

SCRUTINY OF **MES** **CONTRACTS**

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SCRUTINY OF MES CONTRACTS

1.0 INTRODUCTION :

The powers to conclude Works contracts are contained in Sl.No. 2 of Table B of RMES.

POWERS FOR ENTERING IN TO CONTRACTS INCLUDING CONTRACTS FOR LOCAL MATERIALS AND PETTY SUPPLIES:-

	E-in-C	CE	CWE	GE	AEE IND	S.D.O
Competitive Tendering	FULL POWERS	FULL POWERS	50 LAKHS	15 LAKHS	2.5 LAKHS	50000
Single Tendering	60/ 125* LAKHS	25/ 125* LAKHS	6.0 LAKHS	0.25 LAKHS		

*For proprietary items only

FOR SINGLE TENDER CONTRACTS:

The powers in column 2 are to be exercised in consultation with FA. CEs will exercise their powers exceeding Rs. 10 lakhs in consultation with the approval of E-in-C and FA. Powers upto Rs. 10 lakhs will be exercised in consultation with CDA. GE ad CWE will exercise their powers in consultation with CDA except for reasons for reasons of urgency to be recorded

1.1 No contract for works can be entered into without Administrative Approval, formal allocation of funds and technical sanction. (Para 2(e) of DWP 2007).

1.2 The time limit (reckoned from the period of acceptance of the contract) for submission of Contracts for scrutiny has been stipulated in Para 3.20.1 of the MES Manual of Contracts as under:-

TIME LIMIT FOR SUBMISSION OF CONTRACTS BY GE TO AUDIT FOR SCRUTINY(PARA 3.20 OF MES MANUAL OF CONTRACTS)

CONTRACTS ACCEPTED BY	NORMAL CONTRACTS	SPECIALISTS CONTRACTS
CE	4 Weeks	10 Weeks
CWE	(i) 3 Weeks in the case of contracts for which the time for completion is less than two months (ii) 4 Weeks for other contracts	(i) 4 Weeks in the case of contracts for which the time for completion is less than two months (ii) 8 Weeks for other contracts
GE	4 Weeks	8 Weeks

1.4 On receipt of Contract documents they must be entered in the Register of Contracts and taken up for scrutiny.

2.0 POINTS TO BE SEEN IN SCRUTINY OF CONTRACTS:-

2.1 **DOCUMENTS TO BE SENT FOR SCRUTINY:** The following documents in duplicate must be forwarded by MES to audit office for scrutiny of contracts

2.1.1. Contractor's Agreement duly signed by both the parties with Power of Attorney wherever applicable.

2.1.2. Acceptance letter

2.1.3. CST for each of the calls with the original quotations, their covers and enclosures.

2.1.4. Details of MRO remittance towards cost of the Tenders (one copy only)

2.1.5. Certificate by GE with reference to Para 3.11.2 of MES Manual of Contracts. **(APPENDIX 1)**

2.2 **LINKING ADMIN APPROVAL AND TECHNICAL SANCTION : It is very significant to note that as per Para 3.20.4 of MES Manual of Contracts, the Administrative Approval and the Technical Sanction are to be invariably forwarded along**

with the Original Contract documents for audit scrutiny. Therefore notwithstanding the fact that the the documents could have otherwise reached "E" Section /AOGE , this requirement must be insisted. The scrutiny of contract can begin only after Admin Approval and Technical sanction have been audited. Observations if any on Admin approval must have been cleared / got settled, more so if the observation on Admin Approval was for cancellation of the Admin Approval. In such cases the conclusion of the contract in the absence of valid approval must be placed as such under objection. As per para 2(h) & 48(b) of DWP 2007, an Officer will take no action which will commit Govt. to expenditure beyond 10% of Admin approval without obtaining prior sanction of the CFA in the form of a Financial concurrence(FC) Corrigendum or Revised Admin Approval. The word "commit" used in the above rule only means that the Contract amount plus the value of Deviation percentage should not exceed 110% of the Admin Approval amount. As per para 2(c) of DWP 2007, if an approved work is not commenced within one year from the date of Administrative Approval, fresh Administrative Approval of the CFA should be taken. Therefore it is important to see that the work has commenced before the expiry of the Admin Approval as can be seen from the Work Order. The PDC given in the Work Order should not exceed the one approved in Administrative Approval.

2.3 **SECURITY DEPOSITS** : It must be ensured in Scrutiny that the Individual Security Deposits / Additional Security Deposits and earnest money as are to be recovered, have been recovered or appropriate action taken to ensure their recovery from RAR etc., as permitted. **(APPENDIX 2)**

2.4 **SCRUTINY OF NOTICE INVITING TENDERS** : Notice inviting Tenders (NIT) must be prepared and issued as prescribed under MES Manual of Contracts. It must be ensured that the advertisements are issued in the standard formats and contain certification that web based publicity has been given. **(APPENDIX 3).**

2.5 **REMITTANCE OF COST OF TENDERS:** By the time the contract documents are received for scrutiny the cost of tenders must have been remitted into treasury through MRO and the amount must have been adjusted through TE. On no account should this be overlooked and merely placed under observation. Being financial objection of serious nature, the matter must be looked into with reference to the records of GE and delays if any projected as an important objection requiring urgent remedial action. **(APPENDIX 4).**

2.6 TIME LIMIT FOR RECEIPT OF TENDERS: The normal time limit prescribed (excluding the period of transit) for various types of tenders are as under:- **(PARA 3.92 OF MES MANUAL OF CONTRACTS)**

Type of Work	Minimum time (weeks) for submission of tenders		
	CE's contracts	CWE's contracts	GE's contracts
Extensive External Service Tender	6	5	4
Married Accommodation	4@	3@	3@
OTM Accommodation	6@&	5@&	4@&

@ One more week for tender with extensive external service

& Tender covering complex/prestigious building may take two more weeks.

