/DGS&D has been verified			
4.	Total financial effect has been correctly worked out			
5.	Proper head of account has been indicated in the Supply Order			
6.	Paying authority has been correctly mentioned			
7.	The following have been correctly included/verified in the supply order:			
	(a) Inspection authority			
	(b) Name and address of consignee			
	(c) The delivery clause			
	(d) Payment clause			
	(e) Security deposit clause			
	(f) Warranty/guaranty clause			
	(g) Liquidated damages clause			
	(h) Erection and commissioning clause			
8.	The following information has been furnished by HQrs. DGBR			
	(a) BE for the year			
	(b) Outstanding liabilities			
	(c) Amount already approved for procurement			
	(d) Supply order placed so far			
	(e) Balance amount			

REMARKS:

Annexure 'J'

CHECK LIST FOR PROCUREMENT OF SPARES FOR VEHICLE/ EQUIPMENT/PLANT AND VETTING OF SUPPLY ORDER

Diary No. ______ File No. ____

Name of the vehicle/equipment/plant ____

Sl. NO.	**POINTS TO BE CHECKED**	**AAO/ SO(A)**	**AO/ SAO**	**JIFA**
FINANCIAL CHECK POINTS (AAO, AO/SAO & JIFA TO CHECK 100%, 50% & 10% POINTS RESPECTIVELY)				
1.	The requirement of spare parts as per provision review indent			
2.	Mode of Procurement : Whether through PSUs/TPCs/DGS&D has been verified			
3.	Description & rates of spares as approved by the PNC/TPC/DGS&D has been verified			
4.	Total financial effect has been correctly worked out			
5.	Proper head of account has been indicated in the Supply Order			
6.	Paying authority has been correctly mentioned			
7.	The following have been correctly included/verified in the supply order:			
	(a) Inspection authority			
	(b) Name and address of consignee			
	(c) The delivery clause			
	(d) Payment clause			
	(e) Security deposit clause			
	(f) Warranty/guaranty clause			
	(g) Liquidated damages clause			
	(h) Erection and commissioning clause			
8.	The following information has been furnished by HQrs. DGBR			
	(a) BE for the year			
	(b) Outstanding liabilities			
	(c) Amount already approved for procurement			
	(d) Supply order placed so far			
	(e) Balance amount			

REMARKS:

Annexure 'K'

CHECK LIST FOR EXAMINATION OF DOCUMENTS OF T.P.C. MEETING

Diary No. _______ File No. ____
Date of opening of Tenders : __________ Name of the vehicle/equipment/plant __________
____

Sl. NO.	**POINTS TO BE CHECKED**	**AAO**	**DIFA**
	CHECK POINTS (AAO & DIFA TO CHECK 100% & 50% POINTS RESPECTIVELY)		
1.	No. of equipment required are as per Annual Procurement Plan		
2.	Notice to tender issued to the firms		
3.	Tender documents collected by the firms		
4.	Technical bid accepted by DGQA		
5.	Procedure for opening of tender financial bids has been followed		
6.	Whether specification of the equipment as per tender inquiry		
7.	Whether rates have been quoted by various firms		
8.	Lowest rates quoted by the firm has been verified		
9.	Last procurement price and date of procurement has been verified		
10.	Difference/percentage in rate with reference to last procurement price verified		
11.	The following clauses have been accepted by the firm as per tender inquiry		
	(a) Warranty		
	(b) Delivery period		
	(c) Payment terms		
	(d) Security deposit		
	(e) Liquidated damages		
	(f) Inspection		
	(g) Erection & commissioning		
	(h) After sales services		

REMARKS:

AAO (PROC.) **DY. IFA (BR)**

ROUTE SLIP, IFA (BR) PRIORITY-I			
Diary No.		**Due Date**	
Estimate		**SRMD/IRMD/Go-Ahead/ Minor Works/Misc.**	
Procurement		**Equipment/Spares/Clothing/Misc.**	
Subject			
Route		**Dated Initials**	**Remarks**
SO(A)/AAO			
AO/Sr. AO/ AIFA			
AEE(C)/EE(C)			
DIFA			
JIFA			
IFA			
Date of Despatch			

<table>
<tr><td colspan="4">ROUTE SLIP, IFA (BR)   PRIORITY-I (Not First Time Case)</td></tr>
<tr><td>Diary No.</td><td></td><td>Due Date</td><td></td></tr>
<tr><td colspan="2">Estimate</td><td colspan="2">AWP/Original/SRMD/IRMD/Go-Ahead/Minor Works/Misc.</td></tr>
<tr><td colspan="2">Procurement</td><td colspan="2">APP/Equipment/Spares/Clothing/Misc.</td></tr>
<tr><td colspan="2">Subject</td><td colspan="2"></td></tr>
<tr><td colspan="2">Route</td><td>Dated Initials</td><td>Remarks</td></tr>
<tr><td colspan="2">SO(A)/AAO</td><td></td><td rowspan="7"></td></tr>
<tr><td colspan="2">AO/Sr. AO/ AIFA</td><td></td></tr>
<tr><td colspan="2">AEE(C)/EE(C)</td><td></td></tr>
<tr><td colspan="2">DIFA</td><td></td></tr>
<tr><td colspan="2">JIFA</td><td></td></tr>
<tr><td colspan="2">IFA</td><td></td></tr>
<tr><td colspan="2">Date of Despatch</td><td></td></tr>
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Annexure 'N'

ROUTE SLIP, IFA (BR)	PRIORITY-II	
Diary No.		**Due Date**	
Estimate	**Original/Misc.**	
Procurement	**Equipment/Spares/Clothing/Misc.**	
Subject		
Route	**Dated Initials**	**Remarks**
SO(A)/AAO		
AO/Sr. AO/AIFA		
AEE(C)/EE(C)		
DIFA		
JIFA		
IFA		
Date of Despatch		

<table>
<tr><td colspan="4">ROUTE SLIP, IFA (BR) PRIORITY-III</td></tr>
<tr><td>Diary No.</td><td></td><td>Due Date</td><td></td></tr>
<tr><td colspan="2">Estimate</td><td colspan="2">Work done AE/RAE/AWP/Misc.</td></tr>
<tr><td colspan="2">Procurement</td><td colspan="2">APP/Equipment/Spares/Clothing/Misc.</td></tr>
<tr><td colspan="2">Subject</td><td colspan="2"></td></tr>
<tr><td colspan="2">Route</td><td>Dated Initials</td><td>Remarks</td></tr>
<tr><td colspan="2">SO(A)/AAO</td><td></td><td rowspan="7"></td></tr>
<tr><td colspan="2">AO/Sr. AO/ AIFA</td><td></td></tr>
<tr><td colspan="2">AEE(C)/EE(C)</td><td></td></tr>
<tr><td colspan="2">DIFA</td><td></td></tr>
<tr><td colspan="2">JIFA</td><td></td></tr>
<tr><td colspan="2">IFA</td><td></td></tr>
<tr><td colspan="2">Date of Despatch</td><td></td></tr>
</table>

Appendix 'A'

BRDB No. 04/696/2007/BEA/21801/PC/DGBR/TPC
Government of India
Ministry of Road Transport & Highways
Border Roads Development Board
'B' Wing, 4th Floor, Sena Bhawan
New Delhi-110011

Dated the 27th November, 2007

To

The Director General Border Roads
Seema Sadak Bhawan, Ring Road,
Delhi Cantt., New Delhi-110010
New Delhi-110011

SUBJECT:- **<u>DELEGATION OF ADMINISTRATIVE AND FINANCIAL POWERS IN BRO</u>**

Sir,

I am directed to refer to Govt. of India letter No. F.231(10)/BRDB/BWA/94/ Delegation dated 23rd March 1995 under which the concept of IFA system and authority cum responsibility centre in BRO was introduced and delegation of power to various authorities was made and further revised vide MOSRT&H 04/56/2004/BEA/21801/PC/DGBR/TPC dated 14th Dec 2004.

(a) The matter has been reviewed and it has been decided to enhance the delegated powers of various authorities as indicated in Annexure-I to this letter. These delegated financial powers are to be used as per system laid down in Annexure-II to this letter.

(b) Dte GBR will also ensure:-

(i) that the powers are delegated by the Govt., any deviation in the nature of withdrawal of these powers of a lower functionary by his/her immediate superior shall be with the approval of Govt. only.
(ii) that Govt. Rules/Regulations and procedures will be followed in exercising these powers.
(iii) that the powers delegated to various authorities cannot be delegated further down by them.

(c) Proposals, which do not fall within the delegation to DGBR and where Govt. approval is required will be referred so, with the concurrence of IFA/BR.

(d) The financial canons indicated in Financial Regulations will be observed.

(e) Financial powers of various authorities in areas not covered in this letter will be as per orders in force.

(f) The above provisions of the Govt. letter will be implemented with effect from the date of issue of this letter.

(g) B.R. Regulations will be deemed to have been amended accordingly.

(h) This issues with the concurrence of Ministry of Defence (Fin/BR) vide their ID No. MOD(Fin/BR)11(1)/07/BR/3097/07 dated 27.11.2007.

Yours faithfully,
Sd/- (Manmohan Pipil)
Under Secretary to the Govt. of India

Copy forwarded to:-

1. Ministry of Defence (Fin/BR) - 2 copies
2. CGDA, New Delhi
3. CDA (BR)
4. DADS, Brassey Avenue, New Delhi
5. IFA (BR) - 2 copies
6. DGADS, New Delhi
7. DGQA, New Delhi
8. CDA (HQrs), New Delhi
9. CDA (WC), Chandigarh
10. CDA (EC), Patna
11. Sr. DADS, WC Chandigarh
12. Sr. DADS, EC Patna
13. CDA NEZ Jammu
14. CDA NC Jammu
15. DG (RD), MORTH
16. CCA, MORTH

Annexure-I to Appendix 'A'

REVISED FINANCIAL POWERS TO BE EXERCISED BY CFAs UNDER BRDB

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
1.	Approval of long terms roll-on works plan	RRM/RM	Full Powers	Full Powers	HQ DGBR will have a long term roll-on works programme drawn up in consultation with IFA (BR) encompassing both GS and Agency works. The roll-on plan would be reviewed and updated annually at Govt. level with concurrence of Finance/BR.
2.	Approval of long term Eqpt plan	RRM/RM	Full Powers	Full Powers	HQ DGBR will have a long term equipment procurement plan on the basis of annual targets, likely budgetary resources/ norms of usage and output norms, drawn up in consultation with IFA (BR) and would be approved at Govt. level with concurrence of Finance/BR.
3.	Approval of Annual Works Plan	Secy. BRDB	Full Powers	Full Powers	The Annual Works Plan drawn up by DGBR with the concurrence of IFA (BR) would be finalized each year at Govt. level with the concurrence of Fin/BR in relation to current priorities, resources' availability and the long term perspective plan. The detailed vetting of estimates and execution will be left to DGBR who will act in consultation with IFA (BR).

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
4.	Approval of Annual Equipment Plan	Secy. BRDB	Full Powers	Full Powers	A precise and detailed annual eqpt procurement plan should be approved by the Ministry with concurrence of Fin/BR alongwith the budget within the purview of the long term plan. Further action for procurement will be taken by CFAs as per the guidelines issued from time to time.
5.	Changes/deviation from approved Annual Procurement Plan	DGBR	UPto Rs. 5 Crore	Up to 5% of approved APP limited to Rs. 5 Cr	Powers will be exercised in consultation with IFA/BR
6.	Introduction of new scales/ change of existing scales	Secy BRDB	Full Powers	Full Powers	Powers will be exercised in consultation with MoD (Fin/BR)
7.	Revision of norms of equipment	Secy BRDB	Full Powers	Full Powers	Powers will be exercised in consultation with MoD (Fin/BR)
8.	Fixation of life of vehicles	Secy BRDB	Full Powers	Full Powers	Powers will be exercised in consultation with MoD(Fin/BR)
9.	Disposal of unserviceable obsolete items	Secy BRDB	Full Powers	Full Powers	Powers will be exercised in consultation with MoD(Fin/BR)
10.	Periodical review of physical and financial progress of major works	Secy BRDB	Full Powers	Full Powers	Powers will be exercised in consultation with MoD(Fin/BR)
11.	Matters concerning other Ministries/Deptts.	Secy BRDB	Full Powers	Full Powers	Powers will be exercised in consultation with MoD(Fin/BR)

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
12.	Inclusion of works in BRDB programme	DGBR	Full Powers with flexibility to deviate from approved plan to the extent of Rs. 750 lakh	Full Powers with flexibility to deviate from approved plan to the extent of 10% of cost, limited to Rs. 750 lakh	Powers will be exercised in consultation with IFA/BR.
13	Construction of Administrative building/ residential building for GREF (including land)	RRM/Board	Beyond Rs. 200 lakh	Beyond Rs. 300 lakh	Powers will be exercised in consultation with MoD (Fin/BR)
		Secy BRDB	Upto Rs. 200 lakh	Upto Rs. 300 lakh	Powers will be exercised in consultation with MoD(Fin/BR)
		DGBR	Upto Rs. 10 lakh	Upto Rs. 50 lakh (except for the work in HQ DGBR)	Powers will be exercised in consultation with IFA/BR
		ADGBR	Nil	Upto Rs. 10 lakh (except for the work in HQ DGBR)	Power will be exercised in consultation with IFA/BR

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
14.	Sanction of Works Estimates (excluding Accn Wks)	DGBR	Full Powers	Full Powers	Power will be exercised in consultation with IFA/BR
		ADGBR	Rs. 50 lakh in consultation with IFA/BR	Rs. 100 lakh	Power will be exercised in consultation with IFA/BR
		CE (P)	Nil	Rs. 20 lakh for SRMD/ IRMD works & restoration of road damages as deposit works	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
15	Furniture sanction for GREF Accommodation works	DGBR	Full	Full Powers	Power will be exercised in consultation with IFA/BR.
		ADGBR	Upto Rs. 20 lakh	Rs. 20 lakh	Power will be exercised in consultation with IFA/BR.
		CE (P)	Nil	Rs. 2 lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
16	Technical minor wks connected with installation of plant & machinery in the Base Workshops	DGBR	Rs. 50,000/- limited to Rs. 5.00 lakh per year	Rs. 1 lakh per case limited to Rs. 10 lakh per year	Powers will be exercised in consultation with IFA/BR
		ADGBR	Rs. 35,000/- limited to Rs. 3.50 lakh per year	Rs. 70,000/- per case limited to Rs. 5 lakh per year	Powers will be exercised in consultation with IFA/BR
		CE EBW	Rs. 2,000/- limited to Rs. 20,000/- per year	Rs. 25,000/- per case limited to Rs. 2 lakh per year	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		CDR WBW	Rs. 2,000/- limited to Rs. 20,000/- per year	Rs. 25,000/- per case limited to Rs. 2 lakh per year	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
17	Petty Minor Works (Addition/alteration to building, water supply, security fencing etc.)	DGBR	Rs. 1 lakh limited to Rs. 20 lakh per year	Rs. 1 lakh per case limited to Rs. 30 lakh per year	Powers will be exercised in consultation with IFA/BR.
		ADGBR	Rs. 50,000/- limited to Rs. 2 lakh per year with respect of HQ DGBR	Rs. 50,000/- per case limited to Rs. 10 lakh per year with respect of HQ DGBR	Powers will be exercised in consultation with IFA/BR.
		CE	Rs. 10,000/- limited to Rs. 1.75 lakh per year	Rs. 25,000/- per case limited to Rs. 5 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Commander TF	Rs. 7,500/- limited to Rs. 75,000/- per year	Rs. 15,000/- per case limited to Rs. 1.50 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
18	Issue of Technical sanction (After issue of AEs)	DGBR	Full Powers	Full Powers	-
		ADGBR	Nil	Full Powers	-
		CE	Full Powers	Full Powers	-
		Commander TF/ITF	Rs. 22 lakh	Rs. 50 lakh	-
		OC RCC/ GE	Rs. 5 lakh	Rs. 15 lakh	-
19	Minor Changes in Scope/ Specifications for trial of new technique on experimental basis within the permissible limit of Administrative Approval	DGBR	Rs. 5 lakh in consultation with Expert Bodies like CRRI/IRC/ GSI etc.	Rs. 20 lakh in consultation with Expert Bodies like CRRI/IRC/ GSI/R&D of DGBR etc.	-
		ADGBR	Nil	Rs. 10 lakh in consultation with Expert Bodies like CRRI/IRC/ GSI/R&D of DGBR etc.	-

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
20	Terminal compensation on surrender of hired property	DGBR	Rs. 50,000/-	Rs. 1 lakh per case	Powers will be exercised in consultation with IFA/BR.
		ADGBR	Rs. 25,000/- per case	Rs. 50,000/- per case	Powers will be exercised in consultation with IFA/BR.
		CE	Rs. 2,000/- per case	Rs. 20,000/- per case	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
21	Procurement of Imported Equipment	RRM/RM	Beyond Rs. 50 Crore	Beyond Rs. 50 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		Def Secy	Upto Rs. 50 Crore	Upto Rs. 50 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		Addl Secy	Nil	Upto Rs. 20 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		Secy BRDB	Upto Rs. 5 Crore	Upto Rs. 7.5 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		DGBR	Upto Rs. 1 Crore per transaction	Upto Rs. 3 Crore per transaction	Power will be exercised in consultation with IFA/BR
		ADGBR	Nil	Upto Rs. 2 Crore	Power will be exercised in consultation with IFA/BR

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
22.	Procurement of Vehicle/ Plant/Eqpt and Clothing Indents on DGS&D rate contract Direct supply order to PSUs Other than indents at (a) & (b) above	RRM	Beyond Rs. 5 Crore	Beyond Rs. 25 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		Def Secy	Nil	Beyond Rs. 15 Crore and upto Rs. 25 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		AS	Nil	Beyond Rs. 7.50 Crore and upto Rs. 15 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		Secy BRDB	Beyond Rs. 3 Crore and upto Rs. 5 Crore	Upto Rs. 7.5 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		DGBR	Upto Rs. 3 Crore	Upto Rs. 5 Crore	Powers will be exercised in consultation with IFA/BR
		ADGBR	Nil	Upto Rs. 2 Crore	Powers will be exercised in consultation with IFA/BR

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
23	Procurement of Signal Equipment including Telephone Exchange, Radio Sets, BEST Eqpt, FAX Machines, Telephones, PA Equipment, Projection system etc. including spares	DGBR	Upto Rs. 3 Crore	Upto Rs. 3 Crore	Powers will be exercised in consultation with IFA/BR
		ADGBR	Upto Rs. 1 Crore	Upto Rs. 1 Crore	Powers will be exercised in consultation with IFA/BR
		CE	Nil	Upto Rs. 10 lakh	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
24	Maintenance of Signal Equipment including Telephone Exchanges, Radio Sets, BEST Eqpt, FAX Machines, Telephones, PA Equipment, Projection System etc. including spares	CE (P)	Nil	Upto Rs. 1 lakh per case and Rs. 10 lakh per year	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr TF/ WBW	Nil	Rs. 10,000/- (subject to annual limit of Rs. 2 lakhs)	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
25	Procurement of spares for Veh/Eqpt/Plant Indents on DGS&D rate contract Direct Supply Order on PSU	Secy BRDB	Beyond Rs. 3 Crore	Full Powers	Powers will exercised in consultation with MoD (Fin/BR)
		DGBR	Upto Rs. 300 lakhs	Upto Rs. 5 Crore	Powers will be exercised in consultation with IFA/BR
		ADGBR	Upto Rs. 100 lakhs	Upto Rs. 200 lakhs	Powers will be exercised in consultation with IFA/BR
		CE	Nil	Upto Rs. 5 lakhs on each occasion limited to Rs. 50 lakhs	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
	Other than indents at (a) & (b) above	DGBR	Upto Rs. 300 lakhs	Upto Rs. 400 lakhs	Power will be exercised in consultation with IFA/BR
		ADGBR	Upto Rs. 100 lakhs	Upto Rs. 200 lakhs	Power will be exercised in consultation with IFA/BR
		CE	Rs. 1 lakh on each occasion	Rs. 2 lakh on each occasion	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr. TF	Rs. 15,000/- on each occasion	Rs. 50,000/- on each occasion	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
		CE EBW	Rs. 1 lakh on each occasion	Rs. 2 lakh on each occasion	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr. WBW	Rs. 75,000/- on each occasion	Rs. 1 lakh on each occasion	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		OC Fd Wksp	Rs. 5,000/- on each occasion	Rs. 25,000/- on each occasion	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		OC (I) Wksp Pl	Rs. 2,000/- on each occasion	Rs. 10,000/- on each occasion	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		OC Stores Division	Rs. 50,000/- on each occasion limited to Rs. 15 lakh per annum	Rs. 1 lakh on each occasion limited to Rs. 40 lakh	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Comdt G/Centre	Rs. 5,000/- on each occasion	Rs. 10,000/- on each occasion limited to Rs. 2 lakh per annum	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
26	Procurement of imported spares for Veh/Eqpt/ Plant	Secy BRDB	Nil	Upto Rs. 3 Crore	Powers will be exercised in consultation with MoD (Fin/BR)
		DGBR	Nil	Upto Rs. 1 Crore	Powers will be exercised in consultation with IFA/BR
		ADGBR	Nil	Upto Rs. 50 lakhs	Powers will be exercised in consultation with IFA/BR

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
27	Procurement of Spares (Local purchase)	CE EBW	Rs. 40,000/-	Rs. 1.50 lakh	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr WBW	Up to Rs. 30,000/- on each occasion and not exceeding Rs. 2 lakh per year	Rs. 1.5 lakh on each occasion and not exceeding Rs. 5 lakh per year	Powers will be exercised in consultation with DCDA/ACDA/ SAO/AO
28	Procurement of Spares (Cash Imprest)	CE EBW	Rs. 2,000/-	Rs. 15,000/-	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr WBW	Rs. 2,000/-	Rs. 15,000/-	Powers will be exercised in consultation with DCDA/ACDA/SAO/ AO
29	Procurement of spares (Cash Imprest purchase without pre-audit)	CE	Rs. 10,000/-	Rs. 20,000/-	-
		Cdr TF	Rs. 7,500/-	Rs. 15,000/-	-
		CE EBW	Rs. 10,000/-	Rs. 20,000/-	-
		OC Fd Wksp	Rs. 5,000/-	Rs. 10,000/-	-
		OC RCC	Nil	Rs. 3,000/-	-
		Comdt G/Centre	Rs. 2,000/-	Rs. 4,000/-	-
		Cdr EBW	Rs. 7,500/-	Rs. 15,000/-	-
		OC (I) Wksp Pl	Rs. 2,000/-	Rs. 4,000/-	-

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
30	Purchase of spares/ payment for way side repair charges for vehicle on convey duty outside project jurisdiction	CE	Upto Rs. 1,000/- per veh/eqpt on each occasion on convoy duty	Upto Rs. 10,000/- per veh/eqpt on each occasion on convoy duty	-
		Cdr	Nil	Upto Rs. 5,000/- per veh/eqpt on each occasion on convoy duty	-
		OC RCC	Nil	Upto Rs. 2,000/- per veh/eqpt on each occasion on convoy duty	-

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
31	Repair of equipment through trade	DGBR	Full	Full Powers	Power will be exercised in consultation with IFA/BR
		ADGBR	Rs. 1 Lakh	Rs. 5 Lakh	Power will be exercised in consultation with IFA/BR
		CE	Up to Rs. 50,000/-	Up to Rs. 2 Lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Commander TF	Up to Rs. 10,000/-	Up to Rs. 50,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		CE EBW	Up to Rs. 10,000/-	Up to Rs. 2 Lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr WBW	Up to Rs. 10,000/-	Up to Rs. 1 Lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		OC Field Wksp	Up to Rs. 5,000/-	Up to Rs. 20,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		OC (I) Wksp Pl	Nil	Up to Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		GE/OC RCC	Nil	Up to Rs. 5,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		LO DGBR	Nil	Up to Rs. 5,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
32.	Local Purchase (Construction Materials)	DGBR	Full	Full Powers	Power will be exercised in consultation with IFA/BR
		ADGBR	Rs. 1 Lakh	Full Powers	Power will be exercised in consultation with IFA/BR
		CE	Full Powers	Full Powers	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr TF	Rs. 30,000/-	Rs. 1 Lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		CE EBW	Rs. 15,000/-	Rs. 50,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr WBW	Rs. 5,000/-	Rs. 20,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		OC WSD/ ESD	Rs. 10,000/-	Rs. 20,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		GE/OC RCC/BCC/ DMC	Rs. 5,000/-	Rs. 20,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
33	Advance payment to suppliers public sector only	DGBR	Not exceeding 15% of basic cost of equipment	Not exceeding 15% of basic cost of equipment	Power will be exercised in consultation with IFA/BR
		ADGBR	Nil	Upto 15% of basic cost of equipment	Power will be exercised in consultation with IFA/BR
34	Local purchase of other cat 'B' & stores (excluding all ASC items like ration, fuel, medical supplies)	DGBR	Full	No change	Power will be exercised in consultation with IFA/BR
		ADGBR	Rs. 1 Lakh	Rs. 10 Lakh	Power will be exercised in consultation with IFA/BR
		CE	Upto Rs. 2 lakh	Upto Rs. 5 lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		Cdr TF	Up to Rs. 50,000/-	Up to Rs. 2 Lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/ AO
		CE EBW	Up to Rs. 15,000/-	Up to Rs. 50,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr WBW	Up to Rs. 15,000/-	Up to Rs. 25,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Base Depot	Nil	Up to Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
		OC ESD/ WSD	Up to Rs. 5,000/- per transaction limited to annual budget	Up to Rs. 20,000/- wherever specifically authorized by DGBR in consultation with IFA (BR)	
		OC Fd Wksp (Indpt Platoon)	Up to Rs. 1,000/-	Up to Rs. 5,000/-	
		Commander GREF Centre	Up to Rs. 10,000/-	Up to Rs. 1 Lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
35	Local Purchase of fresh ration and POL	CE	Up to Rs. 50,000/-	Rs. 1 Lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr TF	Up to Rs. 25,000/-	Rs. 50,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		CE/ Commander Base Wksp	Up to Rs. 5,000/-	Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
36	Issue of constr stores to Govt deptt/Orgn (excluding clothing & explosives)	DGBR	Full powers	Full powers	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 50 Lakh	Rs. 100 Lakh	Power will be exercised in consultation with IFA (BR)
		CE	Nil	Rs. 2 Lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
37	Issue of equipment to Govt. Deptts/PSUs on hire	DGBR	Full powers for a period of 6 months	Full powers for a period of 6 months	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Full powers for a period of 3 months	Power will be exercised in consultation with IFA (BR)
		CE	Nil	Full powers for a period of 1 month	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
38	Approval of survey boards for Veh/Plant/Eqpt				
	(i) Cases due to Fair Wear & Tear	DGBR	Rs. 1 Lakh	Rs. 5 Lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Rs. 3 Lakh	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 75,000/-	Rs. 2 Lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/*AO*
	(ii) NOT due to Fair Wear & Tear	DGBR	Rs. 15,000/-	Rs. 1 Lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Rs. 50,000/-	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 5,000/-	Rs. 20,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
39	Acceptance of recommendations of the Board of Survey for other stores (Cat ‘B’ stores, constructional stores, clothing etc) and to declare stores as unserviceable scrap	DGBR	Full Powers	Full Powers	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 50 lakh	No change	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 1 lakh	Rs. 3 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr	Rs. 15,000/-	Rs. 50,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Comdt G/Centre	Rs. 5,000/-	Rs. 20,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
40	Dispensing with holding of court of inquiry				
	Loss of stores NOT due to Theft, Fraud or Neglect	DGBR	Rs. 50,000/-	Rs. 1 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 15,000/-	Rs. 30,000/-	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 5,000/-	Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
	Loss of stores due to Theft, Fraud or Neglect	DGBR	Rs. 6,000/-	Rs. 20,000/-	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 2,000/-	Rs. 5,000/-	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 5,00/-	Rs. 2,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
41	Write off losses of stores				
	NOT due to Theft, Fraud or Neglect	DGBR	Rs. 2 lakh	Rs. 5 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 1 lakh	Rs. 3.lakh	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 50,000/-	Rs. 2 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr TF	Rs. 1,500/-	Rs. 15,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Base Wksp	Rs. 1,500/-	Rs. 1,500/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Store Div.	Rs. 1,500/-	Rs. 1,500/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Base Depot	Rs. 300/-	Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Comdt. G/Centre	Rs. 100/-	Rs. 15,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
	Due to Theft, Fraud or Neglect	DGBR	Rs. 60,000/-	Rs. 1 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Rs. 30,000/-	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 75,00/-	Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
42	Write off losses of Public Money				
	(a) NOT due to Theft, Fraud or Neglect	DGBR	Rs. 40,000/-	Rs. 1 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 10,000/-	Rs. 30,000/-	Power will be exercised in consultation with IFA (BR)
		CE	Nil	Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
	(b) Due to Theft, Fraud or Neglect	DGBR	Rs. 40,000/-	Rs. 50,000/-	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 10,000/-	Rs. 15,000/-	Power will be exercised in consultation with IFA (BR)
		CE	Nil	Rs. 5,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
43	Regularisation of Infructuous expenditure due to desertion of ICPLs and write off the loss after obtaining audit report from CDA concerned	DGBR	Rs. 5,000/-	Rs. 40,000/-	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Rs. 10,000/-	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 2,500/-	Rs. 2,500/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
44	CEs entertainment grant	CE	Rs. 5,000/- per annum	Rs. 10,000/- per annum	
45	Petty Contingent expenditure out of Imprest	CE	Rs. 250/-	Rs. 2,000/-	
		Cdr TF	Nil	Rs. 1,000/-	
		CE EBW	Nil	Rs. 1,000/-	
		Cdr WBW	Nil	Rs. 500/-	
		LO DGBR	Rs. 100/-	Rs. 500/-	

