

Government of West Bengal
Finance Department
Audit Branch

No.1240-F(Y)

Dated, Kolkata, 18/02/.....2013

MEMORANDUM

Sub – Accounting procedure of execution of works through PSU's

Works execution by Government Departments other than Works Departments through Public Sector Units, Autonomous Bodies and Development Authorities being a new concept, various Government Departments have been approaching the Finance Department for advice on the procedure to be followed for drawal of fund and accounting for the same in the books of accounts of the Departments and the offices subordinate to them. Government has devised the procedure of drawal of fund from the Treasury, disbursement of the same to the executing agencies, and accounting for the same in the books of accounts of the Government Departments and offices.

Accordingly, the undersigned is directed by order of the Governor to prescribe the procedure as follows :-

PROCEDURE OF DRAWAL AND DISBURSEMENT OF FUND AND PREPARATION OF ACCOUNTS RELATED TO EXECUTION OF WORKS BY NON-WORKS DEPARTMENTS OF THE GOVT THROUGH PSU's/AUTONOMOUS BODIES/DEVELOPMENT AUTHORITIES.

1. Non-Works departments of the state Government need to enter into an Agreement/MOU with the selected PSU/state autonomous body/ development authority for terms and conditions of the works contract a model of which is given at Annexure-A.
2. Rough cost estimate and detailed estimate will be prepared by the selected PSU/autonomous body generally on the basis of the SOR of the state PWD and submit the estimates to the civil department concerned for administrative approval and technical sanction.

4. Procedure of expenditure sanction to the project and drawal of fund for the purpose by the civil department concerned will be regulated by the existing WBTR and WBFR.

5. Expenditure for the purpose will be sanctioned by the competent authority in lump, i.e., the total project cost administratively approved and technically sanctioned.

6. Administrative approval to the project / work and Financial Sanction will be accorded by the Administrative Department following the procedure laid down in rule 165 of West Bengal Financial Rules, vol-I and Delegation of Financial Power Rules as amended by Finance Department order nos.1880-F dt.7.3.2007, 8651-F(Y) dt.24.8.2010, 8325-F(Y) dt.24.8.2011, 9144-F(Y) dt.22.9.2011, 95-FB dt.18.4.2012, 10184-F(A-II) dt.13.12.2012, 10257-F(A-II) dt.18.12.2012, 96-FB dt.18.4.2012, 3053(14)-FB dt.17.3.2012, 152-FB dt.27.4.2012, 1056-FB dt.10.9.2012, 2895-F(Y) dt.5.4.2012.

7. Technical sanction may be accorded by the engineers of the non-works department. In case of projects of the Departments having no such engineering expertise and also in all cases of the projects with the estimated cost of Rs.5 crore and above shall be vetted for Technical sanction by a duly constituted Technical Committee in the Finance Department.

8. Agreement / MOU (Memorandum of Understanding) shall be entered into by the non-works department with the agency, i.e., the selected PSU/autonomous body/Development Authority etc., only after drawing, designing and estimate of the work has been prepared by the agency, administrative approval has been accorded by the department and Technical sanction to the work given in the manner specified at paras 6 and 7 above

6. The project execution will be regulated under the terms and conditions of the Agreement/MOU between the employing non-works department and the selected PSU/autonomous body/Development Authority etc. The detailed procedure of drawal of fund and accounting of expenditure is prescribed below:-

- (i) A requisition for fund as per the payment schedule supported by a bill in format given at **Annexure B1** shall be submitted by the agency to the employing Department. The officer in charge of the work in the Department shall certify the claim in the following format under his/her signature.

"Certified that(name of the agency) has done the work upto.....(mention the stage of the work) as on..... as per prescribed drawing, specifications and original estimate in respect of

construction of atand is/are entitled to the payment claimed as per the payment terms of the agreement / MOU"