2.7 SCRUTINY OF ACTION TAKEN ON RECEIPT OF TENDER:

2.7.1. Tenders submitted without earnest money will have to be considered as non- bonafide (Detailed notes on tenders received without earnest money and security deposit can be referred to in Appendix 3).

2.7.2. Late tenders (including revision to rates received after the time fixed for opening of tenders) cannot be considered for acceptance but can be taken into consideration for desirability of re-tendering (Para 3.13.1(c) of MES Manual of Contracts).

2.7.3. The following are objectionable (Para 3.14 of MES Manual of Contracts).

2.7.3.1. Reduction in scope of work/tender after opening of tenders to bring it within the available funds for acceptance of tender.

2.7.3.2. Affecting major changes in scope of tendered work after opening of tenders.

2.7.3.3. **No Negotiations even with the lowest tender is permissible as per the procedure in vogue in MES (Para 3.14.1.3 of MES Manual of contracts).** However reference to tenderer for freak items for reconsideration and revision is permissible. However negotiations with L1 by referring items containing freak rates , accounting for to the extent of more than 50% of the tendered amount, and then obtaining lowest tender by accepting marginal reduction is not permissible.

2.7.3.4. Obtaining voluntary reduction from L1 to bring the quotation within available funds or to bring it to acceptable level to accept the tender.

2.7.4. Re-tendering can be normally resorted to only

(a)When the lowest tender is unreasonable.

(b)When the lowest tender obtained exceeds the amount available under Admin Approval and it is proposed to modify the design to bring it within the cost.

(c)When the lowest tender is revoked or revised or withdrawn.

Re-tendering should not be resorted to as a matter of routine. Whenever a tender received is considered un-reasonable or high, the reasons for high tender must be ascertained and fully examined before deciding to re-tender the work. Before re-tendering it must be ensured that that suitable modifications are made in the design and time frame requirement as considered necessary and where possible tenders must be issued to additional contractors to stimulate competition.. On receipt of tenders if the amount of the lowest tender is found to be on the higher side there can be no justification for reducing standard specifications or elimination of authorized items of work merely to bring down the tendered amount within the Administrative approval. **(PARA 3.16 OF MES MANUAL OF CONTRACTS)**

2.7.5 In case of tie- between two contractors it is upto the accepting officer to decide which one to accept based on the past records of the contractor. However the Accepting officer can also call both the contractors at the same time and re-quote confidentially

while exercising care that the contractors are not allowed to consult each other **(PARA 3.17 OF MES MANUAL OF CONTRACTS)**

2.7.6 In case only one tender is received or is found a report is required to be made at once to the next Engineer Authority. Copy of the report is not required to be sent to CDA (PARA 3.18 OF MES MANUAL OF CONTRACTS). As regards Single Tender contracts the powers contained in this regard in Table B of RMES must be looked into. Prior consultation of CDA is needed except in cases of **urgency** to be recorded in writing **(Para 432 of RMES)**. A copy of the report sent to the next higher authority in the format prescribed under Appendix 3.13 of MES Manual of contracts must be endorsed to CDA

2.7.7 In case of revocation/revision of offer by L1 re-tendering must be done and instead the the next lowest tender must not be resorted to.

2.8 PERIOD OF COMPLETION : Appendix 5.3 of MES Manual of Contracts prescribes the period of physical execution in weeks for guidance. During scrutiny of contract, abnormal deviations from this prescription should be objected. **(Period in weeks)**

SN	TYPE OF ACCOMMODATION	CE CONTRACTS	CWE CONTRACTS	GE CONTRACTS
1	Md Accommodation	78	52	26
2	OTM Accommodation	84	56	28
3	Ext Elec / Water supply*	60	40	25
4	Air conditioning*	40	–	–
5	Other Ext services like Road/ path /Area Drainage*	50	35	22
6	Central Sewage Disposal system*	60	–	--

Remarks:

- (a) For Multistoreyed construction add 25% extra
- (b) For high value building contracts (say over 12 to 15 crores at 2004 prices) add prorata extra.
- © *Add 50% to 100% time in complex / High value scheme

2.9 INCLUSION OF ESCALATION CLAUSE : As per para 29(g) of DWP 2007, for works to be completed within two years no escalation except statutory increases will be allowed in the contracts for execution of such works. A detailed FAQ on Escalation is enclosed as Appendix 5. It is important to see that where escalation is included in the Contract, the correctness PDC is to be carefully analysed with reference to the guiding points brought out in para 2.8 above and also the application of the correct percentages with reference to the type of work.

**CERTIFICATE TO BE RENDERED BY GE BEFORE
ACCEPTANCE OF TENDER:**

CERTIFIED THAT

- (A) site is available for all works and free from all encumbrances
- (B) arrangements exists for issue of water to contractor at points marked on the layout plan or water is not available.
- (C) arrangements have been made for issue of electric energy to the Contractor uptoKW at the point(s) marked on the layout plan (or) is not available.
- (D) Layout and plinth level of the buildings can be supplied to the Contractor immediately on acceptance of tender.
- (E) Tender documents have been thoroughly studied by the Engineer-in-Charge and is fully conversant with the provisions of the contract.

