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**SUPPLY CHAIN MANAGEMENT OF
RATIONS IN INDIAN ARMY**

MINISTRY OF DEFENCE

**PUBLIC ACCOUNTS
COMMITTEE**

2011-2012

FORTY-SEVENTH REPORT

FIFTEENTH LOK SABHA



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

FORTY-SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

(FIFTEENTH LOK SABHA)

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RATIONS IN INDIAN ARMY

MINISTRY OF DEFENCE

Presented to Lok Sabha on 28 December, 2011
Laid in Rajya Sabha on 28 December, 2011



LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2011-12)

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*Elected *w.e.f.* 29th August, 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed Minister *w.e.f.* 12th July, 2011.

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(2010-11)

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20. Shri N.K. Singh
21. Shri Tiruchi Siva
22. Prof. Saif-ud-Din Soz

*Vacancy occurred *vice* Shri Ashwani Kumar has been appointed as Minister of State w.e.f. 19th January, 2011.

INTRODUCTION

I, the Chairman, Public Accounts Committee (2011-12), having been authorised by the Committee, do present this Forty-seventh Report (Fifteenth Lok Sabha) on “*Supply Chain Management of Rations in Indian Army*” based on the C&AG Report No. 6 of the 2010-11 (Performance Audit), Union Government (Defence Services—Army) for the year ended March, 2009, related to Ministry of Defence.

2. The Report of the Comptroller and Audit General of India for the year ended March, 2009 was laid on the Table of the House on 3rd August, 2010. The Public Accounts Committee (2010-11) selected the subject for examination and report. The Committee took evidence of the representatives of the Ministry of Defence and the three Service Chiefs on the subject at their sitting held on 12th January, 2011. As the examination of the subject could not be completed due to paucity of time, the Public Accounts Committee (2011-12) re-selected the subject for examination. Subsequently the Hon'ble Chairman, held two meetings (7th September, 2011 and 5th October, 2011) in his Chamber with the Defence Secretary and the Service Chiefs/representatives alongwith Audit Officers to take stock of the progress made on the Audit observations on some specific issues on the subject. The Public Accounts Committee (2011-12) decided to continue the examination and present a Report thereon based on the earlier evidences taken by their predecessor Committee. Accordingly a Draft Report was prepared and placed before the Committee for their consideration. The Committee considered and adopted the Report at their sitting held on 21 December, 2011. Minutes of the sittings form Appendices to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in the thick type in the body of the Report.

4. The Committee thank their predecessor Committee for taking oral evidence and obtaining information on the subject.

5. The Committee would like to express their thanks to the officers of the Ministry of Defence, three Service Chiefs/representatives of Army, Air Force & Navy for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
23 December, 2011
02 Pausa, 1933 (*Saka*)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

PART I

REPORT

I. Introductory

The supply chain management of rations in Indian Army involves provisioning, procurement, dispatch, receipts, storage, accounting, quality control and issue of various items of dry supplies and fresh rations to troops located in various peace and field stations including high altitude areas and remote locations. The items of rations are broadly 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.

2. The Army Service Corps (ASC) headed by Director General of Supplies and Transport (DGST) and functioning under Quarter Master General (QMG)'s Branch at Army Headquarters has been entrusted with the task of provisioning and issue of all items of dry supplies and fresh rations to troops of the Indian Army. It is the primary responsibility of the Corps to provide wholesome and nutritious food to troops to meet their calorific and nutritious requirements so as to enhance their performance in various terrains and climatic conditions. About ₹ 1440 crore is spent annually on procurement 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.

Delivery Mechanism

3. 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 units of the formation.

II. Audit Review

4. Audit conducted a Performance Audit of the Supply Chain Management of Rations in the Indian Army with the objective of assessing whether the system of provisioning ensured that the estimation of requirements were realistic without significant over or under procurement and stocking; and that the procurement was carried out according to the prescribed procedures and best practices to ensure timely availability of required quantity of quality rations at reasonable prices. The Performance Audit was carried out in the operationally active Commands viz., Northern Commands, Eastern Commands and Western Commands apart from the Army HQ covering the period from 2005-2006 to 2007-2008. The Audit review had revealed several deficiencies in the system of Supply Chain Management, some of the important findings of the Audit were as under:

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.

- 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.
- 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.
- Apart from 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.
- 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 6 to 28 months after the expiry of the original ESL.
- 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.

- 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.
- 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.
- 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 examination revealed 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.
- 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.

5. Against this backdrop the Committee took up the subject for detailed examination and report and obtained a Background Note on the subject from the Ministry of Defence. The Committee took evidence of the representatives of the Ministry of Defence and Army on 12th January, 2011. Post evidence replies were also obtained from the Ministry. Based on the written and oral information collected, the Committee examined the subject in detail and found several discrepancies/shortcomings, as enumerated below, in the functioning of the system of Supply Chain Management of Rations in Indian Army.