- (ii) fund placed to the Department with budgetary provisions shall be drawn as per Agreement/MOU from the treasury in TR form no.26 by the Department concerned to make payment to the executing agency as per the payment terms scheduled in the MOU/Agreement;
- (iii) details showing the name of the work, the number and date of the order of administrative approval, technical sanction and financial sanction of the work, the amount of the sanctioned estimate, name of the agency executing the work and the no. and date of the Agreement / MOU should invariably be mentioned in the bill to be submitted to the treasury;
- (iv) the requisition along with **Annexure B1** and the certificate mentioned at item no. (i) above shall be treated as supporting sub-voucher of the claim in TR form no. 26 for drawal of fund from the treasury;
- (v) disbursement of the fund to the agency organisation may be made either by cheque drawn in its favour or by transfer credit to its deposit account maintained in the treasury;
- (vi) In case of final claim after 100% completion of the work, a requisition along with a bill in format given at **Annexure B2** and a completion certificate in format given at item (i) above certifying 100% completion of the work as per prescribed drawing, specifications and original / revised estimate signed by the officer in charge of the work in the employing Department shall be treated as voucher for the purpose of drawal of fund from the treasury;
- (vii) In cases where approved estimate has been exceeded in the process of execution of work or where additional work has been done, administrative approval, technical sanction and financial sanction to the revised estimate for the additional work / excess over original estimate shall be obtained from the competent authority of the administrative department concerned. A Detailed Completion Report of the work in format given at **Annexure-C** signed by the authorised official of the agency organisation and countersigned by the

competent authority of the employing Government Department shall be submitted to the AG.,WB along with the accounts mentioned at (xi) below;

- (viii) The agency engaged for execution of the work shall do so by engagement of contractors to be selected through tender process;
- (ix) The agreement to be entered into between the agency and the contractor shall be in the same line as done in case of Public Works contract;
- (x) The agency PSU/ autonomous body will submit accounts for the fund received and utilised by them for the purpose of execution of the works to the employing Department;
- (xi) The accounts to be submitted will be prepared by the employed agency supported by all the contractors' vouchers in terms of the codal provisions under TR 4.222 and submitted to the employing Government Department who in its turn shall submit the same to AG, WB, in the manner and within the time as prescribed under TR 4.223 of WBTR, 2005 after necessary checking and countersignature by the authorized officer.
- (xii) The officer-in-charge of supervision of the work in the employing department shall maintain and submit to the Head of the Department / Departmental Secretary works Slip in format given in Annexure-D at periodic interval to closely monitor the progress of the work and its expenditure in the interest of taking timely steps for revised estimate, if situation so demands.
- (xiii) Total cost of the works as ascertained from the accounts submitted by the employed agency and as checked and accepted by the employing Departmental authority shall be entered in the Asset Register as its value with full description of the asset created or value added to, as the case may be.

Necessary amendment in West Bengal Financial Rules, and West Bengal Treasury Rules will be made in due course.

Sd/-H.K. Dwivedi
Principal Secretary
Finance Department

**Draft Agreement form for
Execution of work through agency**

ARTICLES OF AGREEMENT

This deed of agreement is made in the form of agreement on _____ day _____ month _____ 20 __, between the _____ (Employer) or his authorized representative (hereinafter referred to as the first party) and _____ (Name of the agency) (hereinafter referred to as the second party), to execute the work of construction of _____ (hereinafter referred to as works) on the following terms and conditions.

2. Cost of the Contract

The total cost of the works (hereinafter referred to as the "total cost") is Rs. _____ as reflected in Annexure - I.

3.1 Payments under its contract:

Payments to the second party for the construction work will be released by the first party in the following manner :-

- i. On signing of agreement after : 10% of total cost
administrative approval, technical sanction and financial sanction to the drawing, design and estimate prepared by the agency
- ii. 25% completion of the construction : 10% of the total cost
work
- iii. 50% completion of the construction : 20% of the total cost
work
- iv. 75% completion of the construction : 20% of the total cost
work
- v. 100% completion of the construction : 35% of the total cost
work - on actual measurement
- vi. performance security : 5% subject to satisfactory performance to be certified by the officer in charge of the work in the administrative department after lapse of the test performance period to be fixed by the competent authority of the Department concerned.