SECURITY DEPOSITS AND EARNEST MONEY

CLASS OF CONTRACTORS

The class of a contractor denotes his upper monetary tendering limit. Different classes of contractors, their tendering limits, amount of standing security deposit required, limits of minimum reserves and the authorities who can enlist them are as under:-

Class	Upper Tendering Limit	Amount of SSD	Authority competent to enlist
SS (Super Special)	No Limit	8,00,000	E-in-C
S (Special)	12 Crores	5,00,000	CE Command
A	3.00 Crore	3,00,000	CE Zone/Project
B	1.50 crores	2,25,000	-do-
C	60 Lakhs	90,000	-do-
D	30 Lakhs	45,000	-do-
E	15 Lakhs	30,000	CWE

AUTHORITY : Para 1.3 of MES Manual of Contracts

STANDING SECURITY BOND (SSD) : SSD is executed by the Contractor desirous of enlistment in the form given in Appendix 1.4 of MES Manual of Contracts.

Registered contractors who execute the bond and lodge the Standing Security Deposit will not be required to deposit Earnest Money and Security Deposit for individual works falling within the area in which they are enlisted. (Para 1.15(a) of MES Manual of Contracts).

EARNEST MONEY FOR INDIVIDUAL WORKS(PARA 2.1 OF MES MANUAL OF CONTRACTS)

Earnest money is to be lodged by contractors borne on the MES approved list but have not executed the SSD and also by unenlisted contractors. Earnest Money is calculated on the estimated value of the work including anticipated market variation over SSR as per scales given below

SL NO	ESTIMATED COST OF WORKS	EARNEST MONEY
1	Upto 15 lakhs	2 % of the amount subject to a minimum of Rs. 3000/-
2	Over 15 lakhs and upto 30 lakhs	2% of the amount subject to a maximum of Rs. 45000
3	Over 30 lakhs and upto 60 lakhs	1.5% of the amount
4	Over 60 lakhs and upto 150 lakhs	1.5% of the amount
5	Over 150 lakhs and upto 300 lakhs	Rs. 2,25,000 + 1% of the amount in excess of 150 lakhs subject to a maximum of Rs. 3,00,000
6	Over 300 lakhs and upto 1200 lakhs	Rs. 3,00,000 + 0.50% of the amount in excess of 300 lakhs subject to a maximum of Rs. 6,00,000
7	Over 1200 lakhs	0.5% of the amount subject to a maximum of Rs. 9,00,000

Earnest money submitted by tenderers other than the lowest should be refunded immediately (Para 2.2(a) of MES Manual of Contracts) The Earnest money will be refunded to the successful contractor after the Security deposit is lodged by the contractor or recovered from the payments due to him. In the alternative the Earnest money deposited can be converted into part of ISD wherever such a transaction is feasible and the balance of Security Deposit can be lodged by the contractor.

Tenders received without earnest money will be treated as non-bonafide. They will be opened and recorded in the CST along with others with appropriate remarks to the effect that such tenders are non-bonafide. Such tenders will not be considered for acceptance. **(PARA 3.12 OF MES MANUAL OF CONTRACTS)**

INDIVIDUAL SECURITY DEPOSIT (ISD) (PARA 2.1 OF MES MANUAL OF CONTRACTS)

The accepting officers are also permitted to issue tender documents to contractors not borne on MES approved list. Such contractors are required to deposit Earnest Money and Security Deposit. A contractor who has not executed standing security bond but is issued tenders (para 410 of RMES) is required to deposit Earnest Money along with his tender and furnish security deposit on acceptance of his tender. A separate letter should be addressed to such contractor highlighting the above point. If such a tender is received without earnest money and happens to be L1, the contractor will be required to lodge with PCDA/CDA concerned Security Deposit for the contract (Individual Security Deposit) which will be equal to 1.25 times of the earnest money (subject to maximum of Rs. 1125000/-) payable within 30 days of receipt of notice of acceptance of tender. If the contractor fails to remit the amount, the amount can be recovered from RAR or any other sum due to the contractor.

ADDITIONAL SECURITY DEPOSIT (PARA 2.1 OF MES MANUAL OF CONTRACTS)

In case of a contractor who is enlisted and has lodged the standing security deposit and executed the standing security bond and where the tendered contract sum exceeds the financial limit of the contractor and the Accepting Officer decides to accept his tender, he shall have to lodge additional security deposit. The amount of this additional security deposit will be the difference between the estimated

amount of individual security deposit calculated for the tendered contract sum at the scales given above and the standing security deposit lodged by the contractor. The additional security will be deposited within 30 days of the receipt by the contractor of the notification of acceptance of his tender. In case the contractor fails to deposit this amount within 30 days the sum will be deducted from the first RAR payment or from the first bill in case of Term/Running contract.

