

No. EE(V)-11/Misc/2019/System improvement
GOVERNMENT OF INDIA



OFFICE OF JS & CVO
(VIGILANCE UNIT)
CENTRAL PUBLIC WORKS DEPARTMENT
NIRMAN BHAWAN, NEW DELHI-110011

Dated, the 29th October, 2019

To


The Chief Engineer , CSQ (C)
CPWD, Nirman Bhawan
New Delhi.

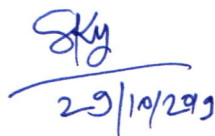
Subject: **System improvement: Management of Bank Guarantee - 05/2019**

Sir,

Enclosed please find herewith a self explanatory proposal regarding management of Bank Guarantees duly approved by Director General for your necessary action.

Encl: As above


(Gopal Varshney)
Superintending Engineer (V) I
Ph. No. 011-23062248


29/10/2019

10/10/2019 5:57 PM

Gopal Varshney
(CPWD-VIGILANCE-SE (V) I)**Note No. #3**

As discussed, review the proposal and re-submit on following lines:

- 1) The name of the file should begin with - "System Improvement: _____"
- 2) Place CVC instructions on the issues related to Bank Guarantee on record and examine and comment on present day implementation level of all such instructions in CPWD.

16/10/2019 11:17 AM

AJAY KUMAR RANA
(CPWD-VIGILANCE-JS&CVO)**Note No. #4**

21/10/2019 11:02 AM

Gopal Varshney
(CPWD-VIGILANCE-SE (V) I)**Note No. #5****System improvement: Management of Bank Guarantee**

During the execution of a contract, the Bank Guarantee bond is required to be executed while taking EMD, performance guarantee, Security Deposit, for mobilisation advance and for other guarantees stipulated in the agreement. During the audit/inspections it has been noticed by this Unit that there are many issues in respect of management of bank guarantees which are required to be addressed through works manual/ SoP for adherence by field units.

CVC vide their office memorandum No. 01/01/08 dated 31.12.2007 have issued certain guidelines regarding management of Bank Guarantees. The implementation status of these guidelines in CPWD and the recommendations for system improvement are being detailed below:

S.No	CVC Guidelines	Implementation status	Recommendations
i)	Copy of proper prescribed format on which BGs are accepted from theis enclosed in GCC contractors should be enclosed with the tender	Only the format for performance guarantee is enclosed in GCC whereas the BG is also	Proper format for Bank Guarantee for EMD, performance guarantee, security deposit, mobilisation

	document and it should be verified verbatim on receipt with original document.	accepted for EMD, performance guarantee, Security Deposit, mobilisation advance and other guarantees.	advance and other guarantee should be made part of the GCC which should be got verified verbatim on receipt of original document. The guidelines for issue of notice to contractor for extension of BG and issue of notice to bank for encashment of BG may be stipulated in the manual/SoP. The format of such notices should also be made part of the GCC.
ii)	It should be insisted upon the contractors, suppliers etc., that BGs to be submitted by them should be sent to the organisation directly by the issuing bank under Registered Post (AD).	There is no guidelines in this regard.	To avoid forged/fake bank guarantee, all bank guarantees should be independently verified from the bank electronically, if not physically and the record of such confirmation may be kept.
iii)	In exceptional cases, where the BGs are received through the contractors, suppliers etc., the issuing branch should be requested to immediately send the Registered Post (AD) an unstamped duplicate copy of the guarantee directly to the organisation with a covering letter to compare with the original BGs and confirm that it is in order.		
iv)	As an additional measure of abundant precaution, all BGs should be independently verified by the organisations.		
v)	In the organisation/unit, one officer should be specifically designated with responsibility for verification, timely renewal and timely encashment of BGs.	There is no guidelines in this regard.	One officer Cashier or Accountant or Executive Engineer specifically may be given the responsibility for timely renewal and encashment of BGs.

In addition to above, ambiguity in Para 8 of form of Bank Guarantee Bond appended with the GCC has resulted in disputes and non-execution of BG. The language of the para is ambiguous on two accounts:

- a. The first line states ***"This guarantee shall be valid upto unless extended on demand by the Government"***. Since the bank is only committed for encashment of BG to the government as per the language of the form, the government cannot ask bank for extension.
- b. The second and third line state ***"Notwithstanding anything mentioned above, our liability against this guarantee is restricted to Rs..... and unless a claim in writing is lodged with us within six months of the date of expiry."*** When the bank guarantee has expired, the bank does not honour any claim after the expiry.

Accordingly, it is also recommended that the language of para 8 of form of Bank Guarantee Bond appended with the GCC may be suitably modified.

The note is submitted to CSQ Unit for taking necessary action with the approval of DG, CPWD.

21/10/2019 5:04 PM

ARUN KUMAR GOEL
(CPWD-VIGILANCE-EE (V) 11)

Note No. #6

21/10/2019 5:28 PM

Gopal Varshney
(CPWD-VIGILANCE-SE (V) I)

Note No. #7

Vigilance Unit has examined and submitted above proposal for the review of the system for the management of Bank Guarantees. Present system is not fully compliant with the guidelines issued by CVC on the subject. Above proposal may be approved. Thereafter, CSQ shall be advised for necessary action as proposed.

24/10/2019 4:00 PM

AJAY KUMAR RANA
(CPWD-VIGILANCE-JS&CVO)

Note No. #8

24/10/2019 5:59 PM

PRABHAKAR SINGH
(DIRECTOR GENERAL)



Note No. #9

28/10/2019 3:45 PM

AJAY KUMAR RANA
(CPWD-VIGILANCE-JS&CVO)

Note No. #10

Pl put up a draft letter addressed to CE CSQ urgently.

29/10/2019 9:28 AM

Gopal Varshney
(CPWD-VIGILANCE-SE (V) I)

