

REGISTERED.

रक्षा लेखा नियंत्रक का कार्यालय, गुवाहाटी उदयन विहार, नारंगी, गुवाहाटी-781171

OFFICE OF THE CONTROLLER OF DEFENCE ACCOUNTS,
UDAYAN VIHAR, NARANGI, GUWAHATI: 781171.

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No. E/III/C/501/Circular/Vol-I

Dated: 04 08 2017

To

The CGDA,
Audit-X Section,
Ulan Batar Road, Palam, Delhi Cantt,
Delhi-110010

Subject: Short recovery of interest on Mobilization advance due to incorrect application of order of recovery of interest and encashment of BGBs – Married Accommodation Projects.

Reference: HQrs office letter No. 18189/AT-X/XIV(PC) dated 20/07/2017.

Receipt of HQrs. Office letter under reference with enclosures is hereby acknowledged.

sd-m
(Dr. K. LALBIAKCHHUNGA) IDAS
Asstt. Controller,

Copy to :

1. All AO CCE/GE/AGE(I)	For information along with a copy of HQ Office letter dated 20/07/2017 and its enclosures for strict compliance. Please ensure correct order of recovery of interest to avoid any loss to state while dealing with such cases. Failure on which, the responsibility will be fixed to person(s) concerned. This may please be got noted by all.
2. The Officer-in-Charge EDP Cell(Local)	For uploading the same along with its enclosures in official Website.
3. The Officer-in-Charge, AN-I Sec(Local)	For information w.r.t. above please.

[Signature]
Sr. Accounts Officer (E)



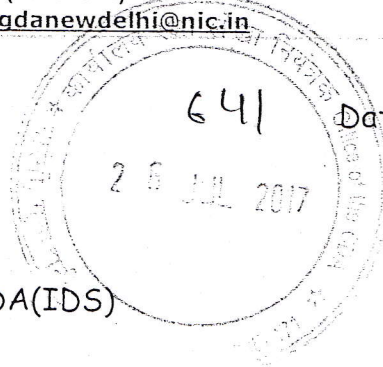
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कार्यालय रक्षा लेखा महानियंत्रक
Controller General of Defence Accounts
उलान बटार रोड, पालम, दिल्ली छावनी
Ulan Batar Road, Palam, Delhi Cantt - 110010
Ph No. 011 - 25665579, FAX No. 011- 25674806
(Audit-X)
E-Mail : cgdanewdelhi@nic.in



Sh. PRD G/A.
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No:- 18189/AT-X/XIV(PC)



Dated :-20-7-2017

To

All Regional PCsDA/CsDA/CDA(IDS)
CDA Guwahati

Sub :- Short recovery of interest on Mobilisation advance due to incorrect application of order of recovery of interest and encashment of BGBs - Married Accommodation Projects.

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It has been brought to the notice of this HQrs office by DGMAP vide their letter No. 50016/MAP/Budget/Audit/127/E8 dated 31.5.2016 that due to incorrect application of provisions contained in clause 26.1 and 27.1 of Special Conditions of Contract relating to MAP, there was a short recovery of interest amounting to Rs. 1.06 Crores in ten contracts pertaining to DGMAP, which is a loss to state. A copy of DGMAP letter dated 31.5.2016 indicating correct order of recovery of interest on utilization of mobilization advance is forwarded herewith for your information and necessary action.

2. It is requested that recovery of interest on Mobilization advance may be made strictly as per Special Conditions of the MAP Contracts as stipulated in Para 5(i) of DGMAP ibid letter to avoid recurrence of such cases in future.
3. Please acknowledge receipt.

This issues with approval of Additional CGDA (P&W).

AO (AT-X)

Copy to:

DGMAP
E-in-C's Branch
IHQ of MoD (Army) Kashmir House,
Rajaji Marg,
New Delhi

For information with reference to their letter no. 50016/ MAP/ Budget/ 61/ Audit/ Vol-VII dated 30 June 2017.