BGB IN LIEU OF SECURITY DEPOSIT: Bank Guarantee Bond in lieu of ISD or ASD is permitted **(PARA 2.15 OF MES MANUAL ON CONTRACTS)**

SECURITY FOR TERM CONTRACTS : Security Deposits whether held under the SSD or as a separate sum should relate to the anticipated maintenance grant for the period covered by the contract which should normally be for one financial year. In cases where the anticipated maintenance grant exceeds the monetary limit of the contractor ASD to cover the difference must be collected from the contractor as stipulated in the Notice Tender (PARA 10.3(f) of MES Manual of Contracts)

REFUND OF SECURITY DEPOSIT: Security Deposit lodged by contractor will be refunded to him by PCDA/CDA when no longer required after expiry of defects liability period and obtaining a clear "No Demand Certificate" by the Contractor on the form "IAFW-451". The title for refund would arise if there are no claims outstanding against the contractor, (No claim certificate to be insisted) the defects liability period is over and the final bill has been paid (PARA 2.11.1 OF MES MANUAL ON CONTRACTS). ASD may be refunded to the contractor in two stages i.e., 50% on payment on undisputed portion of the final bill provided there are no claims against the contractor and the balance 50% after expiry of the Defects liability period provided the contractor shall have first rendered a No Demand Certificate in IAFW-451. **(PARA 2.14 OF MES MANUAL ON CONTRACTS)**

INTIMATION TO AAO: A copy of the letter written to the contractor immediately after acceptance of the tender bringing to his notice other points should also be endorsed to the AAO so that in addition to the GE, the AAO may also watch the amount of ISD/ASD due is deducted from the first RAR in case the contractor fails to deposit the sum within 30 days of receipt of acceptance letter. **(PARA 2.3 OF MES MANUAL OF CONTRACTS)**

APPENDIX 3

NOTICE INVITING TENDERS (excerpts from MES Precis & Section 3 of MES Manual on Contracts)

Notice of Tender (IAFW-2162) will include name of work, estimated cost of work, dates for receipt of applications from contractors, issue of tender and receipt of tender, and certain other conditions pertaining to the issue and receipt of tender documents.

Estimated cost of work in the Notice of Tender as well as in the advertisements shall be the net cost at market rates as indicated in AE Part II of AA of tendered items with addition of percentage included at the end of AE to cover market variation and difference in cost of stores. At the time of issue of tender documents, if the market rates are known and found to differ very much from the cost shown in the Notice of Tender then an amendment to the Notice of Tender will be issued to indicate the correct cost at par. (PARA 3.36 OF MES MANUAL ON CONTRACTS)

Notice of tender should be published in respect of all works irrespective of all value on MES Web-site (PARA 3.3.2 OF MES MANUAL ON CONTRACTS).

Notice of Tender on IAFW-2162 should be advertised in newspapers as well as in the Indian trade Journal Publicity for all works costing Rs. Five lakhs and over and for works costing less than Rs. 5 lakhs if considered necessary by the Accepting Officer. NIT Should be advertised in local news paper for Works between Rs. 5 lakhs and Rs. 20 lakhs by direct press advertisement. For works over Rs. 20 lakhs the advertisement should be only through DVAP. Advertisement should be given in the format given in Appendix 2.1 of MES Manual on contracts. **It is very important in Scrutiny of Contracts to ensure this aspect because it certifies in the format that the details are available in the MES Web-site www.mes.gov.in. A copy of the web page can be called for in support of this claim. Non-compliance in this regard should be viewed as one which results in preventing competition and must be relentlessly pursued.**

NIT should also be displayed at certain establishments and offices as mentioned in Para 3.3.3 of MES Manual of Contracts. This responsibility may not be actually verifiable in audit. **In order to stimulate competition, normally not less than six tenderers are to be issued out of which at least 2 to 3 should be sent to outstation tenderers to avoid the possibility of ring formation by local contractors.(PARA 4 (c) (vii) OF MES PRECIS 1724).**

APPENDIX 4

COST OF TENDERS (PARA 3.4 OF MES MANUAL ON CONTRACTS)

The cost of tenders is based on the estimated cost of the work mentioned in the notice of tender. The rates are as follows:-

ESTIMATED VALUE OF WORK		
ABOVE	UPTO	AMOUNT IN RUPEES
	UPTO 5 LAKHS	300/-
5 LAKHS	50 LAKHS	500/-
50 LAKHS	200 LAKHS	1000/-
200 LAKHS	500 LAKHS	2000/-
500 LAKHS		3000/-

It is most important for AOsGE to note that the amount collected by sale of tender shall be credited to Miscellaneous Receipt (PARA 3.4(C) OF MES MANUAL ON CONTRACTS. In other words AOsGE must ensure that the work code head is not given credit instead of Miscellaneous Receipt.

On Re-tender no additional cost of tender documents is required from the same contractor to whom the tender was issued in the earlier calls on payment. New applicants and new contractors included in the subsequent calls shall pay the cost of tender documents in the case of re-issue of tenders.

AUDIT OF ESCALATION CLAIMS – FREQUENTLY ASKED QUESTIONS

1. What is the relevance of Condition No. 63 of I.A.F.W 2249 dealing with Escalation applicable to Contracts?

Condition No. 63 of I.A.F.W 2249 is applicable only for all Term Contracts and contracts having a period of less than or equal to 2 years. It is felt that where the Special condition prescribed by E-in-C has not been incorporated in the Contract, by default, Condition No. 63 of I.A.F.W 2249 would stand applicable. In the case of work for Electrical Installation for lifts, the Special condition prescribed in Annexure XII of compendium of E-in-C Contracts should be included in the contract and as would be included in the said Special condition, the provisions contained in this Special condition would supersede the provisions of Condition 63 of IAFW-2249 and the provisions of Condition No. 63 of IAFW 2249 shall not be applicable in such cases.

The conditions to be fulfilled for claiming payment in cases for which condition No. 63 is applicable are as under:-

- (i) There has been an actual and paid price increase in materials (Excluding schedule B Stores issued by MES to the contractor) which are actually incorporated in the work, and/or increase in Wages.
- (ii) The increase is as a direct result of the coming into force of any fresh law or statutory rule or order (other than sales tax). By implication it does not cover mere inflationary increase in prices.
- (iii) Such increase exceeds ten percent
- (iv) The payment is to be restricted for the excess over ten percent
- (v) In the Opinion of the C.W.E the increase is not attributable to delay in the execution of the Contract within the control of the contractor.
- (vi) The payment will not cover period beyond the contract date or extended date of completion of the work.