III. Dry Rations

(a) Provisioning of Dry Rations

6. Provisioning is the process of estimation of the annual demand for rations, for which procurement action is taken. In view of the large feeding strength, the vast geographical spread of the Army and centralized system of procurement coupled with limited shelf life of dry rations, correct estimation of requirement is a challenging but important task. Since bulk contracts are executed by the APO for supply of dry rations based on the agreed levels of annual demands and thereafter, quantities are released to the Commands for which payments are released centrally,

realistic provisioning becomes extremely important from the point of view of inventory management. Unrealistic provisioning can lead to over provisioning, which in turn causes wastage. Under provisioning, on the other hand, results in short supply of rations to the troops. Such provisioning depends on three critical factors namely opening balance including Dues in, feeding strength, and estimated dues out based on laid down scales of rations.

7. The Ministry of Defence (Finance) laid down Standard Operating Procedures (SOPs) in December 2003, for Provision Review and Quantity Vetting for procurement through Army Purchase Organisation. In terms of the SOPs, the primary parameter for provisioning is the feeding strength which is calculated at 5/6th level of posted strength. 1/6th of the posted strength is not taken into account as army personnel are allowed two months' annual leave. The other inputs taken into account by the Area/Command HQ while preparing the demand are:

- (a) Scales of rations as authorised by relevant Government and Army instructions;
- (b) Number of issues authorised;
- (c) Estimated assets on ground as on 31 March *i.e.* opening balance for the ensuing year;
- (d) Consumption figures for the last three years; and
- (e) Estimated payment issue requirement, if any.

8. The annual demands are compiled at the Command level by generating the Stock Return and Demand Statement (SRDS) from similar returns received from the lower echelons. The demands reflected in the SRDS take into account the feeding strength, scales of rations, opening balance and dues in requirements. The SOPs also prescribe the schedule for various stages to be observed for timely completion of the provisioning process. The time frame requires the Command HQ to submit the Stock Return and Demand Statement (SRDS) to DGST by 31 May for provisioning for the next year. The DGST is required to validate the correctness of the demands and scrutinize the same to ensure that all the requisite inputs have been furnished by the Commands. The demand statements received from Commands are to be compiled to make a proposal separately for dry items and tinned rations. The DGST then projects the annual requirement of rations by 20 July to the Ministry for concurrence. Feeding strength statement of Army, Air Force, Navy and Paramilitary Forces along with consumption figures statement for preceding year are submitted with the proposal. The Ministry is required to concur with the proposal by 20 August, which is followed by approval of quantity for each item by the competent financial authority (CFA).

9. However, Audit examination has revealed little evidence of seamless implementation of the laid down procedures followed by the Army in provisioning of dry rations. In fact audit has noticed differences in the estimation of annual requirement of dry rations at all levels *i.e.* Command HQ, the Army HQ and the Ministry. Different quantities were worked out by different agencies using different

figures of the feeding strength of the troops and more importantly of the opening balance. The final requirement, on which procurement action was taken, was arrived after discussion and mutual agreement between the DGST and the Ministry. Scales of rations are laid down and data relating to opening balance and feeding strength is verifiable. Yet, critical data like feeding strength and opening balance on the basis of which the provisioning was done, varied at different levels and was thus exposed to the risk of over or under provisioning. Scrutiny by Audit has also indicated more of excess provisioning than under provisioning.

10. Audit scrutiny further revealed that the annual requirement of dry rations projected by the three Commands to the DGST was significantly different from the demand worked out after consolidation of the SRDS received from the lower echelons under its control. Significant variations in respect of the items selected by Audit are given in Table 1.

Table 1

Variation in the quantities worked out and quantities projected by the Commands

Year	Item	Command	Qty (in MT) Worked out by lower echelons	Qty (in MT) projected by Commands to DGST	Variation (in <i>per cent</i>)
2005-06	Rice	Western	18914	22000	+16
2006-07	Rice	Northern	49386	40000	-19
2007-08	Rice	Northern	32583	40000	+23
2006-07	Wheat	Western	24124	22000	9
2006-07	Dal	Northern	13949	11000	-21
2005-06	Sugar	Eastern	6271	8483	+35
2007-08	Sugar	Northern	11006	1300	+18
2007-08	Sugar	Eastern	8806	10365	+18
2007-08	Edible Oil	Northern	7350	12000	+63
2006-07	Tea	Northern	1676	13000	-22
2007-08	Tea	Northern	1058	1300	+23
2005-06	MMF	Northern	378	560	+48
2006-07	MMF	Northern	927	600	35
2006-07	Jam	Northern	681	400	41
2006-07	Jam	Western	122	175	+43

11. According to Audit despite the elaborate exercise at the Command level, the DGST at Army HQ independently worked out the requirements of dry rations based on the posted strength of troops obtained from the Manpower Planning (MP) Directorate of Army HQ. There were, again, significant differences between the quantities demanded by the Commands and the requirements determined by the DGST. For instance the requirement of wheat determined by DGST, in 2005-06 was 1,62,469 MT against the aggregate demand of 1,24,934 MT of all the Commands *i.e.*, 37,535 MT in excess. On the other hand, the requirement of sugar determined by the DGST in 2007-08 was 17,712 MT short of the combined demand projected by the Commands. The position is given in Table 2.