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
46	Acceptance of contracts	DGBR	Full Power	Full Power	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Full Power	Power will be exercised in consultation with IFA (BR)
		CE	Full Power	Full Power	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr TF	Rs.22 lakh with concurrence of ACDA/AO (Project) and (b) upto Rs. 10 lakh without concurrence of ACDA/AO (Project)	Rs. 50 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
47	Acceptance of Execution Contracts for Surfacing/ Resurfacing works, Construction of Bridges and buildings and for supply of stores and materials or for transportation of personnel and stores (Surfacing/Re-surfacing works in respect of GS and Agency works in J&K and only for Agency works in other States)	CE	Beyond Rs. 500 lakh after approval of DGBR in consultation with IFA (BR)	Beyond Rs. 1000 lakh after approval of DGBR	Power will be exercised in consultation with IFA (BR)
				Beyond Rs. 500 lakh and upto Rs. 1000 lakh after approval of ADGBR	Power will be exercised in consultation with IFA (BR)
			Upto Rs. 300 lakh in consultation with colated IFA	Upto Rs. 500 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
48	Acceptance of Execution Contracts for Earth work and Formation cutting, Surfacing works, Protective works like construction of Retaining/Breast walls, small Culverts/ Causeways, Drains and Parapet walls. (Surfacing works in respect of GS and Agency works in J&K and only for Agency works in other states)	CE	Beyond Rs. 100 lakh after approval of DGBR in consultation with IFA (BR)	Beyond Rs. 1000 lakh after approval of DGBR	Power will be exercised in consultation with IFA (BR)
			Beyond Rs. 50 lakh and upto Rs. 100 lakh after approval of ADGBR in consultation with IFA (BR)	Beyond Rs. 500 lakh and upto Rs. 1000 lakh after approval of ADGBR	Power will be exercised in consultation with IFA (BR)
			Upto Rs. 50 lakh in consultation with colate IFA	Upto Rs. 500 lakh in consultation with collated IFA	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
49	Hiring of Immovable Property	DGBR	Rs. 1 lakh per proposal per annum	Rs. 5 lakh per proposal per annum	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 50,000/- per proposal per annum	Rs. 2 lakh per proposal per annum	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 30,000/- per year	Rs. 1 lakh for works purpose (limited upto Rs. 3 lakh per year)	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr TF	Nil	Rs. 25,000/- per proposal limited to Rs. 1.5 lakh per year	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
50	Hiring of Transport and Plant/Equipment from Govt. Deptts/ PSUs/Private Parties	DGBR	Full power but not exceeding 6 months	Full power but not exceed 6 months	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Rs. 50 lakh (not exceeding 3 months)	Power will be exercised in consultation with IFA (BR)
		CE	Upto Rs. 5,000/- on each occasion	Rs. 2 lakh (not exceeding one month)	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
51	Consultancy services for various works (each work)	DGBR	Upto Rs. 30,000/- in each case, limited to Rs. 2 lakh per year	Upto Rs. 30,000/- in each case limited to Rs. 2 lakh per year	Power will be exercised in consultation with IFA (BR)
52	Purchase of specialist items for works on single quotation	Chief Engineer	Nil	As per the limits prescribed in the GFR	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
53	Placing of supply orders on Rate contract (Construction materials and cat 'B' stores on RC)	CE	Full power	Full power	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr TF	Full power	Full power	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		GE/OC RCC	Upto Rs. 10 lakh wherever specifically authorized by DGBR in consultation with IFA (BR)	Upto Rs. 10 lakh wherever specifically authorized by DGBR in consultation with IFA (BR)	-
		OC Base Wksp	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Store Div	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr G/Centre	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Base Depot	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		LO DGBR	Upto Rs. 5 lakh	Upto Rs. 5 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
54	Local purchase of stationery	DGBR	Rs. 15 lakh per annum (over & above the powers of CEs & others)	Rs. 40 lakh per annum (over & above the powers of CEs & others)	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Rs. 10 lakh per annum	Power will be exercised in consultation with IFA (BR)
		CEs with 3-4 TFs	Rs. 3 lakh per annum	Rs. 8 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		CEs with 2 TFs	Rs. 2 lakh per annum	Rs. 6 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		CEs with 1 TF	Rs. 1 lakh per annum	Rs. 5 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		CE EBW	Rs. 60,000/- per annum	Rs. 4 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr WBW	Rs. 60,000/- per annum	Rs. 3 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Comdt. G/Centre	Rs. 80,000/- per annum	Rs. 4 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr. TF	Nil	Rs. 4 lakh per annum	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
55	Payment of bills against supply orders placed on DGS&D (construction materials and Cat 'B' stores on Rate contract)	CE	Full power	Full power	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr TF	Full power	Full power	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		GE/OC RCC	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Base Wksp	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Store Div	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr G/Centre	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Base Depot	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
56	Maintenance/Repairs of Typewriters and other machines and their condemnation	DGBR	Beyond Rs. 100/- and upto Rs. 140/- per machine per year and its condemnation	Upto Rs. 500/- per machine on each occasion subject to Rs. 1500/- per year	
		Chief Engineer	Rs. 100/- per machine on each occasion subject to maximum of Rs. 140/- per year	Upto Rs. 500/- per machine on each occasion subject to Rs. 1500/- per year	
		Cdr TF/ Comdt GREF Centre/LO DGBR	Rs. 100/- per machine on each occasion subject to maximum of Rs. 140/- per year	Upto Rs. 500/- per machine on each occasion subject to Rs. 1500/- per year	

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
57	Expenditure incurred on Recruitment - Regularisation of infructuous expenditure on account of unrecovered cost of Rly warrant and transportation by road upto Project site, out of pocket allowance etc. of imported Casual personnel who leave Project sites prior to completion of minimum per of six months	Chief Engineer	Rs. 2,500/-	Upto Rs. 25,000/-	
58	Medical supplies and hygienic chemicals	CE	Upto Rs. 5,000/-	Upto Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr. TF	Upto Rs. 1,500/-	Upto Rs. 5,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		CE EBW	Upto Rs. 300/-	Upto Rs. 5,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr WBW	Upto Rs. 300/-	Upto Rs. 2,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		OC Store Div	Upto Rs. 200/-	Upto Rs. 2,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr. G/Centre	Upto Rs. 750/-	Upto Rs. 2,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
59	Medical advance to central Govt. employees (i) Indoor/outdoor patient for diseases like TB/ Cancer etc. (ii) Major illness like Bypass Surgery, Kidney transplantation etc.	DGBR	Nil	Full power	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Full power	Power will be exercised in consultation with IFA (BR)
		CE	Full power	Full power	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
60	Re-imbursement of Medical Claims under emergency at Private Hospitals	DGBR	Full power	Full power	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 20,000/-	Rs. 1 lakh	Power will be exercised in consultation with IFA (BR)
		CE	Nil	Rs. 20,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
61	Demurrage/Warefage	DGBR	Full power	Full power	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 2 lakh	Rs. 5 lakh	Power will be exercised in consultation with IFA (BR)
62	Implementation of Court Cases	DGBR	Full power	Full power	Power will be exercised in consultation with IFA (BR)

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
63	Settlement of civil compensation case including Bhutan				
	Each individual case	BRDB	Full power	Full power	Power will be exercised in consultation with Min of Def (Fin/BR)
		DGBR	Rs. 1 lakh	Rs. 5 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 50,000/-	Rs. 1 lakh	Power will be exercised in consultation with IFA (BR)
		CE	Upto Rs. 2,000/-	Upto Rs. 10,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
	Any one accident	DGBR	Rs. 1.50 lakh	Rs. 5 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 50,000/-	Rs. 1 lakh	Power will be exercised in consultation with IFA (BR)
		CE	Upto Rs. 10,000/-	Upto Rs. 50,000/-	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	**2**	**3**	**4**	**5**	**6**
64	Sanction of Payment of Compensation under Workmen's Compensation Act, 1923	DGBR	Rs. 4.50 lakh	Rs 9.00 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Rs. 7.00 lakh	Power will be exercised in consultation with IFA (BR)
		CE	Rs. 3.50 lakh	Rs. 6.00 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
		Cdr TF/ GREF Centre	Rs. 2.50 lakh	Rs. 4.50 lakh	Power will be exercised in consultation with DCDA/ACDA/ SAO/AO
65	Payment of wages to specialist tradeseman for specific specialist jobs in consultation with local civil/administration authority	CE	Full powers to be exercised accordance with the approved wage rates by the State Govt.	Full powers to be exercised in accordance with the approved wage rates by the State Govt.	
66	Sanction for deputing Officials to attend Seminar/Conferences	DGBR	Rs. 15,000/- per case	Rs. 30,000/- per case	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 5,000/- per case	Rs. 10,000/- per case	Power will be exercised in consultation with IFA (BR)

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
67	Institutional membership of Technical Bodies and payment of Annual Subscription	DGBR	Not exceeding Rs. 25,000/- per case	Rs. 35,000/-	Power will be exercised in consultation with IFA (BR)
		ADGBR	Not exceeding Rs. 10,000/- per case	Rs. 15,000/-	Power will be exercised in consultation with IFA (BR)
68	Co-sponsoring of Technical Seminars/ Conference (in India)	DGBR	Rs. 25,000/-	Rs. 35,000/-	Power will be exercised in consultation with IFA (BR)
		ADGBR	Nil	Rs. 15,000/-	Power will be exercised in consultation with IFA (BR)
69	Training courses (in India)	DGBR	As per approved training programme and budget provision	As per approved training programme and budget provision	
		ADGBR	Nil		
70	Re-appropriation of funds under same Major Heads	DGBR	Upto 10% of the original budget provision	No change	
		ADGBR	Nil	No change	

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
71	Procurement, Repair & Maintenance of Computers and Computer related Peripherals				-
	(a) Purchase of computer (b) Provision of access connectivity including associated hardware and software (c) Purchase of systems software and application software (d) Software development & Tech consultancy for IT projects and IT training	DGBR	Upto Rs. 10 lakh	No change	-
		ADGBR	Upto Rs. 5 lakh	No change	-
		Chief Engineer	Nil	No change	-
		CE EBW	Nil	No change	-
		Cdr WBW	Nil	No change	
		OC ESD/ WSD	Nil	No change	
		Comdt. G/Centre	Nil	No change	

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
	(e) Purchase of Computer Peripherals and Ancillaries				
	(i) In consultation with IFA (BR)/AO(in-charge)	DGBR	Upto Rs. 10 lakh	Upto Rs. 10 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Upto Rs. 5 lakh	Upto Rs. 5 lakh	Power will be exercised in consultation with IFA (BR)
		CE (P)	Nil	Rs. 50,000/- (subject to annual limit of Rs. 2 lakh)	Power will be exercised in consultation with DCDA/ACDA/SAO/AO
	(ii) Without consulting IFA (BR)/AO (in-charge)	DGBR	Upto Rs. 50,000/-	Rs. 50,000/-	
		ADGBR	Rs. 10,000/-	Rs. 10,000/-	

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
	(f) Local repair and maintenance of Computers, Peripherals, Ancillary Eqpts				
	(i) In consultation with IFA (BR)/AO in-charge	DGBR	Rs. 2 lakh	Rs. 5 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 1 lakh	Rs. 3.50 lakh	Power will be exercised in consultation with IFA (BR)
		CE (P)	Nil	Upto Rs. 3.00 lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/AO
		CE EBW	Nil	Upto Rs. 3.00 lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/AO
		Cdr WBW/ TF	Nil	Upto Rs. 2.50 lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/AO
	(ii) Without consulting IFA (BR)/AO in-charge	DGBR	Rs. 30,000/-	Rs. 30,000/-	
		ADGBR	Rs. 25,000/-	Rs. 25,000/-	

Srl No.	Object on which expenditure may be sanctioned	CFA	Existing financial powers	Revised financial powers	Remarks
1	2	3	4	5	6
	(g) Maintenance of Computer System and their Peripherals				
	(i) In consultation with IFA (BR)/AO in-charge	DGBR	Rs. 2 lakh	Rs. 5 lakh	Power will be exercised in consultation with IFA (BR)
		ADGBR	Rs. 1 lakh	Rs. 3.50 lakh	Power will be exercised in consultation with IFA (BR)
		CE (P)	Nil	Rs. 2.50 lakh	Power will be exercised in consultation with DCDA/ACDA/SAO/AO
		CE EBW, Cdr TF/ WBW	Nil	Rs. 50,000/-	Power will be exercised in consultation with DCDA/ACDA/SAO/AO
	(ii)Without consulting IFA (BR)/AO in-charge	DGBR	Rs. 50,000/-	Rs. 50,000/-	
		ADGBR	Rs. 25,000/-	Rs. 25,000/-	

IMPLEMENTATION OF INTERNAL FINANCIAL ADVISER SYSTEM AND AUTHORITY CUM RESPONSIBILITY CENTRE CEONCEPT IN THE BORDER ROADS ORGANISATION

With a view to introducing efficiency in performance and establishing linkages between resources utilized and outputs achieved, it has become necessary to ensure greater decentralization of responsibilities for budget formulation and financial control together with adoption of the concept of accountability. The IFA system seeks to achieve this objective through delegation of financial powers and creation of Authority cum Accountability and Responsibility Centre.

2. Under this arrangement, the Director General Border Roads (DGBR) would act as the Authority-cum-Accountability for BRO and would be responsible for cost effective management of construction and maintenance of roads, bridges and buildings in the BRO. This centre will be expected to control various items of Budget for achieving the objectives pertaining to its sphere of responsibilities and will have adequate authority for management of various activities concerning them. It will also be responsible for apportioning the budget to field organization as Budget Centers. Further, in his capacity as the High level Budget Holder, DGBR would also be inter-alia responsible for:-

(a) Preparation and implementation of long term works and procurement plans.
(b) Preparation of various budgetary estimates relating to works, procurement of equipment/plants/vehicles and establishment matters as per the existing procedure.
(c) Monitoring of sanctions and the related cash outgo.
(d) Ensuring that the expenditure does not exceed the allotment.
(e) Monitoring of all major activities of works like construction of major permanent bridges, buildings, helipads, runways etc. with a view to avoid time and cost overrun.
(f) Maintaining item wise/job wise/contract wise details of liabilities.
(g) Effective personnel management to avoid idle capacity in both manpower and machinery.
(h) Monitoring and review of the existing equipment output and utilization norms.
(i) Review of maintenance scale in the BRO from time to time.
(j) Review of the existing output norms for major construction of equipment.
(k) Enhanced mechanization and modernization of equipment and technology.
(l) Monitoring of court cases and implementation of court judgments.

(m) Provision review of spare parts of veh/eqpt/plants in BRO.

(n) Keeping the BRDB Secretariat fully informed as and when necessary about important decisions/developments in his sphere of activities.

3.1 **Long term roll on works programme**

The DGBR will have a works programme, including agency works on a long term basis for say for five years on the basis of indicative budgets. The long term roll-on works programme should take into account the full capacity of the organisation carry over liabilities, including new works/agency works in progress and agency works likely to be received etc.

3.2 Annual Works Programme

From within the purview of a long term roll-on works programme, the annual works programme should be carved out after proper correction and reconciliation at the pre-budget stage. In other words, the budget proposals should be supported by a detailed works programme.

3.3 Inclusion of works in BRDB Programme

Inclusion of works in BRDB programme should be a pre-budget and budget linked exercise. Any changes in that during the year for supplementing, complementing, correction/re-adjustment of strategy related changes should be incorporated within the available budgetary allocation of the DGBR with the concurrence of the IFA upto Rs. 5 Crores beyond which the matter should be referred to the Ministry.

3.4 Vetting of Estimates

The works estimates prepared by the technical officers on the basis of technical approval, laid down norms, scale prevalent, rates etc. and approved by the Senior Engineer Officers will be vetted by the IFA (BR) and, on their clear concurrence, would be accepted by DGBR/ADGBR to the extent of delegated financial powers, without financial limits as long as the estimates are for the approved works programme and within the available budgetary allocation.

4. **Long Term Equipment Procurement Plan**

DGBR will have a long term equipment procurement plan on the basis of indicative budgets, and need for the different types and numbers of equipment on the basis of specific targets in the long terms works programme etc.

4.2 **Annual Equipment Procurement Plan**

DGBR will prepare a definite and detailed annual equipment procurement plan as a part of the budgetary exercise and this should be approved by the Ministry along with the budget within the purview of the long term plan.

Thereafter, following the laid-down procurement procedure, DGBR/ADGBR should implement the same with the concurrence of IFA (BR) to the extent of the delegated powers. Any changes in the approved plan during the course of the year for supplementing, complementing, corrections/re-adjustment to the extent of Rs. 5 Crores may be done by the DGBR with the concurrence of the IFA (BR) and for increase beyond this limit, the matter should be referred to the Ministry.

4.3 **Annual provision review of spare parts**

DGBR will assess the requirement of spare parts annually through provision review as per orders laid down in Govt. of India, MOST, BRDB, letter BRDB/01/148/BEA/2002/54113/DGBR/E4/INV(P&P)-Part-I dated 17-6-2004.

5.1 **Tender Purchase Committees (TPCs)**

All procurement will be made on the advice of the Tender Purchase Committees (TPCs). The Tender Purchase Committees will be set up at two levels to expeditiously process procurement cases. The composition of the two TPCs along with the financial limits will be as per Appendix ‘A’ attached.

5.2 In regard to procurement of all Cat ‘A’ stores, where the value of stores exceeds, Rs. 500 lakhs, the tenders together with a comparative statement of quotations and the recommendations of TPC level-I will be referred to BRDB Secretariat for obtaining the approval of the competent authority. After the decision of the BRDB Secretariat is communicated, the contracts will be concluded by the DGBR HQrs.

5.3 Subject to the broad guidelines, issued vide Govt. of India, MOST, BRDB letter No. 153(21)/BRDB/BWA/Gen/Procurement/92-93 dated 13.1.93 as amended from time to time, it will be the responsibility of the DGBR HQrs. to initiate actions for all purchases and process the placement of the Supply Order after obtaining the approval of the competent authority. For this purpose, the arrangements of the issue of tender enquiries supply/sale of tender documents, drawings, specifications etc., receiving and opening of tenders, convening TPC meetings, formalization of the TPC proceedings, submission of proposals to the IFA (BR)/Sectt. BRDB as the case may be, for issue of Acceptance of Tender (AT) and post contract administration of the contracts shall be made by the DGBR.

5.4 In case of difference of opinion between the CFA and other members of TPCs the decision of CFA will be final. However, in case of difference of opinion between member finance of TPC level-II and the concerned CFA, the matter shall be reported to the TPC level-I who shall look at the matter ab-initio and take a decision. As regards difference of opinion between member finance of TPC level-I and the CFA, the latter shall refer the matter to BRDB Sectt. for taking a decision as per the existing orders.Appendix-A to Appendix ‘A’

Appendix 'A' to Annexure-II

COMPOSITION OF TPCs FOR CAT 'A' VEHICLES/EQUIPMENT/PLANTS/SPARES/CLOTHING ARTICLES

Sl. No.	Value limits of each item		Composition of TPC
1.	Beyond Rs. 200.00 lakhs	**Level-I**	(i) DGBR – Chairman (ii) IFA (BR) (iii) DDG (TA) (iv) DDG/DGQA (v) DDG (TP)
2.	Upto Rs. 200.00 lakhs	**Level-II**	(i) Addl. DGBR – Chairman (ii) Jt. IFA(BR)/Dy. IFA (BR) (iii) DDG (TA) (iv) Dir/DGQA (v) Dir (Resources) (vi) Dir (Inventory)

Appendix 'B'

No. BRDB/01/152/BEA/2003
Government of India
Ministry of Shipping, Road Transport & HIghways
Border Roads Development Board
'B' Wing, 4th Floor, Sena Bhawan
New Delhi-110011
Dated : 27/12/2004

To

The Director General Border Roads
Seema Sadak Bhawan, Ring Road,
Nariana, Delhi Cantt.
New Delhi-110010

SUBJECT:- <u>AMENDMENT TO PARAGRAPHS 611 AND 614 OF BR REGULATIONS</u>

Sir,

I am directed to convey the sanction of the President of India for the amendment of Paragraphs 611 and 614 of BR Regulations as indicated in Annexure-I to this letter.

A copy of the Standard Operating Procedure (SOP) for execution of works on amended paragraphs 611 & 614 of BR Regulations is enclosed at Annexure-II for information and guidance.

The sanction mentioned above will come into force with immediate effect.

Relevant portions of BR Regulations will be deemed to have been amended accordingly.

This issues with the concurrence of Ministry of Defence (Fin/BR) vide their UO No. 19(1)/2003/BRS(2819/04) dated 27.12.2004.

Yours faithfully,
Sd/-
(Santosh)
Under Secretary to the Govt. of India

Copy to:-

(i)	Ministry of Defence (Fin/BR)	- 2 copies
(a)	IFA/BR	- 2 copies
(b)	CDA/BR	- 2 copies
(c)	DGADS, New Delhi	- 2 copies
(d)	CGDA, New Delhi	- 2 copies
(e)	DGQA, New Delhi	- 2 copies
(f)	DADS, New Delhi	- 2 copies
(g)	CDA, WC, Chandigarh	- 2 copies
(h)	CDA, SC, Pune	- 2 copies
(i)	CDA, EC, Patna	- 2 copies
(j)	Sr. DADDS, WC, Chandigarh	- 2 copies
(k)	Sr. DADDS, EC, Patna	- 2 copies
(l)	CDA, NEZ, Guwahati	- 2 copies
(m)	CDA, NC, Jammu	- 2 copies
(n)	DG (RD), MORT&H	- 2 copies
(o)	CCA, MORT&H, Jam Nagar House	- 2 copies

Annexure-I to Appendix ‘B’

AMENDMENT TO PARA 611 AND 614 OF BR REGULATIONS

<table>
<tr><th>EXISTING REGULATIONS</th><th>AMENDED REGULATIONS</th></tr>
<tr><td><u>BR 611</u> – Works on the construction of roads will normally be carried out departmentally by the units and formations in the GREF. Contracts may be entered into for the construction of bridges or ancillary buildings such as offices, workshops, living accommodation etc. for the supply of stores and materials or for transportation of personnel and stores.</td><td><u>BR 611</u> – Works on the construction of roads will normally be carried out departmentally by the units and formations in the GREF. Contracts may be entered into for the construction of bridges, for surfacing/ re-surfacing works* for construction of ancillary buildings such as offices, workshops, living accommodation etc. for the supply of stores and materials or for transportation of personnel and stores.
<table>
<tr><td>Financial Power</td><td>Accepting Officer for Contract</td><td>Officer entitled to approve execution of work through contract</td></tr>
<tr><td>(a) Upto Rs. 300 lakhs</td><td>CE Project</td><td>CE Project in consultation with co-related IFA.</td></tr>
<tr><td>(b) Beyond Rs. 300.00 lakhs and upto Rs. 500.00 lakhs</td><td>CE Project</td><td>ADGBR in consultation with IFA/BR</td></tr>
<tr><td>(c) Beyond Rs. 500.00 lakhs</td><td>CE Project</td><td>DGBR in consultation with IFA/BR</td></tr>
</table>
* For GS Works & Agency Works in J&K and only for Agency Works in other States.</td></tr>
</table>

BR 614 – In exceptional case, the execution of the following items of road work not exceeding Rs. 20,000.00 individually, may, at the discretion of the Chief Engineer, be entrusted to small contractors:- a) Jungle clearance and cutting of trees. b) Trace Cutting. c) Earth work and formation cutting. d) Protective works, like construction of retaining/breast walls, small culverts/causeways, drains and parapet walls, and e) Breaking of stones for soiling and metaling No original work involving the use of machinery or any items of maintenance service will be carried out through the above contract. Any other item of work will not also be carried out departmentally on the same stretch of road for the duration of the contract. The contract will be based on the rates adopted by the PWD or CPWD in the areas concerned and shall specify the time limit for completion of the different stages of the work. The work carried out through contract shall be measured and measurements recorded in Measurement Books (IAFW 2261).	**BR 614** – In exceptional case, the execution of the following items of road work not exceeding Rs. 50.00 lakhs individually, may, at the discretion of the Chief Engineer, be entrusted to contractors:- a) Earth work and formation cutting. b) Surfacing works* c) Protective works, like construction of retaining/breast walls, small culverts/ causeways, drains and parapet walls. No item of maintenance service will be carried out through the above contract. Any other item of work will not also be carried out departmentally on the same stretch of road for the duration of the contract. The contract will be based on CPWD or other Agencies carrying out similar works in the areas concerned and shall specify the time limit for completion of the different stages of the work. The work carried out through contract shall be measured and measurements recorded in Measurement Books (IAFW 2261). Works will not be split to bring them within the financial limit laid down in this Para. Works higher than the financial limit of Rs. 50.00 lakhs will be referred to the appropriate CFA for approval before concluding contracts.