AO (AT-X)

T. 23018459

SPEED POST

Dte Gen Md Accn Project
E-in-C's Branch,
Integrated HQ of MOD (Army)
Kashmir House, Rajaji Marg,
New Delhi-110011

50016/MAP/Budget/Audit/ ^{2x} /E8

31 May 2016

CGDA
Office of the CGDA
Ulan Batar Road, Palam
Delhi Cantt – 110010

**SHORT RECOVERY OF INTERSET ON MOBILISATION ADVANCE DUE TO
INCORRECT APPLICATION OF ORDER OF RECOVERY OF INTEREST AND
ENCASHMENT OF BGBs**

1. This HQ entered into contracts with various contractors for execution of work at different Stations in the country. Clause 26.1 and 27.1 of Special Condition of Contract stipulates that Mobilization Advance upto 15 percent of the contract amount shall be given to the contractor if he so desires and on specific written request on production of a non- revocable Bank Guarantee. The rate of interest shall be eight percent per annum simple interest for Mobilization advance upto ten per cent of the contract amount and ten per cent per annum simple interest for the balance Mobilization Advance (maximum of 5 % Contract Amount). Special condition Clause 26.2 and 27.2 also stipulated that Mobilization shall be given in one installment and shall be paid to the contractor within 30 days of acceptance of bank guarantee for corresponding amount.
2. As stated above, Mobilization advance carried simple interest at the rate of eight percent per annum for Mobilization advance upto ten percent of the contract amount and ten per cent per annum for the Mobilization balance (maximum five per cent of the contract amount). Although, the contracts do not specify the order in which the interest was to be recovered. During Audit, it has been contended that since the conditions stipulate rate of interest for the ten per cent of the contract amount first, this should be recovered first and balance amount of Mobilization Advance will be recovered after the recovery of Mobilization Advance having interest @ 8 percent per annum. Due to non-recovery of Mobilization Advance (10% of contract amount) having 8 percent interest rate first, there was a short recovery of interest amounting to Rs 1.06 Crores in ten contracts pertaining to Director General Married Accommodation Project. Principal Director of Audit, Defence Services also intimated that when the same was brought out to notice of the respective PCDA/CDAs, it was replied to the Audit by the PCDA/CDA concerned that it was not mentioned as to which amount was to be recovered first & the reply is not acceptable since the conditions stipulate the rate of eight percent for amount equivalent to 10% for the contract amount and 10% interest for the balance amount thereby implying the amount for which eight percent of interest was applicable should be liquidated first.
3. Considering the seriousness of the observation, the Draft Para has been converted into "Audit Para" and Ministry of Defence has accordingly directed to submit "Action Taken Note" for placing it before the Public Account Committee (PAC) within four months laying of the Report in the Parliament.

4. Similarly, as per Clause No 27.8 special conditions of contracts, the Mobilization Advance would be utilized within a period of five months from the date of payment of Advance and in case Mobilization Advance was not being used for the purpose intended, the Bank Guarantees submitted against the Mobilization Advance could be encashed. In Audit, it has been observed that the Mobilization Advance was not utilized within the stipulated period of five months in certain cases.

5. In view of the above, all the PMs have already been directed to ensure strict compliance of the stipulated conditions of the contracts being executed by the contractor(s) and to take following actions timely to avoid loss to the State on account of incorrect Order of recovery of interest and utilization of Mobilization Advance as stipulated in the contracts :-


(i) The recovery of Mobilization Advance (10% of the contract amount) with the rate of interest of 8 % per annum, should be affected first and balance amount of Mobilization Advance with simple interest of 10 % per annum be recovered subsequently after the recovery of Mobilization Advance amounting to 10% of the contract amount, irrespective whether the order of recovery has been mentioned in the contracts or otherwise.

(ii) In case the contractor fails to utilize the Mobilization Advance in terms of special condition 27.8 of the CA within a period of five months from the date of payment of advance, the PMs will immediately report the matter to this HQ so that the Bank Guarantees submitted against the Mobilization Advance are encashed to safe guard Govt Interest.

(iii) **CONCERNED PMs** : All the PMs where such Short recoveries of interest have been notice, have also been directed to recover the amounts from the RARs/Final Bills of the contractor(s) to nullify the loss as observed by the Audit.

6. In view the detailed position as explained above, it is requested that similar suitable instructions/guidelines may be issued from your HQ to all the PCDA/ CDAs to avoid recurrence of such cases in future so that the letter containing the instructions could be placed on records as "Action Taken Report" for settlement of the Audit Para.

7. An early action is solicited, please.


(Sanjeev Jain)
Brig
Offg DG MAP