Table 2

Quantities demanded by all Command HQs and quantity worked out by Army HQ

Item	Demand for net quantities projected by (in MT)								
	2005-06			2006-07			2007-08		
	Com- mands	AHQ	% Varia- tion	Com- mands	AHQ	% Varia- tion	Com- mands	AHQ	% Varia- tion
Atta/ Wheat	124934	162469	30	142000	142309	0.2	144246	141840	-2
Rice	137342	131829	-4	139620	128546	-8	129702	129077	-0.5
Sugar	49921	51024	2	46097	42973	-7	51451	33739	-34
Dal	40286	42685	6	38512	37929	-2	44633	40540	-9
Tea	4027	5388	34	4349	NA	NA	4092	4294	5
Oil	34122	37648	10	35194	32387	-8	34298	35070	2
Jam Tinned	997	1220	2	1140	1199	5	976	765	-22
MMF	3512	3474	-1	4200	4137	-2	3287	3079	-6

12. Audit examination has also revealed that when the total annual requirement determined by DGST was finally proposed to the Ministry for approval, the Ministry calculated the requirement on its own using the posted strength as furnished by the MISO (Management Information System Organization) as input. The total annual requirement for dry rations was finally arrived at through discussion between the Ministry and the DGST. It was also observed that the requirement finally projected by the Army HQ was always far in excess of requirement calculated by the Ministry and in most of the cases, the demand that was finally agreed was closer to the demand estimated by the Ministry as shown in Table 3.

Table 3

Quantity Projected by Army HQ and those negotiated with MoD (Fin.) (in MT)

Item	2005-06			2006-07			2007-08		
	Projected by AHQ	Worked out by MoD (Fin.)	Finally Agreed	Projected by AHQ	Worked out by MoD (Fin.)	Finally Agreed	Projected by AHQ	Worked out by MoD (Fin.)	Finally Agreed
Wheat	188500	155000	145000	167400	150000	145000	167700	145000	145000
Rice	156000	140000	140000	152000	125000	138000	152700	139000	130000
Sugar	62102	47000	47000	54000	49000	47000	50050	47000	47000
Dal	50300	45000	47000	45300	41000	42000	48000	42000	42000
Oil	46000	40000	41000	43000	34000	37000	44000	40000	40000
Tea	6400	4800	5000	5200	3410	4100	5350	4100	4200
MMF	4168	2750	2750	4900	3900	3200	3881	3400	3300

13. Audit found that the huge variation between the requirements worked out by the Ministry and the Army HQ was mainly due to the difference in arriving at the feeding strength *i.e.* the number of persons to be provided with rations. Further, the estimated opening stock as on 01 April of the ensuing year at the start of the provisioning period as adopted by the Ministry was different from that of the Army HQ. Thus the total requirement was centrally determined more on a normative basis rather than on actual data as neither DGST nor Ministry had at their disposal the correct figures of feeding strength and opening balance on ground.

14. As regards the variations at the Command levels the Army HQ in its reply attributed the same to the additional cushion of two or three months which are planned to ensure that provisioning is adequately sufficient for the entire strength of defence forces and also to cater for increase/decrease of dependant troops in any area due to operational deployment, movement of units, training/exercise etc.

15. The Committee desired to know the steps taken by the Ministry for seamless implementation of the provision of dry ration procedures. In response the Ministry in their written reply stated that each step in the entire procurement process right from receipt of indent from the Army Headquarters to the receipt of stores by the supply depots is well defined and follows each other in a sequential manner. However, failure on the part of the suppliers sometimes distorts this seamlessness. Since failures generally occur due to volatility in marked conditions, local purchase is resorted to meet the shortage to keep the supply chain intact. It is proposed to revise the terms & conditions of APO contracts to make suitable provisions for cancellation of non-performing contracts in shortest possible time frame by forfeiture of Performance Bank Guarantee and conclusion of fresh contracts so that there is no large scale disruption in the supply chain of rations.

16. On being asked whether any mechanism has been put in place to ensure realistic assessment of the requirement of the Army and prudent provision of dry rations to troops, the Ministry in a post evidence reply stated as under:—

"To ensure a realistic assessment of the requirement of dry rations by the Army, a Standing Operating Procedure (SOP) on the provisioning, review and quantity vetting for procurement of ration items has been prescribed in 2003, incorporating a system of checks and balances.

In the first instance, Annual Stock Return and Demand Statements (SRDS) are called from Command Headquarters by Directorate General of Supplies and Transport, DGST, at the Army Headquarters.

