

CHAPTER 11 ACCOUNTING PROCEDURE FOR LUMP-SUM

CONTRACTS

11.1 GENERAL

11.1.1 In a lump sum contract the contractor agrees to execute a complete work with all its contingencies in accordance with the drawings and specification for a fixed sum, the following being the essential characteristic:-

(i) A schedule of rates is specified in order to regulate the amount to be added to or deducted from the fixed sum on account of additions and alterations not covered by the contract.

(ii) Except as provided in clause (i), no allusion is made in the contract to the departmental estimate of work, schedule of rates or quantities of work to be done.

(iii) Detailed measurements of the work done are not required to be recorded except in respect of additions and alterations.

11.1.2 The form of contract is prescribed by Government in consultation with its Law Officers. As the account rules herein contained are based on the assumption that the essential conditions mentioned above will be observed in drawing up contracts, it is necessary that, before the form is finally determined, the advice of the office of the Chief Controller of Accounts should be sought on the question whether the form proposed meets the requirements of audit / inspection.

11.2 PAYMENTS FOR WORK DONE

11.2.1 Subject to the terms of the contract and such subsidiary instructions as may be laid down by the Administrative Ministry / Administrator concerned to ensure that the works are executed in accordance with the prescribed specification, plans and drawings, payments for work done are not made to the contractor otherwise than on the certificates of the officers in charge of the work, as detailed in paragraphs 11.2.2 and 11.2.3 below:-

11.2.2 Whenever the Contract agreement provides for intermediate payment, a certificate should be given by a responsible officer of Government (not below the rank of Sub-divisional Officer) to the effect that, by superficial or general measurement or by some other suitable method laid down by the Administrative Ministry / Administrator concerned (which should be specified), he has satisfied himself that the value of the work done is not less than a specified amount and is in conformity with the contract agreement and that with the exception of authorised additions and alterations, it has been done according to the prescribed drawings and specification. In case where the certificate is given by the Sub-divisional Officer, the responsible officer not lower than the rank of Divisional Officer as primary disbursing officer will continue to be responsible for the correctness of payments.

Note - The Divisional Officer is exempted from specifying in the bill the method employed by him in estimating the value of work done.

11.2.3 In the case of final payments, in addition to a record of detailed measurements in respect of additions and alterations, there should be a certificate of completion of the work according to the prescribed drawings and specification signed by the Divisional Officer under para 106 of the CPWD Code.

Note - In exceptional cases, such as that of the execution of a work in a border State under the supervision of a responsible Civil Officer without the intervention of the Public Works Department, a completion certificate signed by the Civil Officer concerned may be accepted, if he is empowered by the Administrative Ministry / Administrator concerned to sign it.

11.2.4 In order that a proper financial control may be exercised over the payments made, it is necessary that the accounts of additions and alterations should be kept quite distinct from those of the rest of the work. There is no objection to payment for additions and alterations being made before the completion of the work, if the detailed measurements of them have been made and the contract provides for that.

11.3 FORMS OF BILLS

11.3.1 The forms of bills used for payments in connection with the lump sum contracts are Forms 27-A and 27-B.

11.3.2 Form 27-A is intended for intermediate payments which may be made to the contractor in accordance with para 11.2.2 and his contract. No details of work done need be reproduced in the Bill (but a reference should be given to the number and page of the Measurement Book in which the measurements of additions and alteration are recorded).

The form provides for the 'Secured Advances', if any, which under paragraph 10.2.22(a) may be allowed to the contractor. When such advances are allowed, an indenture in Form 31, should invariably be obtained from the contractor and a detailed account of the materials should be kept in Part II of the bill in the manner prescribed in Paragraph 10.2.23. No record of the materials need be kept in the Measurement Book. However, the certificate at Sl.No. 3 of Part III printed on the bill (Form CPWA 27-A) must be signed by the Officer not below the rank of Sub divisional Officer in terms of paragraph 10.2.22.

11.3.3 Form 27-B is intended for final payments made to a contractor. The details of additions and alterations alone should be given in the bill for the rest, the certificates prescribed in paragraph 11.2.3 will be sufficient. As a further precaution, the contractor should be required to add to his acknowledgement in his own handwriting a statement that he has received the payment in full settlement of all demands; see, however, Note 1 below paragraph 10.2.19.(b).

Note - The form of final bill may be printed on yellow paper to distinguish it from that of the running bill [see Note 2 below paragraph 10.2.19 (b)].

11.4 SUBSIDIARY WORKS ACCOUNTS

11.4.1 The instructions in Section 10.5 of Chapter 10, regarding the maintenance of Works Abstract and Register of Works apply mutatis mutandis to the accounts of lump-sum contracts.

11.4.2 All 'intermediate payments' made to the contractor and so acknowledged by him are regarded as advances made to him on account of the work concerned, and are brought to account in accordance with paragraph 11.4.3 & 11.4.4 below.

11.4.3 Payments for measured up additions and alterations, as well as, for the work covered by the lump sum for which no detailed measurements are necessary, are treated like advance payments and should be brought to account in the works accounts under the suspense head 'Contractors – Advance Payments'. This will not only simplify accounting but will facilitate a watch over the prompt adjustment of the payments made.

Note - If a percentage or any other portion of the value of works done is withheld as security for the due fulfillment of the terms of the contract, the net amount remaining after the deduction of the portion withheld should be entered as the advance payment.

11.4.4 Payments other than those specified in paragraph 11.4.3 above may be either 'Secured Advances' made on Form 27-A or other recoverable payments, including the value of materials supplied, which may have been made to the contractor or to others on his behalf. These should be entered in the accounts under the suspense heads. 'Contractors – Secured Advances' and 'Contractors – Other Transactions' respectively.

11.4.5 From the final bill paid to the contractor (Form 27-B), the total advances made to him in the running account bills (Form 27-A) or other recoverable payments will be deducted by short payments from the total value of work done, and the recoveries so made will be shown as minus figures under the suspense heads concerned, in which the plus figures will already be outstanding.

11.5 CONTRACTORS' LEDGER

11.5.1 Accounts of the transactions relating to lump sum contracts should be maintained in the Contractor's Ledger, Form CPWA 43, in the manner described in section 10.7 of Chapter 10, subject to the following subsidiary instructions.

11.5.2 As all 'intermediate payments' made on Form 27-A are regarded as advances, no figure therefrom will be posted in column 9, which is intended to show the amount creditable to contractor's account on account of the value of work done. The first and last entry which will appear in this column will be the figure 'F' given in Part I of the final bill form 27-B. Column 10 need not be posted at all.

11.5.3 Figures for posting the other columns 4,5,6 and 8 are indicated in the bills (Form 27-A and 27-B) by the same distinguishing letters D, E, G and H respectively, which have been used to denote the corresponding entries in the ordinary bill (Form 26 and 26-A).