(vii) The same limit of 10% on the negative side gives claim to the MES to make the contractor refund for the excess over 10%.

2. What are the salient features of the special condition formulated by E-IN-C for escalation?

The salient features of the Special condition for Escalation claims formulated by E-in-C are as under:-

(A) The authority under which this Special Condition has been approved is GOI MOD letter No. 4(4)/79/4413/D(Works II) dated 15/11/82 (for material and wages) and E-in-C letter No. 36073/EC/E8 DT 6/9/84 (for labour).

(B) This Special condition can be added only for Contracts with completion period exceeding 6 months (**now 2 years or more as per DWP 2007**) and are not in the nature of Term Contracts. **In other words for Term contracts and contracts with completion period of less than 2 years, Condition No. 63 of IAFW 2249 would be applicable.**

(C) The Special Condition has to be worded exactly or in a manner exhaustively covering the contents as prescribed by the E-in-C. The key sentences are *“Refer Condition 63 of General Condition of Contracts (IAFW 2249) Re-imburement/refund on variation of prices. The condition 63 of the General Conditions of Contract shall be deemed to be modified to the extent mentioned herein after. Increase or decrease in prices of materials and fuel shall be adjusted on the basis stipulated hereinafter irrespective of the actual variation in prices (to the contractor)”*. The expression regarding modification of Condition 63 has to be specific and must not be left for implication.

(D) Unlike Condition No. 63 of I.A.F.W 2249 proof of any increase in prices of material or fuel is not required. The increase in labour is regulated with reference to the minimum wages fixed under any law statutory rule or order. The escalation would be automatic signifying that it would cater for inflationary rises but strictly on the scale of wholesale price Index/

Labour index. Needless to state there would be no additional coverage separately for any increase due to changes in law, statutory rule or order.

(E)The periodicity for working out the variations is three months. The first variation would be for the period of three months reckoned from the last due date for receipt of tenders. A simple check is done to ensure that the Value of work claimed as done in the calculation sheet before the actual date of commencement of work as per Work Order is Nil.

(F)RARs must be timed in such a manner that the gross value of work done up to the corresponding date is readily available.

(G)The payment will **not** cover period beyond the contract date or extended date of completion of the work.

3. How is vg arrived at for calculation of VM?

The RAR has to be timed to instantly arrive at the value of work done on the critical date. There is no authority to arrive at a proportional value on the critical date otherwise than through actual measurement.

4. How is the weighted value of vg (value of work done for escalation on account of materials arrived at?

The Constant percentage, which is to be applied on vg/VG1, is specified in Appendix of the E-in-C letter. These are only maximum percentages. Within this limit the exact percentage applicable must be spelt out in the Agreement.

APPENDIX A TO E-IN-C BRANCH LETTER NO. 36073/EC/E8 DT 18/6/95

SNO	TYPE OF WORK	MATERIAL KM	LABOUR KL	FUEL KP	T&P & TPT AT SITE
1	MARRIED ACCOMMODATION	60.00	20	1.5	35.00
2	OTM ACCOMMODATION	60.00	20	1.5	35.00
3	MULTISTOREYED MARRIED ACCOMMODATION	58.00	21	2	4.00

4	FACTORY TYPE BUILDING INVOLVING STEEL SUPER STRUCTURE	58.00	22	1	4.00
5	ADMIN BLOCKS, OFFICERS MESSSES, INSTITUES AUDITORIUMS HOSPITAL BUILDINGS ETC.,	60.00	20	15	35.00
6	RCC OM RESERVOIR	51.00	29	2	3.00
7	PILING WORKS	51.00	25	3	6.00
8	AIR FIELD PAYMENT	59.00	17	3	6.00
9	ROAD WORKS NOT INVOLVING SUBSTANTIAL EARTH WORK	57.00	21	2	5.00
10	CENTRAL SEWAGE DISPOSAL PLANTS WATER PURIFICATION PLANTS ETC	65.00	18	0.5	1.50
11	ELECTRIFICATION WORKS ETC.,	70.00	13.5	0.5	1.00
12	CENTRAL AIR CONDITIONING WORKS	70.00	13.5	0.5	1.00

In calculating the escalation for materials, the value of workdone should not be adjusted with the Materials brought at site (vs) or Value of Schedule B stores (vb) or the items of Star Rates before applying the Constant percentage.

5. How is the value of VM arrived at?

The value of workdone (not including therein the value of Materials brought at site (vs) or Value of Schedule B stores (vb) or the items of Star Rates) should be adjusted with the applicable percentage. Only from the resultant figure the Value of materials at site brought (vs- should not be after the original or extended completion date) should be added and the value of Schedule B stores and items of star rates (vb) should be deducted. The VM arrived at for a particular quarter would be VM2 for that quarter and would become VM1 for the next quarter.

$$VM = (KM \times VG) / 100 + (VS - VB)$$

6. How is the value of EM (valuation for escalation for material for a particular quarter) arrived at?

EM is arrived by applying a percentage (calculated by dividing the difference between the Material index for the relevant quarter and the Material Index at the beginning as on the last date of opening of the tender by the Material Index at the beginning as on the last date of opening of the tender) and applying on the difference between VM2 and VM1. The Index if not available on audit records is to be obtained from the Executives.