The annual forecasted requirements for the ensuing consumption year are calculated for dependent troops of Army based upon entitled scale of rations. The average feeding strength for working out approximate annual requirements is taken as 5/6th of the strength of troops actually posted with the units. Inputs on holding strength of personnel and recruits under training are also taken from Adjutant Generals Branch, at Army Headquarters.

Stocks required for Annual Winter/Monsoon Stocking of high altitude areas and remote locations are also taken into account while working out annual requirements of dry rations.

The SRDS is vetted for realistic estimation and correctness by Commands and lower formation Headquarters and DGST. Based upon past average consumption and anticipated future requirements for the ensuing consumption year, the demands as projected by Army Headquarter to the Ministry of Defence. These are then approved by the CFA in the Ministry of Defence and concurred by Ministry of Defence/Finance, following due procedures. Thus provisioning proposals of dry supplies are vetted in a very deliberate manner at successive stages."

17. The Committee further desired to know whether any centralised data is being maintained by the Ministry to ensure that there is no difference between the quantities of dry rations demanded by the Army and the requirements determined at all levels *viz.*, Command Headquarters Army, Army Headquarters and Ministry of Defence. In response, the Ministry in their post evidence reply stated as under:—

"A centralised data of annual demands and consumption pattern is being maintained in the Directorate General of Supplies and Transport, DGST at Army Headquarters.

To ensure that there is no excess/under provisioning of rations, a close check is kept on various inputs in the form of fortnightly, monthly, quarterly and annual reports & returns are submitted by Command Headquarters and lower formations to Directorate General of Supplies and Transport, regularly intimating details of stocks held, consumption pattern and anticipated requirements for future. Regular re-appraisal of stocks held with the

Commands depots is carried out in relation to consumption pattern of various items.

This data is being shared on a regular basis with the Management Information Systems Organisation (MISO) in Army Headquarters. MISO is the nodal agency for collection, compilation and maintenance of data on various aspects of the Armed Forces, including health of troops and consumption of Rations. A statistical digest in this regard is published by MISO twice a year for dissemination.

At the same time, to put in place adequate checks and balances, the annual demands projected by Army Headquarters are cross checked and verified with data being maintained by the Ministry of Defence/Finance so as to ensure that the provisioning proposals are vetted keeping in view the past consumption, anticipated future requirements as worked out by the Army Headquarters, duly factoring requirement of new raisings/disbandment's and increase/decrease in strength of troops."

18. The Ministry has further stated that the Standard Operating Procedure for provisioning of dry rations is being reviewed to bring convergence in provisioning figures arrived at from different sources, and the data base maintained by the Management Information Systems Organisation (MISO) at Army Headquarters will be utilised at all levels.

(b) Opening Stock Balances Adopted at different levels for Demand Projections Differed Substantially

19. Audit scrutiny had revealed that the opening balances for various items as projected by Army HQ differed substantially from the opening balances adopted by the Ministry while provisioning for the year. As on 1 April 2007, Army projected an opening balance of 15,037 MT of wheat, whereas Ministry took 20,105 MT as opening balance while calculating requirements for the year. The difference was of 5068 MT (34 per cent). In case of Sugar, the difference was of 2656 MT (19 per cent). According to Audit in the absence of any data regarding opening balance at the stock holding echelons, such normative estimation of the opening stock by various agencies becomes a guessing exercise.

20. In respect of variations at the command levels, the Army HQ in its reply attributed the variations to the additional cushion of two or three months which are planned to ensure that provisioning is adequately sufficient for the entire strength of defence forces and also to cater for increase/decrease of dependant troops in any area due to operational deployment, movement of units, training/exercises etc. According to Audit the contention of Army HQ needs to be viewed in the light of the fact that cushions for the above stated unforeseen eventualities are also applied by the DGST. The difference in working out the requirement at the Command level and by DGST was ascribed by the Army HQ to the perception of strength compilation at various levels. The Army HQ further acknowledged that the correct feeding strength of dependent troops can only best be obtained from

Command HQ and that the strength obtained from MP directorate serve as general guidelines only.

21. It was further stated by the Army HQ that the difference in opening stock balances as on 1st April of ensuing year, adopted by the Army HQ and the Ministry was due to time lag of four/five months between the respective dates of their projection of requirement.

(c) Procurement of Dry Rations

22. The procurement of dry rations is done by the Army Purchase Organisation (APO) under the Ministry of Defence. Rice and wheat are directly procured from Food Corporation of India (FCI) after allocation by the Department of Food & Public Distribution on a quarterly basis which are further distributed to lower echelons of Army. Sugar is allocated to the Army out of the levy quota by the Directorate of Sugar, Government of India. On allocation of levy sugar quota, APO issues supply orders to the concerned mills at the levy rates decided by Ministry of Consumer Affairs, Food and Public Distribution. Dal, tea and edible oils are procured by APO from PSUs, State/national level cooperatives and federations enlisted with the Organisation. Tinned food and dry fruits are procured through open tender system from private firms/dealers registered with APO.

