



## GOVERNMENT OF KERALA

### Abstract

Finance Department – Execution of public works on Item Rate Contracts –  
Regulating the abnormally high quoted and low quoted items – Clarifications –  
Orders issued

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### FINANCE (INDUSTRIES & PUBLIC WORKS - B) DEPARTMENT

G.O.(P)No. 54/2019/Fin.

Dated, Thiruvananthapuram, 04.05.2019

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- Read :-
- 1) G.O.(P) No. 324/2015/Fin dated 30.07.2015
  - 2) G.O.(P) No. 30/2016/Fin dated 29.02.2016
  - 3) G.O.(P) No. 16/2017/Fin dated 06.02.2017
  - 4) G.O.(P) No. 8/2018/Fin dated 15.01.2018
  - 5) G.O.(P) No. 154/2018/ Fin dated 01.10.2018

### ORDER

As per the Government Order cited 1<sup>st</sup> and 2<sup>nd</sup> papers, all tenders for public works costing more than ₹ 5 lakhs shall be invited through E-tender portal on Item Rate Contract only. Vide Government Order read as 3<sup>rd</sup> and 5<sup>th</sup> papers, Government have dispensed the Tender Committees at Government level and delegated powers to the Departmental Tender Committees at Chief Engineer, Superintending Engineer and Executive Engineer levels for approving the tenders subject to certain conditions.

- 2) In order to avoid time and cost over run on account of deviations necessitated during the course of execution of work, as per the Government Order read as 4<sup>th</sup> above, instructions were issued to all Government Departments and PSUs to ensure the detailed investigation, design, estimation etc while according Administrative Sanction itself. It was also stipulated that if revision of estimates in excess of 10% of Technical Sanction amount is necessitated due to lapses in

investigation / design / planning / estimation, the Officers will be made accountable and proceeded against.

3) As per relevant Clauses of Government approved Standard Bidding Document (SBD), the contractor is bound to execute excess quantities up to 25% of scheduled quantity at contract rates. The criteria to be adopted for fixing the rates for excess quantities and extra items are also mentioned in the SBD.

4) However, some discrepancies have been observed while processing of tenders and execution of works under Item Rate Contracts. Also instances have been noticed where the low quoted items are excluded during execution and excess quantities of high quoted items are executed without adequate technical justification, resulting in heavy loss to the public exchequer.

5) In order to avoid such instances in future, Government are pleased to issue the following clarifications on Item Rate Contracts to all Government Departments and PSUs:-

- 1) Tenders for all public works costing more than ₹ 5 lakh shall be invited through E-tenders on Item Rate Contract only.
- 2) The bidder who has quoted lowest total amount shall be considered as L1.
- 3) The quoted rates of L1 for all items may be compared with current DSR and current LMR. The items whose quoted rates are more than current DSR may be treated as High Quoted Items and less than current DSR may be treated as Low Quoted Items.
- 4) Negotiations shall be done with L1 only to reduce the high quoted rates so as to explore the possibility for bringing them within DSR + 10% tolerance limit or LMR, whichever is lower.
- 5) The admissible contract amount will be least of (i) Negotiated Contract PAC of L1 (ii) Estimate amount based on current LMR and (iii) Estimate amount based on current DSR plus 10% tolerance limit.
- 6) The quoted rates with deviation of more than (+/-) 25% over Technical Sanction Estimate Rates may be treated as Abnormally High Quoted Rates

(AHQR) item / Abnormally Low Quoted Rates (ALQR) item, as the case may be. In respect of AHQR item, under normal circumstances, the contract rate is applicable for the scheduled quantities in the Agreement only.

- 7) In case of quantities exceeding the agreement schedule quantities and up to 25% limit that are necessitated for proper completion of work, the contract rates of corresponding item shall apply.
- 8) For excess quantities, i.e, quantities in excess of 25% over agreement schedule quantities, the admissible rates shall be limited to Technical Sanctioned Estimate Rate modified by overall tender excess / tender deficit, as the case may be, subject to a maximum of PWD local market rates prevailing at the time of ordering.
- 9) In case of ALQR items, sanction of Technical Sanction authority shall be insisted before limiting execution of concerned item less than 75% scheduled quantity.
- 10) The relevant clauses of Standard Bidding Document (SBD) and Kerala PWD Manual 2012 shall be modified accordingly.

**By Order of the Governor,  
SANJEEV KAUSHIK IAS  
Principal Secretary (Finance-Resources)**

To

The Principal Accountant General (A&E) Kerala, Thiruvananthapuram  
The Principal Accountant General (G&SSA) Kerala, Thiruvananthapuram  
The Accountant General (E&RSA) Kerala, Thiruvananthapuram  
The Principal Accountant General (Audit) Kerala, Thiruvananthapuram  
All Heads of Departments and Offices  
The Secretary to Governor  
All Departments of Secretariat  
All Private Secretaries to Ministers  
Private Secretary to Chief Minister  
Private Secretary to the Leader of Opposition  
All Secretaries to Government

The Registrar, High Court of Kerala  
The Secretary, Kerala Human Rights Commission, Thiruvananthapuram  
The Election Commissioner, State Election Commission, Thiruvananthapuram  
The Registrar, University of Kerala/Cochin/Kozhikode/Kottayam  
The Nodal Officer, [www.finance.kerala.gov.in](http://www.finance.kerala.gov.in)  
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Forwarded/By Order

*Haylonel*

Section Officer