$$EM = (VM2 - VM1) \times (W1-WO) / WO$$

7. How is the value of EP (Valuation for escalation on account of fuel for a particular quarter) arrived at?

EP is arrived by applying a percentage (calculated by dividing (a) the difference between the Fuel index for the relevant quarter and (b) the Fuel Index at the beginning as on the last date of opening of the tender by (b) the Fuel Index at the beginning as on the last date of opening of the tender i.e., $(a-b) / b$) on the weighted value of work done [value of workdone (difference between the value of workdone during the current and previous quarter) multiplied by the applicable percentage for Fuel depending on the Type of contract as per table given under Answer to Question No. 4) during the period reckoning]. It is important to note that the E-in-C Instructions clearly stipulate that the VG1 on which the differential Index percentage is to be applied, should be the gross value of work done during the period of reckoning using values of Vg for calculation of VM1 and VM2 during calculation of escalation of material. This means that the Star rates should not be deducted from the value of vg).

$$EP = (KP \times VG1 / 100) \times (F1-FO) / FO$$

8. How is the value of EL (Valuation of escalation on account of wages arrived at?

EL is arrived by applying a percentage (calculated by dividing (a) the difference between the Minimum Wages index for the relevant period and (b) the Minimum Wages Index at the beginning as on the last date of

opening of the tender by (b) the Minimum Wages Index at the beginning as on the last date of opening of the tender i.e., (a-b)/b) on the weighted value of work done at contract rates [value of workdone at contract rates less value of work done at Star rates / prime cost sums (difference between the value during the current and previous quarter) multiplied by the applicable percentage for Labour depending on the Type of contract as per table given under Answer to Question No. 4) during the period reckoning]. It is significant to note the difference between calculation of VG1 for Fuel and for Labour. In the case of Fuel, the Star rates / prime cost sums are not to be deducted from the VG1 whereas in the case of Labour the Star rates and Prime cost sums are to be deducted from the VG1.

$$EL = (KL \times VG1 / 100) \times (L1 - LO) / LO$$

9. How should the value of escalation for a quarter be reckoned when the value arrived at for a quarter is a minus figure?

Sometimes in the Escalation claims when the figure worked out for a quarter is a minus figure it is remarked that the minus figure is on account of excess issue of Schedule B Stores and hence the minus figure is ignored and accepting zero as the figure. Doubt arises as to whether this is tenable.

Audit has to examine the case of excess of issue of Schedule B stores with reference to Condition No. 10(B) of I.A.F.W 2249. As per this condition, for the supply of materials listed in Schedule "B" the Contractor shall give a reasonable notice in writing of his requirements to the Engineer-in-Charge in accordance with the agreed phased programme. Therefore if the Contractor is issued with Excess Stores it is clearly a violation of the aforesaid condition and over and above the advantages obtained for this violation, the contractor cannot be further given a favour by ignoring the minus figure in the escalation claim.

In the absence of sanction of Govt. of India Ministry of Defence (duly concurred by MOD (Fin) the minus figure in any particular quarter has to be reckoned as such in the overall summary and adjusted

alongside plus figures in other quarters and cannot be substituted with zero.

10. Can Escalation value be calculated and paid along with the RAR Or Should it necessarily be paid with Final Bill only?

As per E-in-C Instructions once the amount adjustable for any quarter is worked out the same shall be adjusted as and along with the advance on account payment under Condition 64 of IAFW-2249 in the following RARs. It must equally be noted with caution that the amount payable relevant to work done and materials collected in any quarter will be worked out after firm whole sale price indices(not provisional) for the relevant quarter are available. Hence subject to the above condition the escalation shall be worked out and paid along with the RAR. Since it would become a Contractual right to the Contractor to claim escalation along with RAR as per above procedure, the AAOsGE should forward such RARs for Pre-Audit by Main Office of CDA, (where escalation claims are required to be approved by CDA) duly informing the GE in this regard.

11. What is the significance of escalation in reckoning the value of contract for the purposes of calculating retention money and liquidated damages?

For the purposes of calculating retention money and liquidated damages, the value of contract as revised by the above price variation will be taken into account.

12. For what types of Contract are escalation clauses applicable?

The Govt. of India letter stipulates that the special condition shall be included in all tenders in which (a) the period of completion has been specified as more than 6 months (now 2years or more as per DWP 2007) and (b) the type of contract is not "Term Contract".

13. Whether the escalation amount has to be clubbed with the work done for comparing the deviation limit?

As per HQrs Office letter No. 18082/AT-X/XV dated 6/10/2005 (CDA Chennai Part I Office Order No. 91 dated 8/11/05) the “final cost of service” for the purpose of Para 9(d) of DWP (1986) (now para 2(h) of DWP 2007) would definitely include the amount of escalation. Therefore if the final cost of a work service inclusive of escalation exceeds the Administrative Approval amount by more than the 10% tolerance limit, revised Administrative Approval /Financial Concurrence would be required.

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LIST OF PUBLICATIONS AND FORMS

List of Publications

1. Regulations for the Military Engineer Services, (1982 Reprint)
2. Standing Orders for MES issued by the Engineer-in-Chief, AHQ (1996).
3. Contract Manual (1969)
4. Extracts from Indian Contract Act (1872).
5. Arbitration Manual issued by E-in-C (Revised 1965).
6. Hints for Officers and others engaged in preparation, operation and finalisation of contracts. (E-in-C's Works Pamphlet No 11).
7. MES Standard Schedule of Rates (SSR) Part I and Part II, Vol. I and II.
8. E-in-C's Technical Instructions issued from time to time.
9. Hints on Supervision and Inspection of Furniture (E-in-C's Works Pamphlet No 10).
10. Guide lines for framing and administration of contracts (E-in-C's Works Pamphlet No 7).