Financial Power	Accepting Officer for Contract	Officer Entitled to Approve execution of work through contract
a) Upto Rs. 50.00 lakhs	CE Project	CE Project in consultation with co-located IFA.
(b) beyond Rs. 50.00 lakhs and upto Rs. 100.00 lakhs	CE Project	ADGBR in consultation with IFA (BR)
(c) Beyond Rs. 100 lakhs and upto Rs. 500.00 lakhs	CE Project	DGBR in consultation with IFA (BR)
(d) Beyond Rs. 500.00 lakhs	CE Project	Secy. BRDB in consultation with MOD (Fin.)

* For GS Works & Agency Works in J&K and only for Agency Works in other States

Annexure-II to Appendix 'B'

STANDARD OPERATING PROCEDURE (SOP) FOR EXECUTION OF WORKS ON AMENDED PARAGRAPHS 611 AND 614 OF BR REGULATIONS

The amendment to paragraphs 611 and 614 of BR Regulations have enhanced the capability of BRO by permitting it to execute works through contract over and above the existing departmentally capability. The spirit behind this is to permit the organization to utilize modern techniques and machinery available locally to execute quality works, while saving own departmental resources for development for works/location where such facilities are unavailable. With this procedure in vogue, it will be possible for the BRO to have an optimal mix of Departmental and On-Contract execution to ensure quality in works while ensuring financial economy and efficient deployment of forces.

2. To optimize this effect, it is essential that necessary checks be built in at different levels, to avoid misuse through misinterpretation of regulations while ensuring enhanced departmental efficiency. To do so, the SOP given in subsequent paras will be strictly adhered to while planning and executing works through contracts.

3. **General Aspects:** The following will be ensured:-

(a) Use of the provision only where execution through contract is actually possible and in vogue by other similar agencies executing similar works.

(b) All works planned to be executed through contract must be completed within a period of one to two years, except in case of resurfacing works, which must be completed in the same financial year.

(c) No departmental resources are kept idle while work is planned and executed through contracts. This will include both manpower and mechanical resource.

(d) No compromise in approved technical specifications is made. The quality of work is in consonance with specifications on ground.

(e) Only those works will be executed through contract where the cost of execution through contract is less than that of departmental execution of the works.

(f) In case of resurfacing works, the CFA must ensure that the cost on contract is within the approved cost per km of the work.

(g) In case the cost of work is more than the Administrative Approval, the same will be approved by the DGBR in consultation with IFA/BR.

4. **Planning of Works:-** All such works will be suitably planned with approval being obtained from HQ DGBR (TP Dte), before inclusion in the AWP. This will be deliberated upon during the BE discussion and formulation of the AWP. The following will be ensured:-

(i) The total works planning will be done by the project HQ for its TFs and works will be segregated into works to be done departmentally and those to be done through contract, separately, in the proposed AWP.

(ii) Similarly, resurfacing works to be executed through contract will be reflected separately in the Resurfacing Plan of the AWP.

(iii) It will be ensured that the departmental works are fully matched and are commensurate with the resources of manpower and equipment held, including those likely to be made available through redeployment and new procurements/transfers. The necessary justification will be both in physical and financial terms.

(iv) Only once the above is justified, the works through contract will be planned. They will be planned job wise on suitable stretches and budgeted separately.

(v) All such proposals, received from Project HQ will be deliberated upon at HQ DGBR during the BE discussion, prior to making the AWP. At HQ DGBR level, it will be ensured that no BRO resources of manpower of eqpt, both held/procured are under utilized.

(vi) The works proposed to be done through contracts will be estimated in consonance with similar works executed by similar Govt. Agencies/departments in the area e.g. CPWD, MES, State PWDs etc. This aspect will be ensured by the CE Project.

(vii) For works exceeding the CEs financial limits, the case for execution of specific works on contract will be referred to HQ DGBR for DG's approval. These will be approved as per laid down procedure by DG subsequent to concurrence by the IFA (BR).

5. **Execution of Works:-** The following procedure will adopted for execution of works through contract:-

(i) The contract will be concluded at the level of Project HQ only, with the CE as the Accepting Officer, in terms of the amended Paras 611 and 614 of BR Regulations.

(ii) In order to achieve competitiveness while concluding the contracts, the contracts considered should be from those registered with the BRO/other similar Govt. Agencies/Deptts. And tendering should be resorted to through the system of open tenders.

(iii) The tender documents must contain the exact specifications/ working procedures, as already concurred to by the IFA (BR) and sanctioned by the DGBR in the Adm Approval.

(iv) The aspect of cases going into Arbitration will be catered for by formulating a carefully considered and suited arbitration clause which should be included in the Tender Documents to meet the specific needs of the BRO. Provision under clause 2249 of MES Procedure may be referred to as a guideline.

(v) The tender bids will be checked to ensure that necessary specifications, etc. are adhered to before being declared valid.

(vi) Accepting officers will accept the bid as per normal procedure in vogue for execution of works.

(vii) The execution of contracted works will be monitored by TP Dte. regularly through a monthly report, to be submitted by Project Chief Engineers.

(viii) All tenders/execution of works through contract will be checked by the Technical Examiners, as appointed, during their inspection of Project HQrs.

Appendix 'C'

No. 33705/DGBR/Policy/9/SSR
Dte General Border Roads
Kashmir House
DHQ PO
New Delhi-110011
Dated the 1st Sept 1993

All Projects

Sub: <u>Employment of CP Masons</u>

1. Reference this Hq. letter No. 12021/LDMC/DGBR/EG2 and 12021/LDMC/ DGBR/79/EG2 both dated 15 Mar 1993 forwarded revised sanction of permanent works pl.

2. Pmt Wks Pls have been authorized to hold 39 CP Masons in addition to 39 GREF Masons so that the cost of Pmt Wks reduces.

3. Present SSR is based on only GREF Masons being used for Pmt Wks.

4. A perusal of quarterly statistical report reveals that projects are complying CP Masons in large numbers. The Ratios achieved by projects till 31 Mar'93 is as below:-

a) Himank, Hirak, Udayak – 1:1
b) Beacon, Sewak, Sampark – 1:2
c) Deepak, Swastik, Chetak & Vartak – 1:1.5
d) Dantak – 2:1
e) Pushpak – 1.5:1
f) Yatrik – All CP Masons

5. Projects will reflect the resultant savings in AEs/APE by giving credit for employing CP Masons in the same manner as for retrieved materials. Sample calculations are enclosed. The effective date is 1 Sept'93.

6. Un-sanctioned estimates holding us are being corrected by us. All future AEs/APEs will reflect above credit.

Please ack receipt.

(I C Dogra)
SE (Civ) SG
Off DDG (WP)
For Dte Gen Border Roads

Copy to:-
Internal : Estg-I, Estg-II, Estg-III, WP Coord, E2 Wks, E2 Plg & E2A.

SAMPLE CALCULATION FOR CREDIT DUE TO EMPLOYMENT OF CP MASON

a)	Total No. of Masons days required	=	15000 by Projected AE/APE
b)	Considering employment of CPL Mason in ratio 1 GREF : 2 CP Masons CP Masons to be employed	=	15000 x 2/3 = 10000
c)	Reduction in cost of Masons	=	10000 x (120-60)
		=	6,00,000.00
d)	Add Direct Supervision Charges Say @ 10%	=	60,000.00
e)	Add adm overheads say @ 11%	=	72,600.00
f)	Total deductions	=	7,32,600.00

Note : Assumed wages of Masons:
GREF – 120
CP - 60

Appendix 'D'

No. F.194/DGBR/P&C/85/CCC/Vol. II
Government of India
Ministry of Surface Transport
Border Roads Development Board
'B' Wing, 4th Floor, Sena Bhawan
New Delhi-110011

Dated the 14th April 1987

To

The Director General Border Roads
Kashmir House, DHQ P.O.-110011

Sub:Provision of 2% of Estimated Cost for Road Side Accommodation in each Estimate

Sir,

I am directed to convey the sanction of the President for provision of road side accommodation (living and storage) for functional platoons like Formation cutting Platoon, Permanent Works Platoon, Surfacing Platoon, Maintenance Platoon etc. and detachments of supporting units including Pioneer Platoons in works estimates @ 2% of the estimated cost. Accommodation for RCCs, Task Forces and HQrs. Field Workshop, Engineer Store and Supply Coy., Misc. and similar units will continue to be sanctioned separately as hither-to-fore.

(viii) This letter issues with the concurrence of Ministry of Defence (Fin/BR) vide their U.O. No. BRS/S/1085 dated 9th April 1987.

Yours faithfully,
Sd/- (P.H. Monghani)
Under Secretary to the Govt. of India

Copy to:-

a) Ministry of Defence (Fin/BR) – 3 copies
b) DADS, New Delhi – 3 copies
c) CGDA, New Delhi – 3 copies
d) CDA SC Pune – 6 copies
e) CDA WC Chandigarh – 2 copies
f) CDA Patna – 2 copies
g) CDA Guwahati – 2 copies
h) CDA Jammu – 2 copies

Appendix 'E'

No. F.61(GEN)/BRDB/Proj/CCC
Government of India
Ministry of Surface Transport
Border Roads Development Board
'B' Wing, 4th Floor, Sena Bhawan
New Delhi-110011

Dated the 21st June 1993

To

The Director General Border Roads
Kashmir House, DHQ P.O.-110011

Sub: Go-ahead Sanctions

Ref.: Government Letter No. E.4(116)/BRDB/Proj/83/P-1 dated 8.8.84

In suppression of the provisions of above referred Govt. letter dated 8.8.84, I am directed to convey the sanction of the President to accord Go-ahead sanction before preparation of APE/inclusion of work in BRDB programme in real emergent cases to mobilize resources and commence works to the extent shown below:-

Nature of work	**Existing Amount**	**Revised Amount**
1) Construction/ improvement/ formation and essential permanent works (excluding surfacing works).	Rs. 5 Lakhs	30% of average cost per km worked out on formation cutting/permanent works only of roads of similar areas for 15 kms at one time excluding other elements considered in APE/AE viz. road lift charges, royalty charges etc.
2) Permanent bridges	Nil	20% of the estimated cost of the bridge provided works are undertaken for execution departmentally.

2. Go-ahead sanctions will cover a period of 3 working months.

3. BR Regulations will be amended in due course.

4. This issues with the concurrence of Ministry of Defence (Fin/BR) vide their UO No. BRS/1073/S-93 dated 14/18 June 1983.

Yours faithfully
Sd/- (I Topno)
Under Secy to the Govt. of India

Copy to:-

(i) Min of Def (Fin/BR)
(i) DGADS, New Delhi
(ii) CGDA, New Delhi
(iii) CDA BR, New Delhi

Appendix 'F'

No. BRDB/01/21/98/WS
Government of India
Ministry of Surface Transport
Border Roads Development Board
'B' Wing, 4th Floor, Sena Bhawan
New Delhi-110011

Dated the 29-1-1999

To

The Director General Border Roads (100 copies)
Kashmir House, DHQ P.O.-110011

Subject: Procedure for execution of "Departmental works/Agency Services" in the BRO – Fixation of Departmental charges

Sir,

Procedure for execution of Deposit/Agency works and levy of Departmental Charges thereon have been laid down vide this Ministry's letters mentioned below for works already included in BRDB programme:-

1. F.185(1)/BRDB/67/BWA/22485/E2A(Procedure) dated 26-12-1978
2. F.185(1)/BRDB/67/BWA/22485/E2A(Procedure) dated 7-5-1979
3. F.185(1)/BRDB/67/XX/BWA/22185/DGBR/E2A(Procedure) dated 7-5-1981
4. F.185(1)/BRDB/67/XV/BWA/22485/DGBR/E2A(Procedure) dated 17-12-1982
5. F.5(4)/BRDB/Project/OC/93 dated 14 Sep 94.

In partial modification of provision in above letter the President is pleased to decide that the departmental charges mentioned in Appendix 'A' to this Ministry's letter No. F.5(4)/BRDB/Project/DC/93 dated 14 Sep 94 shall be revised as per Appendix 'A' to this letter.

The adjustment of departmental charges shall be made in the following manner in suppression of this Ministry letter No. F.185(1)/BRDB/67/XV/BWA/22485/DGBR/E2A(Procedure) dated 7-5-1981.

Recoveries on account of departmental charges will be shown as credit (minus expenditure) i.e. deduction in expenditure under MH 5054 AA(2)(1)(1).

These orders shall take effect from the date of issue of this letter and the past cases, if any, already concurred in will not be re-opened.

This issues with the concurrence of Ministry of Defence (Finance/BR) vide their U.O. No. BR/1669/98 dated 12-1-99.

Yours faithfully,
Sd/-
(I.Topno)
Under Secy. To the Govt. of India

Copy forwarded to:-

1.	Ministry of Defence (Fin/BR)	-	10 copies
2.	CDA (BR), Kashmir House, New Delhi-11	-	15 copies
3.	CGDA, New Delhi	-	5 copies
4.	DADS, New Delhi	-	5 copies
5.	Min of Surface Transport (SW)	-	5 copies
6.	CGA, Min. of Surface Transport		

Annexure 'A' to Appendix 'F'

STATEMENT SHOWING REVISED RATES OF DEPARTMENTAL CHARGES

Sl. No.	Items	Where cost of CEs office is not included in the works estimates	Where cost of CEs office is included in the works estimates
1.	Establishment Charges		
	(a) HQ DGBR	1.23	1.23
	(b) CEs HQrs.	7.88	Nil
2.	Audit and account charges	1.92	1.92
3.	Pensionary charges	1.00	1.00
4.	High altitude/Insurgencies, remote & difficult area, share of accommodation cost	3.00	3.00
	Total	**15.03** **Say 15%** **(Fifteen Percent)**	**7.15** **Say 7%** **(Seven Percent)**

2. In addition the security expenses upto a maximum of 3% of the estimates will be added to the cost as decided by DGBR on case to case basis and depending upon the security expenses being incurred in the project concerned.

Appendix 'G'

MINISTRY OF DEFENCE (FINANCE/BR)

Sub: Inclusion of work in BRDB programme and sanction of Estimates

Ref.: BRDB Sectt. letter No. F.5(4)/BRDB/PCC/DEL/88 dated 18-12-1991

* * * * * *

In para 1(e) of the above mentioned Govt. letter, dated 18-12-91, a provision was made for adding a suitable escalation factor, if the project was expected to take more one year for completion. Subsequently, in consultation with BRDB Sectt/DGBR HQrs., it was decided to add escalation @ 7½% in the project estimates, where the projects were likely to take more than one year for its completion.

Keeping in view the change in the inflation trends, it has now been decided that escalation factor @ 7% per annum will only be added in the project estimates, in case, where project is likely to take more than one year for its completion.

BRDB Sectt/DGBR HQrs may please see for their information/necessary/ further necessary actions.

Addl. FA (J) has been consulted.

Sd/-
(PIARA RAM)
AFA (BR)

BRDB

U.O. No. BRS/2331-S/93 dated 13-12-1993

Copy to:
DGBR HQrs/DDG (WP)

Appendix 'H'

No. F.62(Gen)/Project/CCC
Government of India
Ministry of Surface Transport
Border Roads Development Board
'B' Wing, 4th Floor, Sena Bhawan
New Delhi-110011

Dated the 8th April 1993

To

The Director General Border Roads
Kashmir House, DHQ P.O.-110011

Sub: Provision of physical contingencies in estimates prepared by BRO

Sir,

I am directed to convey the sanction of the President for provision of contingencies in estimates prepared by BRO @5% for roads, 5% for bridge works above foundation (i.e. ground/bed level) and 15% for bridge foundation (i.e. below ground/bed level) and tunnels.

2. This letter issues with the concurrence of Ministry of Defence (Fin/BR) vide their UO No. F.26(6)/92/BRS/20/6/S/93 dated 7th April 1993

Yours faithfully,
Sd/-
(I Topno)
Under Secretary to the Govt. of India

Copy to:-
1. Ministry of Defence (Fin/BR)
2. DADS, New Delhi
3. CGDA, New Delhi
4. CDA BR, New Delhi

Appendix 'I'

Headquarters
Dte General Border Roads
Seema Sadak Bhawan
Ring Road, Delhi Cantt.
New Delhi-110010

21801/PC/DGBR/68/TP (Central) 07 Sep 2006

C/o 99/56 APO
(All Projects)

PROVISION OF PHYSICAL CONTINGENCIES

1. Further our letter No. 21801-W/PC/DGBR/12/E2 Wks dated 24 Apr 95.

a. In order to implement the recommendations of cost control committee which was approved by the Government, a provision of physical contingencies at 5% for road works and bridges above ground level and 15% for bridge works below ground level is being made in the Approximate Project Estimates.

b. Based on the expenditure booked by the Task Forces executing the work, expenditure is generally incurred on some of identifiable items as under, based on past experience:-

(a) Service tracks for deployment of machines and movement of materials.
(b) Construction/maintenance of diversions.
(c) Approaches to quarries.
(d) Parking places for vehicles and plants.
(e) Parking area and turning points at quarries.
(f) Maintenance of roads during construction.
(g) Cost of induction/de-induction/re-induction/withdrawals and re-deployments of resources.
(h) Cost of replacements of authorized unit stores.
(i) Move of units from one camp site to other as the works progress.
(j) Office Contingencies.
(k) Hygiene and sanitation of camps.
(l) Rent for hired lands.
(m) Fire Fighting Eqpts/Appliances.
(n) Recovery & evacuation of Vehicles/Plants from work site.
(o) Escort parties for collection/deposition of vehicles/plants/eqpts.
(p) Losses due to fire, desertion, landslides.
(q) Survey Instruments, Consultancy charges, expert advice, experimental works, cost of models.
(r) Purchase of camera, films, albums and development charges, videography & Media coverage.

(s) Items required for establishment/maint. of detachments.
(t) Addl. amount on account of LA or Forest compensation if any during currency of job.
(u) Items required for smooth functioning of office/detachments/ platoon/smooth progress of work.
(v) All items/work required for protection and accountability of the
(w) current work/job and its roads including maintenance/renovation of
(x) road side accommodation and CPL camps
(y) Unforeseen works like digging of well/drilling of tube wells for drinking purpose as well as supply of water for constr. of road where municipal tap water/PHE services are not available (incl. cost of Tpt.), shifting of electric poles, minor compensation upto Rs. 50,000/- or any other item of work required to carried out for progress of work and same not catered in the APE.
(z) Drawing/Survey related stationery required for the operation and documentation of the jobs.
(aa) Electricity/Communication charges.
(bb) Legal Fees.
(cc) Inauguration/Bhoomi Pujan/VIP visit expenditure.

4. The above items are for guidelines only. However, all physical contingencies items given at para 3 above may not be applicable to all jobs, but the total of all items shall not exceed the provision of AA. TF must keep a record of expenditure on physical contingencies.

Sd/-
(AK Manan)
Brig
DDG (TP)
For DGBR

Copy to:-

O/o IFA (BR) - Ref your ID No. IF/W/ISO/849/Vol. X/BCN/L-690(9/8) dated 25 Aug 2006
DG's Sectt - For info please.
ADG's Sectt. - For info please.
All Dtes.
Dte GBR/TP (East)
Dte. GBR/TP (West)
Dte GBR/SARDP Cell
Dte GBR/E2 (Res)
Dte GBR/E5 (Bud)
Training School
GREF Centre
Digh Camp, Pun-15

Appendix 'J'

No. F.63(21)/BRDB/90/P-II
Government of India
Ministry of Surface Transport
Border Roads Development Board
Sena Bhawan
New Delhi-110011

Dated the 22nd April 1993

To

The Director General Border Roads (10 copies)
Kashmir House, DHQ P.O.-110011

Sub: Addition of road lift charges in the APE/AEs

Sir,

I am directed to convey the sanction of the President for addition of road lift charges in the APE/AEs on percentage basis of total cost of the work for every km of lead. Item wise details of percentage to be added are as under:-

		Plain area	Hilly area	High-altitude area
a)	Formation works	0.006%	0.0066%	0.008%
b)	Surfacing works	0.030%	0.0290%	0.025%
c)	Permanent works	0.060%	0.0600%	0.052%

The cost of respective work for the purpose of calculating road lift charges from raid head and Store Coy. will be as per the following percentages:-

		Ex-rail head	Ex-Store Coy.
a)	Formation works	25%	75%
b)	Permanent works	95%	5%
c)	Surfacing works	30%	70%

The above procedure will be applicable from 1.4.1993.

This issues with the concurrence of Ministry of Defence (Fin/BR) vide their UO No. BRS/19/35-84/2024-s/BRS dated 12.4.93.

Yours faithfully,
Sd/-
(I. Topno)
Under Secretary to the Govt. of India

Copy to:-
Ministry of Defence (Fin/BR) – 6 copies
CDA BR, New Delhi – 5 copies (1 signed in ink)
DADS, New Delhi – - do –
Spare copies – 50 copies

EXAMPLE FOR CALCULATING ROAD LIFT

1. Work out cost of Formation works, Permanent works and surfacing works as per SSR rates.

2. Cost of work to be considered for road lift ex-rail head and ex-store coy. will be as under:-

		Ex-rail head	Ex-Store Coy
a)	Formation works	25%	75%
b)	Permanent works	95%	5%
c)	Surfacing works	30%	70%

3. Suppose the cost of formation work is ‘A’, therefore road lift ex-rail head will be as under:-

(a) Road lift ex-rail head 0.25*A*0.006*L1 in plain area/100
(b) Road lift ex-rail head 0.25*A*0.0066*L2 in hilly area/100
(c) Road lift ex-rail head 0.25*A*0.0080*L3 in H.A. area/100

Note: L1, L2, L3 area the road length out of total length in plain area, hilly area and H.A. area respectively.

4. To calculate Road lift ex-store coy, factor 0.25*A will be replaced by 0.75*A.

5. Road lift for permanent works and surfacing works will be calculated in similar lines.

Appendix 'K'

SECRET

No. F.185(1)/BRDB/67
Government of India
Ministry of Shipping and Transport
Border Roads Development Board
New Delhi-110011

Dated the 21st July 1971

From: Shri D.K. Chet Singh
Under Secretary to the Government of India

To: The Director General Border Roads
Kashmir House, New Delhi

Sub: Non-levy of Departmental Charges on Defence Works executed by Border Roads Organisation

Sir,

I am directed to state that the President is pleased to decide that no Departmental Charges would be levied by the Border Roads Organisation in respect of Defence works executed by the General Reserve Engineer Force.

2. These orders will take effect from the date of inception of the Border Roads Organisation. The cases, if any, dealt with otherwise will not, however, be re-opened.

3. This issues with the concurrence of Ministry of Finance (Defence/BR) vide their UO No. BRS/413/S dated the 8th July 1971.

Yours faithfully,
Sd/-
(D.K. Chet Sing)
Under Secretary to the Govt. of India

Appendix 'L'

No. BRDB/04/53/2004/BEA/21801/PC/DGBR/TPC
Government of India
Ministry of Road Transport & Highway
Border Roads Development Board
'B' Wing, 4th Floor, Sena Bhawan
New Delhi-110011

Dated 21/07/2004

To

The Director General Border Roads
Seema Sadak Bhawan
Ring Road, Delhi Cantt.
New Delhi-110010

SUBJECT: PROVISION OF 1% EXPENDITURE FOR QUALITY CONTROL ON NH WORKS ESTIMATES

Sir,

I am directed to convey the sanction of the President of India for the provision of 1% expenditure for Quality Control on National Highway works only estimates for the Border Roads Organisation, subject to the condition that separate head for maintaining this account will be opened in consultation with CDA (BR) and the MORT&H is willing to include the provision of 1% towards Quality Control in the estimates.

2. This issues with the concurrence of Ministry of Defence (Fin/BR) vide their U.O. No. 10(4)/2004/BRS/1676/04 dated 16.07.2004.

Yours faithfully,
Sd/-
(S.K. Sharma)
Under Secretary to the Govt. of India

Distribution:-

(i)	MOD (Fin/BR)	- 2 copies
(ii)	DADS, L-II Block Brassey Avenue, New Delhi	- 2 copies
(iii)	CDA (BR), New Delhi	- 2 copies
(iv)	IFA/BR	- 2 copies

Appendix 'M'

REGISTERED/SDS
Headquarters
Dte Gen Border Roads
Seema Sadak Bhawan
Ring Road, Delhi Cantt.
New Delhi-110010

30204/DGBR/68/WP Coord 20 Feb 2002

HQ. CE (P) _______________
C/o 99/56 APO
(All Projects)

CREDIT FOR STONES AVAILABLE OUT OF HARD ROCK EXCAVATION IN THE COURSE OF FORMATION CUTTING IN APEs/AEs

1. Further to BRDB Note No. UO F.4(1)/BRDB/P-II/79 dated 10 Apr 1989.

2. During scrutiny of AEs/APEs, it is observed that Projects are not affording credit for the stones available during hard rock cutting as intimated at para 2(a) of the letter referred above. IFA (BR) is also repeatedly insisting to follow a uniform policy of affording credit based on the guidelines issued by BRDB as referred to above.

3. In order to streamline the procedure, credit in APEs/AEs for stones is to be afforded by the Project as per the model calculations attached.

4. It is requested that these policy instructions may please be distributed to all concerned so that a uniform procedure is adopted by all Projects in preparation of APEs & AEs.

Sd/-
(G.S. Parhar)
DDG/WP
For DGBR

Encls: One.

Copy to:-
(a) DGBR/Estg-I
(b) DGBR/Estg-II
(c) DGBR/Estg-III

DETAILED CALCULATION FOR AFFORDING CREDIT ON ACCOUNT OF STONE RETRIEVABLE FROM HARD ROCK CUTTING

When retrieval (1/3rd quantity of HR cutting) is more than total requirement of stone for permanent works and surfacing works

(a)	(i)	Total qty. of HR cutting	Say	90,000 cum.
	(ii)	1/3rd qty. of above		30,000 cum.

Total requirement of stone for permanent works and pavement works in the sector

(i)	Permanent works	Say	10,000 cum.
(ii)	Surfacing works	Say	15,000 cum.
	Total of above		25,000 cum.

Since total requirement of stone for permanent works and surfacing works is less than 1/3rd quantity of HR cutting, credit on account of retrievable stone is to be restricted to the lowest to (a)(ii) and (b) above i.e. 25,000 cum., if the estimates caters for both permanent and pavement works only. If the estimates pertains to permanent works only, credit for 10,000 cum. of stones required for permanent works be afforded and not for 50% of quantity required for permanent works. While initiating the estimate for the pavement works, the requirement of the stone to be worked out and lowest of the quantity required for pavement works and 1/3rd of the quantity of HR less the quantity of stone already credited for on account of permanent works, be considered.