(d) Procurement not Aligned with Provisioning

23. Audit scrutiny has revealed that procurement of dry rations was not aligned with provisioning estimation which led to excess procurement of Sugar, short procurement of Dal & Tea and failure of large contracts pertaining to Dal & Tea as well as uneconomic cost of Atta. During the last three years, excepting the case of wheat and milk and malted food in 2005-06, none of the selected items was procured according to the quantity arrived after the provisioning exercise. According to Audit the shortfall in procurement was due to failure of the contractors, most of them national level federations to supply. The table-4 sums up the picture:—

Table 4

Shortfall in procurement of indented quantity of dry rations

(Qty in MT)

Item	Qty provisioned	Qty procured	Percent Shortfall(-)/ Excess(+)	Local Purchase Qty	Net Percent Shortfall(-)/ Excess(+)
1	2	3	4	5	6
<i>2005-06</i>					
Wheat	145000	145000	Nil	Nil	Nil
Rice	140000	137000	(-) 2	Nil	(-) 2
Sugar	47000	54765	(+) 17	Nil	(+) 17

1	2	3	4	5	6
Dal	47000	24385	(-) 48	7266	(-) 33
Oil	41000	36325	(-) 11	Nil	(-) 11
Tea	5150	3735	(-) 27	Nil	(-) 27
MMF	2160	2160	Nil	Nil	Nil
Jam Tinned	1050	599	(-) 43	Nil	(-) 43
<i>2006-07</i>					
Wheat	145000	138075	(-) 5	Nil	(-) 5
Rice	138000	128147	(-) 7	Nil	(-) 7
Sugar	47000	58944	(+) 25	Nil	(+) 25
Dal	42000	24612	(-) 41	12687	(-) 11
Oil	37000	32805	(-) 11	Nil	(-) 11
Tea	4150	3405	(-) 17	Nil	(-) 7
MMF	3200	2800	(-) 13	Nil	(-) 13
Jam Tinned	870	1292	(+) 49	Nil	(+) 49
<i>2007-08</i>					
Wheat	145000	119500	(-) 18	Nil	(-) 18
Rice	130000	116500	(-) 10	Nil	(-) 10
Sugar	47000	44120	(-) 6	Nil	(+) 6
Dal	37500	27004	(-) 28	1161	(-) 25
Oil	40000	26325	(-) 34	Nil	(-) 34
Tea	4200	1385	(-) 67	1915	(-) 22
MMF	3300	3067	(-) 7	Nil	(-) 7
Jam Tinned	867	947	(+) 9	Nil	(+) 9

(e) Excess Procurement of Sugar, Short Procurement of Dal and Tea

24. Audit observed that in case of Sugar, there was excess procurement over and above the provisioned requirement in two years. During 2006-07, 11944 MT of sugar was procured in excess of the provisioned quantity *i.e.* an excess of 25 per cent over the requirement. The excess expenditure due to over procurement of various rations items was Rs. 9.99 crore in 2005-06 and Rs. 18.42 crore in 2006-07. In contrast to Sugar, in case of Tea and Dal, there was consistent shortfall in procurement in all the three years, (2005-06 to 2007-08) which had to be made up to some extent through procurement at the local level by the depots. These local procurements led to additional expenditure on account of the higher price of such procurement. In 2005-06, there was a shortfall of 22615 MT (48 per cent) in central procurement of Dal and even after local procurement there was a shortfall of 33 per cent. The quantity of 7266 MT of Dal locally procured during the year was purchased at a rate of Rs. 10288 per MT higher than the price of central

procurement thus resulting in additional expenditure of Rs. 7.48 crore. Even during 2006-07 and 2007-08, there was a shortfall of 11 per cent and 25 per cent respectively. The extra expenditure due to the local procurement of rations to overcome shortages was Rs. 7.48 crore during 2005-06, Rs. 10.92 crore during 2006-07 and Rs. 11.66 crore during 2007-08.

25. The Committee enquired about the reasons for excess procurement of Sugar and short procurement of Dal and Tea. In response, the Ministry in their post evidence reply stated as under:—

"While shortages in a particular consumption year happen primarily due to complete or partial failure of a few contracts, excess procurement of some items can take place due to materializing of risk purchase of cancelled quantities in the next consumption year. Excess procurement also results when part of the item concerned does not materialize for various reasons and actual supply gets carried over to the next consumption year. Such short/excess quantities are factored in for adjustments while assessing the requirements for the ensuing consumption year. The specific reasons in regard to sugar, dals and tea are as follows:—

Sugar: Based on indents by the Army HQs supply orders are placed by APO on Sugar mills as per release made by Sugar Directorate. Owing to rejections of stocks by Composite Food Labs (CFLs) or sugar Mills not honouring the supply order, slippages occur and consequently sugar stocks get lifted in the ensuing year. During 2005-06, against the indented quantity of 47000 MT, 43522 MT was procured even though supply orders were placed for 51757 MT thus a shortfall of (-) 7%. The quantity procured also includes a backlog of 5000 MT from year 2004-05. During 2006-07, the quantity procured was 47,096 MT which is at par to the indented quantity. Supply orders are continuously rationalized based on stocks realization ex current year or due to carry forward of stocks.