3.2 Payments at each stage will be made by the first party :

- (a) on the second party submitting a requisition in Format given in B1 or B2, as the case may be, for an amount equivalent to that admissible as per the terms of payment scheduled above and as certified by the first party ;

- (b) on certification of the requisition by the first party with respect to quality of works in the format in Annexure - II; and

4. Notice by agency to employing Government department

The second party, on the works reaching each stage of construction, issue a notice to the first party or the Engineer nominated by the first party (who is responsible for supervising the works of the agency, administering the contract, certifying the payments due to the agency, issuing and valuing variations to the contract, awarding extensions of time etc.), to visit the site for certification of stage completion. Within 15 days of the receipt of such notice, the first party or the engineer nominated by it, will ensure issue of stage completion certificate after due verification.

5. Completion time

The works should be completed in _____ (months/weeks/days) from the date of this Agreement. In exceptional circumstances, the time period stated in this clause may be extended in writing by mutual consent of both the parties.

6. If any of the compensation events mentioned below would prevent the work being completed by the intended completion date, the first party will decide on the intended completion date being extended by a suitable period :

- (a) The first party does not give access to the site or a part thereof by the agreed period.
- (b) The first party orders a delay or does not issue completed drawings, specifications or instructions for execution of the work on time.
- (c) Ground conditions are substantially more adverse than could reasonably have been assumed before issue of letter of acceptance and from information provided to second party or from visual inspection of the site.
- (d) Payments due to the second party are delayed without reason.
- (e) Certification for stage completion of the work is delayed unreasonably.

7. Any wilful delay on the part of the second party in completing the construction within the stipulated period will render him liable to pay liquidated damages. @ Rs. _____ per day which will be deducted from payments due to him. The first party may cancel the contract and take recourse to such other action as deemed appropriate once the total amount of liquidated damages exceeds 2 % of the contract amount.

(Note : The amount of liquidated damages per day should be determined at 0.05 % of the contract value of the works and indicated here).

8. Duties and responsibilities of the first party

- 8.1 The first party shall be responsible for providing regular and frequent supervision and guidance to the second party for carrying out the works as per specifications. This will include written guidelines

and regular site visit of the authorized personnel of the first party, for checking quality of material and construction to ensure that it is as per the norms.

- 8.2 The first party shall supply 3 sets of approved drawings, specifications and guidelines to the second party for the proposed works. The second party will give to the first party 5 sets of detailed drawing and design, where preparation of detailed drawing and design is the responsibility of the second party.
- 8.3 Possession of the site will be handed over to the second party within 10 days of signing of the agreement.
- 8.4 The Engineer or such other person as may be authorized by the first party shall hold meeting once in a month where the second party or his representative at site will submit the latest information including progress report and difficulties if any, in the execution of the work. The whole team may jointly inspect the site on a particular day to take stock of activities.
- 8.5 The Engineer or such other person as may be authorized by the first party shall record his observations/instructions at the time of his site visit in a site register maintained by the second party. The second party will carry out the instructions and promptly rectify any deviations pointed out by the engineer. If the deviations are not rectified within the time specified in the Engineer's notice, the first party as well as the engineer nominated by it, may instruct stoppage or suspension of the construction. It shall thereupon be open to the first party or the engineer to have the deviations rectified at the cost of the second party.

9. Duties and responsibilities of the second party

9.1 The second party shall -

- a) take up the works and arrange for its completion within the time period stipulated in clause 5;
- b) employ suitable contractors / skilled persons to be selected through tender process to carry out the works. In case of acceptance of any bid other than L1, the justification of the same should be adequately explained;
- c) standard NIT form for invitation of bids for the works should be used;
- d) enter into agreement with the selected contractor(s) for doing the job in the standard form of agreement for Public Works;
- e) regularly supervise and monitor the progress of work ;
- f) abide by the technical suggestions / direction of supervisory personnel including engineers etc. regarding building construction ;
- g) be responsible for bringing any discrepancy to the notice of the representative of the first party and seek necessary clarification ;
- h) ensure that the work is carried out in accordance with approved specifications, drawings and within the total of the contract amount without any cost escalation ;

- i) keep the first party informed about the progress of work ;
- j) be responsible for all security and watch and ward arrangements at site till handing over of the building to the first party ;
- k) maintain necessary insurance against loss of materials/cash, etc. or workman disability compensation claims of the personnel deployed on the works as well as third party claims; and
- l) pay all duties, taxes and other levies payable by construction agencies as per law under the contract and recover the same from the contractor's bills, if due from them (First party will effect deduction from running bills in respect of such taxes as may be imposed under the law).