When retrieval (1/3rd quantity of HR cutting) is less than total requirement of stone for permanent works and surfacing works

(a)	(i)	Total quantity of HR cutting	Say	2,40,000 cum.
	(ii)	1/3rd quantity of above	Say	80,000 cum.

Total requirement of stone for permanent works and pavement works in the sector

(i)	Permanent works	Say	40,000 cum.
(ii)	Surfacing works	Say	60,000 cum.
	Total of above		1,00,000 cum.

Since the 1/3rd quantity of HR cutting is less than total requirement of stone of permanent works, credit on account of retrievable stone is to be restricted to the lowest of (a)(ii) and (b) above, i.e. 80,000 cum., if the estimate enters for both permanent works and pavement works. If the estimate pertains to permanent works only, credit for 40,000 cum. of stone required for permanent works be afforded and not for 50% of quantity required for permanent works. While initiating the estimates for the pavement works the requirement of the stone to be worked out and lowest of the quantity required for pavement works and 1/3rd quantity of HR less the quantity of stone credited for permanent works, be considered.

Appendix 'N'

Headquarters
Dte Gen Border Roads
Seema Sadak Bhawan
Ring Road, Delhi Cantt.
New Delhi-110010

30204/DGBR/Pol/99/WP Dte. 14 Oct 2005

All Projects _______________
C/o 99/56 APO

SOP ON SRMD ESTIMATES

(a) The aim of this SOP is to lay down the time frame for preparation, scrutiny and processing SRMD estimates and according administrative approvals and expenditure sanctions.

(b) Damages occur on the roads as a result of heavy rains during monsoons and during the period of winter in snow bound areas. In order to assess, the extent and nature of damages, quantum and extent of restoration and protective works required and nature of such works required a Board of Officers shall be ordered by TF Commander for each road and proceedings of the BOO shall form part of the estimates submitted to obtain sanctions. The following time frame will be followed for the purpose.

i)	Ordering BOO	-	By 05 Sep for monsoon damages and 05 Jun due melting snow/avalanches.
(ii)	Complete Board	-	By 05 Oct and 05 Jul for monsoon Proceedings and snow melt damages respectively.
(iii)	Submission of estimates to DGBR	-	Monsoon damages by 15 Nov and snow melt damages by 15 Aug.

(c) The Presiding Officer of the BOO shall submit the proceedings of BOO to concerned OC RCC who submit proceedings of BOO along with his opinion and draft AE to the TF Commander. The TF Commander will examine the proceedings and draft AE and submit the same to the Chief Engineer along with his recommendations on the proceedings of BOO.

(d) The proceedings of BOO, Commander TFs recommendations and AE prepared shall be examined at HQ. CE (P) and submitted Dte. GBR along with the orders on the proceedings of the BOO.

(e) It shall be ensured by the BOO's TF Commander's and CE's that the assessment of damages is made realistically and all efforts should be made by OC RCC, Commander Task Force and CE (P) that restoration of these damages is completed within one year of sanction. The scope of works considered shall be restricted to the permissible limit.

(f) The works of SRMD will be included at the time of RE/BE discussion on approximate basis considering average amount of SRMD works of last 5 years.

(g) To implement the above guidelines, the SRMD estimate of 2005-06 and 2006-07 will be included in the RE 2006-07 and combined AE will be initiated by 15 Nov 2006 for FY 2005-06 and 2006-07. After this the SRMD estimates will be initiated by 15 Nov for Monsoon damages and 15 Aug 2006 for snow melt damages.

(h) Please acknowledge receipt.

Sd/-
(Vinod Kumar)
Chief Engineer
DDG (WP)
For DGBR

Copy to:-

(i) IFA (BR) - For info please.
(ii) HQ DGBR/TP Dte. - -do-

Appendix 'O'

No. BRDB/01/148/BEA/2002/54113/ DGBR/E4/INV (P&P)-Part-I
Government of India
Ministry of Surface Transport
Border Roads Development Board
"B' Wing, 4th Floor
Sena Bhawan,
New Delhi-110011
Dated 17 Jun 2004

OFFICE MEMORANDUM

Subject: **PROCEDURE FOR PROVISIONING OF SPARE PARTS IN RESPECT OF VEHICLES, EQUIPMENT AND MACHINERY IN THE BORDER ROADS ORGANISATION**

1. The procedures for provisioning of spare parts in respect of vehicles, equipment and machinery enumerated in this Ministry's OM No. F 175(4)/BRDB/S-82/PC-VolII/MF/67710/RP/DGBR/E4 Inv (P&P) dated 18 April 1985 has been reviewed by a study team appointed by the DGBR as per the orders of this Ministry. The recommendation of the study team as proposed by DGBR have been considered by the Government and the revised procedure for provisioning of spare parts given in Appendix 'A' to this OM be adopted. This supersedes the orders on the subject issued vide this Ministry OM No. F 175(4)/BRDB/S-82/PC-Vol II/MF/67710/RP/DGBR/E4 Inv (P&P) dated 18 Apr 1985.

2. This issues with the concurrence of Min of Def (Fin/BR) vide their UO No 11 (2)/BRS/2002/1405/04 dated 11.6.2004

Sd/-
(SK Sharma)
Under Secretary to the Government of India

To,

The Director General Border Roads
Seema Sadak Bhawan
Ring Road, Delhi Cantt,
New Delhi-10

Govt. of India, Ministry of Shipping and Tpt., BRDB. O. M. No BRDB/01/148/BEA/ 2002/ 54113/DGBR/E4/INV (P&P))-Part-I
Dated 17 Jun 2004

REVISED PROCEDURE FOR PROVISIONING OF SPARE PARTS IN RESPECT OF VEHICLES, EOUIPMENT AND MACHINERY IN BORDER ROADS ORGANISATION

1. With immediate effect the Revised Procedure as given in the succeeding paragraphs will be followed for provisioning of spare parts for the vehicles, equipment and machinery used in B.RO.

INITIAL PROCUREMENT

2. **Indents** - Initial spares required to be procured along with newly purchased equipment will be covered through one indent which will be known as 'Indent of Initial Spares'. As far as possible, the initial spares should be procured along with the equipment itself. Else, separate Supply Order for these initial spares can also be placed. In case certain depth or range of initial spares is not covered in this indent, this may be covered subsequently through Provision Review Indents only.

3. **Basis**

(a) **First Time Buy Equipment** - Indent of initial spares in respect of first time buy equipment will primarily be based on Manufacturers Recommended List of Spare Parts. For arriving at the range and depth of spare parts to be covered in the indent, MRLS will be vetted by Store Divisions/HQ DGBR in the light of experience available with respect to the similar type of equipment in BRO. For type/model of equipment not so far introduced in BRO but under use in some other Government undertakings, the indents will be vetted by DGBR after a report from such authorities. A certificate to this effect will be made on the indent.

(b) **For the Repeat Buy Equipment** - No separate procurement of initial spares for repeat buy equipment will be done. The requirement will be covered through Provision Review Indents only.

(c) **Revision of ISG** - ISGs will be revised as under:

(i) **Maintenance Scales** - Two to three years after preparation of an ISG, review/revision of the maintenance scale both in range and depth will be undertaken in light of the actual experience gained in maintaining an equipment.

The maintenance scale in the ISG will be revised taking into account the actual consumption pattern of the spare parts.

(ii) **Overhaul Scales** - Overhaul scales covered in the ISG will be revised when about 25% of the population of the newly introduced equipment has been overhauled.

(iii) Subsequent to the above revision, ISG will be kept up to date as and when there is any change in part number or any addition/deletion is warranted due to certain modification or other reasons.

4. **Quantum to be covered in the Initial Spares Indent in respect of Indigenous equipment -** The following quantum of spare parts will be covered in the indent of Initial Spare Parts:

5. For First Time Buv Equipment

(h) **Maintenance Spares**

(aa) Item on DGS&D Rate/Running Contract
(bb) For items purchased through Tender Purchase Committee (cc) For PSU Supply

Requirement of spare parts for 24 months, (including 15 months Lead Time, 3 months safety factor and 6 months initial issue for the Field Workshops) for all the above three cases.)

(i) **Overhaul Spares**

(aa) No overhaul spares should be procured in the initial spares. The overhaul spares are to be procured through Provision Review Indent only based on the approved Roll-an-Plan.

(j) **Major Assemblies Pool** - Major assemblies may be indented to the extent of the following existing proportion at the discretion of HQ DGBR:

(aa) Petrol Engines for vehicles - 10%
(ab) Diesel Engines for vehicles - 10%
(ac) Diesel Engine for all equipments - 10%

(b) Repeat Buv Equipment - No initial spares to be purchased as given in Para 3 (b) above.

5. **Quantum to be covered in the Indent of Initial spares in respect of Imported Equipment -** The quantum of spares be covered in the indent of initial spares for the imported equipment is as under:

(a) <u>First Time Buy Equipments</u>

(i) **Maintenance Spares** - Requirement of spares for 24 months.

(ii) **Overhaul Spares**- Normally no overhaul spares would be required in the first 24 months. The overhaul spares are therefore to be purchased on PR Indents only based on approved Roll-on-Plan.

(iii) **Major Assemblies Pool** - Same as in respect of indigenous equipment given at Para 4(a) (iii) above.

(b) <u>Repeat Buy Equipment</u> - No initial spares to be purchased as given in Para 3(b) above.

6. **Provisioning of Funds and obtaining sanction for the purchase of Initial Spares**

(a) <u>Provisioning of Funds</u>- For planning purposes in the yearly budget, financial provision up to 10% of capital cost in respect of vehicle/equipment to be purchased, during the year should be catered for purchase of initial spares.

(b) <u>Sanction for purchase of Initial Spares</u> - DGBR is authorised to procure the initial spares to the extent specified above on receipt of approval for procurement of new equipment. No separate sanction is required to be taken for procurement of initial spares.

(c) <u>Contractual Clause</u> - All contracts for purchase of new equipment will incorporate a clause making it incumbent on the part of the suppliers to deliver initial spares along with the capital equipment or within one year of the supply of the equipment:

<u>Provision Review (PR)</u>

7. **<u>Frequency</u>** - The provision review will be undertaken annually for all large population/Major vehicles and equipment held in BRO. For the first time buy equipment, first PR will commence immediately after the equipment completes one year service.

8. **<u>Stages</u>** - PR will be carried out in one stage only. All 'Fast', 'Normal', and the 'Slow' moving items will be reviewed simultaneously.

9. **<u>Basis for PR</u>** - Provision review henceforth will be based on the following factors:

(a) <u>For Maintenance Spares</u> - Equipment population in Classes 'A', 'B' and 'CSP' at the time of PR.

(b) For overhaul Spares - An agreed overhaul programme which will be made in December every year for a period of 5 years by Standing Committee comprising of OS (W) (Sectt. BRDB), OF A (MOD (Fin/BR), DDG (TA) , Dir EME and Dir (Res).

(b) **Consumption Pattern -** The range and depth of the spare parts to be covered in the provision review indents will be determined on the basis of the consumption pattern. The consumption pattern will be established on the basis of Monthly Maintenance Figure (MMF) of the Store Division. MMF is calculated by adding 12 months normal Issues plus Dues Out on the date of preparation of draft indents minus normal Dues Out at the beginning- of 12 months period divided by twelve. Preferably, MMF should be worked out, where possible, for two to three years period instead of one year. As at the time of indents of Initial spares for First Buy of equipment, ISG will not be available, for the first PR Indent, will, therefore, be made on the basis of ISG so as to ensure full coverage of spare parts both in range and depth.

10. **Period to be covered in PR** - The PR indent will cover Spares requirement for a total time period of 24 months. This includes 15 months lead-time, 3 months safety factor and 6 months initial issue for the Field Workshops.

11. **Quantum of Spares to be covered in PR Indents** - The quantum of spare parts to be covered in PR Indents will be as per guidelines given at paras 9 and 10 above. Actual demand of spares to be catered in each PR Indent should be worked out after taking into account the assets such as stocks held in the Store Divisions, stocks held in Field Workshops above their authorized requirement and dues-in on account of outstanding Supply Orders.

12. **Time Schedule** - Five year plan for overhaul will made and finalised in December in each year. Based on overhaul plan and equipment liability, the PR schedule will be issued by HQ DGBR in January every year. The Store Divisions will ensure that all draft PR Indents are sent within the time as given in PR Schedule. The activities for processing the draft PR Indents to final Supply orders should be completed in 3 1/2 months time as under:

(a) Processing for Final Indent- One month.

(b) Concurrence of Final Indent by IFA (BR) - Within two months of submission of indent to IF A (BR).

(c) Approval by CFA and preparation of Supply Order - Supply Orders to be placed on the supplying agency within fifteen days of concurrence, by IFA (BR).

Procedure to be followed for Procurement:

13. The procurement will be carried out in consonance with the following letters issued by Govt.

i) **<u>For purchase of stores on DGS&D Rate Contract</u>**: Supply Orders will be placed directly on the firm as per the terms and conditions in DGS&D Rate Contract of the firm.

ii) **<u>For procurement of spares from</u>** : Govt Of India MOST letter No F.176 (1) /BRDB/S-67/67710/PO LICY/DGBRIE4INV (P&P) dated 29 Aug 1997 as amended from time to time.

iii) **<u>For purchase of stores other than PSU & RC items (i.e. through Tender Purchase Committee):</u>** Govt Of India MOST letter No F153(21)/ BRDB/BWN GEN/PROC-9293 dated 13 Jan 1993 as amended from time to time.

<u>Procedure for Government Approval Where Necessary</u>

14. Indents of value more than Rs. 300 Lacs for indigenous purchases and all indents of foreign purchases will be requiring approval of Govt as per Govt. letter No. F.231 (10)/BRDB /BWA /94/DELEGATION dated 23 Mar 1995. They will be processed as under:

(a) Indents requiring approval of Govt. will be submitted by DGBR to Sectt. BRDB together with documents listed in Annexure I to Appendix 'A' attached. Sectt. BRDB after scrutiny will record observations, if any. on the file and pass it on to Min of Def (Finance/BR), for their consideration with a copy to DGBR. Ministry of Defence (Fin/BR) will record their observations, if any. on the file and return the file to Sectt BRDB with a copy of the observations to HQ DGBR

(b) HQ. DGBR will furnish complete replies/information called for on the points raised by Sectt. BRDB and Min of Defence (Fin/BR) and record these on the file and send it to Sectt BRDB. Sectt BRDB after examination will record their recommendations/ further observations on the file and send the same to Ministry of Defence (Finance/BR) with a copy of the recommendations/observations to HO DGBR. Min of Def [Fjn/BR) will consider the replies furnished by HQ DGBR and recommendations of Sectt. BRDB. If they have further observations to make they will record on the file and send the same to Sectt BRDB with a copy to HQ DGBR.

(c) In case there are points which require clarification on the case. the same will be discussed at a tripartite meeting between Dte GBR, Sectt BRDB and Min of Def (Fin/BR) to finalise the case within a period of about 3 months.

(d) In case any issues arise which do not have a direct bearing on the quantity or value of spares indents like low utilisation of equipment etc.. these should be discussed and finalised separately and the indent need not be held up on this account.

Stocking and Holding of Spare Parts

15. Stocking of spare parts by the Field Workshops and Store Divisions will be as under:

(a) Field Workshops - Six months requirement of maint spares.

(b) Store Divisions - Spare parts for maintenance and overhaul for all the equipment deployed in their sector.

Placing Demands on Store Divisions by Field Workshops

16. On receipt of supplies against the indent of initial spare parts, the Store Division will automatically issue six months requirement of maintenance spares to their dependent Field Workshops. After receipt of this initial fill. the Field Workshops will demand replacement through quarterly indents. Field Workshop will ensure that indents are forwarded to Store Divisions every quarter regularly. Any slippage in this regard will cause not only no availability of spare parts with the Field Workshops but will also affect future procurement.

Annexure I to Appendix 'A
(Refer Para 14 (a)

DOCUMENT TO BE SUBMITTED TO THE CFA WITH DRAFT PR INDENT FOR APPROVAL

1. An agreed five years roll on plan for overhaul of equipment and major assemblies.

2. 10 Nos Provision Review Cards of highest unit cost

3. Rate Contract/quotation on the basis of which pricing has been done.

Appendix ‘P’

GOVERNMENT OF INDIA
MINISTRY OF SHIPPING ROAD TRANSPORT & HIGHWAYS
(DEPTT. OF ROAD TRANSPORT & HIGHWAYS)
TRANSPORT BHAWAN,
1-PARLIAMENT STREET,
NEW DELHI-110001

No. NH-12037/633/2006/NH-1 9th March 2007

To

1. The Secretary of all States/UTs (in charge of PWD)
2. The Engineer-in-Chief and Chief Engineers of State PWDs and UTs (dealing with National Highways)
3. The Director General (Border Roads), Seema Sadak Bhawan, Ring Road, Naraina, New Delhi
4. The Chairman, National Highways Authority of India, G-5&6, Sector-10, Dwarka, New Delhi-75

SUBJECT: MINISTRY’S GUIDELINES REGARDING FORMATION WIDTH, GEOMETRICS IMPROVEMENT AND SAFETY MEASURES ON HILL ROADS

Sir,

Please find enclosed herewith Ministry’s revised guidelines regarding formation width improvement of geometries and essential safety features on the National Highways in Hilly/mountainous terrain. These guidelines regarding formation width supersede other guidelines on formation width. It is requested that these guidelines may be brought to the notice of concerned officials/field Engineers of your Department.

Yours faithfully,
Sd/-
(MANOJ KUMAR)
SUPERINTENDING ENGINEER
MEMBER SECRETARY

Encl: as above.

MINISTRY'S GUIDELINES REGARDING FORMATION WIDTH, GEOMETRICS IMPROVEMENT AND SAFETY MEASURES ON HILL ROADS

It has been decided with the approval of competent authority in the Ministry that the overall formation width of National Highways in hilly/mountainous terrain may be kept as 12 m, comprising 7 m wide carriageway flaked with 2.5 m wide shoulders. The drain and parapet/safety railings will be accommodated within the width of the shoulders.

2. The increased formation width will enhance operations on the road and traffic movement due to the following:-

(a) More space would be available for the parking of disabled vehicles, without interfering with two way movement.

(b) Two lane movement of traffic would be possible in the event of some stretches being affected by Land Slides etc.

(c) Movement of heavy/large size Military and Commercial Vehicles would be easier.

(d) Capacity of the road is expected to increase due to large space becoming available for maneuverability.

3. However, it has been felt that considering extra cost of hill cutting involved due to increase in the width of the formation, the revised standard could be implemented in stages. Priority may be given to provide 12 m formation on new National Highways and on the existing National Highways stretches, where widening of the carriageway is to be carried out. The widening of formation to 12 m to 2 lane National Highways already having 10 m formation width may be accorded lower priority.

4. All other geometric design standards for the hill roads, except the formation width may continue to be followed as recommended in IRC Special Publication No. 48:1998 'Manual for Hill Roads'.

5. The requirement of road safety measures for National Highways in hill roads were also reviewed and it has been found that the existing guidelines and standards prescribed by the Ministry appear to be adequate, however, these are not being provided/implemented by the implementing agencies. The Implementing Agencies are, therefore, advised by the Ministry to give due importance to safety aspects of National Highways in hill roads and ensure that safety measures, as such mandatory, cautionary and informatory signboards, parapet walls, railings, crash barriers, slope protection, delineators, drains, extra widening at curves, passing places at suitable intervals, rock stabilization, treatment of land slides are provided at critical locations.

Sd/-
(MANOJ KUMAR)
SUPERINTENDING ENGINEER
MEMBER SECRETARY

Appendix 'Q'

MARKET RESEARCH

1. **Categories of MR**

1.1 **Macroeconomic Research** - This refers to the general economic environment and focuses on factors that can influence the future economy. Examples could be Business cycle and Economic growth, Industrial production, Average utilization rate in industry, wage rates, employment, average price level, inflation, Interest rate, Supply and Demand, etc.

1.2 **Macroeconomic Research** - This focuses on specific sectors of industry, of which the items being bought are related to. For a particular industry, information on the supply-demand trend, Utilization rate, level of competition, technological advancements, trade discounts, etc can be extremely handy to IFAs for processing procurement proposals.

1.3 **Microeconomic research** - This focuses on individual suppliers and products, as in financial survey of a supplier, feasibility of entering into a long-term contract, etc. IFAs may use this research in PAC / Single tendering cases in particular. Examples could be Financial situation, Organizational structure, Quality of delivered goods, Delivery performance, Delivery lead time, Service quality, Ownership pattern, Cost-price structure, Price level, etc.

2. **Methods of MR** - In the case of purchasing market research, it is common to differentiate between desk research and field research. Desk research is the gathering, analysis and interpretation of data that serve the purchase function, but which have already been gathered by others. The best place to do it is on Web sites, though browsing through technical/professional journals, financial newspapers, etc can also be extremely informative. Field Research is the gathering, analysis and interpretation of information that cannot be obtained by means of desk research. It tries to track down new information. Some of the methods could be as under:-

2.1 **Financial/Technical journals and Specialized Publications:-**

Specialized Journals and Publications are extremely valuable tool for developing a solid database. The information contained in them is much more elaborate than News papers and also covers additional topics. They help in generation of important database for Finance Member in following areas:-

(i) **Price List** – Several ads are published by vendors regarding their product and price. Virtually all important items (except the customized ones) will be found covered in Journals / Magazines as far as pricing is concerned.

(ii) **Vendor List** – Specialized ads frequently appear in Magazines for a particular industry in which several vendors publish their products. A comprehensive list of vendors for different categories of items is published regularly in several magazines. In the regular ads also, all the major OEMs publish the names of their accredited resellers, agents, retailers, distributors etc., which can be very useful for Finance Member when he examines the question of sufficient competition against the issue related to mode of tendering.

(iii) **Industry Specific Information** – Specialized articles in various magazines give detailed sectoral analysis of a particular industry. It provides insight into the functioning of that industry, present players operating in the market, latest technological changes occurring in that industry, macro factors like recession, inflation effecting that industry, future trends etc,. This input can be extremely useful for Finance Members during their negotiations with the vendors.

(iv) **Macro Economic Issues** – Regarding the Condition of Economy in general, useful news items and editorials appearing in various Finance Magazines can be very handy. Factors like Inflation Rate, Recession, Bank Rate, Budget Policy, Export Import Policy, Sales Tax Policy, Industrial Policy, International Economic Trends etc., are useful inputs for Finance Member.

(v) **Taxation Matters** – Finance Journals especially ICFAI publications give a good perspective on Taxation Matters. Issues related to excise duty, Central sales tax, Customs duty, State Sales Tax etc., occur in a dynamic situation where Court decisions and Government announcements are done in regular basis. Finance Member has to keep himself up dated on all these issues for effective participation in TPCs.

(vi) **Legal Decisions** – Several Court Judgments on Government Tendering process are announced from time to time. Journals related to Legal decisions give a summary of all such Court decisions.

(vii) **Defence Matters**– Important developments in Defence Policies are published in specialized journals published by IDSA, CDM etc,. Keeping abreast with these developments will help Finance Members in having a better perspective in Purchase process.

(viii) **Technical Inputs** – Several Technical journals specialize in giving information about technical information like latest trends in

Technology, Basic concepts of Technological process, detailed description of technical products etc,. Some expertise in these areas is desirable for Finance Member to develop.

(ix) An illustrative list of all such Journals / magazines, useful for purchase, is given below –

- RBI Monthly Bulletin
- CMIE'S monthly report
- Chartered Financial Analyst – The flagship Publication of ICFAI with analytical articles, Case studies, debates and Book reviews.
- The Accounting world – a digest devoted to the domain of cutting edge accounting knowledge
- ICFAI Reader – A digest with articles of enduring significance on vide ranging topics in Finance.
- Treasury Management – A niche Publication with focus on frontier areas in Treasury and Forex Management.
- Effective Executive – A monthly digest which brings the latest thinking in various branches of Management for executives.
- Chartered Secretary – Published by The Institute of Company Secretaries of India, it publishes the latest legal decisions on financial matters apart from the conceptual articles on finance.
- The Management Accountant – Published by the Institute of Cost and Works Accountants of India, it contains articles on Industry, Taxation and Cost Management.
- Business Today – Contains lot of conceptual articles on Financial Management and also the Business News and Macro Economic Trends.
- Business India – Same as above
- Business World – Same as above
- Productivity – Principle Journal of National Productivity Council of India aims at disseminating information on concepts and data on productivity and its growth in India and elsewhere. It also aims at disseminating knowledge on techniques and methods of productivity improvement through effective management of all types of resources.
- Digit – Extensive information on latest Hardware and Software products, vendors, Tips for buyers of PCs and accessories, Technical knowledge in simplified form etc
- PC World – Same as above
- PC Quest – Same as above
- IT – Same as above
- IT Shopper – The best input given on the Price List among all the PC Magazines. Gives detailed information on all product releases of the concerned month – direct from the vendor.
- Voice & Data – covers all latest products, prices and vendors

related to communication industry.

- Network Computing – covers all latest products, prices and vendors related to Networking industry.
- Electronics for you – The best magazine to give information on latest products, prices and vendors related Electronics industry. Their monthly focus on a particular topic can be extremely useful for going in detail about a particular issue.
- Fluid Power Journal – Quarterly magazine, which focuses on Hydraulic and Pneumatic Industry.
- The ET Polymers – Bi-monthly magazine, which focuses on Plastic Industry
- The Machinist - Bi-monthly magazine, which focuses on Machine Tools and Manufacturing Technology
- Instrumentation and Control Journal - Bi-monthly magazine, which focuses on Instrumentation and Process control
- Search – The best magazine on information about technological products, latest developments in technology, vendor list and price list.
- Legal Magazines - They are extremely important for Finance Reps as often they contain important Court decisions on Government tendering procedures. The sections pertaining to Article 14, 19, 298, 299, 300 of Constitution of India, Contract Act, Sales of Goods Act etc., should be browse through in these magazines for judgments relevant to Government purchase. Examples are Supreme Court Monthly Digest, All India Reporter, Legal Spectrum, etc.

2.2 **Specialized Publications -** Various Organizations publish special papers/ documents, which could be very useful to Finance Member for Reference/ Database.

2.3 **Manufacturer And Dealer Catalogs** - Catalogs are familiar sources of data that can be found in both department stores and mail order houses. The manufacturer and dealer catalogs used in Defence purchasing resemble these catalogs in the type of information they provide. Typical data IFAs can find in manufacturer and dealer catalogs include:

(a) Product descriptions
(b) Picture
(c) Prices and quantity discounts
(d) Minimum order requirements
(e) Delivery data
(f) Points of contact for quotes and orders

2.4 **Product Brochures and Promotional Material -** Brochures and promotional material provide much greater detail about specific products than would normally be included in a catalog with several thousand other products. While details on pricing and delivery are often included, this information may be excluded in order to provide greater latitude in negotiating the terms of sale. The following are typical data IFAs can find in product brochures and promotional material:-

(a) Detailed specifications
(b) Pictures
(c) Available service guarantees and products
(d) Points of contact for quotes and orders
(e) Pricing information
(f) Delivery data

2.5 **Trade Journals -** Trade journals provide a variety of information from different sources, including advertisements, product evaluations, and independent articles. Following are some of these sources of information for IFAs:-

(a) **Advertisements** typically consist of product descriptions, often with pictures and comparisons with competitor's products. Sources to consult for additional information may also be identified.
(b) **Product evaluations** provide independent information to buyers who may be considering the purchase of that product or a similar one. Evaluations usually deal with technical capabilities, but often include information on source locations, pricing, and warranties.
(c) **Articles** about the trade may indirectly provide an independent analysis of product capabilities. Successes or failures in using particular products or services serve as evaluations of their quality.