Dals: The procurement of Dals during 2005-06 had been erratic. While the contracts were placed as per quantity indented, large scale volatility of rates due to crop failures on account of weather conditions lead to cancellation of 47 contracts. The Risk Purchase contracts materialized partly during 2005-06 but largely during 2006-07. The effect was again witnessed during 2006-07 till it partially stabilized in 2007-08. During the above period, local purchase by Commands was resorted to meet immediate requirements of troops since the Risk Purchase contracts are difficult to materialise in the desired time frame, due to legal obligations and procedures involved in invoking contractual clauses.

Tea: Prior to February 2009, tea was procured from PSUs/National Federations as per specifications 185 A (All India Tea), 186 B (North East Tea) and 185 C (Blend of above). While procurement of All India Tea was effected as required, North East tea procurement posed considerable problems as Federations could not meet the parameter of water extract in Defence food specifications resulting in large scale rejection of stocks and subsequent

cancellation of contracts. The situation persisted right through 2006-07 & 2007-08. During this period Local Purchase was made by Commands to meet the daily requirement of troops. A new tea policy has since been promulgated which envisages procurement through open tendering system by APO with stringent quality control mechanism ensuring development of quality vendors from large business houses. Procurement *w.e.f.* January 2009 onwards has been effected under the new policy. The revised policy is effectively responsive and procurement of tea has since then stabilised."

(f) Failure of Large Number of Contracts pertaining to Dal and Tea

26. Audit observed that a number of contracts signed for annual procurement had to be cancelled due to the failure of the contractor to supply the contracted rations. Of the 343 contracts signed during the three years period of 2005-06 to 2007-08, 80 contracts (23 per cent) had to be cancelled due to the non performance of the contractors. 39 of these cancelled contracts pertained to Dal and Tea. While the contracts entered into by APO provide for risk expense provisions in case of failure of the contracts, local procurements are made by the Supply Depots to meet the deficit. Despite failure of many contracts and consequent resort to local procurement at higher rates, in no case, provisions of risk purchase in the original contract could be invoked. This was because such provisions could be invoked only if APO had carried out the risk purchases.

27. Further out of the 23 contracts cancelled during 2007-08, four contracts pertained to the procurement of 1800 MT of North East Tea out of an indent of 2400 MT. The contracts were cancelled because the samples produced by the firm could not meet the enhanced specifications wherein moisture content was revised during 2007-08 from 41 per cent to 42 per cent. Due to cancellation of the contracts. 1915 MT of tea valuing Rs. 20.09 crore had to be procured locally by the Supply Depots incurring an excess expenditure of Rs. 9.16 crore due to the higher price of local procurement *vis-à-vis* central procurement.

28. When asked about the measures taken to eliminate failure of contracts that occur due to inaction/non-performance, the Ministry in a written reply stated that failure of a contract mainly happens due to abnormal rise in prices of the item concerned. As the items of dry ration are agricultural items, their prices are regulated by the market forces. When the price rise is sudden and abnormal, the speculative estimates of the suppliers go astray and as a consequence the supplier is unable to meet his obligations. The Ministry had further stated that while total elimination of contract failure may not be feasible because of nature of the items being procured, the following measures have been taken to bring down such instances:—

- (a) Procurement has been staggered to two to three phases in a consumption year to facilitate quotation of realistic prices by the vendors.
- (b) Vendors who have defaulted in supply against a contract are now debarred from participating for that item in the next tender.
- (c) It has been proposed to include the provision of forfeiture of the amount of Performance of Bank Guarantee in the event of failure of a contract in

the Terms and conditions of APO contracts. The matter is under active consideration.

29. Enquired about the action taken in case of failure of contracts by vendors the Ministry in their post evidence reply stated that action has been taken to remove the vendors from the approved list as per due process of law on the following grounds:

- (a) Failure in tendering *i.e.* to observe the instructions given in the tender form including schedule thereto.
- (b) Failure to perform a contract satisfactorily in accordance with the contractual obligations.
- (c) Failure to pay Government dues.
- (d) Withdrawal of the standing security, if any, deposited in connection with the registration.
- (e) Revocation of tender during the period when the offers are still open.
- (f) Any other ground which in the opinion of the Head of the Purchase Organization renders the retention of the contractor's name in the approved list undesirable in the public interest.

(g) Uneconomic Cost of Atta

30. The comparative analysis by Audit at one of the Supply Depots proved that the cost of 50 Kg. bags of a branded *Atta* as given in the offer submitted by one branded *Atta* company was much less than the cost of *Atta* produced through the present practice of grinding of wheat into *Atta* by the Army. The average cost difference between obtaining *Atta* from grinding of wheat and procuring branded *Atta* readily available in the market was Rs. 2 per Kg. as indicated in Table 5.

