

Table No. 1: Additional expenditure that was incurred in awarding the work

State	Bidder selected			No. of HH ²	Total cost (₹ in lakhs) (4 x 5)	Bidder ranked first		Total cost (₹ in lakh) (5 x 8)	Differential cost (₹ in lakh) (6 - 9)
	Score ³	Rank	Rate quoted (₹)			Score	Rate (₹)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Assam	87.00	2	1,854	23,220	430.50	87.30	1,371	318.35	112.15
Manipur	85.40	2	2,615	11,180	292.36	85.50	1,458	163.00	129.36
Total								481.35	241.51

IIPS stated (November 2017) that the Project Management Committee (PMC) was of the opinion that the quoted prices of the first rank agency were too low (20 *per cent* lower than the minimum estimated price for hilly areas) and it would not be viable for the agency to deliver the outputs without compromising on the quality. Therefore, the PMC allocated the survey work of Assam and Manipur to second ranked field agency.

The reply is not tenable since the bids were to be evaluated strictly in accordance to the evaluation criteria stipulated in the bid document and there was no leeway for deviation therefrom. Exercise of discretion deviating from the express criteria in the bid document undermined the principle of transparency and fairness and was in violation of the GFRs cited above.

The matter was reported to the Ministry in September 2017; its reply was awaited as of December 2017.

Indian Council of Medical Research

9.2 Improper procurement planning resulting in idle equipment

Improper planning in procurement of equipment by National Institute of Nutrition as well as failure to enforce performance on terms of supply order by supplier resulted in equipment worth ₹ 1.52 crore lying idle and equipment worth ₹ 2.13 crore not being put to optimal use for more than five years.

Automated Protein Digester (APD) and Robotic Spot Picker (RSP) work in conjunction to generate digested sample which is analysed by a Matrix Assisted Laser Desorption/Ionization-Time of Flight (MALDI-ToF) machine. These three equipment together constitute the Proteomics System.

The National Institute of Nutrition (NIN), Hyderabad, a unit of the Indian Council of Medical Research (ICMR), New Delhi, proposed (August 2007) the procurement of APD and RSP. However, ICMR approved (July 2008) procurement of only the APD due to constraint of funds. The APD was

² Households.

³ Score is determined on the basis of points allotted to the bidder in technical and financial evaluations.

subsequently procured in April 2009 at a cost of ₹ 95.07 lakh and installed in October 2009.

Subsequently in February 2011, the Technical Committee of ICMR approved the procurement of the RSP and supply order was placed by NIN in March 2011 on a foreign supplier for US\$ 1,14,438.52 (₹ 56.55 lakh⁴). The terms of the supply order stipulated that the Indian agent of the foreign supplier had to submit a bank guarantee for 10 *per cent* of CIF⁵ value (₹ 5.27 lakh appx.) of the equipment as performance guarantee from the date of proper installation which will be retained by ICMR till the end of warranty period i.e. three years. The supplier was to provide preventive maintenance visits and breakdown visits as and when required. Further, the supplier also agreed to pay 0.1 *per cent* of FOB⁶ (₹ 0.052 lakh appx.) as penalty per week till the warranty period, if the instrument remains in non-working condition for more than 18 days.

The RSP was delivered in September 2011 but the installation and technical demonstration of the equipment could be done only in October 2013 due to non-availability of technically skilled personnel with the Indian agent of the supplier. During installation, the technical personnel of the supplier found that the Printed Circuit Board (PCB) of the equipment was defective and needed replacement. The supplier replaced the PCB in November 2016 i.e. after three years from the date of installation. However, the application demonstration of the equipment was yet to be completed by the supplier (October 2017).

Audit observed the following:

- (i) Even though NIN was aware of the fact that RSP and APD were inter-dependent and both were necessary for the optimal use of the MALDI-ToF, NIN failed to explore the possibility of re-prioritisation of procurement proposals and re-allocation of funds to enable procurement of both APD and RSP together. Funds were available with ICMR since the Technical Committee of ICMR approved (March 2009) procurement of another eight machines worth ₹ 6.08 crore for NIN.
- (ii) Though the supplier did not install the RSP for two years after delivery, failed to provide the bank guarantee, took further three years to replace the faulty part (PCB) and had even yet to complete the application demo, NIN did not invoke the penalty or performance guarantee as per the terms and conditions of the supply order. The penalty to be levied on the supplier as the equipment remained in non-working condition since delivery amounts to ₹ 16.67 lakh⁷.

⁴ Landed cost - ₹ 56,54,893 = ₹ 52,75,616 (US\$ 1,14,438.52 * ₹ 46.10 (as of August 2011) plus ₹ 3,79,277 (Duties and Other expenses).

⁵ Carriage Insurance and Freight.

⁶ Free on Board.

⁷ Penalty = ₹ 16,67,095 {0.1 *per cent* of ₹ 52,75,616 * 316 weeks (24 September 2011 to 31 October 2017)}.

(iii) Failure of NIN to get RSP functional resulted not only in idling of APD but also impacted the working of MALDI-TOF that had been installed in December 2011 at a cost of ₹ 2.13 crore. MALDI-TOF was to analyse 1000-2000 samples per year with less manual intervention. The RSP and APD were meant to reduce manual procedures for analysis of large number of samples. Due to non-integration of these two equipment with MALDI-TOF, it could analyse only 200 samples until September 2017 apart from its utilization for conducting trainings and workshops.

NIN stated (June 2017) that the supplier is organizing the application demo of RSP apart from giving the bank guarantee and extending the warranty.

Thus, inadequate procurement planning and non-synchronization of procurement of APD and RSP by NIN coupled with failure to invoke terms of supply order to enforce performance by the supplier resulted in the equipment (RSP & APD) procured at a cost of ₹ 1.52 crore remaining unusable and sub-optimal utilization MALDI-ToF procured at a cost of ₹ 2.13 crore.

The instances of idle equipment mentioned in this audit observation are those which came to the notice of audit during the test check of records of NIN and do not exclude the risk of similar other instances. Ministry may thus review the utilisation of assets in all autonomous bodies under their control to obviate the possibility of similar cases.

The matter was reported to the Ministry in (May 2017); its reply was awaited as of December 2017.

9.3 Procurement and maintenance of Equipment in Post Graduate Institute of Medical Education and Research, Chandigarh

The Institute lacked an established procedure in the form of a Procurement Manual that could ensure effective procurement management and timely acquisitions of equipment based on a holistic and systematic assessment of requirements. This resulted in procurements being made on an ad hoc basis, rush of expenditure towards the end of the financial year and delays in progressing of procurement cases. The Institute also failed to effectively invoke contractual remedies available to it where the supplier did not fulfil their contractual obligations with delay in levy of penalty amounting to ₹ 72.77 lakh for delay in supply or installation of equipment and incorrect calculation of downtime and non-recovery of penalty of about ₹ 1.46 crore for excess downtime with reference to the contractual terms. This undermined both the deterrent effect of the penal provisions as well as the Institute's ability to enforce due performance of the contract by the suppliers.

9.3.1 Introduction

The Post Graduate Institute of Medical Education & Research (Institute), Chandigarh, was established through an Act of Parliament (51 of 1966) with the primary objective of promoting post-graduate medical education to meet the