2.5 An illustrative list of such sources, as mentioned above, is given below –

(iii) RS Catalogue –This publication containing price list of over 1,00,000 items.
(iv) International Data Corporation specializes in area of Market Research and Consulting in Information Technology. They sell lot of specific reports on Status of Industry, Market, Trends in Technology.
(v) R.K.Swamy (BBDO) Guides to Market Planning
(vi) Electronics for You publishes their annual guide which gives exhaustive coverage of entire electronics Industry in India.
(vii) The Search Magazine publishes their Industrial Source book each year in January. It gives detail coverage of each industry, Product update and Vendor List.
(viii) Voice & Data Magazine publishes their Gold Book annually. It is resource guide on buying communications and Networking Products & Services.
(ix) Electronic for You publishes their IT Directory once in a year. It

gives details of all major IT Organizations with full contact details, Segment wise listing, Overall statistics of IT industry, Product wise Listings, List of MNCs in India, Importers and Exporters marked separately.

(x) Survey of Indian Industry

(xi) Yellow Pages – Its importance in providing sufficient number of vendors for a particular item cannot be under estimated. Now a days, they are available in CD-ROM format also which makes it fairly easy to retrieve any desired information.

2.6 **Financial newspapers for prices and products** - News papers like Business Standard, Economic Times, Business Express, etc can provide up-dated material in regard to Procurement matters on day to day basis. They can help in generation of important database for Finance Member in following areas:-

(a) **Price List** – Several ads are published by vendors regarding their product and price. This is especially for the items like COTS, PCs, and Office equipments, etc where the price fluctuation is volatile. Financial News papers also provide information about commodities like metals, Non-metals, Other Raw Materials, Manufactured Products etc., which proves very handy for Costing and Pricing purposes.

(b) **Vendor List** – Specialized ads frequently appear in Newspapers for a particular industry in which several vendors publish their products. In the regular ads also, all the major OEMs publish the names of their accredited resellers, agents, retailers, distributors etc., which can be very useful for Finance Member when he examines the question of sufficient competition against the issue related to mode of tendering.

(c) **Industry Specific Information** – Once in a week, News papers like Economic Times and Business Standard publish detailed sectoral analysis of a particular industry. It provides insight into the functioning of that industry, present players operating in the market, latest technological changes occurring in that industry, macro factors like recession, inflation effecting that industry, future trends etc,. This input can be extremely useful for Finance Members during their negotiations with the vendors.

(d) **Macro Economic Issues** – Regarding the Condition of Economy in general, useful news items and editorials appearing in News papers can be very handy. Factors like Inflation Rate, Recession, Bank Rate, Budget Policy, Export Import Policy, Sales Tax Policy, Industrial Policy, International Economic Trends etc., are useful inputs for Finance Member.

(e) **Taxation Matters** –Issues related to excise duty, Central sales tax, Customs duty, State Sales Tax etc., occur in a dynamic situation where Court decisions and Government announcements are done on regular basis. Finance Member has to keep himself up dated on all these issues for effective participation in TPCs.

(f) **Legal Decisions** – Several Court Judgments on Government Tendering process announced from time to time. News papers often publish summaries of these judgments.

(g) **Government Decisions on Tendering** – Several news items are published virtually every day regarding decisions taken by various Government departments on their tenders. Sometimes Government also pronounces important policies on tendering procedures. All these can be of valuable guide to finance members for making their point during TPC.

(h) **Defence Matters** – Important developments in Defence Policies and regularly appear in newspapers. Keeping abreast with these developments will help Finance Members in having a better perspective in Purchase process.

2.7 **Visits to exhibitions / conferences / OEM's premises to update with latest technological and financial issues** – Several Industry-specific and Defence-specific Exhibitions / Seminars are regularly held in major cities. Listening to presentations in these places and collection of handouts/pamphlets can give useful updated inputs to IFAs while processing procurement cases. In assessing the reasonableness, general analysis of Financial/Cost ratios from published accounts and evaluation of Commercial/Technical information of the Vendor/Bidder can be supplemented with field visits / OEM's premises. It will be helpful for IFAs to understand vendor's approach to controlling cost, adherence to delivery schedule, Cost Accounting System and other factors affecting contractor's ability to meet cost/schedule targets

2.8 **Browsing through Web sites** - With the growth of Internet, Web sites have become the most popular way for the vendors to reach out to the possible buyers. Not only inputs are available about the sources of products but more importantly, exact pricing of such products is instantaneously available. The information is so updated that one can ascertain worldwide price of a particular product on the TPC date itself.

2.8.1 The best way to ascertain information on any item is to use the search engine in sites like www.google.com, www.yahoo.com, www.alibaba.com, etc. The search button and key word given by the user provides several links to that particular item. A patient perusal of each of these links will provide sufficient information about the desired input. Following areas are relevant for purchase–

(i) Industry-specific
(ii) Vendor-specific
(iii) Product-specific
(iv) Price
(v) Technology

2.8.2 Specific price comparisons, known as price index numbers, are particularly useful in making price comparisons over time. IFAs can use price index numbers to adjust the price for any purchase or sale of a particular product at any time, to estimate the contract price for current requirement. IFAs can even make comparisons using information from several Procurements involving several different vendors. In regard to price indices of indigenous items, website of Ministry of Industry ***www.eaindustry.nic.in*** should be accessed for the latest indices/trends and for metals and other minerals, access ***www.mmr.online.com*** for updates. The other useful sites are http://www.ciionline.org/, ***www.tradintelligence.com*** and ***www.cmie.com***. The monthly report of CMIE (Centre for Monitoring Indian Economy), COSMOS Package of CMIE giving updates on performance of listed Indian companies, RBI monthly bulletin, Economic survey and its Appendix containing statistical tables are excellent reference material for market trends. The World Economic Outlook – a monthly report from IMF, gives inputs on price trends of different countries. LME (London Metal Exchange) gives price trends of nonferrous details, which often show volatile trends. Indices of electronic items often show lower trends. Instructions issued by Ministry of Finance on its web site ***www.finmin.nic.in*** should be assessed as also RBI's site http://www.rbi.org.in. Some sites give price list and vendor list for military-specific items, which can be used as a tool in PNC and also for firming up estimated cost at AON stage.

3. Be aware of Latest trends in Materials and Logistic Management

3.1 IFAs need to appreciate that the principal objective of Inventory controllers are to reduce investment in inventories and simultaneously to minimize idle time by avoiding stock outs and shortages and that these two objectives are often in mutual conflict! Defence logistic managers are increasingly accepting the validity of techniques of inventory control for improving the operational performance of their depots/workshops/offices. The objectives of applying these techniques and degree of their application may differ, but there is no doubt that awareness of utility of these techniques is spreading in Defence services. IFA needs to be aware of latest trends in this area. The science of inventory management has developed highly sophisticated levels and many possible ramifications of demand situations e.g. uncertainty, seasonality, etc have been intensively explored. Applications of techniques of Operations Research have added to the sophistication.

3.2 While across the industry, Procurement function has almost merged with Inventory Management to become a part of Supply Management, the same has not happened with reference to IFA's role vis-a-vis Users in Defence services. While IFA is required to play a major role in Procurement, he/she does not get involved with Inventory Management per se. However, IFAs can still enter into the domain of Inventory Management at AON stage. The conflicting objectives of inventory control, as mentioned above, are reflected in the seemingly conflicting demands which are made on an Inventory manager in which IFA can get involved. For example, stocks are to be kept at a low level but not too low; turnover is to increased but only at a satisfactory rate; bulk purchases are to be attempted to obtain better prices but overbuying is to be controlled; special attention is to be given to the disposal of obsolete or near obsolete items but not before the point of obsolescence is identified; and so on. IFA in close association of User, will have to do balancing of specific objectives which will require understanding and analysis of many interrelated variables: prices, operating costs, stock quantities. Distances, supply and services, etc.

3.3 Among the large number of available tools and techniques of inventory control, a few relevant to IFA are mentioned below –

(a) ABC, FSN and VED analysis
(b) Codification and standardization
(c) Determination of re-order quantities
(d) Selection of Replenishment systems
(e) Economic Order Quantity
(f) Application of Probability and Demand Forecasting

3.4 **Know Costing techniques** – Without the need for developing the expertise expected of a Cost Accountant, IFAs can be effective negotiators if they develop some basic knowledge of Costing techniques relevant for Procurement functions. Concepts like Cost structure (variable, semi-variable and fixed costs) and their importance for profit planning for vendor, Break-even point, Profit/Volume ratio, Marginal and Absorption Costing, Overhead costs apportionment, Operating costs, Life Cycle Cost, Net present Value, DCF, etc. IFAs should have the basic knowledge of the techniques and procedures to perform cost analysis in simple form as mentioned below :

(a) To verify cost or pricing data or information (other than cost or pricing data).
(b) To Evaluate cost elements, including:
    (i) The necessity for and reasonableness of proposed costs, including allowances for contingencies;
    (ii) Projections of the vendor's cost trends, on the basis of current and historical cost or pricing data or information other than cost or pricing data;
    (iii) A technical appraisal of the estimated labor, material, tooling, and

facilities requirements, and scrap and spoilage factors; and

(iv) The application of audited or negotiated indirect cost rates, labor rates, cost of money factors, and other factors.

(c) To evaluate the effect of the vendor's current practices on future costs.

(d) To see that the effects of inefficient or uneconomical past practices are not projected into the future.

(e) In pricing production of recently developed complex equipment, ability to perform a trend analysis of basic labor and materials even in periods of relative price stability.

(f) To compare costs proposed by the vendor for individual cost elements with:

(i) Actual costs previously incurred by the vendor;

(ii) Previous cost estimates from the vendor or from other vendors for the same or similar items;

(iii) Other cost estimates received in response to the other Users''s request;

(iv) Independent cost estimates by technical personnel; and

(v) Forecasts or planned expenditures.

(g) To verify that the vendor's cost submissions are in accordance with the contract cost principles and Cost Accounting Standards.

(h) To determine whether any cost or pricing data necessary to make the contractor's proposal accurate, complete, and current have not been either submitted or identified in writing by the contractor. If there are such data:

(i) To obtain the data and negotiate using the data obtained, or

(j) To make satisfactory allowance for the incomplete data.

(k) To analyze the results of any make-or-buy program reviews, in evaluating subcontract costs.

3.5 Have an idea of Operational Research Models

3.5.1 The Committee on delegation of Powers in their report of June 2006 indirectly touched the area of Operations Research in para 11.1 (m) while emphasizing the need for reviewing efficacy of Transportation Model for direct dispatch of stores. Operations Research (also known as Quantitative Methods, Management science, Decision science) can be viewed as a scientific method of providing us the quantitative basis for decisions regarding the operations under our control. By using different OP techniques, we generally attempt to arrive at an optimal solution of the problem based on some criteria or criterion for optimality.

3.5.2 **A brief comment on certain standard techniques or prototype models of operations research** which can be useful to IFAs in solving a particular class of problem is given below. However, it must be remembered that each one of these models of OP involves detailed studies.

(a) **Allocation models** – These deal with the allocation of scarce resources so that the objective function can be optimized, subject to certain constraints. These techniques are collectively called mathematical programming techniques. Transportation and Assignment Models are important models in this category, which can be relevant to IFA's work. Transportation model is a special case of linear programming which matches sources of supply to destinations on cost or distance considerations. For example, movement of raw materials from different sources to manufacturing plants at different locations based on availability of raw materials at various sources, the requirements at different plants and the cost of transportation involved. Assignment model is a special case of Transportation model where the aim is to assign a number of origins to the same number of destinations at a minimum total cast. For example, assigning of men/machines to same number of jobs / tasks.

(b) **Queuing theory** - It studies random arrivals at servicing or processing facility of limited capacity. These models attempt to predict the behavior of waiting lines, i.e. the time spent waiting for a service. The technique is descriptive and describes behavior that can be expected given certain parameters. It is not prescriptive in nature and does not offer an optimal solution. The models deal with the trade-offs between cost of providing service and value of time spent waiting for a service.

(c) **Simulation models** - The procedure studies a problem by creating a model of the processes involved in the problem and then, through a series of trial-and-error solutions attempts to determine a better solution to that problem. It is one of the most widely used quantitative techniques today.

(d) **Sequencing models** - These models are concerned with the selection of an appropriate sequence of performing a series of jobs on service facilities (machines) so that some efficiency measure of performance is optimized (generally the total time taken or the time spent in waiting).

(e) **Decision theory** - Decision situations can be classified into deterministic or certainty, probabilistic or risk and uncertainty. Decision making under certainty can be dealt with by various optimization techniques. Decision theory deals largely with decision making under risk where the probabilities of certain conditions occurring (such as demand for an item) are predicted and various options assessed based on these probabilistic values. In situations of uncertainty there can be no specific approach. A set of decision rules can be applied and insight gained into the decision maker’s style of functioning. This is particularly applicable to studying a competitor’s style of decision making and predicting how he would react in a certain condition so as to gain advantage for oneself.

(f) **Game theory** - This deals with decision making under conditions of competition. Its assumptions currently restrict its usage.

(g) **Markov models** - Markov analysis helps to predict changes over time when information about the behavior of a system is known. The models are particularly useful in predicting brand loyalties, manpower planning and management of receivables.

3.5.3 Some of the Procurement problems, which can be analyzed by OP approach are mentioned below:-

(a) Rules for buying supplies under varying prices
(b) Determination of quantities and timing of purchases
(c) Bidding policies
(d) Strategies for exploration and exploitation of new material sources
(e) Rationalization of manpower requirements (hiring of services)
(f) Transportation and Warehousing issues
(g) Maintenance policies and Preventive Maintenance (AMC, Warranty issues)
(h) Determination of time-cost trade-offs and control of development projects (DRDO).

Appendix 'R'

ADVANCED ISSUES AT AON STAGE

1.1 The advanced issues mentioned in this chapter are akin to desirable QRs. These are meant for higher level IFAs and that too on as required basis. The topics have been only given brief introduction, as each one of them requires extensive readings for effective use in procurement. This is only an attempt to familiarize IFAs with advanced themes, which can be pursued on their own depending upon level, aptitude and requirements of individual IFA.

2. Necessity angle & Quantity vetting – There are several means to probe these aspects from superior techniques, some of which are mentioned briefly:-

2.1 **Economic Stock Levels**

(a) An efficient materials-procurement system also includes the means to ensure that stocks are obtained and maintained at economic levels and in quantities that prevent interruption in the flow of needed resources. The aim is to avoid the disruptive financially and operationally. The cost of procurement investments must be balanced against the consequences of stock-outs.

(b) Excessive stocks are wasteful in that they generate unproductive use of capital and build up surpluses that may become obsolete. Unnecessary administrative and operational overhead such as charges for additional storage space, handling, security and stock preservation also result from overstocking. Some tangible and intangible costs as well as other disadvantages also result from insufficient stocks. This overhead is often overlooked because it is hidden as a not readily measurable variable. Short inventories also result in delays, production interruptions and labour problems.

(c) To determine the most economic quantitiy to order, the following factors should be taken into consideration :

- order price
- order-processing cost
- cost of stock holding
- lead time
- rate of usage
- usage/value factor

(d) The usage/value factor is a key guide in determining the size and frequency of the various orders that must be placed. This is based on the concept that additional controls must be placed on higher-value stocks and on inventory items with the largest volume movement.

(e) Inventories for different types of users may vary considerably with the categories of stock items carried. However, experience demonstrates that about 20 percent of all individual stock items in any inventory represent 80 percent of the total inventory value. This means that the larger number of inventory items representing lower total value require a smaller investment to enlarge safety stock levels. Since larger inventories can be maintained, the time periods between reordering can be lenghthened. Conversely, the higher-value stock items require a high investment cost, safety stock levels should be as low as practicable, minimum economical purchases should be made; and physical verification of the book inventory should be carried out as frequently as possible. Although closer and more frequent controls on higher value stock are required,that does not mean that fewer controls should be exercised on the lower-value items.

(f) The usage/value analysis procedure is known as the A-B-C system; it begins with the establishment of the classification of stocks in a descending order of value to provide different levels of control as illustrated in Table 3.

Table : Usage/value analysis A-B-C system

Classification	percentage of Stock	Percentage of value	Name and level of control
A	5	65	High usage; low safety stock levels; frequent physical verification; minimum economic quantity ordered; close schedule control and review (daily if possible).
B	15	15	Control not as tight as for “A” items, but tighter than for “C” items.
C	80	20	Low usages; high inventory levels; purchases in large quantities at less frequent intervals minimize clerical efforts to control; larger safety stocks; low stock-out risks.

2.8 Lead time and safe stock level

2.8.1 Lead time is the time that elapses between ordering goods, receiving them and placing them into use at the point of need. This delay factor includes the time it takes to assess the needs, prepare and place the order, process the order and to ship the goods, unload the goods at the port of destination, discharge from the port and deliver to the user. Stock-control systems are also influenced by fluctuation in usage rates; the more severe the fluctuation, the more difficult it is to stabilize the control. Therefore, buffer or safety stock levels can be established to cushion the effect of anticipated fluctuations.

2.8.2 The safe level of stock is dependent upon the rate of usage and the probability of shortage. Data on demand and usage trends provide the necessary guide in assessing the level of adequate stocks. Safe stock level may be increased in proportion to the lead time, the assumption being that the longer the lead time, the greater the risk of a stock-out. This proportion can be established by setting ''low'' or ''high'' safe stock margins as illustrated in the following table;

Table - Lead time and safe stock level

Lead time	Safe stock level ''Low''	''High''
Up to 1 month	1 week's usage	2 week's usage
Up to 2 months	2 week's usage	1 month's usage
Up to 4 months	1month's usage	2 month's usage
Up to 6 months	2month's usage	3 month's usage

2.2.3 In order to prevent the stock level for a particular item from sinking to the point where it is no longer safe, action to replenish must be initiated at some point above the safe stock level. That point is usually referred to as the record point and is expressed as a quantity of the item in question. A simple formula for determining the recorder point is as follow;

$$ROP = (DU \times LD) + S$$

ROP = recorder point or minimum quantity in stock to maintain safe stock level;
S = safe stock level;
LD = lead time in days;
DU = daily usage.

2.9 Economic purchase order quantity (EOQ)

2.3.1 The mathematical formula for Economic Order Quantity (EOQ) can be used by IFA as a tool in examining proposal at AON stage. It is based on the fact that the EOQ is that quantity at which the carrying cost equals the acquisition cost , and this represents the lowest total cost per unit of material. This is the basic principle for economic quantity buying and is true regardless of the factors used

2.9.1 Several formulas have been developed for the rapid calculation of the economic purchase order quantity. The following simplified formula is often used:

$$EOQ = \frac{2AC}{IP}$$

EOQ = economic purchase order quantity in units;
A = annual usage in units (metres,gallons,kilos);
C = cost of placing and receiving an order (clerical and handling processes);
I = inventory carrying cost (expressed as percentage of the average value of inventory);
P = purchase price per unit, including freight & discounts

2.3.3 In Defence services, the ordering costs and carrying costs are difficult to determine and are seldom exactly known, unless exact cost data has been maintained. Often, a Defence Organization may not be applying formal inventory methods and may wish to do so but may not be willing to wait for a long period in which costing data can be collected. The EOQ concept can still be used by IFAs with considerable savings. Let us consider the EOQ model when the order quantity is expressed in rupees.

$$QC = \frac{\sqrt{2ASC}}{\sqrt{i}}$$

In the formula *AC* represents the annual usage value, that is the number of units of an item used annually multiplied by the cost per unit. This data is normally available or can be computed from store accounting ledgers. Even though the ordering cost *S* and the carrying cost *I* is not known, we can write the relationship as:

$$QC = k\sqrt{AC}$$

where *k* represents $\frac{\sqrt{2S}}{\sqrt{i}}$

Number of orders $N = \frac{AC}{QC}$

Substituting for *QC*, we get

$$N = \frac{AC}{k\sqrt{AC}} = \frac{\sqrt{AC}}{k}$$

Average stock for any one item $= \frac{QC}{2} = \frac{k\sqrt{AC}}{2}$

Because *k* is a constant for any single item, we may consider *k* as a constant for the entire inventory of items. We may say

$$\sum N = \frac{\sum \sqrt{AC}}{k}$$

Total numbers of orders = Sum of square root of annual usage values divided by *k*

$$\text{Total average stock} = \frac{k \quad AC}{2}$$

2.10 **Marginal return principles** – The allocation of resources to various programmes may require application of marginal return principles. The concept is that beyond a point the allocation of more resources to a programme brings less and less returns. As the resources are scarce and the needs are many, the principle of equi-marginal returns can be followed for affecting savings. This will require the IFA to indulge in meticulous costing and valuation of benefits at the margin. The concepts of Marginal cost and Marginal Product will have to be applied with due care by IFA in close consultation with the user. An understanding of these concepts is important because they are the key factors to the sensible resolution of many requirements issues. IFAs must not view the problem of military requirements determination as one of calculation of the forces required to achieve an arbitrarily selected objective or level of effectiveness. It is more sensible to reduce the problem to one of judging at what point the extra effectiveness resulting from more forces – the Marginal Product – is no longer worth the extra effort – the Marginal Cost. This is necessary because there are always competing needs and the resources that can be made available are limited. The amount saved could be used for some other resources whose capabilities can be exploited more beneficially by investing in additional quantities.

2.5 **Probing Assumptions –** Even apparently simple calculations involved in projecting the requirement of equipment in defence are sometimes based on assumptions, which can bear deeper scrutiny. An analysis by IFAs here is important because it is possible that the assumptions are based on liberal assessment of basic requirement but on pessimistic calculation of other operational parameters, which, make it necessary to build many safety parameters. Both may lead to an increase in projected requirements of the equipment, much beyond what is essential. IFAs must make efforts in such cases – particularly when there are elements of judgment involved behind particular assumptions – to get the assumptions more explicit and seek an alternative set of assumptions based on different parameters. The CFAs will then be able to take a view based on their own judgment as to which assumptions to adopt for finalizing the requirements.

2.6 **Analyzing Induction and de-induction profiles -** Very often when a proposal is made for induction of new equipment, adequate attention is not paid to question of what happens to the existing equipment. If useful life is still left in the existing equipment, and these can be utilized with benefit, then phasing of induction of new equipment should be considered carefully by IFAs at the time of concurring the case regarding the induction of new equipment. IFAs should carefully analyze the proposed de-induction profile of existing equipment before deciding whether or not to spend substantial amounts on their upgrading. IFAs need to take assurance that adequate exploitable life is available from the equipment that is being upgraded, so that the amount spent per equipment is worthwhile from the cost-benefit angle. Often this point is not given due attention by the users in their enthusiasm for buying latest equipments. Hence the need for IFAs to be careful in seeing this issue. The de-induction profile of equipment is also important to decide upon the replacement needs. IFAs have to look into it carefully as there may be assumptions involved in a particular de-induction profile which can be questioned. The tendency to exaggerate the replacement needs on the basis of depletion of existing assets is expected from the users and therefore, IFAs need to give particular attention before deciding upon the quantitative requirements of new equipment.

2.11 **Decision Analysis –** Decision Analysis activities provide the basis for evaluating and selecting alternatives when decisions need to be made. Decision Analysis involves selecting the criteria for the decision and the methods to be used in conducting the analysis. For example, during system design, analysis must be conducted to help chose amongst alternatives to achieve a balanced, supportable, robust, and cost effective system design. These analyses include, but are not limited to, trade studies, models and simulation, supportability analysis, level of repair analysis, post fielding support analysis, repair versus discard, and cost analysis. These studies should be augmented with virtual and/or physical prototypes, where applicable, prior to making decisions on best alternative. Decision criteria will be influenced by such things as interoperability constraints; size; transportability requirements; maintenance concept; affordability; reliability, availability, and maintainability goals; and schedule.

3. Estimating Value of Proposal

3.1 **Lifecycle Costs -** For a defense acquisition program, Lifecycle cost consists of research and development costs, investment costs, operating and support costs, and disposal costs over the entire Lifecycle. These costs include not only the direct costs of the acquisition program, but also include indirect costs that would be logically attributed to the program.

(a) When programs are less mature (in pre-systems acquisition or system development and demonstration), program cost estimates that are supporting the acquisition system normally are focused on Life-cycle cost or elements of Life-cycle cost. Examples of such cases where cost estimates support the acquisition system at a macro level include affordability assessments, analyses of alternatives, cost-performance trades, and establishment of program cost goals. In addition, more refined and discrete Life-cycle cost estimates may be used within the program office to support internal decision-making such as evaluations of design changes and assessment of produceability, reliability, maintainability, and supportability considerations. However, as programs mature (transition from production and deployment to sustainment), cost estimates that support the acquisition system or program management in many cases may need to be expanded in scope to embrace total ownership cost concepts.

(b) In Defence procurements, Lifecycle cost can be defined as the sum of four major cost categories, where each category is associated with sequential but overlapping phases of the program Lifecycle. Lifecycle cost consists of (1) research and development costs, associated with the Concept Refinement phase, Technology Development phase, and the System Development and Demonstration phase, (2) investment costs, associated with the Production and Deployment phase, (3) operating and support costs, associated with the sustainment phase, and (4) disposal costs, occurring after initiation of system phase-out or retirement, possibly including demilitarization, detoxification, or long-term waste storage.

(c) Research and Development consists of development costs incurred from the beginning of the conceptual phase through the end of the System Development and Demonstration phase, and potentially into Low-Rate Initial Production. Typically includes costs of concept refinement trade studies and advanced technology development; system design and integration; development, fabrication, assembly, and test of hardware and software for prototypes and/or engineering development models; system test and evaluation; system engineering and program management; peculiar support (peculiar and common support equipment, peculiar training equipment/initial training, and technical publications/data) and initial spares and repair parts associated with prototypes and/or engineering development models.

(d) Investment consists of production and deployment costs incurred from the beginning of low rate initial production through completion of deployment. Typically includes costs associated with producing and deploying the primary hardware; system engineering and program management; peculiar support (peculiar and common support equipment, peculiar training equipment/initial training, and technical publications/data) and initial spares and repair parts associated with production assets; and military construction and operations and maintenance associated with system site activation.

