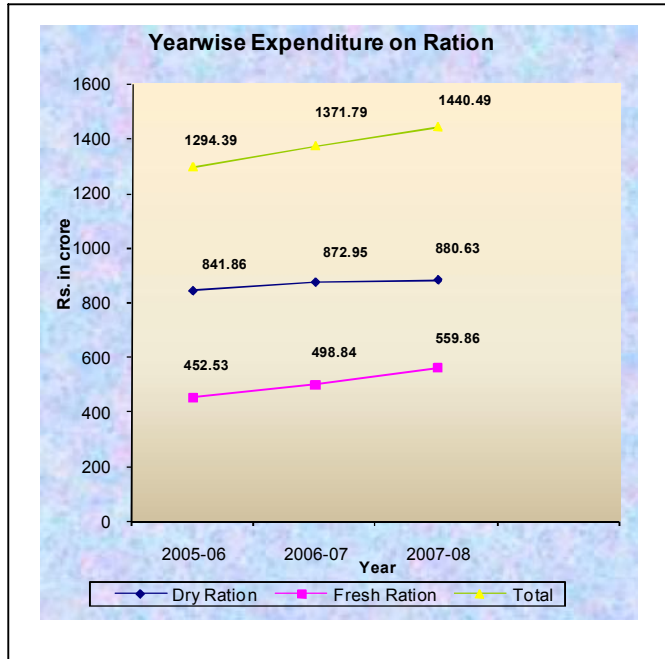


Chapter 1 : INTRODUCTION

1.1 Army Service Corps

The Army Service Corps (ASC) is entrusted with the responsibility of providing rations to the Indian Armed Forces. The items of rations are divided into two categories namely dry and fresh. Dry items comprise of rice, wheat/atta, sugar, tea, edible oil, Dal, dry fruits and tinned food, whereas items like vegetables, fruit, meat, milk etc., constitute fresh rations.

It is the primary responsibility of the Corps to provide wholesome and nutritious food to troops to meet their calorific and nutritional requirements so as to enhance their performance in various terrains and climatic conditions.



ASC is also supplies rations to other forces like Rashtriya Rifles, Border Security Force etc., when demanded. Supply of fresh rations to Air Force and Naval units, is through Air Force and Navy channels, which are independent of ASC.

Year	Expenditure (Rs in crore)		
	Dry Ration	Fresh Ration	Total
2005-06	841.86	452.53	1294.39
2006-07	872.95	498.84	1371.79
2007-08	880.63	559.86	1440.49

Table 1

ASC is headed by the Director General Supplies & Transport (DGST). About Rs 1440 crore is spent annually on procurement of rations.

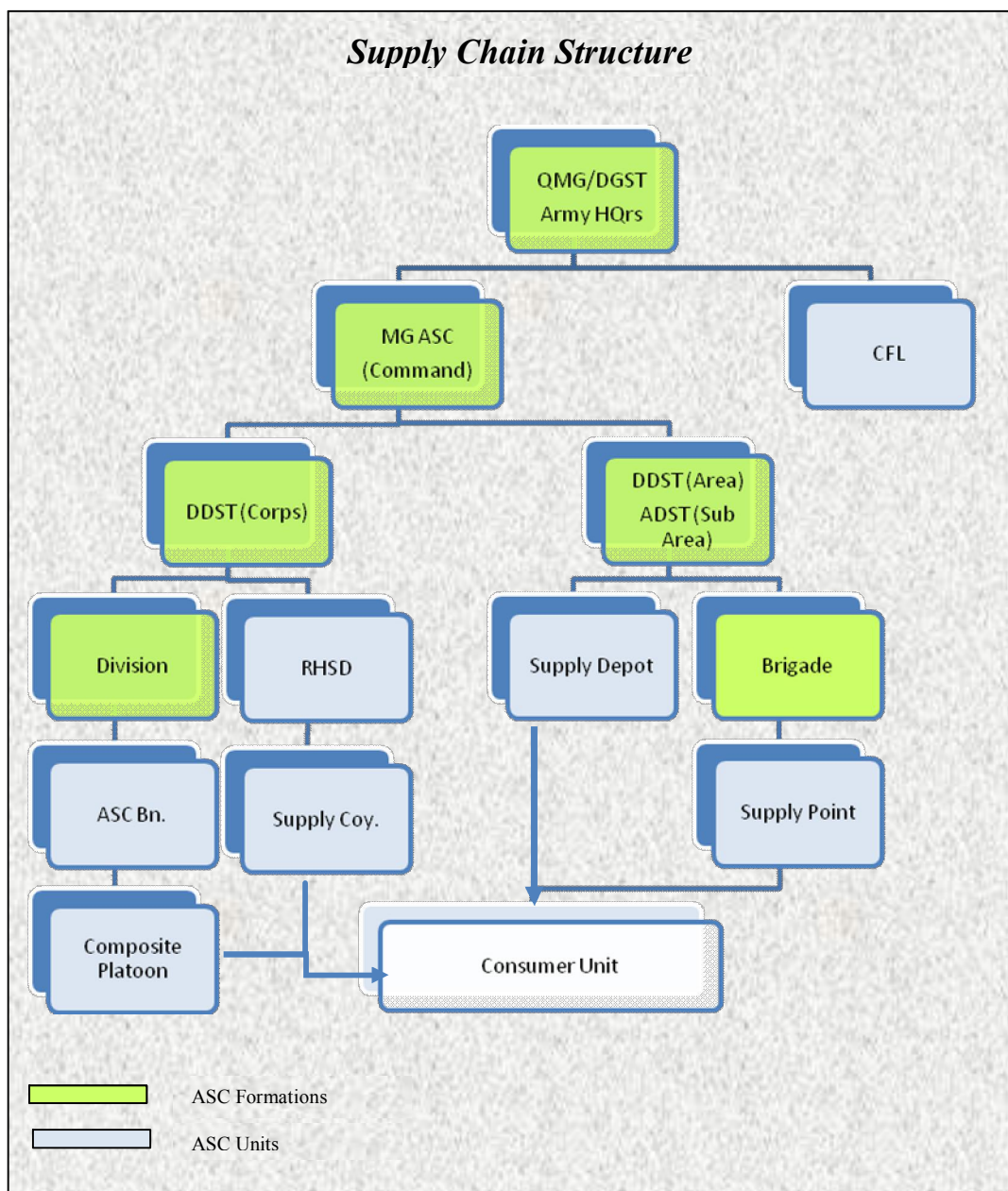
ASC is headed by the Director General Supplies & Transport (DGST). About Rs 1440 crore is spent annually on procurement of rations.