List of Forms

CONTRACT FORMS

Ser No	IAFW No	Particulars
1.	2249	General Conditions of Contract for Lump Sum, Term and Measurement Contracts.
2.	1815(Z)	General Conditions of Contract for Supply of Stores and Materials.
3.	2159	Lump Sum Tender and Contract for Works. (Revised 1947)
4.	1979	Tender and Contract for Works by Measurement (Revised 1947) (Percentage Rate)
5.	1979-A	Item Rate Measurement Contract (Revised 1955)
6.	1821	Tender and Contract for Artificer's Works

- (Revised 1960)
7. 1815-R Tender and Rate Contract for the Supply of Stores and Materials
 8. 2320 Tender and Contract for Handling and / or
(Revised 1964) Conveyance of stores of any description.
 9. 1780 Tender and Contract for Piecework
(Revised 1958)
 10. 1780-A Tender and Contract for Specific Jobs.
(Revised 1962)
 11. 2162 Notice of Tender
(Revised 1960)
 12. 1810 Comparative Statement of Tenders.
 13. 1810 Comparative Statement of Tenders (as modified for specialist Tenders).
 14. 2331 Form of work order for Handling and Conveyance Contracts.
 15. 2352 Sale of Buildings for Demolition, Removal and Clearance of Site.
 16. 2353 Agreement for the Appointment of Auctioneers for Disposal of Surplus Buildings.
 17. Tender and Contract form for specialist consultancy services.

OTHER FORMS

18. 2261 Measurement Book
19. 2264 Abstract of Quantities and Prices.
(Outer Sheet)
- 2264-A Abstract of Quantities and Prices
(Inner Sheet) Final Contract Bill.
- 2262 Abstract of Quantities and Prices
20. 2262 Final Contract Bill (Outer Sheet)
- 2262-A (Inner Sheet) Final Contract Bill.

21. Bill Requirement Schedule.
22. 2254 Bill forwarding Certificate.
23. 2263 Running Account Receipt.
24. 2209 Taking off Sheet.
25. 2210 Abstract Sheet (for Bill of Quantities)
26. 2211-A Bill of Quantities
27. 2212-A Bill of Quantities for details of Deviation Orders.
28. 1823 MES Contractor's Order Sheet.
- 1823-A MES Contractor's Order Slip.
29. 2190 Application for Enrolment as Contractor.
30. 1833 Ordinary Requisition (Outer Sheet).
31. 1817 Requisition for Urgent Repairs.
32. 2158 Requisition (Inner Sheet).
33. 2255 Muster roll (Outer Sheet).
34. 2258 Industrial Personnel Bill.
(Revised 1956)
35. 2297 Analysis of Rates.
36. 1826 Receipt for Stores (Unstamped) or USR.
37. 2253 Transfer Voucher.
38. 2201 Demolition Certificate.
39. 2286 Register of Securities.
40. IAFA-451 No Demand Certificate.
41. IAFW-2347 Works Diary.

APPENDIX 7

TYPES OF CONTRACTS IN COMMON USE IN MES

Sl No	Type of Contract	Brief Description	Tender form IAFW No	General Conditions of Contract IAFW No	Remarks
a	b	c	d	e	f
1.	Lumpsum Contracts (a) Based on bills of quantities	The contractor prices the detailed quantities furnished by MES and the total is accepted as a lump sum	2159	2249	Recommended for all CE's contracts, where surveyor expertise is available. MES provide the contractor with bills of quantities. The contractor quotes his lumpsum by pricing the bills of quantities.
	(b) Based on Schedule 'A' prepriced by MES at par with the MES Schedule of rates	The contractor works out and quotes his own lumpsum, and also quotes a percentage on/off the MES Schedule (by comparing his lumpsum with the prepricing inserted by MES). Same percentage is applicable for the purpose of pricing deviations	2159	2249	Unit cost of various items of work are given in tenders as worked out by MES at SSR.
	(c) Based on drawings and specification	The contractor works out his own estimates and	2159	2249	The contractor submits a lumpsum quotation for the work shown in the

	s	quotes lumpsum against each item and the grant total is accepted as a lumpsum.			drawings and specifications attached to the tender documents.
	(d) Sale of bldgs for demolitions, removal and clearance of site.	The contractor quotes lump sum price for demolition work and credit for salvaged materials.	2352	2352	Used when reasonable bids are not secured by auction or reauction for sale of surplus buildings.
	(e) Piece work for specific job	The contractor gives his quotation for the whole work	1780-A (Revised 1962)	1780-A (Revised 1962)	Used when scope of work, quantity and period for completion are known and the estimated value does not exceed Rs 10,000/- Useful for minor works, periodical services and for repairs to plant and machinery.
	(f) For specialist consultancy services	The consultant quotes for supplying the design, drawings, specifications etc.			Use restricted to CE's formations with prior approval of E-in-C
2.	Measurement Contracts (a) Item rate contract	The contractor quotes his own rates for each item of work to be measured on completion. Schedule 'A' contains items with approximate	1779-A	2249	Suitable where large quantities of work involving a small number of items have to be carried out but the exact quantities of work required are not known. The quantities of items inserted should be within