(e) Operating and Support consists of sustainment costs incurred from the initial system deployment through the end of system operations. Includes all costs of operating, maintaining, and supporting a fielded system. Specifically, this consists of the costs (organic and contractor) of personnel, equipment, supplies, software, and services associated with operating, modifying, maintaining, supplying, training, and supporting a system in the Defence inventory. This includes costs directly and indirectly attributable to the system (i.e., costs that would not occur if the system did not exist), regardless of funding source or management control. Direct costs refer to the resources immediately associated with the system or its operating unit. Indirect costs refer to the resources that provide indirect support to the system's manpower or facilities. For example, the pay and allowances reflected in composite standard rates for a unit-level maintenance technician would be treated as a direct cost, but the (possibly allocated) cost of medical support for the same technician would be an indirect cost.

(f) Disposal consists of costs associated with demilitarization and disposal of a military system at the end of its useful life. These costs in some cases represent only a small fraction of a system's Lifecycle cost and may not be considered when preparing Lifecycle cost estimates. However, it is important to consider demilitarization and disposal early in the Lifecycle of a system because these costs can be significant, depending on the characteristics of the system. Costs associated with demilitarization and disposal may include disassembly, materials processing, decontamination, hardware, collection/storage/ disposal of hazardous materials and/or waste, safety precautions, and transportation of the system to and from the disposal site. Systems may be given credit in the cost estimate for resource recovery and recycling considerations.

3.2 **Total Ownership Costs** - The concept of total ownership cost is related to LCC, but broader in scope. Total ownership cost consists of the elements of Life cycle cost, as well as other infrastructure or business process costs not necessarily attributable to the program.

(a) Total ownership cost consists of the elements of a program's Life cycle cost, as well as other infrastructure or business processes costs not necessarily attributable to the program. Infrastructure is used here in the broadest possible sense, and consists of all military department and defense agency activities that sustain the military forces assigned to the combatant and component commanders. Major categories of infrastructure are support to equipment (acquisition and central logistics activities), support to military personnel (non-unit central training, personnel administration and benefits, and medical care), and support to military bases (installations and communications/information infrastructure).

(b) In general, traditional Life cycle cost estimates are in most cases adequate in scope to support decisions involving system design characteristics (such as system weight, material mix, or reliability and maintainability). However, in special cases, depending on the issue at hand, the broader perspective of total ownership cost may be more appropriate than the Life cycle cost perspective, which may be too narrow to deal with the particular context. For a defense acquisition program, Life cycle costs include not only the direct costs of the program, but also include indirect costs that would be logically attributed to the program. In a typical Life cycle cost estimate, the estimated indirect costs would include only the costs of infrastructure support specific to the program's military manpower (primarily medical support and system-specific training) and the program's associated installations or facilities (primarily base operating support and facilities sustainment, restoration and modernization). Many other important infrastructure activities (such as recruiting and accession training of new personnel, individual training other than system-specific training, environmental and safety compliance and most management headquarters functions) are normally not considered in the scope of a traditional acquisition program Life cycle cost estimate. In addition, important central (i.e., wholesale) logistics infrastructure activities such as supply chain management are implicitly incorporated in a traditional Life cycle cost estimate, but their costs are somewhat hidden (because these costs are reflected in the surcharges associated with working capital fund arrangements and are not explicitly identified). However, there could easily be cases where consideration of such infrastructure activities would be important and would need to be explicitly recognized in a cost estimate or analysis. Examples of such cases are cost analyses tied to studies of alternative system support concepts and strategies; re -engineering of business practices or operations; environment, safety, and occupational health considerations; or competitive sourcing of major infrastructure activities. In these cases, the traditional Life cycle cost structure may not be adequate to analyze the issue at hand, and the broader total ownership cost perspective would be more appropriate. For such instances, the typical Life cycle cost tools and data sources would need to be augmented with other tools and data sources more suitable to the particular issue being addressed.

3.3 **Risk Management -** Risk management is an important tool in acquisition program success. The purpose of addressing risk on programs is to help ensure program cost, schedule, and performance objectives are achieved at every stage in the life cycle and to communicate to all stakeholders the process for uncovering, determining the scope of, and managing program uncertainties. Since risk can be associated with all aspects of a program, it is important to recognize that risk identification is part of the job of everyone and not just the systems engineer or program manager.

(a) Risk is a measure of future uncertainties in achieving program performance goals and objectives within defined cost, schedule and performance constraints. Risk can be associated with all aspects of a program (e.g., threat, technology maturity, supplier capability, design maturation, performance against plan,). Risk addresses the potential variation in the planned approach and its expected outcome. Risks have three components: a. A future root cause (yet to happen), which, if eliminated or corrected, would prevent a potential consequence from occurring; b. a probability (or likelihood) assessed at the present time of that future root cause occurring; and the consequence (or effect) of that future occurrence. A future root cause is the most basic reason for the presence of a risk. Accordingly, risks should be tied to future root causes and their effects.

(b) **Risk Management -** Risk Management is the overarching process that encompasses identification, analysis, mitigation planning, mitigation plan implementation, and tracking. Risk management begins at the earliest stages of program planning and continues throughout the total life-cycle of the program. Additionally, risk management is most effective if it is fully integrated with the program's systems engineering and program management processes—as a driver and a dependency on those processes for root cause and consequence management. A common misconception, and program office practice, concerning risk management is to identify and track issues (vice risks), and then manage the consequences (vice the root causes). Risks should not be confused with issues. If a root cause is described in the past tense, the root cause has already occurred, and hence, it is an issue that needs to be resolved, but it is not a risk.

(c) **Risk Management Process -** The risk management process is continuously accomplished throughout the life cycle of a system. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risk; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

4. Mode of Tendering –

4.1 **Verification of Financial Standing –** There could be occasions when it will be necessary to verify financial standing of vendors as a part of prequalification exercise. If IFAs are to assist in this job, then they can do it as under:-

(a) This can be done by calling Banker's Report and valid & latest Income Tax Clearance Certificate, if not already furnished with the tender documents.

(b) **Banker's Report:** A report can be obtained from the Bank(s) concerned in the format given below regarding financial standing of the firm. The Bank's Report could be dispensed in respect of firms, which are covered by statutory auditing process. In all other cases, the report can be called confidentially in respect of firms, which are not covered by statutory auditing requirements. However, if a Report from Bank does not come, the financial aspects on the basis of balance sheets can be considered by IFAs.

To
The Manager,
____
____

SUB: Reports on the financial standing of contractors.

Dear Sir,
The under-mentioned firm is being considered for issue of Tender Enquiry by this organization and have indicated you as their Banker. I shall be glad if you will furnish me with a report of their financial standing and say whether their dealing with your bank have been of a sufficiently high order to enable them to carry out satisfactory contracts involving sums amounting:

(a) Upto Rs. 2,50,000/-
(b) Upto Rs. 5,00,000/-
(c) Upto Rs. 10,00,000/-
(d) Upto Rs. 15,00,000/-
(e) Upto Rs. 25,00,000/-
(f) Above Rs. 25,00,000/-(Unlimited)

2. Any information you may furnish in this connection will be treated strictly confidential. Your reply should be unambiguous and should clearly state the category for which you consider them financially sound.

3. Please quote this office reference and date in your reply.
Yours faithfully

( )

4.2 **Risk Analysis** – If a supplier does not fulfill his obligation in the realization of complex and extensive projects, this can lead to considerable damages or loss for a military organization. To limit the risk of problems as much as possible, the

Ministries of Defence of several European countries sometimes carry out an analysis of the risk related to doing business with suppliers for strategic project. In general we can distinguish three categories of risks -

(a) **Technical risk -** Regarding the suitability/professionalism of the management, the means of production, the skills, tools and testing equipment of the company in question, for the manufacture of the required goods and services, which must meet the agreed requirements and must be delivered within the agreed term.

(b) **Quality risk** with regard to the quality management of the company in general and the quality control system of the project in question in particular.

(c) **Financial risk** related to the degree in which the company is considered to function soundly and effectively for the duration of the project. Of importance in this respect are: financial condition, investment elasticity and a reasonable financial forecast.

(d) In large and technologically complex projects the risks can be so great that additional measures are required. These measures should consist of at least periodical preventive audits aimed at assessing the technical capacity and quality control (the so-called 'pre-award survey'), to be conducted by the military; and the financial status of the company in question, to be conducted by the accounting department. This latter analysis concerns the actual and the anticipated results of the company activities (such as turnover and company results) and ratio analysis of several financial parameters (such as liquidity and solvency).

4.2 Mandatory Purchase from certain sources – Product Reservation Policy of Govt

4.2.1 **Khadi Goods/Handloom Textiles:** The Central Government has reserved all items of hand-spun and hand-woven textiles (Khadi goods) for exclusive purchase from Khadi & Village Industries Commission (KVIC). Government has also reserved all items of handloom textiles including Barrack Blankets for exclusive purchase from KVIC or notified handloom units through the Association of Corporations and Apex Societies of Handlooms (ACASH) and Women's Development Organization (WDO). The handloom textile items are to be purchased from KVIC to the extent they can supply and the balance from the handloom units of ACASH, to the extent these units can make supplies. Left over quantity, if any, may be purchased from other sources. In the case of KVIC, the rates are fixed by certification committee, and the rates so fixed are reviewed by the Cost Accounts Branch of the Ministry of Finance. In the case of ACASH, the final price will be calculated by ACASH and fixed by the Ministry of Textiles by associating a representative of the Chief Accounts Office of Department of Expenditure, Ministry of Finance. The Central Purchase Organization (e.g. DGS&D) also enters into long term contracts with KVIC and ACASH for items of recurrent demands and lays down terms and conditions therein. For other items, the purchase from both KVIC and ACASH should be made on single tender basis. Normal inspection and other procedures shall apply for procurement through KVIC/ ACASH. Testing arrangements will be provided by KVIC/ ACASH or by their notified units and where the same are not available; testing charges for testing outside at approved laboratory should be borne by KVIC/ ACASH/ their units. All relevant details in this regard are available with DGS&D.

4.2.2 **Reserved Products of SSI:** The Government has also reserved some items for exclusive purchase from Small Scale Sector. The Ministries/Departments are to purchase such products from these notified agencies/suppliers only. The Government reviews the lists of such reserved items and the applicable procedures for purchasing the same from time to time. The tender enquiry document should clearly indicate that the purchase will be made from the suppliers falling in the category of KVIC, ACASH, and Small Scale Units registered with National Small Industries Corporation (NSIC). In the process of procurement, other things being equal, the purchase preference would be in favour of KVIC/ACASH/SSI in that order. (Note: KVIC and ACASH are treated on par with SSI units registered with NSIC and DGS&D.) Special dispensation available to Kendriya Bhandar (KB) and National Consumer Cooperative Federation (NCCF) for procurement of stationery and consumables before the introduction of GFRs 2005, which has since been terminated, is under review. While making purchase of goods falling in these categories, IFA should check the latest directives in this regard for necessary action.

4.3 Preferential Purchase from certain sources Price Preference

4.3.1 As per the extant rules, when acceptable offers are received against an *ad-hoc* requirement of unreserved goods (i.e. goods not covered under para above) from various categories of suppliers, including Large Scale Sector, Public Sector Undertakings and Small Scale Sector, the offer from the Small Scale Sector, which is registered with National Small Industries Corporation (NSIC) or with Directorate General of Supply and Disposal (DGS&D) is entitled for price preference upto 15% over the offer of Large Scale Sector and 5% over the offer of Public Sector Undertaking, provided the offers under consideration are otherwise clear for acceptance in all respects. (Example: The evaluated cost of the lowest acceptable offer, which is from a Large Scale Sector is Rs.100/-. The evaluated cost of an acceptable offer from a Small Scale Unit, which is registered with NSIC / DGS&D is Rs.115/-. This SSI is entitled to get the order at its quoted price).

4.3.2 However, the price preference admissible to the SSI unit is not mandatory. It is to be decided separately for each tender on merits of each case, in consultation with Finance, and a mention to that effect should be made in the Notice Inviting Tenders (NIT)/Request for Proposal (RFP). The price preference is accorded to the deserving SSI units as an incentive to grow; but it should not promote inflation, profiteering or misuse of SSI units as conduits. In case the SSI unit in view has established itself as a supplier of the required goods on competitive terms and enjoys advantage(s) over Large Scale Sector, no price preference need be considered. Where the NSIC / State Development Corporations themselves quote on behalf of some SSI units, such offers will be considered as offers from SSI units registered with the DGS&D/NSIC. An SSI Unit will not get any price preference over another SSI Unit.

4.3.3 Price preference facility to SSI Units will, however, not apply to the procurement of the under mentioned goods: -

- Paint items for the Railway
- Drug items
- Medical and Electro-medical equipment
- Requirements of Defence, where inspection is to be carried out by the Defence Inspection Organization.
- Items where technical competence, capacity and manufacturing facilities are required to be verified before placement of order.

4.3.4 Before considering any price preference to Small Scale Sector, the purchase organization should check the latest directives in this regard for necessary action.

4.4 Preferential Purchase from certain sources - Purchase Preference to Central Public Sector Undertakings

4.4.1 As per the extant government policy, the Central Public Sector Undertaking (CPSU) gets purchase preference upto 10% over the Large Scale Private Units (vide Department of Public Enterprises O.M. No. DPE.13(12)/2003-Fin.Vol.II dated 18.7.2005). Example: Against an ad-hoc requirement, the evaluated cost of the lowest acceptable offer, which is from a Large Scale Sector is Rs.100/-. The evaluated cost of an acceptable offer from a CPSU, is Rs.110/-. As per the extant policy, the CPSU will be offered the price of Rs.100/- and if it accepts the same, order will be placed on it (CPSU) at that price (Rs.100/-).

4.4.2 **Preferential purchase policy for certain medicines:**
Government has approved (vide Department of Chemicals & Petrochemicals OM No. 50013/1/2006-SO(PI-IV) dated 7th August, 2006) grant purchase preference exclusively to Pharma CPSEs and their subsidiaries in respect of 102 specified medicines manufactured by them. The salient features of this Purchase Preference Policy (PPP) are as under:

(a) PPP in respect of a maximum of 102 medicines would be applicable to purchases made by Ministries / Departments, PSUs, Autonomous Bodies, etc. of the Central Government It would be valid for a period of five years.

(b) This would also be applicable to purchase of 102 drugs made by State Governments under health programmes which are funded by Government of India. (e.g. purchases under National Rural Health Mission etc).

(c) PPP will extend only to Pharma CPSEs and their subsidiaries (i.e. where Pharma CPSEs own 51 % or above shareholding).

(d) It would be applicable to a maximum of 102 medicines, The list of 102 medicines would be reviewed and revised by Department of Chemicals & Petrochemicals as and when required taking care not to include any item reserved for SSI units.

(e) The Purchasing Departments / PSUs / autonomous bodies etc. of the Central Government may invite limited tenders from Pharma CPSEs and their subsidiaries or purchase directly from them at NPPA certified / notified price with a discount upto 35%.

(f) The purchasing departments would purchase from Pharma CPSEs and their subsidiaries subject to their meeting Good Manufacturing Practices (GMP) norms as per Schedule 'M' of the Drugs & Cosmetic Rules. If no Pharma CPSE is forthcoming to supply these 102 medicines, the purchasing departments would be at liberty to purchase from other manufacturers.

(g) If the Pharma CPSEs or their subsidiaries which have the benefit of PPP, fail to perform as per the purchase order, they would be subject to payment of liquidated damages or any other penalty included in the contract

(h) The medicines covered under Drug & Price Control Order (DPCO) would be supplied at the rates fixed by National Pharmaceuticals Pricing Authority (NPPA) rates minus discount up to 35 per cent.

(i) In case of medicines not covered under DPCO, prices would be got certified from NPPA, only for the limited purpose of supply to Central Government Departments and their Public Sector Undertakings, autonomous bodies etc. On the certified price, Pharma CPSEs and their subsidiaries would provide discount up to 35%.

(j) The Purchase Preference Policy (PPP) as contained in Department of Public Enterprises O.M. No. DPE.13(12)/2003-Fin.Vol.II dated 18.7.2005 would not be applicable to Pharma CPSEs.

(k) Before considering any such purchase preference, the purchase organization should check the latest directives in this regard for necessary action. Purchase Preference provision shall invariably be part of the Notice Inviting Tender (NIT).

5. Vetting of RFP

5.1 **Exchange Rate Variation Clause** – In indigenous contracts, where there is an import content, ERV clause can be provided. ERV clause can be framed according to the specific unique requirements of the contract. While calling for information at the RFP stage / formulation of ERV clause in the contracts, following factors can be taken into consideration depending upon the requirements of the individual contracts:-

(a) Year wise and major currency wise import content break up can be taken.

(b) Based on information given above, the cut off date/dates within the Delivery schedule for the imported material can be fixed for admissibility of ERV.

(c) Detailed time schedule for procurement of imported material and their value at the FE rates adopted for the contract can be asked from the vendors as per the format given below :-

YEAR	TOTAL COST OF IMPORTED MATERIAL	FE CONTENT – OUT FLOW (EQUIVALENT IN RUPEES IN CRORES)			
		DOLLAR DENOMINATED	EURO DENOMINATED	POUNDS DENOMINATED	OTHER CURRENCIES DENOMINATED (As applicable)

(d) ERV clause should not be applicable in case delivery periods for imported content are subsequently to be refixed /extended.

(e) For purposes of ensuring uniformity, the Base Exchange rate of the Parliament Street Branch of State Bank of India, New Delhi at the time of opening of commercial quotes can be adopted for each of the major foreign currencies.

(f) ERV clause in the contract should clearly indicate that ERV is payable/refundable depending upon movement of exchange rate with reference to exchange rate adopted for the valuation of the contract.

(g) Other issues which are peculiar to the contract.

5.2 **Buy Back Offer Clause -** When it is decided to replace some existing old goods with their newer and better versions/substitutes, the department may trade the existing old goods while purchasing the new ones. For this purpose, suitable clauses are to be incorporated in the tender enquiry document so that the interested tenderers formulate and submit their tenders accordingly. Provision should also be kept in the tender documents to permit the interested tenderers to inspect the old goods to be traded through this transaction. Appropriate provision should also be kept in the tender document allowing the purchase organization to reserve its right to trade or not to trade the old goods while purchasing the new ones and the tenderers are to be asked to frame their quotations accordingly covering both the options. Depending on the value and condition of the old goods to be traded, the time frame for as well as the mode of handing them over to the successful tenderer should be decided and relevant details in this regard suitably incorporated in the tender document.

5.3 **Maintenance Contract clause –**

(a) Some goods, especially sophisticated equipment and machinery need proper maintenance for trouble free service. For this purpose, the Users may like to enter into maintenance contract. It must however be kept in mind that maintenance contract is to start after the expiry of the warranty period, during which period the goods are to be maintained free of cost by the supplier. Maintenance contract may be entered into either with the manufacturer/supplier of the goods or with a competent and eligible firm, not necessarily the manufacturer/supplier of the goods in question. IFA should decide this aspect on case to case basis on merit.

(b) If the maintenance contract is to be entered into with the supplier of the goods, then suitable clauses for this purpose are to be incorporated in the tender enquiry document itself and while evaluating the offers, the cost component towards maintenance of the goods are also to be added in the evaluated tender value on overall basis to decide the inter se ranking of the responsive tenderers. An equipment with a lower quoted price may carry a higher maintenance liability. Therefore, total cost on purchase and maintenance of the equipment over its projected lifecycle should be assessed to consider its suitability for purchase. However, if the maintenance contract is to be entered into with a competent and eligible supplier separately, then a separate tender enquiry is to be floated for this purpose and tenders evaluated and ranked accordingly for placement of maintenance contract. Here, the supplier of the goods may also quote and its quotation, if received, is to be considered along with other quotations received.

(c) While evaluating the tenderers for maintenance of goods covering a longer period (say, more than one year), the quoted prices pertaining to maintenance in future years are to be discounted to the net present value (NPV) as appropriate for comparing the tenders on equitable basis and deciding the lowest evaluated responsive tender.

(d) The details of the services required for maintenance of the goods, the required period of maintenance and other relevant terms & conditions including payment terms are to be incorporated in the tender enquiry document. The terms of payment for the maintenance service will depend on the nature of the goods to be maintained as well as the nature of the services desired. Generally, payment for maintenance is made on half-yearly or quarterly basis.

(e) A suitable provision should be incorporated in the tender enquiry document and in the resultant maintenance contract indicating that the prices charged by the maintenance contractor should not exceed the prevailing rates charged by it from others for similar services. While claiming payment, the contractor is also to give a certificate to this effect in its bill.

(f) If the goods to be maintained are sophisticated and costly, the tender enquiry document should also have a provision for obtaining performance security. The amount of performance security will depend on the nature of the goods, period of maintenance etc. Industry price generally varies from 2.5 % to 5% of the value of the equipment to be maintained.

(g) Sometimes, the maintenance contractor may have to take the goods or some components of the goods to its factory for repair etc. On such occasions, before handing over the goods or components, suitable bank guarantee is to be obtained from the firm to safeguard purchaser's interest.

(h) Sometimes, during the tenure of a maintenance contract, especially with a longer tenure, it may become necessary for the purchase organization to withdraw the maintenance contract due to some unforeseen reasons. To take care of the same, there should be a suitable provision in the tender document and in the resultant contract. A model clause to this effect is provided below:

"The purchaser reserves its right to terminate the maintenance contract at any time without assigning any reason. The contractor will not be entitled to claim any compensation against such termination. However, while terminating the contract, if any payment is due to the contractor for maintenance services already performed in terms of the contract, the same would be paid to it as per the contract terms".

(i) Depending on the cost and nature of the goods to be maintained, suitable notice period for such cancellation to come into effect is to be provided in the documents.

5.4 **Turnkey Contract -** A turnkey contract is a mix of goods contract and works contract. Generally, in the tender enquiry documents for a turnkey contract, the purchase organization specifies the performance and output required from the plant proposed to be set up and broadly outlines the various parameters it visualizes for the desired plant. The inputs and other facilities, which the purchase organization will provide to the contractor are also indicated in the tender enquiry document. The contractor is to design the plant and quote accordingly. The responsibility of the contractor will include supplying the required goods, machinery, equipment etc. needed for the plant; assembling, installing and erecting the same at site as needed; commissioning the plant to meet the required output etc., as specified in the tender enquiry documents.

5.4 **Terms related to Technological projects –** While processing cases of projects and complicated capital items, IFAs are required to go through the Project Report or detailed SOC at AON stage. Often these Reports/SOC contain detailed description of Technical Reviews (ex – ITR, ASR, etc), undertaken during **Concept Refinement stage.** In addition, RFP of large projects and Capital procurements often contain stage-wise milestones/payment terms, wherein technological terms like SRR, IBR, SDR, CDR, etc are used. IFAs need to be aware of significance of these terminologies in order to allocate appropriate percentage of payments as per project requirements. A brief exposition of these terms is given below for guidance.

5.5 **Terms related to Technical Reviews during Concept Refinement stage**

(a) **Initial Technical Review (ITR) -** The ITR is a multi-disciplined technical review to support a program's initial objectives. This review ensures that a program's technical baseline is sufficiently rigorous to support a valid cost estimate (with acceptable cost risk), and enable an independent assessment of that estimate by cost, technical, and program management subject matter experts. The ITR assesses the capability needs and conceptual approach of a proposed program and verifies that the requisite research, development, test, engineering, logistics, and programmatic bases for the program reflect the complete spectrum of technical challenges and risks. Additionally, the ITR ensures that historical and prospective drivers of system cost have been quantified to the maximum extent and that the range of uncertainty in these parameters has been captured and reflected in the program cost estimates. Completion of the ITR provides : (1) A complete document detailing system overview, risk, and system operational concept; (2) An assessment of the technical and cost risks of the proposed program; and (3) An independent assessment of the program's cost estimate.

(b) **Alternative System Review (ASR) -** The ASR is a multi-disciplined technical review to ensure that the resulting set of requirements agrees with the customers' needs and expectations and that the system under review can proceed into the Technology Development phase. Generally this review assesses the alternative systems that have been evaluated during the Concept Refinement phase, and ensures that the preferred system alternative is cost effective, affordable, operationally effective and suitable, and can be developed to provide a timely solution to a need at an acceptable level of risk. Of critical importance to this review is the understanding of available system concepts to meet the capabilities described in the early documents and the affordability, operational effectiveness, and technology risks inherent in each alternative concept. Depending on the overall acquisition strategy, one or more preferred solutions is carried forward into the Technology Development phase. By reviewing alternative system concepts, the ASR helps ensure that sufficient effort has been given to conducting trade studies that consider and incorporate alternative system designs that may more effectively and efficiently meet the defined capabilities. A successful review is predicated on the IPT's determination that the operational capabilities, preferred solution(s), available technologies, and program resources (funding, schedule, staffing, and processes) form a satisfactory basis for proceeding into the Technology Development phase. Completion of the ASR provides: (1) An agreement on the preferred system concept(s) to take forward into Technology Development. (2) Hardware and software architectural constraints/drivers to address Defense Information Infrastructure / Common Operating Environment and system extensibility requirements. (3) An assessment of the full system software concept to include conceptual definition of the complete deliverable/non-deliverable software, scope, and risk (e.g., operational software elements, software engineering environment, test software, maintenance software, simulation/ stimulation software, training software, in-service support software, etc.). (4) A comprehensive rationale for the preferred solution, including the Analysis of Alternatives that evaluated relative cost, schedule, performance (hardware, human, software), and technology risks. (5) A comprehensive assessment of the relative risks associated with including commercial-off-the-shelf items in the program, with emphasis on host platform environmental design, diagnostic information integration, and maintenance concept compatibility. (6) A comprehensive risk assessment for the Technology Development phase. (7) Trade studies/technical demonstrations for concept risk reduction. (8) Joint requirements for the purposes of compatibility, interoperability, and integration. (9) Refined thresholds and objectives initially stated as broad measures of effectiveness. (10) Completed, comprehensive planning for the Technology Development phase (hardware and software), that addresses critical components to be developed and demonstrated, their cost, and critical path drivers. (11) Initial planning for the System Development and Demonstration phase. (12) A draft system requirements document if one does not already exist. (This is a high-level engineering document that represents the customer/user capability needs as system requirements.) This systems requirement document should include a system level description of all software elements required by the preferred system concept. The ASR is important because it is a comprehensive attempt to ensure that the system requirements are aligned with the customer's needs.

5.6 Terms related to Technical Reviews during Technology Development phase

(a) **System Requirements Review (SRR) -** The SRR is conducted to ascertain progress in defining system technical requirements. This review determines the direction and progress of the systems engineering effort and the degree of convergence upon a balanced and complete configuration. It is normally held during Technology Development, but may be repeated after the start of System Development and Demonstration to clarify the contractor's understanding of redefined or new user requirements. The SRR is a multi-disciplined technical review to ensure that the system under review can proceed into the System Development and Demonstration phase, and that all system requirements and performance requirements derived from the initial documents are defined and are consistent with cost (program budget), schedule (program schedule), risk, and other system constraints. Generally this review assesses the system requirements as captured in the system specification, and ensures that the system requirements are consistent with the preferred system solution as well as available technologies resulting from the Technology Development phase. Of critical importance to this review is an understanding of the program technical risk inherent in the system specification and in the System Development and Demonstration Phase Systems Engineering Plan. Determining an acceptable level of risk is key to a successful review. Completion of the SRR provides: (1) An approved preliminary system performance specification; (2) A preliminary allocation of system requirements to hardware, human, and software subsystems; (3) Identification of all software components (tactical, support, deliverable, non-deliverable, etc.); (4) A comprehensive risk assessment for System Development and Demonstration; (5) An approved System Development and Demonstration Phase Systems Engineering Plan that addresses cost and critical path drivers; and (6) An approved Product Support Plan with updates applicable to this phase. During the SRR, the systems requirements are evaluated to determine whether they are fully defined and consistent with the mature technology solution, and whether traceability of systems requirements to the initial documents is maintained. A successful review is predicated on the IPT's determination that the system requirements, preferred system solution, available technology, and program resources (funding, schedule, staffing, and processes) form a satisfactory basis for proceeding into the SDD phase.