Table 5

Cost comparison of grounded Atta and branded Atta

	Cost of <i>Atta</i> Supplied by Army (per MT)	Market price of branded <i>Atta</i> (per MT)
Cost of wheat (Rs.)	13676.00	—
Add (+) : Cost of transportation And grinding : Rs. 229.73		
Less: Buy back bran/bags: Rs. 487.64	(-) 257.91	—
Total cost per MT (on wheat) (Rs.)	13418.09	
Quantity of <i>Atta</i> produced per MT of Wheat	0.9215	
Net cost of <i>Atta</i> (Rs.)	14561.00	12600

31. Audit also noticed inconsistency in the rates at which contracts for grinding of *Atta* were entered into by the Army at various stations. For example, while the contracted rate for grinding at Jalandhar during 2005-06 was Rs 80 per MT, the rate at Jammu was Rs 250 per MT.

32. In their reply to the aforesaid observations of Audit, the Ministry of Defence in their post evidence reply stated that a number of measures have been introduced or under consideration both at the micro and macro level, for providing better variety and quality of rations to troops. The Ministry further informed that procurement of branded *atta* has been introduced in 2009.

(h) Despatch of Stores much after the Estimated Storage Life (ESL)

33. Estimated Storage Life (ESL) of a food item is the period for which the food item is likely to remain fit for human consumption, under normal storage conditions. According to the DGST' technical instructions. The Supply Depots are to ensure that food items are issued in accordance with their storage life (ESL). The instructions also state that food stuffs must be consumed when they are sound, wholesome and fit in all respects and not at the last stages of storage. In special circumstances, ESL may be extended by a maximum period of three months.

34. However, Audit scrutiny had revealed that out of the 11,346 samples of rations sent to the three Composite Food Laboratories (CFLs) for extension of ESL, extension was granted in respect of 11330 cases. Thus almost in all the cases, extension was granted. It was notice that the CFLs in Mumbai and Delhi adhered to the DGST instructions 2005, of not extending the life of rations beyond three months of expiry of the prescribed ESL. However, CFL Jammu which covers the whole of Northern Command and some parts of Western Command was found to grant extensions well beyond three months of the prescribed ESL, in some cases even up to 28 months. It was found that *Atta*, Sugar, Rice, Tea, Dal, Edible Oil and Raisins were consumed even 6 to 28 months after the expiry of their normal ESL.

35. Audit contended that though in their reply the CFL stated that such extensions were given after conducting detailed microbiological and chemical analysis, no such report was furnished to them. Even otherwise, according to the DGST instructions, no extension of life beyond three months should have been granted by the CFL under any circumstances. According to Audit repeated grant of extension in ESL clearly shows that troops located in Northern Command despite having difficult operational conditions are fed with rations of the quality far below DGST norms.

36. In this context, the Committee desired to know the prescribed Estimated Storage Life (ESL) for the dry rations. In response, the Ministry in their written reply stated as follow:

"1. Regular Rations: The prescribed Estimated Storage Life (ESL) for dry rations has two components:—

(a) Initial Storage Life: The initial storage life is a component which corresponds to the warranty period for each item enshrined in the contract of Army Purchase Organisation. It ranges from three to six months.

(b) Extended Storage Life: The extended storage life concept is applicable, if due to dynamics of stock management the procured food item is not consumed in the given time of the initial storage life. This provision is to be exercised on case to case basis and post scientific evaluation an extension upto three months can be given.

2. Advance Winter Stock (AWS): However in the High Altitude areas, for the Advance Winter Stocks (AWS) stored in sub-zero temperatures, the extended storage life is assessed on the actual condition of stocks. The period of extension can go beyond the stipulations given in para1(b) above. Only such food items as are found to retain their original quality parameters post scientific evaluation are considered for extension. Such extensions are monitored and accorded judiciously with due deliberation."

37. Elaborating the system adopted for extension of life of dry rations the Ministry in a written reply stated that Extension of ESL has only been accorded in cases of food items stored in sub zero temperatures in the High Altitude Areas of Northern Command, after scientific evaluation by CFL Jammu as per the existing provisions. The unit provides dedicated quality control cover to the troops located in Northern Command. It is pertinent to mention that extension of ESL of food items in respect for the bulk of the troops located in other sectors has been in accordance with the laid down relevant instructions.

38. When asked about the basis for extension of life of the dry rations, the Ministry in a written reply stated as under:—

"The stocks are pre-positioned/stocked as per the stocking policies based on operational assessment. As per the existing procedure; all items of Advance Winter Stocking (AWS) are pre-positioned and stocked in all forward locations before the onset of winters. After snowfall these locations become inaccessible and remain cut off for the entire duration of the AWS. During the road-open period from May to September each year, pre-positioning and stocking is done within the initial storage life/warranty of all food items ranging from three months to one year. The items with least storage life are stocked up the last. Once stocked these items are only accessible in the next calendar year, after the road opening, *i.e.* in the month of May.