		quantities and specifications for each item			10% of the anticipated requirement.
	(b) Term contract for artificer's work	A running contract usually for 12 months duration where the contractor quotes a percentage on or off the MES Schedule of Rates.	1821	2249	Used for normal or ordinary repairs and minor works.
	(c) Percentage rate contract	The contractor quotes a percentage on or off the MES schedule for a certain work of group of works to be measured on completion and priced. (Auth: RMES 1968, Para 4141)	1779	2249	Used under certain circumstances as an alternative to lumpsum form of contract for original works and maintenance services beyond the limits of the Term Contract: (i) When there is difficulty in estimating the quantities correctly until the work has commenced. (ii) When it is considered imperative to commence work without delay which the preparation of a lumpsum contract involves. (iii) In other special cases when contractors lumpsum basis are not available. (iv) use of this type of contract by GE or CWE requires prior approval of Next Higher Engineer Authority.
	(d) Rate	The contractor	1815 (R)	1815 (Z)	The items of supply may

	contract for supply of materials or furniture, stores for DEL, petty stores for office use etc.	quotes his rates for each item of stores or furniture.	(Revised 1953)		be divided into groups and a separate contract concluded for each group. May be concluded for divisions, sub divisions or stations separately, or collectively, and may be of six months or one year duration.
	(e) Tender and contract for handling and /or conveyance of stores of any description.	The contractor quotes a percentage on or off the rates given in the schedule attached to the tender documents. This is a running contract usually for a duration of six months.	2320 (revised 1964)	2320 (Revised 1964)	For use by Engineer Parks and ESDs and also by GEs. This form will be used for loading, unloading, removal stacking, preservation, conveyance etc of stores of any description.
	(f) Piece Works	Fix duration Contractor quotes his rates for each item.	1780 (Revised 1958)	1780 (Revised 1958)	To be used when the exact quantities of work are not known. Total value of work not to exceed Rs 5,000/-
	(g) Agreement for appointment of auctioneers for disposal of surplus buildings.	An agreement made between Government and auctioneers who shall conduct the auction and Govt shall pay the auctioneer's commission.	2353	2353	When surplus buildings are to be disposed off and the exact requirements are not known this type of contract is entered into. As and when required the auctioneer is ordered to conduct an auction.

REFERENCES TO MES REGULATION AND ORDERS

Reference: to paras of the publication listed in Appendix 'A' on matters concerning Contracts and Technical Scrutiny etc, are given below: -

PROCEDURE FOR ISSUING AND ACCEPTING A TENDER

Subject

Reference to Publication /Forms

- | | | |
|-------|---|---|
| (i) | Enlistment of Contractors and register and record of contractors. | MES Standing Orders 180 to 198 |
| (ii) | Types of contracts | Regulation paras 403 to 414. |
| (iii) | L.S. Contracts with BQs | Regulation paras 405 to 407 & MES standing Orders, Para 200. |
| (iv) | Issue of Notice Tender and Preparation of Tender documents | Regulation paras 417, 418, 420 & MES Standing Orders Para 203 |
| (v) | Acceptance of Contracts | Regulation Table 'B', Regulation Para 428, 432, 746, 934 & MES Standing Orders Para 201 |
| (vi) | Advice of CDA | Regulation Para 425 & 426, MES Standing Order Para 228 |

PROCEDURE FOR TECHNICAL CONTROL DURING EXECUTION OF CONTRACT

- | | | |
|-------|--|---|
| i) | Amendment to Contracts | - Regulation Para 440, 441 & 442, MES Standing Order Para 203 |
| (ii) | Works & Deviation Orders | - Regulation Para 435 to 438, MES Standing Order Para 256 & condition 7, 23 & 62 of IAFW-2249 |
| (iii) | Preparation of Special rates & Star-Prices | Regulation Para 439, Condition 62 of IAFW-2249 |
| (iv) | Payment on Accounts | - Regulation Para 478 to 485 & Condition |

- (v) Time & progress Chart, Extension of Time, Compensation for delay - Annexure 6 & 9 of Appx 'C' of Contract manual, IAFW-2249 conditions 9, 11, 49 & 50
- (vi) Measurement of work - Regulation Para 370 to 374, IAFW-2261 & IAFW-2249 (Condition 61)
- (vii) Preparation of Abstracts - Regulation Para 466 & 467.
- (viii) Completion certificate - Regulation Para 375 & Condition 49 of IAFW-2249

PROCEDURE AFTER COMPLETION OF WORK

- (i) Submission of Final Bill & No Claim- Certificate by Contractor - Regulation Para 460 to 469, condition 65 & 65A of IAFW-2249
- (ii) Technical check of Bill - Regulation Para 470 to 473 and MES Standing Orders Para 248, Condition 67(e) of IAFW-2249
- (iii) Payment to Contractor - Regulation Para 474 to 490, IAFW-2249 (Condition 66)
- (iv) Settlement of Disputes by Arbitration - Arbitration Manual, Extracts from Arbitration & Conciliation Act -1996, Condition-70 of IAFW-2249
- (v) Post Payment Technical Examination - Condition 67 of IAFW-2249
- (vi) Scrutiny of Requisition & Muster Rolls & urgent Requisition - Regulation Para 208 ,547 & 548, Standing Orders para 237 to 246, Para 13 of E-in-Cs Pamphlet No 14

ESTIMATES- APPROXIMATE & DETAILS

- (i) Preparation & check of Estimates - Regulation Para 129, 130, 143, 328, 331 to 333, Standing Orders para 121 to 143