(b) **Integrated Baseline Review (IBR) -** IBR is used throughout the program when Earned Value Management is required. This review has a business focus, but includes the important technical considerations discussed below. The process is composed of four steps: (1) The Project team's assessment of their understanding of the risks; (2) Preparation for an IBR; (3) Execution of the IBR; and (4) The management process (the source of on-going mutual understanding). The key step in the process is execution of the IBR. The IBR establishes a mutual understanding of the project performance measurement baseline. This understanding provides for an agreement on a plan of action to evaluate the risks inherent in the program measurement baseline and the management processes that operate during project execution. Completion of the review should result in the assessment of risk within the program measurement baseline and the degree to which the following have been established: (1) Technical scope of work is fully included and is consistent with authorizing documents; (2) Key project schedule milestones are identified and supporting schedules reflect a logical flow to accomplish the work; (3) Resources (budgets, facilities, personnel, skills, etc.) are available and are adequate for the assigned tasks; (4) Tasks are planned and can be measured objectively relative to the technical progress; (5) Rationales underlying the Program Measurement Baseline are reasonable; and (6) Management processes support successful execution of the project.

5.7 **Terms related to Technical Reviews during System Integration phase**

(a) **System Requirements Review (SRR) -** The SRR is a multi-functional technical review to ensure that all system and performance requirements derived from the early documents are defined and consistent with cost (program budget), schedule (program schedule), risk, and other system constraints. Generally this review assesses the system requirements captured in the system specification. The review ensures consistency between the system requirements and the preferred system solution and available technologies.

(b) **System Functional Review (SFR) -** The SFR is a multi-disciplined technical review to ensure that the system under review can proceed into preliminary design, and that all system requirements and functional performance requirements derived from the early documents are defined and are consistent with cost (program budget), schedule (program schedule), risk, and other system constraints. Generally this review assesses the system functional requirements as captured in system specifications (functional baseline), and ensures that all required system performance is fully decomposed and defined in the functional baseline. System performance may be decomposed and traced to lower-level subsystem functionality that may define hardware and software requirements. The SFR determines whether the systems functional definition is fully decomposed to a low level, and whether the IPT is prepared to start preliminary design. Completion of the SFR provides: (1) An established system functional baseline; (2) An updated risk assessment for the System Development and Demonstration phase; (3) An updated Cost Analysis Requirements Description (CARD) (or CARD-like document) based on the system functional baseline; (4) An updated program development schedule including system and software critical path drivers; and (5) An approved Product Support Plan with updates applicable to this phase. The SFR determines whether the system's lower-level performance requirements are fully defined and consistent with the mature system concept, and whether lower-level systems requirements trace to top-level system performance and the early documents. The SFR is the last review that ensures the system is credible and feasible before more technical design work commences.

(c) **Preliminary Design Review (PDR) -** The PDR is a multi-disciplined technical review to ensure that the system under review can proceed into detailed design, and can meet the stated performance requirements within cost (program budget), schedule (program schedule), risk, and other system constraints. Generally, this review assesses the system preliminary design as captured in performance specifications for each configuration item in the system (allocated baseline), and ensures that each function in the functional baseline has been allocated to one or more system configuration items. Configuration items may consist of hardware and software elements and include such items as airframes, avionics, weapons, crew systems, engines, trainers/training, etc. Completion of the PDR provides: (1) An established system allocated baseline; (2) An updated risk assessment for System Development and Demonstration; (3) An updated cost Analysis document; based on the system allocated baseline; (4) An updated program schedule including system and software critical path drivers; and (5) An approved Product Support Plan with updates applicable to this phase. The PDR evaluates the set of subsystem requirements to determine whether they correctly and completely implement all system requirements allocated to the subsystem. The PDR also determines whether subsystem requirements trace with the system design.

(d) **Critical Design Review (CDR) -** The CDR is a multi-disciplined technical review to ensure that the system under review can proceed into system fabrication, demonstration, and test; and can meet the stated performance requirements within cost (program budget), schedule (program schedule), risk, and other system constraints. Generally this review assesses the system final design as captured in product specifications for each configuration item in the system (product baseline), and ensures that each product in the product baseline has been captured in the detailed design documentation. Product specifications for hardware enable the fabrication of configuration items, and may include production drawings. Product specifications for software (e.g., Software Design Documents) enable coding of a Computer Software Configuration Item. Configuration items may consist of hardware and software elements, and include items such as airframe, avionics, weapons, crew systems, engines, trainers/training, etc. Completion of the CDR provides: (1) An established system product baseline; (2) An updated risk assessment for System Development and Demonstration; (3) An updated Cost Analysis document based on the system product baseline; (4) An updated program development schedule including fabrication, test, and software coding critical path drivers; and (5) An approved Product Support Plan with updates applicable to this phase. The CDR determines whether the hardware, human, and software final detail designs are complete, and whether the vendor is prepared to start system fabrication, demonstration, and test. The subsystem detailed designs are evaluated to determine whether they correctly and completely implement all system requirements allocated to the subsystem, and whether the traceability of final subsystem requirements to final system detail design is maintained.

(e) **Design Readiness Review -** The outputs of the systems engineering processes in System Integration become the inputs to the Design Readiness Review. These inputs include the following measures of design maturity: The number of subsystem and system technical reviews successfully completed; The percentage of drawings completed; Planned corrective actions to hardware/software deficiencies; Adequate development testing; An assessment of environment, safety and occupational health risks; A completed failure modes and effects analysis; The identification of key system characteristics and critical manufacturing processes; and An estimate of system reliability based on demonstrated reliability rates; etc.

6. **Technical specifications –** Ministry of Finance has given guidelines in the area of making Technical specifications in their Manual of Procurement, compliance of which can be seen by IFAs. They are as under:-

(a) The specifications of the goods shall meet only the actual and essential needs of the user because “over-specification” will unnecessarily increase the cost and may stifle competition.

Specifications should aim at procuring the latest technology and avoid procurement of obsolete goods. Specifications should have emphasis on factors like efficiency, optimum fuel/power consumption, use of environmental-friendly materials, reduced noise and emission levels, low maintenance cost etc. Further, the specifications should not be too restrictive as the aim should be to attract reasonable number of competitive tenderers. The specifications should also take care of the mandatory and statutory regulations, if any, applicable for the goods to be purchased.

(b) Wherever Indian Standards exists for the required goods, the same should be adopted. Preference should be given to procure the goods, which carry BIS (Bureau of Indian Standards) mark. For any deviations from Indian Standards or for any additional parameters for better performance, specific reasons for deviations / modifications should be duly recorded with the approval of the competent authority.

(c) Some Departments publish their own standards, which, apart from specifying the technical parameters also specify special requirements of packing, marking, inspection etc. The technical parameters in such cases may be marginally different from the Indian Standards. In such cases, the general principle shall be to adopt Indian Standards and the departmental specifications could cover only such additional details as packing, marking, inspection etc. as are specially required to be complied for a particular end use.

(d) In cases where Indian Standards do not exist or, alternatively, decision has been taken to source the foreign markets also, International Standards (like ISO etc.) may be adopted. Where no widely known standards exist, the specifications shall be drawn in a generalized and broad-based manner to obtain competitive bids from different sources. Except in case of proprietary purchase from a selected single source, the specifications must not contain any brand name, make or catalogue number of a particular manufacturer and if the same is unavoidable due to some compelling reasons, it should be followed by the words “or equivalent”.

(e) All dimensions incorporated in the specifications shall be indicated in metric units. If due to some unavoidable reasons, dimensions in FPS units are to be mentioned, the corresponding equivalents in the metric system must also be indicated.

(f) The specifications and the technical details should be expressed with proper clarity without any ambiguity or double meaning. Wherever necessary, the written specifications should be supplemented with drawings for additional clarity etc.

(g) Deciding tender on the basis of tendered sample is too subjective. Therefore, unless specifically decided due to some reasons duly recorded with the approval of competent authority, tender sample clause shall not be incorporated in the specifications. If necessary, suitable stipulations for submission of advance sample (before starting bulk production) by the successful bidder may be incorporated in the specifications.

(h) Technical particulars to be specified in the tender document shall include the following to the extent applicable for a particular purchase:

(i) Scope of supply including quantity required and, also, end use of the required goods.

(ii) Specifications, technical parameters and product requirements, expressing the requirement in terms of functional characteristics.

(iii) Drawings.

(iv) Requirement of BIS mark, where applicable.

(v) Requirement of advance sample, if any, at post contract stage before bulk production.

(vi) Special requirements of packing and marking, if any.

(vii) Inspection procedure for goods ordered and criteria of conformity.

(viii) Requirements of special tests, if any.

(ix) Requirement of type test certificate, if any.

(x) Requirement of type approval for compliance of statutory requirements with reference to pollution, emission, noise, etc.

(xi) Training, technical support, after sales service & AMC.

(xii) Qualification criteria of the tenderers.

(xiii) Any other aspects peculiar to the goods in question like shelf life of the equipment etc

Appendix 'S'

ADVANCED ISSUES AT TENDERING AND EXPENDITURE ANGLE SANCTION STAGE

1. The advanced issues mentioned in this chapter are akin to desirable QRs. These are meant for higher level IFAs and that too on as required basis. The topics have been only given brief introduction as each one of them requires extensive readings for effective use in procurement. This is only an attempt to familiarize IFAs with advanced themes, which can be pursued on their own depending upon level, aptitude and requirements of individual IFA. The stages of tendering and expenditure angle sanction are intrinsically combined as the latter practically becomes an offshoot of former. Moreover, issues like financial evaluation, costing, etc can be done at either of these two stages. Hence, a combined chapter on Advanced issues for both stages.

2. **Suppliers' Price Analysis** – IFA needs to understand the dynamics of prices quoted by suppliers, which can happen due to variety of reasons. Identification of these factors can help IFA in preparing for negotiations with L-1 vendor or giving expenditure angle concurrence. Few of these factors are mentioned below for guidance of IFA -

(a) **Recession -** During any recession or depressed market conditions, many firms would be happy just to maintain continuous operation and offer low prices for that purpose. The short-term goal for these firms is survival, with the long-term goal that improved economic conditions will enable them to again operate at a profit.

(b) **Excess Inventory -** There are situations where a supplier quotes a lower price in order to unload excess inventory that is costing carrying charges and thus tying up capital and reducing cash flow. This can be caused by the cancellation of an order by another customer or can be caused by anticipation of increased sales that did not materialize. This may be a genuine good buy.

(c) **Fictitious rates –** This is an abnormal low price quoted by a supplier who is financially insecure and just wants order by any way. Such low prices lose their attractiveness when deliveries become uncertain and are often late, quality is questionable and requires extensive inspection, and complaints are never promptly resolved. Such purchases are not in best interests of the users.

(d) **New buyer -** Then there is new supplier who quotes a low price and is willing to take less of a profit at this time in order to become established with the users. In this type of situation, the purchase may represent a good buy.

(e) **Monopoly situation -** The common perception that PAC/Single tendering cases will always be higher than reasonable rates may not be always true. At times such vendors quote even less than reasonable rates as they fear that higher price by them may force buyers to seek substitute goods or modify specs to introduce competition. IFA needs to exploit this theme in negotiating PAC/Single tender cases.

(f) **Pure or perfect competition -** This exists where there are a large number of independent suppliers competing for identical commodities yet retaining the privilege or entering or exiting from market at any time. Open tendering often results in such situations and here usually the price is determined by supply and demand forces of market.

(g) **Oligopoly form in Imperfect competitive market -** This exists when each of the limited number of suppliers is strong enough to influence the market, but not strong enough to disregard the reaction from his competitors. Each alone cannot influence the market for its own gain without the counter reaction of his competitors, resulting in a healthy economic market.

(h) **Normal imperfect competition -** This exists when there are a great number of sellers of similar products, but with each with its own distinguishing feature. These distinguishing features are used by suppliers as persuasive arguments during PNC in their attempts to influence their decision. IFA should be alive to this possibility.

3. **Suppliers' Discount Policy** - During negotiations, asking for discounts is the most important activity by IFAs. However, IFAs need to be aware the various types of discount policy adopted by different vendors and same vendor at different times. Following discount prices can be employed by vendors -

(a) **Trade discounts -** These are discounts from an OEM's catalog granted for the purpose of protecting certain channels of distribution. This is accomplished by making it more economical for certain classes of customers to purchase from the distributor than directly from the manufacturer. If an OEM finds that a wholesaler is more efficient in distributing his product, that OEM will setup a trade discount schedule that will induce that distributor to handle his product. These channels are efficient and perform a valuable function in the purchasing cycle. IFA needs to appreciate the importance of Distributors, Accredited Resellers, etc also apart from OEM in such cases.

(b) **Quantity discounts -** These are those discounts offered to customers to increase the quantity of their purchases. Small orders often require the same amount of work, in terms of production and administrative and physical processing, as big orders. This means that small orders have higher cost per product. To stimulate larger quantity orders, many suppliers use quantity discounts in which advantage for the buyer is that he can realize a lower price per unit. The supplier gives these discounts on the basis of savings on marketing, packing and shipping costs as well as a reduction in paper work. However, this price advantage must be considered against the extra costs as a result of longer storage, wastage, risk of product being obsolete, etc.

(c) **Cash discounts -** These are offered by sellers as an inducement for early payments. It could be advance payment in the initial stage or stage payment at various stages of contract execution stages. IFA needs to carefully decide on case to case basis in such situations.

(d) **Seasonal discount -** This discount is applied to improve capacity utilization in periods when sales decline. If the buyer orders out of the season, he gets a lower price.

(e) **Promotional discount -** This discount is provided to temporarily stimulate the sales of a product, or, if it concerns a new product, to lower the entry barrier (special offer discount).

4. Suppliers' cost structure – To get a grip on the prices used by the supplier, a distinction should be made by IFAs between the Cost Price Analysis and the Pricing Method. The following list can help IFAs gain some insight into the suppliers' cost structure:-

(a) Materials cost - to be itemized according to the major components.
(b) Direct Labour Costs - Information about labour costs can often be obtained by consulting the collective labour agreements for that particular industry.
(c) Transportation costs.
(d) Indirect costs - These can be divided into General Management Costs and Sales Costs.

4.2.1 As a general rule, the higher the share of the fixed costs in the cost price of the end product, the greater the price elasticity; by enlarging the order volume, the buyer achieves a decrease in the fixed costs per unit, and this should result in lower prices. Products whose prices are mainly determined by variable costs are affected by price. In this situation, a price increase at the supplier's purchasing side must be closely monitored to prevent the supplier issuing unwarranted price increases.

5. The Learning Curve - This is an important instrument in the development of purchasing strategies. The Learning Curve was originally developed in the US Aircraft industry. It was discovered that the cost price per unit decreased at a fixed percentage as experience, i.e. the cumulative production volume of a particular type of aircraft, increased. This decrease of costs per unit had nothing to do with Effects of sale,; the result could be attributed to the Learning effect. The basic principle of the Learning curve is that each time the cumulative production volume of a particular item doubles, the average time required to produce that item is approximately X% of the initially required number. This knowledge could be of vital importance to IFAs as buyers. Anticipating the supplier's learning experience, IFAs can negotiate price reductions in the future. The Learning curve is preferably used in the following situations -

(a) When it concerns customized components, manufactured by a supplier at the customer's specification (ex - DGQA specs related cases)

(b) When large amounts of money are involved (so that the costs which must be incurred to apply the technology in question can be recovered)

(c) When the buyer cannot request competitive quotations because, for example, a considerable investment has to be made in moulds and specific production tooling, which leads the buyer to single sourcing.

(d) When direct labour costs make up an important part of the cost price of the product to be produced.

6. Cost-effective Analysis – Pricing and cost price information are of course insufficient to get the best Value for Money. It is also essential that the IFAs know how to use the Cost-effective analysis techniques. The selection and acquisition of a weapon or equipment from available systems is a major problem before Defence services. The selection depends upon the effectiveness and cost. The effectiveness can be defined as the measure of the level up to which the system meets its objective. The cost effectiveness analysis helps in identifying the system, which accomplishes the desired level at lower cost. There are three approaches in analyzing the options for a cost- effectiveness analysis.

(a) Fixed effectiveness approach - In this approach, an effectiveness level is chosen. Out of the several options satisfying the effectiveness criterion, the least cost system is selected. Generally, the decisions relating to the acquisition of off-the-shelf items are analyzed by using this approach.

(b) **Fixed cost approach –** It is used in investment-oriented decisions where out of a fixed budget one opts for the system that gives the best performance. The acquisition of items involving R and D is based upon this approach. The modernization programmes in the Defence services are also handled by this approach.

(c) **Figure of merit approach -** In this approach, neither the cost nor the effectiveness is kept constant. For all alternatives, both the cost and the effectiveness are evaluated and a 'Figure of merit', generally defined as effectiveness/cost, i.e., effectiveness achieved per unit cost is calculated. The system with the highest figure of merit is chosen. Alternatively one can also use the figure of merit as cost/effectiveness, i.e., cost per unit effectiveness. On this case the system with he least figure of merit is selected.

(d) The cost is generally taken as a total of procurement cost + operating cost + maintenance cost for items off-the-shelf. For systems which are to go through the process of R and D or are in semi-developed stage, the cost is considered as a total of R and D cost + investment cost for production + operating and supporting cost.

(e) For defining effectiveness quantitatively, an appropriate Measure of Effectiveness (MOE) is defined which depends upon the system to be acquired. For example, for an artillery gun, the MOE can be defined as the number of guns required to inflict a specified level of damage on area targets of given dimensions. For an air defence gun, the MOE may be defined in terms of the kill probability of the gun against enemy aircraft. For an air-to-ground attack aircraft the MOE may be defined as the number of sorties required for achieving the desired mission * ammunition dropped per sortie * effectiveness of each ammunition, in specified operational scenarios. The following example illustrates the concept of cost-effectiveness by using the fixed effectiveness approach.

(f) A country is interested in procuring artillery guns for the army. Out of several alternatives, two artillery guns meet the specifications. The first gun G1, which is an old gun costs rupees 16 lakhs. The second gun G2 is a relatively new gun costing rupees 30 lakhs. The other details are given in the table below.

Table 1

Comparison of various costs of two different guns.

	Gun G1 (Rs.)	Gun G2 (Rs.)
Cost of each gun	16,00,000	30,00,000

Cost of each shell	2,000	2,500
Cost of each towing vehicle	1,56,000	1,56,000
Cost per person per year	1,00,000	1,00,000
Persons authorized per gun	6	6
Round authorized per gun per year	100	100

In order to evaluate these guns, two operational scenarios against the following targets can be considered.

T1: Infantry standing in a formation.

T2: Towered artillery deployed.

The area of these targets is 100m * 100m. The proportion in which the guns are used such targets over their lifetime can be taken as 75% and 25% respectively. The lethal radii of the shell of the gun G1 against the targets T1 and T2 are 15m and 4m, respectively and that of gun G2 are 20m and 8m respectively. The guns are required to inflict 50% damage to the targets within a mission duration of 3 minutes for the first target and 5 minutes for the second target, from a given range. The rat of fire of the guns are 7and 4 rounds per minute, respectively. The range and line errors for the gun G1 are 50m and 25m, respectively. The corresponding values are 45 and 20 m, respectively for gun G2. the aiming is done at the center of the target.

From the trials conducted for these scenarios, the number of shells required to achieve 50% coverage of the targets have been evaluated and are given in the Table 2. The number of shells that can be fired during the mission duration are 21 and 35 by the first gun and 12 and 20 by the second gun. Therefore, the number of guns required for damaging the targets are computed and given in the Table 2.

Table 2

Calculation of number of shells and guns required to destroy a particular target by two different guns.

Target	Shells	Gun (G1)	Shells	Gun (G2)
T1	16	16/21=0.76	9	0.75
T2	233	233/35=6.65	58	2.90

For evaluating the total number of guns required we take the weighted sum based on the proportion of the requirement on each type of target (i.e., 75% for T1 and 25% for T2). Thus the number of guns required m (G1) and m(G2) to achieve the missions are given by

$$m(G1) = 0.75 * 0.76 + 0.25 * 6.65 = 2.23$$

$$m(G2) = 0.75 * 0.75 + 0.25 * 2.90 = 1.29$$

Thus 2.23 guns of the first type are equal to 1.29 guns of the second type in achieving this specified mission. This indicates that gun G2 is more effective than gun G1. We next determine the cost for these guns on the basis of data given in table 1. The system costs for G1 and G2 for the planning period of ten years are evaluated and are given in Table 3.

Table 3

ITEM	GUN G1(for 2.23 guns)	GUN G2 (For 1.29 guns)
Procurement cost	35,68,000	38,70,000
Cost of vehicles	3,47,880	2,01,240
Cost of spares @ 10% of cost of gun and vehicle	3,91,588	4,07,124
Cost of ammunition for 10 years	44,60,000	32,25,000
Maintenance cost @1% of the gun and vehicle for 10 years	3,91,588	4,07,124
Cost of crew for 10 years	1,33,80,000	77,40,000
TOTAL	2,25,39,056	1,58,50,488

Since we are following the fixed effectiveness approach, the gun system with the lowest cost is cost effective. Hence the cost analysis in table 3 indicates that the gun G2 is cost effective. It may be noted that if the decision maker goes by the cost of the guns alone the will find G1 cheaper than G2. This analysis indicates that gun G2 is not only effective but also more cost effective than gun G1. This analysis brings out the basic point regarding the cost-effectiveness analysis, i.e., one should not go by cost alone in deciding upon which gun system one should go in for. If we bring in the effectiveness into our calculation, then it may not be economical to go in for the cheaper gun. But one point in this scenario should not be lost sight of. Gun G1 is stated to be an old gun. It may mean that the gun is already in service, and still has exploitable service left. Then the induction of the G2 gun would mean a totally new investment. The question then arises whether the old gun can be upgraded at a relatively lower cost than that entailed in purchasing new guns. Can the effectiveness be improved in such a way that it may become a better option, even from the cost-effectiveness angle? The background and scenario in which the quantitative analysis can operate should, therefore, always be clear. Otherwise, there may be a chance of wrong decisions. That is also the reason why the quantitative analysis should not be done as an independent exercise but should be an integral part of decision-making, with constant interaction between Service Headquarters and the specialists engaged in quantitative analysis.

7. **Pitfalls in Reasonable Rate determination - Identifying Factors That Affect Comparability -** When comparing prices, IFA may attempt to account for any factors that affect comparability. The following factors deserve special consideration because they affect many price analysis comparisons:

(a) Market conditions;
(b) Quantity or size;
(c) Geographic location;
(d) Purchasing power of the dollar;
(e) Extent of competition;
(f) Technology; and

(g) Defence unique requirements.

(a) **Market Conditions** -

(i) Market conditions change. The passage of time usually is accompanied by changes in supply, demand, technology, product designs, pricing strategies, laws and regulations that affect supplier costs, and other such factors. An effort to equate two prices, separated by five years, through a simple inflation adjustment may not be successful. Too many characteristics of the market are likely to have changed. Do not stretch data beyond their limits.

(ii) Generally select the most recent prices available. The greater the time difference, the greater the likelihood and impact of differences in market conditions. If you are comparing a current offer with a prior price, the ideal comparison would be with a contract price agreed to yesterday. That comparison would limit the effects of time on market conditions.

(iii) However, do not select a price for comparison merely because it is the most recent. **Look instead for prices that were established under similar market conditions.** For instance, if you are buying potatoes in October, offers from the previous October may be more comparable to current offers than prices paid last February, given the cyclical pattern of supply and demand in the market for potatoes.

(iv) Consider the most current available data on trends and patterns in market conditions. Remember that lags often occur between data collection and contract award. Changes in market conditions over that period can reduce the usefulness of the data assembled.

(b) **Quantity or Size**.

(i) Variations in quantity can have a significant impact on unit price. A change in quantity can have an upward effect, a downward effect, or no effect at all.

(ii) In **supply and equipment** acquisitions, we usually assume that larger supply acquisitions command lower unit prices. Where economies of scale are involved, that should be the case. However, economies of scale do not always apply. Increases in order size beyond a certain point may tax a supplier's capacity and result in higher prices. Market forces may impose opportunity costs on a supplier which result in higher unit costs for greater volumes. For example, if the price of oil is expected to increase 20 percent over a 12-month period, a supplier may choose to withhold a portion for a sale at a later date when the price is higher. In such a market, the effect of purchase quantity on price may not be as expected; at some point, increases in volume will result in higher unit prices as the supply of the lower priced oil is exhausted. Finally, if a price comparison is based on standard commercial items that are produced at a regular rate, variations in quantity may have no effect at all. A meaningful comparison of prices requires that the effect of volume on price be accounted for. The best way to do this is to select prices for comparison based on equal volumes. If that is not possible, examine the specific suppliers and the nature of the market at the time of the purchase.

(iii) In **service acquisitions**, the problems are different. Variations in size can sometimes be neutralized by reducing the comparison to price per square foot or price per productive labor hour. Because these approaches are not always effective, try to factor out size or quantity variations as much as possible. If you don't succeed, the price comparison will have little value.

(c) **Geographic Location** –

(i) Geography can have a range of effects on comparability. Prices for many nationally advertised products will not vary much from place to place. Nevertheless, because geographic location can affect comparability, IFA should first try to compare offered prices with prices obtained from the same area. In major metropolitan centers, IFA should generally be able to identify comparable bases for price analysis in the region. In more remote, less urban areas, IFA must often get pricing information from beyond the immediate area.

(ii) When IFA has to compare prices across geographic boundaries, take the following actions to enhance comparability.

1. Check for differences in the level competition that may affect price comparisons.
2. Identify labor rate differences that must be neutralized for valid price comparisons.
3. Check freight requirements and accompanying costs. These can vary considerably, especially for chemicals and other hazardous materials.
4. Identify geographic anomalies or trends. For example, an item may be more expensive on the Western India than in the Eastern India.

(d) **Purchasing Power of the Rupee -** Inflation undermines comparability by eroding the real value of money. Because prices over time are expressed in the same currency, the denominations must have comparable purchasing power if comparison is to be meaningful. IFA can normally use price index numbers to adjust for the changing value of the Rupee over time.