1.2 Supply Chain Structure

At Army HQ, the Quarter Master General (QMG) under whom the DGST functions is the Principal Staff Officer responsible for the effective and efficient functioning of the Army's supply chain of rations. At the Command level, the ASC formation is



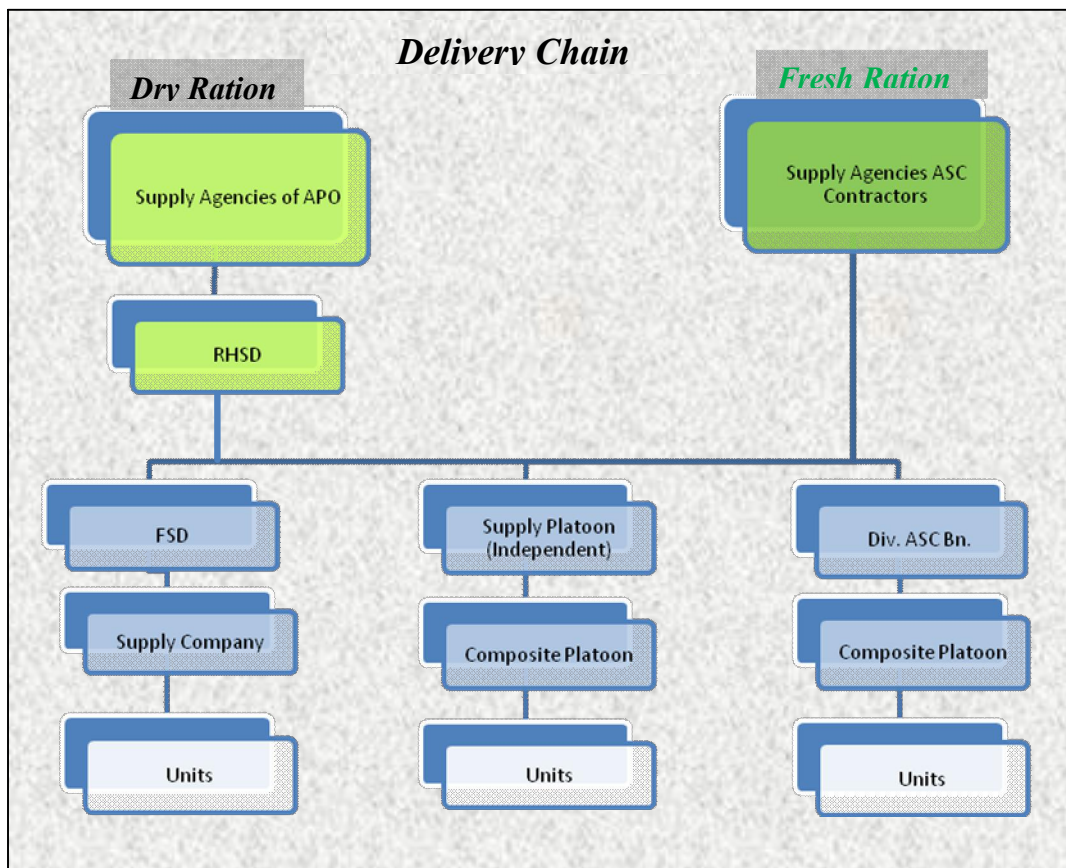
headed by the Major General Army Service Corps (MGASC) who controls the ASC functionaries at the Corps, Division and Area levels and executes the supplies through Supply Depots/ Companies under those formations. The Supply Depots located at each of the stations or formations play critical roles in the supply chain as these are responsible for the local procurement, receipt, storage and issue to the consuming units. The Commanding Officers of the units are responsible to ensure the quality and quantity of the supplies to the troops of their units.



