



PMC Cell – MM

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Sub: Improvement in monitoring of the contract execution.

During investigations in a case of LSTK contract involving supply of material with millstone formula, vigilance department noticed that contractor was allowed to supply entire material in one go and 70% payment was released against supply of material as per milestone formula. However, another reference in the contract i.e. SOR stipulated that the payment to the contractor shall be made for the actual executed quantities. Even after revision of the requirement the contractor was not informed about the reduction in requirement and the unused material was not returned back to contractor, as per contract conditions.

In this regard, reference of all concerned is invited to the guidelines issued vide circular No. 15/2014 dated 15.10.2014, available at MM website under the link 'List of Circulars valid for reference issued prior to 31.12.2014' wherein *interalia* it has been advised that utmost care should be taken while incorporating terms and conditions in the contract/POs so that same are incorporated in an unambiguous manner to avoid any contradiction between the provisions.

In order to avoid above situation in future, in addition to complying with the above instructions all concerned are advised that in LSTK contracts where uncertain quantities of particular item(s) are expected to be consumed for execution of contract wherever required, a provision may be incorporated in the contract conditions that ONGC shall allow payment for actual executed quantities only and accordingly, payment should be allowed to the contractor for used quantity(ies) only.

Above guidelines should be meticulously followed by all concerned.

C.R. Mohanty
07/07/15

(C.R. Mohanty)
ED-Chief MM Services

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