10. Variations / Extra Items

The works shall be carried out by the second party in accordance with the approved drawings and specifications. However, if, on account of site conditions or any other factors, variations are considered necessary, the procedure laid down below shall be followed -

- a) The second party shall provide the first party / Engineer of the first party with a quotation for carrying out the variation when requested to do so by the Engineer. The Engineer shall assess the quotation, which shall be given within seven days of the request before the Variation is ordered;
- b) If the quotation given by the second party is unreasonable, the first party / Engineer of the first party may order the variation and make a change to the original estimate which shall be based on the first party's / its Engineer's own forecast of the effects of the variation on the second party's cost;
- c) The second party shall not be entitled to additional payment for costs which could have been avoided by giving early warning

11. Securities

The Performance Security shall be provided to the Employer no later than the date specified in the Letter of Acceptance and shall be issued in an amount and form and by a bank or surety acceptable to the Employer. The Performance Security shall be valid until a date 28 days from the date of issue of the Certificate of Completion in the case of a Bank Guarantee.

12. Termination

12.1 The first party may terminate the Agency Contract, if the second party causes a fundamental breach of the Contract.

12.2 Fundamental breaches of Contract include, but shall not be limited to the followings:-

- (a) the second party stops work for 28 days and the stoppage has not been authorized by the Engineer / supervising official of the first party;
- (b) the second party has become bankrupt or goes into liquidation other than for a reconstruction or amalgamation;

- (c) the Engineer / supervising official of the first party gives Notice that failure to correct a particular Defect is a fundamental breach of Contract and the second party fails to correct it within a reasonable period of time determined by the Engineer;

12.3 Notwithstanding the above, the first party may terminate the Contract for convenience.

12.4 If the Contract is terminated the Second Party shall stop work immediately, make the Site safe and secure and leave the Site as soon as reasonably possible.

13. Payment upon Termination

13.1 If the Contract is terminated because of a fundamental breach of Contract by the Second Party, the Engineer shall issue a certificate for the value of the work done less advance payments received up to the date of the issue of the certificate, less other recoveries due in terms of the contract, less taxes due to be deducted at source as per applicable law.

13.2 If the Contract is terminated at the First Party's convenience, the Engineer shall issue a certificate for the value of the work done, the reasonable cost of removal of Equipment, repatriation of the Third Party Contractor's personnel employed solely on the Works, and the Agency's / Contractor's costs of protecting and securing the Works and less advance payments received up to the date of the certificate, less other recoveries due in terms of the contract and less taxes due to be deducted at source as per applicable law.

14. Force Majeure

14.1. The second party shall not be liable for forfeiture of its performance security, liquidated damages or termination for default, if its delay in performance or other failure to perform its obligations under the Contract is the result of an event of Force Majeure.

14.2. For purposes of this Clause, "Force Majeure" means an event beyond the control of the second party and not involving the fault or negligence of the second party and not foreseeable. Such events may include, but are not limited to, acts of the first party either in its sovereign or contractual capacity, wars or revolutions, fires, floods, epidemics, quarantine restrictions and freight embargoes.

14.3. If a Force Majeure situation arises, the second party shall promptly notify the first party in writing of such conditions and the cause thereof. Unless otherwise directed by the first party in writing, the second party shall continue to perform its obligations under the Contract as far as is reasonably practical, and shall seek all reasonable alternative means for performance not prevented by the Force Majeure event.

15. Dispute settlement

Except where otherwise provided in the contract all questions and disputes relating to the meaning of the specifications, designs, drawings and instructions herein before mentioned and as to the quality of workmanship or materials used on the work or as to any other question, claim, right, matter or thing whatsoever, in any way arising out of relating to the contracts designs, drawings specifications, estimates, instructions, orders or these conditions or otherwise concerning the works, or the executions or failure to

execute the same, whether arising during the progress of the work, or after the complete abandonment thereof shall be dealt with as mentioned hereinafter:

If the agency / contractor considers any work demanded of him to be outside the requirements of the contract, or disputes any drawings, record or decision given in writing by the Engineer-in-Charge on any matter in connection with or arising out of the contract or carrying out of the work, to be unacceptable, he shall promptly within 15 days request the Chairman of the Dispute Redressal Committee in writing for written instruction or decision. Thereupon, the Dispute Redressal Committee shall give its written instructions or decision within a period of three months from the date of receipt of the contractor's letter.