(e) **Extent of Competition** - When comparing one price with another, assess the competitive environment shaping the prices. For example, IFA can compare last year's competitive price with a current offer for the same item. However, if last year's procurement was made without competition, IFA may not have a good price with which to compare the current offer. A poorly written specification and an urgent need may have combined to make competition impossible last year, but now the specifications have been rewritten and the delivery is not urgent. Given these circumstances, a current offer could be the same as (or less than) last year's best price and still not be reasonable.

(f) **Technology -** Prices from dying industries can rise because the technologies don't keep pace with rising costs. Conversely, technological advances in growth industries can drive prices down. The computer industry is an example. Technological advances have been made so fast that a comparison of prices separated by only a few weeks must account for these advances if the comparison is to have any value. Engineering or design changes must also be taken into account. This means IFA must identify the new or modified features and estimate their effect on price.

(g) **Defence-Unique Requirements** –

(i) Often, the Defence's requirements vary to some degree from the commercial requirements for similar products. The question is the impact these variations have on price. For example, the Navy may require that the carpet in a Navy ship be fireproof to a far greater extent than any commercial carpet. That may justify a substantial difference in price over otherwise comparable commercial carpets.

(ii) Similarly, Defnce contracts may incorporate clauses in contracts that are not required in commercial market transactions. Consequently, comparison of an offer with commercial prices may be difficult. Unique terms and conditions affect prices, but it is often extremely difficult to assign a Rupee value to their effects.

(iii) Just as Defence requirements may be different from commercial requirements; Defence requirements at a specific time and place may be different than requirements at another time and place. These differences will also affect price comparisons.

8. **DCF Technique** —

8.1 Net Present Value (NPV) is a variant of DCF method which is to be used for evaluation of tenders. The Net Present Value of a contract is equal to the sum of the present values of all the cash flows associated with it. The following formula is to be used for calculating NPV of a tender bid

$$NPV = \frac{\Sigma An}{(1 + i)t}$$

Where, NPV = Net Present Value

A = Expected cash flow for the period mentioned by the subscript

i = Rate of interest or discounting factor

t = The period after which payment is done

n = Payment schedule as per the payment terms and conditions

When choosing among the various bids for the contract, the bid with the lowest NPV should be selected.

8.2 The application of the Net Present Value Analysis in defence procurement would involve the following 5- steps:

2. Step 1. Selection of the discount rate.
3. Step 2. Identifying the cash outflows to be considered in the analysis.
4. Step 3. Establishing the timing of the cash outflows.
5. Step 4. Calculating the net present value of each alternative.
6. Step 5. Selecting the offer with the least net present value.

8.3 Discounting rate to be used under the method is to be the Government of India's lending rate on loans given to State Governments. These rates are notified by Budget Division of Ministry of Finance annually. The latest one is Ministry of Finance OM No F. 5 (3)-PD/2004 dated 22nd July 2004 (as per which the borrowing rate is 9.5%).

8.4 The following clause is to be incorporated in the RFP:-

" The Buyer reserves the right to evaluate the offers received by adopting Discounted Cash Flow (NPV) method with a discounting rate of ---%." The above clause can serve as a model and will need to be moderated according to the requirements of specific contracts and the areas where the evaluation by DCF is likely to be undertaken (e.g. AMC, or different payments terms or lease purchase options etc.). The criteria for evaluation under this method are to be clearly stated to ensure transparency.

8.5 Structuring Cash Flows for Tenders/Bids Received in the Same Currency:-

(i) The first step would be to exclude the unknown variables like escalation factors etc while determining the cash flows.

(ii) Thereafter, the cash outflows expected as per the contract schedule from different tenders should be taken into consideration and where the cash outflows are not available from the tender documents the same should be obtained from the vendors by the CNCs.

(iii) Once the outflows of different tenders become available, NPV of different tenders is to be calculated using the formula given above and select the one having lowest NPV.

8.6 Structuring Cash Flows for Tenders/ Bids Received in Different Currency-

(i) Where bids are received in different currencies/combination of currencies, the cash outflow may be brought to a common denomination in rupees by adopting a Base Exchange rate as on the day of opening of price bids. Thereafter, the procedure as described above in the case of tender bids received in the same currency should be applied to arrive at NPV. Conversion of foreign currency bids into rupee is to be done by taking into account the BC selling rate of Parliament Street Branch of State Bank of India, New Delhi on the date of the opening of price bids.

(ii) Any standard software like 'MS Excel', 'Lotus 1-2-3' or any other spreadsheet, could be used for NPV analysis.

9. **Negotiation Techniques**

9.1 **Preparing for Negotiations -**

(a) Planning and preparing for negotiations starts long before the actual negotiation takes place. It is important for IFAs to find out at an early stage what the vendor's view of the negotiations will be: what exactly are they hoping to achieve? In exceptional cases a supplier does not want to sell at all, but keeps the discussion going to collect basic information about changing usage patterns and future strategy. What interests are probably shared, and what are the expected potential subjects of opposing interests (conflict)? To get some idea, a useful tactic can be to ask what subjects the other party wants on the agenda (this in itself can prompt preliminary negotiations).

(b) It is important to find out as much as possible about the other party. If it is a new supplier, examination of annual reports and bank references is a prerequisite. If it is an existing supplier, it is wise to analyze the past deliveries - have there been problems in the past with this supplier? (e.g. low delivery reliability, quality defects, unexpected demand for escalation, etc). There is no harm in trying to quantify the scope of these problems. Furthermore, it is also important to know the authority and level of Vendor's rep (ex - Sales reps of vendor will have an eye for detail and normally come well prepared). It is important, after having gathered the necessary information, to have an idea of possible points of agreement between buyer and seller.

9.2 **Planning Negotiations -** When the homework has been done, planning of the negotiations can begin. An eight-step approach is proposed for IFAs -

(a) Establish the objectives of Negotiation for PNC - What exactly do you want to accomplish by means of the transaction with the supplier? Make a distinction between the short-term benefits you want to achieve, and the long0term benefits you see. Sometimes it is necessary that you tone down your short-term expectation a little for the benefit for the long-term interests. Ex - An OEM may be willing to let something off the sales price, only to compensate for this reduction at a later stage through higher AMC rates, spare parts' pricing, etc.

(b) Gather facts that can have big impact on negotiations - Importance of going through past files with purchases of similar items is strongly recommended. Go through past Notings, Minutes, relevant enclosures, etc carefully to gather ammunition for facing vendor in PNC. Conduct Market Research for gathering inputs like market price, technical details, etc about the items being negotiated. Learn about the Vendors like market standing, financial position, past history with users, etc.

(c) Assess the power position of each of the parties - It is important to determine the foundation of the other party's power position, and whether this is a reason for concern. In price negotiations, Sales reps of vendors sometimes hide behind the price list or the company's guidelines. Do you accept this type of argument or don't you?

(d) Determine the points of common interest - In many PNCs, most of the time is spent on issues one cannot agree upon. If these are the only issues that receive attention, it will be very difficult to reach an agreement. It is more important to establish the points of agreement. Focusing attention here leads to a more positive atmosphere. If price is proving to be a tough issue to handle, then flexibility in delivery, payment terms, technical clarifications, etc may be shown first as they may be equally crucial to vendor.

(e) Make a list of questions - A systematic approach is important in negotiations. Resist the temptation to respond immediately to details or new information presented by the other party. If this new information sheds a completely different light on matters, then redo the questions.

(f) Define your tasks - Both parties will probably make concessions during the process of negotiation. It is unrealistic to expect the other party to do it all. You can plan your concessions in advance in Internal PNC. To be able to do this, it is important that you establish:

1. What for you would be the best possible result (what do you think is the feasible maximum result that the other party would agree to, given the circumstances?)

2. What for you would be the most likely result (what do you think is realistically feasible, and would that result be acceptable to you?)
3. What for you would be the worst possible result (what is the minimum you would settle for, if there is no other possibility?)

(g) Decide on the division of roles in your negotiating team - Always talk on this issue in advance with the Chairman of PNC and get the role delineated clearly. This helps in PNC acting as ateam in front of vendor rather than speaking in several voices and tones.

(h) Plan your concessions - What will be your opening bid? When will you make it? Should concession be made without asking for something in return to break stalemate? Discuss with PNC members which concessions you are willing to make, and which concessions you absolutely will not make under any circumstances. You can do the same for the vendor. What concessions do you think they are willing to make and what is absolutely unrealistic to expect?

9.3 **Negotiation Tactics** – While negotiating, you may follow one of the tactics mentioned below -

(a) Take-it-or-leave-it - One party wants to impose its terms on the other party, without making concessions. This tactic can be used by buyers who are aware of their power position vis-a-vis the supplier and is intended to lower the other party's aspiration level.

(b) Bogey - In this tactic, the buyer approaches the supplier in a very friendly way and comments on his proposal positively. However, the buyer lets the supplier know that, if there is to be any business, the proposal will have to be slightly adjusted in view of the very specific situation. With this tactic, the negotiating atmosphere remains open and the supplier can utilize all his talents to develop a better deal.

(c) Chinese crunch - In this situation, it is declared that an agreement with the supplier is possible, as soon as he solves just one little problem. Obviously, this little problem is interpreted differently by the seller! This tactic is to effectively bulldoze the agreement, which was a as good as settled in the seller’s mind, just before it reaches home; for example, there is an agreement about their price, but the buyer then informs the seller that transportation is the latter's responsibility. Practice shows that vendor's sales people are ready to make considerable concessions in this stage of the negotiating process.

(d) Auction - In this situation, the buyer makes the supplier explain why they should do business together. If the buyer also applies this tactic to the others, a lot will be learned about the competition. Information is obtained without too much effort. It is, of course, desirable to check the accuracy of the information.

(e) Good guy -bad guy - Negotiations can start with an extremely tough bargaining with harsh tones by one member of PNC. When vendor's hopes are dimmed and his expectations are lowered down then another member takes over with soft approach and with a win-win situation approach. It is proved that vendors are vulnerable at this stage and will jump to reach an agreement, which can be made in more favourable terms for the buyers.

9.4 **Stages in Purchasing Negotiations -** If the preparations have been concluded and agreement is reached about the tactic to be used, the negotiations can be started. In practice, negotiation processes follow a certain pattern and, in general, four stages can be discerned in the course of the negotiating process.

(a) Exploration - During this first stage, both parties try to get acquainted. Next they try to discover the mutual interests and intentions. They also try to assess the importance of the negotiations for the other party. This is done by exchanging information: everybody listens, both parties explain or ask for clarification of particular statements, and they continually check whether they understand each other. It is important to listen closely to the other party, and not make a first offer. Furthermore, one should not respond too specifically to questions from the other party. The objective of this stage is to establish the context of the negotiations.

(b) Reflection - This stage consists of digesting the information received from the other party. Does this information necessiate a revision of your objectives? Did you overlook certain things in your preparations? Were your assumptions about the other party's willingness to reach an agreement correct, or do they now turn out to be wrong? Receiving new information can cause you to request a short break so you can consult with your partner.

(c) Negotiation - In this phase, true negotiation takes place. Concessions are made on both sides. It is important to check how the other party responds to concessions made by you (through both verbal and non-verbal reactions). Don't jump o conclusions during this stage; avoid insulting remarks and, most importantly, don't concede more than your planning allowed for.

(d) Closing - Repeat and summarize the agreements that have been made. Is the other party satisfied with the results? Take your time to round off the negotiations well, so there is no possibility of misunderstandings about the results that have been achieved.

This list can be helpful to IFAs as buyers. It is important to be aware of the stage the negotiations are at, all of the time. Practice shows time and time again that the first stage is the most time consuming. This leaves less time for the actual negotiations and the closing part and one common result is misunderstandings about who is supposed to do what. Both parties will then dispute parts of the agreements afterwards.

Negotiating is a difficult job, because it can involve so many different subjects. This work furthermore requires a certain disposition, namely a willingness to cooperate to reach an agreement that will benefit both parties.

Appendix ‘T’

ADVANCED ISSUES AT POST-CONTRACT MANAGEMENT STAGE

1. The advanced issues mentioned in this chapter are akin to desirable QRs. These are meant for higher level IFAs and that too on as required basis. The topics have been only given brief introduction as each one of them requires extensive readings for effective use in procurement. This is only an attempt to familiarize IFAs with advanced themes, which can be pursued on their own depending upon level, aptitude and requirements of individual IFA.

2. Contract Legal Provisions –

2.1 **What is a Contract?** The proposal or offer when accepted is a promise, a promise and every set of promises forming the consideration for each other is an agreement, and an agreement if made with free consent of parties competent to contract, for a lawful consideration and with a lawful object is a contract.

2.2 **Proposal or Offer:** When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of the other to such act or abstinence, he is said to make a proposal or offer. In a sale or purchase by tender, the tender signed by the tenderer is the proposal. The invitation to tender and instructions to tenderers do not constitute a proposal.

2.3 **Acceptance of the Proposal:** When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a promise.

2.4 **What agreements are contracts:** An agreement is a contract enforceable by law when the following are satisfied. A defect affecting any of these renders a contract un-enforceable.

(a) Competency of the parties
(b) Freedom of consent of both parties
(c) Lawfulness of consideration
(d) Lawfulness of object

(a) Competency of Parties - Under law any person who has attained majority and is of sound mind or not debarred by law to which he is subject, may enter into contracts. It, therefore, follows that minors and persons of unsound mind cannot enter into contracts nor can insolvent person do so. Categories of persons and bodies who are parties to the contract may be broadly sub-divided under the following heads: - Individuals, Partnerships, Limited Companies & Corporations other than limited companies

(i) **Contracts with Individuals:** Individuals tender either in their own name or in the name and style of their business. If the tender is signed by any person other than the concerned individual, the authority of the person signing the tender on behalf of another must be verified and a proper power of attorney authorizing such person should be insisted on. In case, a tender is submitted in a business name and if it is a concern of an individual, the constitution of the business and the capacity of the individual must appear on the face of the contract and the tender signed by the individual himself as proprietor or by his duly authorized attorney.

(ii) **Contracts with Partnerships:** A partnership is an association of two or more individuals formed for the purpose of doing business jointly under 16 a business name. It is also called a firm. It should be noted that a partnership is not a legal entity by itself, apart from the individuals constituting it. A partner is the implied authority to bind the firm in a contract coming in the purview of the usual business of the firm. The implied authority of a partner, however, does not extend to enter into arbitration agreement on behalf of the firm. While entering into a contract with partnership firm care should be taken to verify the existence of consent of all the partners to the arbitration agreement.

(iii) **Contracts with Limited Companies:** Companies are associations of individuals registered under Companies Act in which the liability of the members comprising the association is limited to the extent of the shares held by them in such companies. The company, after its incorporation or registration, is an artificial legal person which has an existence quite distinct and separate from the members of shareholders comprising the same. A company is not empowered to enter into a contract for purposes not covered by its memorandum of association; any such agreement in excess of power entered into the company is void and cannot be enforced. Therefore, in cases of doubt, the company must be asked to produce its memorandum for verification or the position may be verified by an inspection of the memorandum from the office of the Registrar of Companies before entering into a contract. Normally, any one of the Directors of the company is empowered to present the company. Where tenders are signed by persons other than Directors or authorized Managing Agents, it may be necessary to examine if the person signing the tender is authorized by the company to enter into contracts on its behalf.

(iv) **Corporation other than Limited Companies:** Associations of individuals incorporated under statutes such as Trade Union Act, Cooperative Societies Act and Societies Registration Act are also artificial persons in the eye of law and are entitled to enter into such contracts as are authorized by their memorandum of association. If any contract has to be entered into with any one or such corporations or associations, the capacity of such associations to enter into contract should be verified and also the authority of the person coming forward to represent the said Association.

(b) **Consent of both Parties -** Two or more persons are said to consent when they agree upon the same thing in the same sense. When two persons dealing with each other have their minds directed to different objects or attach different meanings to the language which they use, there is no agreement. The misunderstanding which is incompatible with agreement, may occur in the following cases: -

(i) When the misunderstanding relates to the identity of the other party to the agreement;
(ii) When it relates to the nature or terms of the transactions;
(iii) When it related to the subject matter of the agreement.

Free consent of both Parties - The consent is said to be free when it is not caused by coercion, undue influence, fraud, mis-representation or mistake. Consent is said to be so caused when it would not have been given but for the existence of coercion, undue influence, fraud, mis-representation or mistake. When consent to an agreement is caused by coercion, undue influence, fraud or misrepresentation, the agreement is a contract voidable at the option of the party whose consent was caused. A party to a contract, whose consent was caused by fraud or misrepresentation, may, if he thinks fit, insist that the contract shall be performed, and that he shall be put in the position in which he would have been if the representations made had been true. In case consent to an agreement has been given under a mistake, the position is slightly different. When both the parties to an agreement are under a mistake as to a matter essential to the agreement, the agreement is not voidable but void. When the mistake is unilateral on the part of one party only, the agreement is not void. Distinction has also to be drawn between a mistake of fact and a mistake of law. A contract is not void because it was caused by a mistake as to any law in force in India but a mistake as to law not in force in India has the same effect as a mistake of fact.

(c) **Consideration -** Consideration is something which is advantageous to the promiser or which is onerous or disadvantageous to the promisee. Inadequacy of consideration is, however, not a ground avoiding the contract. But an act, forbearance or promise which is contemplation of law has no value is no consideration and likewise an act or a promise which is illegal or impossible has no value.

(d) **Lawfulness of object -** The consideration or object of an agreement is lawful, unless it is forbidden by law or is of such a nature that if permitted, it would defeat the provisions of any law, or is fraudulent or involves or implies injury to the fraudulent property of another or the court regards it as immoral or opposed to public policy. In each of these cases the consideration or object of an agreement is said to be unlawful.

2.5 **Communication of an Offer or Proposal -** The communication of a proposal is complete when it comes to the knowledge of the person to whom it is made. A time is generally provided in the tender forms for submission of the tender. Purchaser is not bound to consider a tender, which is received beyond that time.

2.6 **Communication of Acceptance -** A date is invariably fixed in tender forms upto which tenders are open for acceptance. A proposal or offer stands revoked by the lapse of time prescribed in such offer for its acceptance. If, therefore, in case it is not possible to decide a tender within the period of validity of the offer as originally made, the consent of the tenderer firm should be obtained to keep the offer open for further period or periods. The communication of an acceptance is complete as against the proposer or offerer, where it is put in the course of transmission to him, so as to be out of the power of the acceptor, and it is complete as against the acceptor when it comes to the knowledge of the proposer or offerer. The medium of communication in government contracts is generally by post and the acceptance is, therefore, complete as soon as it is posted. So that there might be no possibility of a dispute regarding the date of communication of acceptance, it should be sent to the correct address by some authentic foolproof mode like registered post acknowledgement due, etc.

2.7 **Acceptance to be identical with Proposal -** If the terms of the tender or the tender, as revised, and modified, are not accepted or if the terms of the offer and the acceptance are not the same, the acceptance remains a mere counter offer and there is no concluded contract. It should, therefore, be ensured that the terms incorporated in the acceptance are not at variance with the offer or the tender and that none of the terms of the tender are left out. In case, uncertain terms are used by the tenderers, clarifications should be obtained before such tenders are considered for acceptance. If it is considered that a counter offer should be made, such counter offer should be carefully drafted, as a contract is to take effect on acceptance thereof. If the subject matter of the contract is impossible of fulfillment or is in itself in violation of law such contract is void.

2.12 **Withdrawal of an Offer or Proposal -** A tenderer firm, who is the proposer may withdraw its offer at any time before its acceptance, even though the firm might have offered to keep the offer open for a specified period. It is equally open to the tenderer to revise or modify his offer before its acceptance. Such withdrawal, revision or modification must reach the accepting authority before the *date and time of opening of tender*. No legal obligations arise out of such withdrawal or revision or modification of the offer as a simple offer is without a consideration. Where, however, a tenderer agrees to keep his offer open for a specified period for a consideration, such offers cannot be withdrawn before the expiry of the specified date. This would be so where earnest money is deposited by the tenderer in consideration of his being supplied the subsidiary contract and withdrawal of offer by the tenderer before the specified period would entitle the purchaser to forfeit the earnest money.

2.13 **Withdrawal of Acceptance -** An acceptance can be withdrawn before such acceptance comes to the knowledge of the tenderer. A telegraphic revocation of acceptance, which reaches the tenderer before the letter of acceptance, will be a valid revocation.

2.10 **Changes in terms of a concluded Contract -** No variation in the terms of a concluded contract can be made without the consent of the parties. While granting extensions or making any other variation, the consent of the contractor must be taken. While extensions are to be granted on an application of the contractor, the letter and spirit of the application should be kept in view in fixing a time for delivery.

2.11 **Discharge of Contracts -** A contract is discharged or the parties are normally freed from the obligation of a contract by due performance of the terms of the contract. A contract may also be discharged: -

(a) **By mutual agreement:** If neither party has performed the contract, no consideration is required for the release. If a party has performed a part of the contract and has undergone expenses in arranging to fulfill the contract it is necessary for the parties to agree to a reasonable value of the work done as consideration for the value.

(b) **By breach:** In case a party to a contract breaks some stipulation in the contract which goes to the root of transaction, or destroys the foundation of the contract or prevents substantial performance of the contract, it discharges the innocent party to proceed further with the performance and entitles him to a right of action for damages and to enforce the remedies for such breach as provided in the contract itself. A breach of contract may, however, be waived.

(c) **By refusal of a party to perform:** On a promisor's refusal to perform the contract or repudiation thereof even before the arrival of the time for performance, the promisee may at his option treat the repudiation as an immediate breach putting an end to the contract for the future. In such a case the promisee has a right of immediate action for damages.

(d) **In a contract where there are reciprocal promises:** If one party to the contract prevents the other party from performing the contract, the contract may be put to an end at the instance of the party so prevented and the contract is thereby discharged.

2.12 **Stamping of Contracts -** Under entry 5 of Schedule I of the Indian Stamp Act, an agreement or memorandum of agreement for or relating to the sale of goods or merchandise exclusively is exempt from payment of stamp duty. (A NOTE OR MEMORANDUM sent by a Broker or Agent to his principal intimating the purchase or sale on account of such principal is not so exempt from stamp duty.) The Stamp Act provides that no Stamp Duty shall be chargeable in respect of any instrument executed by or on behalf of or in favour of the Government in cases where but for such exemption Government would be liable to pay the duty chargeable in respect of such instrument. (Cases in which Government would be liable are set out in Section 29 of the Act).

2.13 **Authority for Execution of Contracts -** As per Clause 1 of Article 299 of the Constitution, the contracts and assurances of property made in the exercise of the executive power of the Union shall be executed on behalf of the President. The words "for and on behalf of the President of India" should therefore follow the designation appended below the signature of the officer authorized in this behalf. The various classes of contracts and assurances of property, which may be executed by different authorities, are specified in the Notifications issued by the Ministry of Law from time to time.

3. **Project Management**

3.1 IFAs can often be involved in procurement activities of a large project, particularly in IT, Capital cases, etc. That will essentially mean they getting involved in planning of the whole project per se. The first step of any plan, like the first step of any problem, will be the gathering of facts, which means doing some research. Purchasing planning and research can be aided by the use of the Critical Path Method (CPM) or by the Programme Evaluation and Review Technique (PERT). Both these systems are based on the same concepts, although differing in details, and can be designed to make planning more effective. Advantages of these techniques are that they:-

(a) Provide means for careful planning of all activities and all variables involved.

(b) Provide an overview of the entire procedure, with a cleaner understanding of the interrelationships of the activities.

(c) Provide for constant feedback to assure that all activities are on schedule.

(d) Identify potential problems early so that resources can be diverted to avoid cumulative delays.Make it possible to accurately predict completion time for the project.

3.2 The PERT/CPM schedule permits purchasing to know what raw materials and component parts are needed when for the various activities. This permits the buyer to make the most economical purchasing and transportation decisions. The buyer, with the knowledge of the latitude of delivery time, can select low-cost suppliers who offer longer lead times. This is one way that purchasing can reduce the total cost of materials. With the PERT/CPM network system, the purchaser has contact with the entire project and is in excellent position to ensure the availability of the right quantity and quality at the right time. These systems can quickly indicate when a crucial delivery is approaching or passed and alert the purchasing dept to follow-up and/or expedite the delivery of the needed material. A prior knowledge of potential rise and fall in demand of materials can help IFA is giving useful advice to paln the quantity of procurement at a particular stage.

4. **Repair and Maintenance Philosophy of Defence –** IFAs need to be aware of the Repair and Maintenance Philosophy of Defence in order to appreciate not only Post-Contract Management issues but also to use these inputs while discussing issues like Warranty, AMC during PNCs. The various levels of repairs are explained in succeeding paras.

(a) **Unit Repairs** - These are repairs carried out within the unit holding this equipment with tools generally held within the unit or supplied by the manufacturer with each equipment or as per scaling of 1:10 or any other scaling recommended by the manufacturer as per population held in the unit. These pertain to cleaning, lubrications, minor repairs and replacement of components and minor assemblies that can be carried out in field without any sophisticated tools or test equipment. For carrying out such repairs, following things are asked from the manufacturer :-

(i) Table of Tools and Equipment (TOTE) with each equipment including operators manual.

(ii) Scaling of special tools and spares as explained at para 2 above including

(iii) Maintenance manual.

(b) **Field Repairs** - These are repairs carried out in the field by technicians specially trained for this purpose and where the required special tools and spares have to be provided. These repairs comprise replacement of major assemblies and other components beyond the scope of unit level repairs. Normally a field work shop that carries out such repairs looks after three to four units holding the said equipment. For carrying out such repairs, following things are asked from the manufacturer: -

(i) Quantity and specification of spares that need to be stocked.

(ii) Special Maintenance Tools and Test Equipment that need to be provided to each such field work shop.

(iii) All necessary technical literature.

(iv) Miscellaneous aspects, if any (viz. All necessary technical literature.).

(c) **Intermediate Repairs** - These are extensive or special repairs carried out for a few equipment in the field to reduce the down time.

(d) **Base Repairs** - In order to avoid dependence on the manufacturer in terms of factory repair, all repairs including repairs to components, sub assemblies and overhaul of the complete equipment are carried out by this facility. For carrying out such repairs, following things are asked from the manufacturer.

(e) All Special Maintenance Tools, jigs, fixtures and test equipment for carrying out repairs up to component level.

(f) Quantity and specification of spares, sub assemblies as per population expected to be maintained.

(g) Oils and lubricants necessary for overhaul.

(h) All necessary technical literature.

(i) Calibration facilities for test equipment.

5. **Manufacturers Recommended List of Spares (MRLS)** – This is required to sustain the equipment for a specified period. They are divided as under -

(a) Low Cost. Less than 2 % of the unit cost of the equipment/sub system.

(b) Medium Cost. 2 to 10% of the unit cost of the equipment/sub system.

(c) High Cost. Greater than 10 % of the unit cost of equipment/subsystem.

5.1 **Special Maintenance Tools and Test Equipment** – These are equipment-specific specialized tools.

5.2 **Maintainability Evaluation Trials (MET)** - This is carried with a view to facilitate provisioning of effective engineering support during life cycle of the equipment. This would involve stripping of the equipment and carrying out recommended tests and adjustments and establishing adequacy of maintenance tools, test equipment and technical literature.