

HIGHLIGHTS

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 rations comprise of rice, wheat/*atta*, sugar, tea, edible oil, *dal*, dry fruits and tinned foods whereas items like vegetables, fruit, meat, milk constitute fresh rations. *(Paragraph 1.1)*

Dry rations are procured centrally through Army Purchase Organisation after quantity vetting by Ministry of Defence (Finance) and approval by the Competent Financial Authority. Fresh rations are procured in a decentralised manner at the level of the Supply Depot. The ASC formations at different levels make the procurement of such rations after conclusion of contracts within the powers of the Competent Financial Authorities at Command and lower echelons. *(Paragraph 1.3)*

The Performance Audit was carried out in the Northern, Eastern and Western Command of the Army. These Commands are operationally active and supply chain mechanism are more complex here because of terrain conditions and dispersal of troops. Eight items of dry rations viz. rice, *atta*, sugar, *dal*, tea, edible Oil, Milk and Malted Food were taken up in audit for scrutiny. Entire range of fresh rations were selected in audit for scrutiny. *(Paragraph 1.4)*

The performance audit of the Supply Chain Management of Rations was carried out to assess whether (a) the system of provisioning ensured realistic estimation of requirement for dry rations without significant over or under procurement and stocking; (b) 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; (c) the management of contracts was done in an efficient manner to ensure effectiveness and economy without compromising the quality;(d) the distribution system ensured that rations to consuming units were supplied as per the prescribed scales, variety and qualitative standards; and (e)the users were satisfied with the quality and availability of rations supplied. *(Paragraph 1.5)*

Audit Findings

The existing procedure for provisioning of dry rations failed to assess the requirement realistically. The failure was mainly due to systemic deficiencies due to which different quantities were worked out at different echelons applying different parameters. Opening stock balances adopted at different levels for demand projections differed substantially. The final requirement was, however, arrived through discussions between DGS&T and the Ministry. *(Paragraph 2.1)*

During the last three years, except in the case of wheat and malted milk food in 2005-06, none of the selected items was procured according to the indented quantity by the APO. While in case of Sugar and Jam, there was over procurement, in all other items, there were significant under procurement which rendered the whole exercise of provisioning ineffective. *(Paragraph 2.2)*

Many of the national Federations and PSUs who were contracted to supply *Dal* and Tea failed to supply. These had to be procured through local purchase and Army incurred an extra expenditure of Rs 30.06 crore on account of local purchase of *Dal* and tea to meet the shortage caused due to failure of central supplies. *(Paragraph 2.2)*

Apart from being unwieldy the existing practice of procuring *Atta* by grinding of wheat purchased from FCI was uneconomical in comparison to the cost of branded *Atta* readily available in the market. The Army was incurring an estimated additional expenditure of Rs 25 crore annually, besides maintaining a detachment of personnel at each mill. *(Paragraph 2.2)*

Based on repeated extensions given by the CFL Jammu, troops in Northern Command were issued rations even after the expiry of original Estimated Storage Life (ESL). While the DGS&T instructions prohibit any extensions beyond three months of the ESL, yet *atta*, sugar, rice, tea, *dal*, edible oil, etc. was consumed even six to 28 months after the expiry of the original ESL. *(Paragraph 2.3)*

The procurement procedure for fresh items of rations was highly non-competitive and fraught with the risk of cartels. Despite the valid registration of 110 to 222 vendors in the three selected Commands, procurement in 46 *per cent* of the cases was done on the basis of two quotations. In 36 *per cent* cases contracts were concluded on the basis of single quotation only. A large number of vendors registered contrasting with only one or two vendors purchasing tender documents points strongly towards the serious problem of cartelization. *(Paragraph 3.2)*

In Delhi only one vendor purchased the tender documents and supplied meat worth Rs 5 crore annually during the last 3 years. Similarly in Chandimandir, only one contractor responded and bagged the contract for supply of meat with annual order values of Rs 2.34 crore. *(Paragraph 3.2)*

To determine the reasonable rates of various items of fresh rations, a Board of Officers constituted by the Station Commander determine the Average Local Market Rate (ALMR). Prior to opening of tenders, Reasonable Rates (RR) are worked out by a panel of officers for each item and station. In audit, it was seen that the accepted rates were way below the ALMR. Difference ranged from 25 *per cent* to 55 *per cent*. *(Paragraph 3.3)*

While procurement rates of the adjoining stations forms a cogent benchmark for fixing of rates, a wide variation of up to 186 *per cent* was observed in such rates for procurement of fresh rations. *(Paragraph 3.4)*

The distribution of fresh vegetables and fruits was not in accordance with the prescribed norms. In 74 *per cent* of issue the consuming units did not receive the rations as per the prescribed mix. More importantly, Audit also found that items received by the consuming units were different from what was shown to have been issued to the unit by the supply depot. In many cases quantities also varied. *(Paragraph 4.1)*

The feedback reporting system of the Army showed that in 68 *per cent* cases the quality of rations was graded as satisfactory and below. This was notwithstanding the fact that “satisfactory” quality of rations was deemed unacceptable by one formation Commander. In 14 out of 50 selected cases in a Corps the quality of rations being supplied to troops was poor. *(Paragraph 4.4)*