



भारतीय राश्ट्रीय राजमार्ग प्राधिकरण

(सड़क परिवहन और राजमार्ग मंत्रालय)

National Highways Authority of India

(Ministry of Road Transport & Highways)

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No. 11041/21/2002/Admn-III

May 13, 2004

POLICY MATTERS-ADMINISTRATION/FINANCE (84/2004)

(Decision taken on Finance Division File No. NHAI/F&A/IA/135-Policy Matter)

M/s. Price Waterhouse, Internal Auditors of NHAI have conducted the internal audit of PIUs/CMUs for the period from April, 2001 to March, 2003 and have raised some important observations in their critical analysis report. These issues were discussed by the Internal Audit Committee and PIUs/CMUs were advised to ensure compliance. Delegation of powers to various functionaries is part of the statute itself and under the Act, the Authority is empowered to delegate its powers. Transgressions made would be required to be ratified by the Competent Authority. Since the observations on functional aspects are important and should be known to all the PIUs/CMUs, it has been decided to apprise all the PIUs/CMUs and various Divisions at Head Office (HO) about issues raised by the Internal Auditors with a view to ensure strict compliance with the policy guidelines/procedure prescribed by the Head Office from time to time.

1. Payment on account of variations for BOQ as well as non-BOQ items-

Guidelines have already been issued vide Policy Circular No. 31/2002 dated 31/12/2002 for approval of variations. In addition, guidelines have already been prescribed vide Policy Circular No. 8/2002 dated 19/6/2002 (para 4.5.3) that before release of payments against monthly IPCs, it must be ensured that approval of the Engineer/Competent Authority has been obtained for execution of extra quantities or extra items, as per the guidelines issued by headquarters. It has been reported by the Internal Auditors that in a number of cases, PIUs/CMUs are releasing payments without approval. This practice has been viewed seriously by the Internal Audit Committee. All the PIUs/CMUs are requested to ensure that approval in respect of variations on account of extra quantities/extra items are obtained in advance and no payment is made unless such variations have been approved by the Engineer/Competent Authority.

PIUs/CMUs may hence immediately take up with HO all matters where the powers delegated has been exceeded (if any) with proper justification, to enable further action. These should be done within 30 days of issuance of the circular. Non compliance will be viewed seriously.

2. Payment of advances without due verification of cost of equipments and availability of equipments at site:

Guidelines have been prescribed vide policy circular no.8/2002 dated 19/6/2002 for scrutiny of proposals for release of advance against equipments under the contract. It is advised that such proposals should be scrutinized in accordance with the aforesaid guidelines and payment must be made only after due verification of the invoices with respect to the ownership of the assets, cost of the assets, year of purchase, insurance particulars, etc. and after ensuring that such equipments are physically available at site, are required for the works and are in working order.

3. Payment against material advance:

The contracts provide for payment of advances to the contractors against the materials brought to the site for execution of the work. Generally, as per the provisions of the contracts, the contractors are required to submit proof of cost of materials and the delivery of material at site while claiming such advances. The stock register should be maintained from the commencement of the contract and unless otherwise prescribed in the contracts, the stock so considered for advance should generally be only paid stock (and not brought on credit). Where the materials are supplied from a captive source of contractor, the reasonableness of the valuation of such materials may be ensured. All the PIUs are advised to strictly comply with the conditions of the contract before making any payment against the materials brought to the site.

4. Recovery of mobilization and material advances:

Guidelines have already been issued vide Policy Circular 08/2002 dated 19/6/2002 to ensure proper recovery of mobilization and material advance paid to the contractors out of the payment against IPCs strictly as per the contract conditions. It has been noticed that in some of the cases, the advances have not been recovered as prescribed under the contract. The PIUs should strictly comply with the guidelines issued by the headquarters in this respect. If the recovery of the advances has been delayed or short recovered in the past, the same may be recovered along with interest at SBI-PLR.

5. Use of proper indices for payment on account of price escalation:

Guidelines have been issued for release of payment on account of price escalations using the correct indices. It has, however, been reported by the Internal Auditors that either the indices used are not as prescribed in the contract or indices have been used wrongly for making payment to the contractors. PIUs/CMUs are advised to ensure strict compliance to the conditions of the contract and the guidelines issued by the headquarters in this regard. In case, any excess payment has been released in the past, the same should be immediately recovered along with interest at SBI-PLR.

6. Maintenance of fixed assets register, physical verification and insurance:

PIUs/CMUs are advised to maintain fixed assets register in respect of the assets purchased out of own funds including assets transferred from HO and assets acquired by contractors/consultants currently in their possession or transferred as part of their contract. In addition, PIUs/CMUs are also advised to carry out physical verification of the assets at the end of each financial year and submit a copy of the same to the Government Auditors/Internal Auditors during the course of their audit in the PIUs/CMUs. Insurance of such assets should also be taken out.

7. Non-receipt of utilization certificates from Govt. Agencies/Departments:

NHAI has been releasing payments to various Government Departments/Agencies for pre-construction activities like utility shifting/tree cutting etc. All the PIUs/CMUs are advised to follow up with such Government Departments/Agencies for submission of utilization certificates. Where the expenditure is less as compared to the amount deposited, PIUs/CMUs must follow up with the agencies for refund of money.

8. Advertisement expenses:

The Internal Auditors have reported that some PIUs/CMUs are incurring expenditure on advertisement without seeking approval of the Competent Authority. PIUs/CMUs are advised to follow the guidelines of the headquarters issued vide Policy Circular No. 11041/21/2002/Admn. III-16/2002 dated 26/8/2002. Prior approval of the Competent Authority may be obtained before releasing the advertisements. If any such release has been done/expenditure has been incurred without the approval of the Competent Authority, ratification of Competent Authority should be sought without delay.

