

CHAPTER – IV

Department of Scientific and Industrial Research

4.1 Unfruitful expenditure on procurement of BSL-3 facility

Centre for Cellular and Molecular Biology, Hyderabad procured a Bio-Safety Level-3 facility by making 100 per cent advance payment without ensuring proper installation of the same. There were problems in the facility that could not be rectified, which resulted in unfruitful expenditure of ₹ 1.90 crore incurred in its procurement.

Council of Scientific and Industrial Research (CSIR) Purchase Procedure 2002 stipulated that advance payments could be made to vendors on case to case basis against equivalent bank guarantee. The procedure further stated that in no case the advance payment could exceed 90 per cent of the price of the material procured.

Centre for Cellular and Molecular Biology, Hyderabad (CCMB), a constituent unit under CSIR, was entrusted with research work on three major diseases prevalent in India i.e. HIV, Tuberculosis and Hepatitis. Research on these infectious diseases required a Bio Safety Level-3¹³ (BSL-3) facility.

CCMB placed a purchase order (August 2005) on M/s Techcomp Ltd., Hongkong (firm) through their Indian agent M/s Blue Star India Ltd., Mumbai on proprietary basis for supply, installation, commissioning, testing and validation of a pre-fabricated BSL-3 facility at a cost of US\$ 3,90,000 against 100 per cent advance payment.

The facility was covered under warranty for a period of two years from the date of installation. As per terms and conditions of the purchase order, the firm was required to submit Performance Bank Guarantee (PBG) for 10 per cent of the order value valid for a period of 90 days after the warranty period. Accordingly, the firm submitted (August 2005) PBG for a value of ₹ 17.20 lakh with validity up to April 2008. The firm was also required to carry out performance tests during validation/commissioning of the facility. Further, according to international requirements for certification of BSL-3 facility, besides certification of such a facility upon installation, re-certification should be performed on annual basis as a minimum.

¹³ A high containment facility to tackle bio safety issues in handling highly infectious disease agents.

The BSL-3 facility was received (December 2005) and 100 *per cent* payment amounting to ₹ 1.79 crore released through Letter of Credit. The facility was installed and tested (February 2006) by the firm, however, due to problems in the same, it was not validated by CCMB engineers. Thereafter the facility was put under trial by user scientists.

In the subsequent period of trial usage, the BSL-3 facility did not function properly due to repeated failures/breakdowns. Although the firm tried to carry out repairs, replacements and modifications, problems persisted and research work could not be pursued.



Prefabricated BSL-3 facility

Ultimately, CCMB demanded (January 2008) that the firm either replace the entire facility with a new one or refund the entire cost of the unit. The firm proposed to replace vital components and overhaul the facility to make it operational, which was accepted by CCMB. After the firm confirmed that the facility was completely functional, CCMB appointed an expert committee with external

expert, senior Scientists and Engineers for its validation.

During the validation process (December 2008) the expert committee found that the facility was still not operational and could not be used for BSL-3 work. CCMB again demanded (December 2008) refund of entire cost of procurement of the facility with penal interest. CCMB continued to correspond with the firm; however the facility could not be revamped as of May 2010.

In the meantime, validity of the PBG submitted by the firm lapsed; however, the same was not renewed. CCMB also appointed five Scientists (2005 to 2007) who were to conduct research in the area of infectious diseases and would need the BSL-3 facility for the purpose. However, in the absence of BSL-3 facility, the scientists were unable to begin their research work. Consequently, CCMB initiated (April 2008) a proposal to set up an alternate new BSL-3 facility in one of its existing laboratories. CCMB established (January 2010) the new facility by incurring expenditure of ₹ 2.44 crore.

During Audit scrutiny, CCMB again informed (November 2014) that the pre-fabricated BSL-3 facility had been made functional and would be re-validated by an expert committee. However, the same was not done as of January 2016, indicating that the facility did not meet the standards required for validation. No log book for utilisation of the facility was maintained.

Audit observed that CCMB did not take adequate measures to safeguard the interest of Government while procuring the pre-fabricated BSL-3 facility. Even though establishment of the facility required stringent testing and validation processes, CCMB released (December 2005) 100 *per cent* payment to the firm in advance without obtaining equivalent amount of bank guarantee corresponding purchase price and ensuring that the facility was handed over after complete validation. This was in contravention of CSIR Purchase Procedure. Although PBG was obtained from the firm, CCMB neither took action to encash the PBG nor renew the same before the expiry of validity period.

CSIR stated (February 2016) that problems in the facility were rectified and it was fully functional from 2009 onwards. CSIR added that scientists carried out research work and published papers from inception of the facility. The reply is contradictory to factual position as problems in the facility persisted as of September 2010. Validation of the facility qualifying it for use in carrying out research of highly infectious diseases was not done as of January 2016. CCMB also could not produce a log book towards utilisation of the facility. Further, at the time of establishment of the second BSL-3 facility, CCMB had given the justification that scientists recruited for carrying out research work using the BSL-3 facility were idle in the absence of the same.

Release of entire payment as advance without ensuring proper functioning of the delivered facility and failure to renew the PBG obtained from the firm placed CCMB at a disadvantage as it was unable to insist with the firm to replace the defective facility or refund of its cost. This resulted in unfruitful expenditure of ₹ 1.90¹⁴ crore as the BSL-3 facility could not be used for the intended purpose.

¹⁴ ₹ 1.79 crore paid to the firm plus ₹ 11 lakh paid towards LC establishment charges, freight, customs duty, etc.