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(IFA wing)**

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**Circular No. 07 of 2012**

Dated :- 05 --07--2012.

No. IFA/24

To

All Pr.IFAs/IFAs

**Sub :- Reasonability of Rates & Bid Validity –regarding.**

It has been observed in one of the case that the regular annual contract could not be finalized as there was difference of opinion between the IFA and executives on reasonableness of the rates achieved, as a result Local Purchase (LP) continued for 12 months (Jan 09 to Dec 09). The rates of LP were higher than the rates achieved in tender. The test audit authorities has adversely commented about non-conclusion of contract as the same has lead to avoidable extra expenditure to the state.

2. The issue has been examined by AT wing of HQrs office and it is advised that IFAs may seek cost analysis from executive authorities instead of just observing that the rates are higher. An appreciation of the change in input costs would enable the IFAs to take different view than just allowing the matter to linger on.

3. In this connection , please refer to para 13.4.1 (e) of DPM – 2009 which provides that the reasonableness of price may also be examined by resorting to cost analysis in situations where there is a wide variance over the LPP, not explained by corresponding changes in indices.

4. Further, at financial concurrence stage the validity of bids shall also be checked and if required, the executives may be advised to obtain the consent of the bidder for an extension to the period of bid validity.

5. In view of above, it is advised that provisions contained in para 13.4.1 for determining reasonability of prices/rates in competitive tendering may be kept in view while examining the proposals.

  
(Arvind Kadyan)  
Jt.CGDA (IFA)