

CHAPTER VII : MINISTRY OF HOME AFFAIRS

7.1 Avoidable extra payment

Registrar General of India by entering into a fixed price contract when the quantity of work was not certain made avoidable extra payment of Rs. 1.83 crore.

Audit examination of the records of the Registrar General of India (RGI) revealed that it awarded a contract to M/s CMC Ltd. in November 2001 for supply, installation, testing and commissioning of image based automatic form processing software and high volume production scanners and services for Census 2001. The work involved processing of about 22.80 crore household lists and schedules at a fixed contract price of Rs. 23.57 crore. The agreement stipulated that if the actual total number of forms processed by the vendor fell short of the specified 22.80 crore forms for reasons attributable to RGI, the vendor shall be entitled to full payment of the contract price. It was noticed in audit that the actual number of forms processed by the vendor was only 21.03 crore. Records revealed that the agreement entered into with the vendor was based on estimated figures of forms. Article 3 of the agreement relating to scope of work under the contract provides for processing of 'about' 0.80 crore houselist schedules in Phase 1 and 'about' 22 crore household schedules in Phase 2. However, in Article 16 of the agreement the number was clearly specified as 22.80 crore. It was also specified that any shortfall would not affect the payment to the vendor should this be attributable to RGI. Ultimately, there was a shortfall of 1.77 crore forms for which Rs. 1.83 crore was paid as computed on a proportionate basis. The award of contract on fixed price basis instead of unit rate basis particularly when the RGI was not sure of the number of forms to be processed, was not justified and resulted in extra payment of Rs. 1.83 crore.

On the matter being pointed out by audit, RGI stated (October 2005) that the rates quoted by the vendor were not directly connected with the number of forms prescribed. It covered the supply of software/hardware and other supports as indicated under the scope of work in the tender documents. The reply is not tenable as in the scope of work it was clearly indicated that hardware/software and other support were to be provided for processing of 22.80 crore forms. This is also supported by Article 16.1 (b) of the agreement which determines the proportionate quarterly payment based on the number of forms completed. Thus, the basis for working out the requirement of hardware/software and supporting staff was the number of forms to be

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processed. Entering into a fixed rate contract instead of a unit rate contract without properly estimating the total number of forms resulted in avoidable extra expenditure of Rs. 1.83 crore on proportionate basis.

The matter was referred to the Ministry in September 2005. Reply was awaited as of February 2006.