9. Statutory Compliance:

PIUs/CMUs may ensure strict compliance of the statutory requirements, such as deduction of tax at source, deposit of tax and filing of returns etc. PIUs/CMUs may also ensure strict compliance to various labour laws/regulations etc. as prescribed vide Policy Circular No. 14/2002 dated 19.08.2002. In case of non-compliance of such laws by the contractors/consultants, such matters may be immediately reported to the Administration Division at headquarters for further advise.

10. Casual Tenders:

Internal Auditors have observed that contracts for maintenance of road, fencing and other services are awarded by PIUs/CMUs by calling limited tender and/or single tender, thus, NHAI may not be getting competitive rates for the work. It is also reported by the auditors that in certain cases quotation from the same set of bidders are taken to consider award. Further, such contracts are seen to have been awarded by the PD without obtaining the approval of the Competent Authority. PIUs/CMUs are advised to always invite tenders through advertising in newspaper and obtain approval of competent authority before awarding the work.

11. Ignoring HO advice :

Internal Auditors have observed that guidelines issued by HO on payment of variations, escalations, IPC, advances and their recovery are not followed by some of the PIUs/CMUs and order/ recommendation given by Engineer are followed ignoring the contractual provisions and guidelines issued by H.O. Engineer's action cannot override the provisions of the contracts and the guidelines issued by H.O. It is reiterated that the guidelines issued by HO read with the contractual provisions should be followed and in case any clarification is required, the matter may be referred to HO for further guidance.

12. Measurement Book :

Specific guidelines exist regarding maintenance of Measurement Book (MB). MB has been standardized to such an extent and has been in use for so many decades, the required stationary is very commonly available and the usage procedure well known. Casualness in maintaining this can have extremely damaging and potentially dangerous considering that every construction project invariably goes some sort of dispute resolution in matters of payment.

The Internal Auditors have observed that the measurement books are not checked by some of the PIUs and payments are made on the recommendations of Engineers, who at times do not certify the mandatory % of checking of measurement. Measurement book should be maintained in terms of circular no. 11018/7/96/Tech./PIU dated 21.05.1997. Since, the measurement book is the primary document for recording the work done, there should be 100% checking by the specified officials of the consultants and engineer has to check at least the % (normally 10% to 15%) specified in the contract. Payment will not be made by the Drawing & Disbursement Officer (DDO) without certification in measurement book by Engineer, Technical officers, PD of NHAI as prescribed vide clause 4.3 of Circular no. 8/2002 dated 19.06.2002. Unless the measurement in the MB is certified and abstract is made and certified by all concerned officials as above, no payment should be made. A copy of the said abstract should invariably be kept with each payment voucher. All the payments including advances and their recovery should be recorded from time to time in MB under authentication of Finance official passing the IPC for payment and at the time of making next payment and/or final payment, these should be checked and reconciled to get overall position of financial transaction. This applies for every payment right from the beginning.


[V.K. Sharma]
General Manager (Admn.)

All the Members
All CGMs/CVO/GMs
All DGMs/Managers
All PIUs/CMUs/SPVs

Copy for information to:

PS to Chairman
Librarian/Hindi officer



भारतीय राष्ट्रीय राजमार्ग प्राधिकरण

(जल-मूल परियोजना मंत्रालय)

National Highways Authority of India

(Ministry of Surface Transport)

1, EASTERN AVENUE, MAHARANI BAGH, NEW DELHI-110 065

No. 11018/7/96/Tech/PU

21st May, 1997

संदर्भ/Ref. No.....

दिनांक/Dated.....

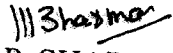
OFFICE MEMORANDUM

Sub: Measurement Book.

1. Consequent upon the taking over the stretches of National Highways from the State PWDs, NHAI has started carrying out the development and maintenance works on these stretches of roads. Action for preparation of NHAI's works code, inter alia, including finalisation of Measurement Book has been initiated but the same is likely to take some time.
2. Pending finalisation of the works code, a format for the Measurement Book has been finalised for interim use and the same is enclosed herewith as *Annexure*. It may be adopted forthwith in accordance with the following guidelines:
 - 2.1 Separate Measurement Books will be used for recording of details of measurement and for preparation of abstract of cost;
 - 2.2 The size of the Measurement Book may be 30x22 Cms. and each Measurement Book may contain 200 pages. Where the details of measurement for items of works are prepared in the form of a computer sheet, the sheet shall be of half the size of the page of the Measurement Book. It shall be numbered and pasted in one page of the Measurement Book and the abstract of quantities in the computer sheet shall be recorded in ink on that page of the Measurement Book. Any blank space shall be scored out;
 - 2.3 In case of projects being supervised by the Supervision Consultants, the competent authority to record the measurements and to test check the measurements etc. shall be as indicated in the Contract Agreements with the Consultants;
 - 2.4 In case of other works, the competent authority to record and test check the measurements etc. shall be the corresponding level officer of NHAI as per the CPWD guidelines in this regard.
3. These guidelines are subject to restrictions which might be imposed by Ministry of Finance and Ministry of Surface Transport from time to time and is also subject to observance of the instruction contained in the various orders issued in this regard.

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This issues with the approval of Member (Tech.).


% (M.P. SHARMA)
Dy. General Manager (PU)

The Project Director (PIU-Gurgaon), House No.901, Sector 17
Gurgaon - 122 001 (Haryana). (Fax: 8-343555)

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5. The Project Director (PIU- Vijayawada), Flat No. 21, Teachers' Colony
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Copy for information to:-

1. PS to Chairman.
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3. PS to Member (F&A).
4. PS to Member (PI).
5. PS to Member (CF&IT).
6. GM (PU).