The Dispute Redressal Committee shall be constituted with the following officials as members –

1	Additional Chief Secretary/ Principal Secretary/ Secretary of the Department concerned	Chairman
2	One Designated officer of the Department to be nominated by them	Member Secretary and Convenor
3	One Engineer representative of a works Department	Member
4	One representative of Finance Department of the Government not below the rank of Joint Secretary / Financial Adviser where IFA system has been introduced	Member

Format of certificate

"Certified that(name of the agency) has done the work upto.....(mention the stage of the work) as on..... as per prescribed drawing, specifications and original estimate in respect of construction ofat.....and is/are entitled to the payment claimed as per the payment terms of the agreement / MOU"

Place :
Date :

Signature
Name & Designation (Official address)

Office seal

**AGENCY BILL
(for intermediate payments on running account)**

Bill No..... dated.....
 Name of Agency.....
 Name of work.....
 Serial No. of the claim (for this work).....(to start with 1- to be filled up by the employing Govt Dptt)
 No. and date of his previous Bill for this work.....
 Reference to agreement.....
 Date of written order to commence work.....

I. Account of Work

	Rs	P	progress %-age
1. Approximate value of work done up to date along with %-age of physical progress.....F			
2. Deduct amount withheld..... (reasons to be recorded here) (a) from previous bill..... (b) from this bill.....			
3. Balance i.e., "up-to-date" intermediate payments (items 1-2).....K			
4. Deduct intermediate payments already made as per entry "K" of the last Bill..... D			
5. Intermediate payment now to be made (items 3-4) in the manner detailed below-			
	Rs.	P	
i. by recovery of amount creditable to this work, (such as mobilization advance)..... G			
ii. By chequeH			

Certified that% of the total work has been completed as on..... as per agreement. Please pay Rs.....(.....% of total cost of work) for the completed work as stipulated in para 3.1 of the MOU/Agreement.

Date.....

Signature of the authorised signatory of the agency organisation executing the work

II. Certificates and Signatures

I have satisfied myself by*.....that the work done up-to-date excluding the measured up additions and alterations is not less than% of the total work as per the agency agreement and that with the exception of authorized additions and alterations the work has been done according to the prescribed drawings and specification.

2. The detailed measurements of authorized additions and alterations up-to-date were made by.....on.....and are recorded at page.....of Measurement Book No.....

Dated signature of officer preparing the bill

Rank.....

Passed for Payment #(Rs.....only)

Dated signature of the officer of the Government Department

Authorizing the payment.....

Designation.....

III. Acquittance

Received**(Rs.....) Rupees.....as intermediate payment in connection with the contract referred to above.

Stamp

Full signature of the authorized signatory of the agency organization executing the job

Cash

Paid by me by-----

Cheque no.....dated.....

Dated signature of the person actually making the payment.....

* Here specify the method employed for estimating the value of work.

Here specify the net amount payable, vide Item 6(ii) of Account I.

** The Payee's acknowledgement should be for the gross amount paid as per item 6 (i+ii) of Account I. Payment to be made after receipt of the cheque from the Treasury / Pay & Accounts office

2. The detailed measurements of the authorized additions and alterations mentioned above were made by.....on.....and are recorded at page.....of Measurement Book No.....and I am satisfied that they are correct.

Dated signature of the certifying Engineer
Rank/Designation.....

Countersigned

officer in charge of the work in the employing Government Department with date

III. Memorandum of Payments

		Rs.	p.
1. Total value of work done up to date as per 'F' of Account I of this Bill			
2. <u>Deduct</u> : Up-to-date intermediate payment already made as per entry 'K' of Account I of last Bill No.....date.....	D		
3. Payments now to be made :- (a) by recovery of amounts creditable to this work (<u>as unrecovered balance of mobilization advance</u>)		G	
(b) cheque.....	By	H	

† Passed for Payment (Rs.....) Rupees.....

Dated Signature of the officer authorizing payment
Rank.....

† Here specify the net amount payable, vide item 3 (b) of Account III.

