

5/12/19

पूर्वोत्तर सीमा रेल  
NORTH EAST FRONTIER RAILWAY

कार्यालय  
मुख्य सतर्कता अधिकारी  
मालीगौव, गुवाहाटी-11  
No. Z/VIG/68/05/A

Office of the  
Chief Vigilance officer  
Mallgaon, Guwahati -11  
दिनांक/Date: 12-12-2019

Pr. CE, CAO/CON-I, II & III,  
PFA, FA & CAO/Con.

**Sub: System improvement regarding evaluation, recording and checking of Price Variation Bill by Executive and Account Department before payment to the contractor.**

- (1) PVC shall be applicable only for contracts of value as prescribed by the Ministry of Railway through instructions/circulars issued from time to time and irrespective of the contract completion period. Railway Board vide letter No.2007/CE-I/CT/18 Pt.19 dated 14.12.2012 has decided to incorporate a comprehensive clause in the form of "Clause 46 A - Price Variation clause" to the General conditions of the contracts (GCC). PVC was incorporated in GCC of July-13 onwards under clause 46 A. PVC shall be evaluated as per formula/Guidelines given under clause 46 A.
- (2) During scrutiny of Price Variation bills (PVC bills) of some of the contracts, following common irregularities have been observed in almost all the PVC bills.
  - (i) Clause 46A.6 of GCC has mentioned classification (earthwork/ ballast & quarry product/ tunneling/other works etc.) of contracts for the purpose of evaluation of Price Variation. But, wrong classification of contracts was done at the time of evaluation of Price Variation.
  - (ii) Instead of using Indices published in RBI Bulletin, Indices from Economic Advisor, Ministry of Commerce & Industry have been used in evaluation of price variation.
  - (iii) Instead of using Indices of wholesale Price of Sub-group (Cement & Lime/Cement, Lime & Plaster) as published in RBI Bulletin, indices of subgroup "Cement, Slate & Graphite product" from Economic Advisor or sometimes indices of "Ordinary Portland Cement" from Economic Advisor have been used.
  - (iv) In the case of "Steel", instead of taking price on 1<sup>st</sup> day of purchase month/ 1<sup>st</sup> day of receiving month, price of CC-bill month has been taken for evaluation of price variation, resulted substantial increase in price variation amount.
  - (v) In the case of "Steel", Excise duty has been taken for "base month" as 12% in pre-GST period and 18% for the "period under consideration" (post -GST period) in those contract in which "base period" falls in Pre-GST period and "period under consideration" falls in post-GST period, whereas "Excise Duty" does not exist in post -GST period.
  - (vi) The base year of All- India Wholesale Price Index (WPI) has been revised from 2004-05 to 2011-12, w. e. f. April 2017. In order to work out PVC as per revised WPI, Railway Board has circulated procedure vide letter no. 2007/CE-I/CT/18/Pt.19, dated 28.08.2018. But, the same procedure has not been adopted in evaluation of PVC bill(s) in any contract.

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office copy  
① Pr. CE - SPS/stand/13/12/19  
② CAO/Com-I - 13/12/19  
③ CAO/Com-II - 13/12/19  
④ CAO/Com-III - 16/12/19

⑤ PFA - 13/12  
⑥ FAR CAO/Com. - 13/12-19  
⑦

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प्रेषण

(vii) In tunneling contracts, rate of explosives and detonators were taken based on some downloaded documents mentioning some rate contracts of year 2011 to 2013, but no documentary evidences available in the concerned file (s) regarding whether the contractor had purchased it from the same firm/whether the rate was fixed by DGS&D.

(3) Therefore, in order to avoid such irregularities in future, following system improvement is suggested-

[a] **System improvement regarding classification of contract as mentioned in clause 46A.6 of GCC for the purpose of evaluation of price variation:**

The contracts may be of composite type (for example: earthwork : 33%, major bridge work : 33% & other works: 34%). Therefore, type of contract in terms of clause 46A.6 of GCC shall clearly be mentioned in tender documents for the purpose of evaluation of price variation to avoid different interpretation at later stage.