1.3 Delivery Mechanism

Dry items of rations are procured centrally through Army Purchase Organisation (APO) after quantity vetting by the Defence (Finance) and approval by the Competent Financial Authority. Dry rations are delivered by the supplying agencies at the designated Rail Head Supply Depot (RHSD)/ Supply Depot (SD) after inspection by the Composite Food Laboratories (CFL). Further distribution to Field Supply Depots (FSD), Divisional ASC Battalions and Supply Platoons is carried out as per the Despatch Instructions (DI) issued by the Command Headquarters. Issue to consuming units is done by the Supply companies of the FSDs and Composite Platoons of other stock holding units.

Fresh rations are procured in a decentralized manner at the level of Supply Depots. Contracts for fresh rations are however, entered at the Command level. The ASC formations at different levels make the procurements of such rations after conclusion of contracts within the powers of the Competent Financial Authorities at Command and lower formation levels. Inspection, receipt and distribution of fresh rations are done by the supply unit of the formation as indicated in the graph below.



1.4 Scope of Audit

The Performance Audit was carried out in the Northern, Eastern and Western Commands of the Army which are operationally active and, where the supply chain mechanisms are more complex because of terrain conditions and dispersal of troops. The selection of Commands was also determined by factors like feeding strength and the proportion of expenditure incurred. The following table indicating Command wise feeding strength is also suggestive of the fact that 64 per cent of the expenditure on fresh rations was spent in the Commands selected for audit. Separate expenditure for these Commands for dry rations could not be compiled as expenditure on dry rations which are procured centrally by the Army Purchase Organisation and released to Commands is controlled and managed by the Army HQ.

Table -2

Expenditure on fresh rations by the Commands selected for Audit

Command	Feeding strength (in ratio)	Expenditure (Fresh rations) 2007-08	
		Rs in crore	As percentage of total expenditure
Northern	8X	201.17	35.93
Western	5.5X	79.18	14.14
Eastern	4X	77.90	13.91

Eight items of dry rations viz., *Atta*, Rice, Sugar, *Dal*, Tea, Edible Oil, Milk and Malted Food and Jam Tinned were selected for scrutiny. These items constitute 98 per cent of the total volume of dry rations. Entire range of fresh rations was selected for detailed scrutiny.

The documents were examined at Supplies and Transport Branch of the Commands and selected Corps Headquarters, Supply Depots and ASC battalions in those Commands. At the central level, records were examined at DGS&T, APO and the Ministry. As regards the Food Inspection Organisations, Composite Food Laboratories (CFL) at Jammu, Delhi and Mumbai were selected for scrutiny. The performance audit covered a three year period from 2005-06 to 2007-08 and was carried out from June to October 2008. The information has been updated where required and possible.

1.5 Audit Objectives

The performance audit of the Supply Chain Management of Rations was carried out to assess whether:

- *The system of provisioning ensured realistic estimation of requirement for dry rations without significant over or under procurement and stocking;*
- *The procurement of rations was conducted according to the prescribed procedures and best practices to ensure timely availability of the required quantity of quality rations at reasonable prices;*
- *The management of contracts was done in an efficient manner to ensure effectiveness and economy without compromising the quality;*
- *The distribution system ensured that rations to consuming units were supplied as per the prescribed scales, variety and qualitative standards; and*
- *The users were satisfied with the quality and availability of rations supplied.*

1.6 Audit Criteria

The criteria for evaluating performance were derived from the following:

- *Standard Operating Procedures issued by Ministry of Defence*
- *Existing rules and regulations regarding tendering*
- *Technical instructions issued by agencies*
- *Defence Procurement Manual*

1.7 Audit Methodology

After a preliminary study to collect background information, the Performance Audit commenced with an Entry Conference with the Ministry of Defence on 15 July 2008. Detailed audit scrutiny was conducted at the Ministry of Defence, Office of the DGST, Command Headquarters, and selected Supply Depots. The reply of the lower echelons and the Army HQ has been taken into account to finalise the report. The draft Report was issued to the Ministry of Defence on 22 January 2009 and their reply was awaited as of March 2010.

1.8 Acknowledgement

Officials of the Ministry of Defence, DGST, MGsASC and Supply Depots had extended full co-operation during the audit which is gratefully acknowledged.