IV. Acquittance

**Received (Rs.....) Rupees.....as above in full settlement of all demands on account of the contract.

Stamp

Signature of the authorised signatory of the agency organisation executing the work

cash
Paid by me by-----
Cheque no.....dated....

Dated _____ Initials of person actually making payment
Rank.....

** The payee's acknowledgement should be for the gross amount as per item 3(a+b) of Account III.

Annexure - C

DETAILED COMPLETION REPORT

Name of the agency organisation
 Name of the Government Department on whose order job done.....

Detailed Completion Report of works completed during the month of.....

Name of work	Amount						% -age of excess	Date of written order to commence work	Date of actual completion of work
	Estimate		Expenditure		Excess				
1	2		3		4		5	6	7
	Rs.	P	Rs.	P	Rs.	P			

Names of Engineers and subordinates by whom the work was supervised

Names	Period of incumbency.	
	From	To

Explanations of excesses

(i).....
 (c).....

Signature of the authorised official of the agency organisation

(To be printed on reverse)

Name of work.....
 Name of the agency.....

Items of estimate	As estimated				As executed				Differences*				Reference to paragraphs overleaf explaining excess
	Quantity		Rate		Amount		Quantity		Rate		Amount		
			Rs.	P	Rs.	P			Rs.	P	Rs.	P	
Total	Rs.			Rs.			Rs.			Rs.			

* Excess to be entered in red ink; Savings in black ink.

Dated the..... Officer-in-charge of the work in the employing Department

Annexure - D

WORKS SLIP

(to be maintained by the employing Department)

Name of work.....

Month.....

Sub-heads	Unit	As per estimate			As executed			Probable cost of work remaining to be done and value of work already done but not brought to account			Explanations of deviations, excesses etc.
		Quantity	Rate	Cost	Quantity	Rate	Actual cost to date/Rs.	Approximate quantity	Rate	Probable cost	
			Rs.	Rs.		Rs.			Rs.	Rs.	
1	2	3	4	5	6	7	8	9	10	11	12
Total of estimate					Total charges against final heads			Probable further expenditure - A			
Add --							Remarks				
Total booked outlay to date											
Probable further expenditure as per entry A above											
Total											
Deduct -- suspense accounts recoverable											
Ultimate anticipated expenditure on the work											

Work commenced in..... Present state of progress in general terms.....

Accounts officer of the Department

Date.....

Officer in charge of the work

Date.....

Comments/observation of the Head of the Department / Departmental Secretary

Signature with date

-ACTION POINTS-

- * Works slips should be prepared by the Officer responsible for supervision of the work and submitted to the Head of the Department / Departmental Secretary.
- * The Work Slips enable the Head of the Department / Departmental Secretary to investigate the excess total expenditure under each sub-head of a work, in contrast with the sanctioned estimate, with a view to deciding whether or not a revised estimate will be required for the work.

No. 1240/1(500)-F(Y)

Kolkata, the 18th February, 2013.

Copy forwarded for information and necessary action to :

1. The Principal Accountant General (A&E), West Bengal, Treasury Buildings, Kolkata-700 001.
2. The Pay & Accounts Officer, Kolkata Pay & Accounts Office-I, 81/2/2, Phears Lane, Kolkata-700012
3. The Pay & Accounts Officer, Kolkata Pay & Accounts Office-II, P-1, Hyde Lane, Kolkata-700073.
4. The Pay & Accounts Officer, Kolkata Pay & Accounts Office-III, Bikash Bhavan, Salt Lake, Kolkata-700 091.
5. The Assistant Secretary, Finance Department, Accounts Branch, Writers' Buildings, Kolkata-700 001.
6. The Assistant Secretary, Finance Department, Group-'B', Bikash Bhavan, Salt Lake, Kolkata-700 091.
7. The District Magistrate/Judge, _____

8. The Sub-Divisional Officer, _____


9. The Treasury Officer, _____

10. The _____
_____ Deptt./Dte.
11. The Commissioner, _____

12. The Principal, Industrial Training Institute, _____

13. The Superintendent of Police, _____

14. The Superintending Engineer/Executive Engineer, _____


Deputy Secretary to the
Government of West Bengal
Finance Department.