[b] **System of recording and checking PVC bills by officials of Executive as well as Accounts Department**

(i) SSE/ADEN/AXEN/XEN or equivalent official shall check the PVC bill cent percent and thereafter record the same in Measurement Book. SSE/ADEN/ AXEN/ XEN or equivalent official (s) shall record a certificate at the end of PVC bill that "the PVC bill is correct and complete in every particular as per tender conditions / clause 46A of relevant GCC" before forwarding to next higher authority.

(ii) The next authority i.e. bill passing authority (Dy.CE/Sr.DEN/DEN or equivalent official) shall test check (100%) the first, every fourth and last PVC bill and record a certificate that "the PVC bill has been checked 100% and found correct and complete in every particular as per tender conditions / clause 46A of relevant GCC", before forwarding the same to Associate Finance for payment.

(iii) Officials of the Account Department (SO / SO-in charge and AFA/ADFM or equivalent) shall check the PVC bill cent percent and record a certificate that "the PVC bill has been checked 100% and found correct and complete in every particular as per tender conditions / clause 46A of relevant GCC"

(iv) Officer in charge of Account Department (Sr.AFA/Sr.DFM or equivalent) shall check the first, every fourth and last PVC bill 100% and record a certificate that " the PVC bill has been checked 100% and found correct and complete in every particular as per tender conditions / clause 46A of relevant GCC ", before making payment to contractor.

[c] **System improvement regarding issue of "Excise Duty" in those contract in which "base period" falls in Pre-GST period and "period under consideration" falls in post-GST period.**

For "Steel", it has been mentioned in the PVC clause that, SAIL's ex-works price plus Excise duty thereof (in rupees per ton) for the relevant category of steel supplied by the contractor, as prevailing on the first day of the month in which the "steel" was purchased by the contractor (or) as prevailing on the first day of the month in which "steel" was brought to the site by the contractor, whichever is lower, shall be taken.

GST implemented w. e. f. 1st July'2017. Under GST, all the central and state taxes are subsumed and a single tax is levied on all commodities. In post - GST period, excise duty does

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**not exist.** In pre - GST period, the taxes levied on "Iron and Steel" were Excise duty, VAT / CST, Entry tax/ octroi/ surcharge etc. The rate of excise duty, VAT and CST were normally 12.5%, 5% and 2% respectively in pre-GST period. Thus, total taxes in pre - GST period on "Iron & Steel" were in the range of around 18% to 20%. Now, GST rate on "Iron & steel" is 18%. Therefore, it is seen that there is slight reduction in total taxes on "Iron & steel" due to introduction of GST. However, for working out price variation, rate of "Steel" without considering any taxes on pre-GST and post- GST period may be taken for such contracts while evaluation of all PVC bills ( excluding final PVC bill) till issue of policy guidelines on this issue.

[d] **System improvement regarding issue of "Cost of explosives & Detonators" in tunneling contract.**

For explosive and detonators, it has been mentioned in the PVC clause ( up to GCC-2014 ) that "Cost of explosives/detonators, as fixed by DGS&D in the relevant rate contract of the firm from whom purchases of explosives/detonators are made by the contractors in base month/ quarter under consideration shall be taken".

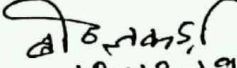
**DGS&D and its website have been closed on 31<sup>st</sup> October'2017. Therefore, DGS&D rates are not available now.**

In this regard, The GCC'2018 & GCC'2019 have adopted Index number of Monthly Whole Sale Price Index for the category " Explosive" of (g) Manufacture of other chemical products under (J) MANUFACTURE OF CHEMICALS AND CHEMICALS PRODUCTS, published by Office of Economic Adviser, Govt. of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion (DIPP).

Therefore, in old contracts (in which provisions of GCC'2018/ GCC'2019 are not applicable), Index number of Monthly Whole Sale Price Index for the category "Explosive" may be adopted ( in case of non-availability of DGS&D rates) with approval of competent authority while evaluation of PVC bills ( excluding final PVC bill) till issue of policy guidelines on this issue.

(4) In view of the above, may kindly issue necessary guidelines on the basis of above suggested system improvement and all the concerned officials may be advised to implement the same to safeguard the Railway's interest.

(5) A copy of the guidelines, as and when issued, may be sent to this office for record.

  
12.12.17  
(बी. लकड़ा)

वरिष्ठ उपमहाप्रबंधक एवं  
मुख्य सतर्कता अधिकारी  
पू.सी. रेल/मालीगौव