As the bagged supplies and some milk based products have short storage life ranging from six to eight months, ESL of such items is extended on case to case basis under the provisions of relevant instructions, if found conforming to the stipulated quality parameters.

The life was extended based on scientific analysis and the results conformity being in line with the stipulated quality parameters. The necessary extension of life is communicated to the stock holding units who in turn communicate the same to the consumer units/troops."

IV. Quality control of rations

39. According to the Audit all items of central procurement on tendering against contracted quantities are qualitatively analysed for their conformity with Defence Food Specifications by the Food Inspection Organisation in the DGST, comprising three Composite Food Laboratories (CFLs), one each at Delhi, Mumbai and Jammu, and four Food Inspection Units (FIUs), one each at Lucknow, Chennai, Bengdubi and Guwahati. All Food items are procured in accordance with the Defence Food specifications. The testing methodologies and protocols followed by the Defence Food Labs for all food items are laid down by the Bureau of Indian Standards (BIS). Only fit items are accepted and despatched to destination stations. Fresh supplies are accepted at supply depots as per laid down specifications.

40. When asked whether food laboratories are in possession of the latest scientific equipments for testing the quality of rations supplied to the Army personnel, the Ministry in their reply stated that the Laboratories are adequately equipped to carry out the testing of food items being procured. They are duly certified for conformity with ISO standards in this regard. The last modernisation of the labs took place in 2001-2002. Currently, the process of identification of state of the art scientific equipment is underway.

41. Asked to state whether Army have engaged any Scientific Advisor for rendering advice in the matters of procurement of ration as also for checking the quality of rations, the Ministry in their post evidence reply stated that the food items are analysed in the Defence Labs by specialist officers who are trained post graduates in various disciplines of food science. These Officers are also given refresher training at Defence Food Research Laboratory (DFRL), Mysore from time to time. Further the Ministry stated that pursuant to C&AG's recommendations, action has been initiated to strengthen these laboratories in terms of numbers, manpower, equipment and scientific capability.

V. Fresh rations

(a) Procurement of Fresh Rations

42. The procurement and supply of fresh rations in all seasons almost on a daily basis to thousands of Units in all the stations is a daunting task as these include many agricultural products which not only are sensitive to seasonal variations but are also perishable. The supply chain management becomes even more complex when the variety, the constant change of preferences of the troops, volume indented and stringent specifications are taken into account. Procurement of fresh rations is therefore necessarily decentralized and contracts are operated by the Supply Depots which issue the stores to the consuming units. Indents for

fresh supplies are placed by units two days in advance. Based on these, the Depots place consolidated demands on the contractors.

43. Army has laid down elaborate procedures for procurement of items of fresh rations through local contracts concluded for each station or a supply depot. These contracts are approved by the QMG at the Army HQ, GOC-in-C of the Command or lower formation Commanders depending on the value of the contract. The responsibility for procurement lies with the Major General Army Service Corps (MGASC) of the Command and the DDSTs and ADSTs functioning under him.

44. Audit analysis of expenditure on fresh rations in the three selected Commands indicated that per person expenditure from 2005-06 to 2007-08 in Northern Command was 61, 97 and 76 per cent higher than that in Western Command. Similarly, a comparative analysis of per person expenditure between Eastern and Western Commands also indicated that the expenditure in Eastern Command was 33, 70 and 33 per cent higher than that in the Western Command. The following table illustrate Command-wise pattern of expenditure on fresh rations:

Table 6

Per capita expenditure of fresh ration

Year	Expenditure of fresh rations per person per annum		
	NC (Rs.)	WC (Rs.)	EC (Rs.)
2005-06	6577	4086	5419
2006-07	7304	3703	6288
2007-08	7591	4303	5728

45. When asked about the reasons for higher expenditure per person in Northern and Eastern Command *vis-a-vis* Western Command, the Ministry in their written reply has stated that the rates of fresh rations vary from place to place due to local availability and as per seasonal price fluctuations. Variations of rates of contracted fresh rations in different Commands is due to comparative higher procurement prices on account of difficult terrain and remoteness of various stations in Northern and Eastern Command as compared to stations of Western Command. The stations of Western Command are located in main heartland where items are readily available throughout the year at reasonable rates as compared to Northern and Eastern Command. In addition, large scale dispersal of troops in small penny pockets in Northern and Eastern Commands due to Operational Commitments necessitates supply at large number of remote locations resulting in increased transportation expenses and thus higher procurement cost.

(b) Absence of Adequate Competition in Procurement of Fresh Rations

46. According to the ASC procedure for conclusion of contracts, the contract concluding authorities should make all efforts to generate adequate competition and analyze the rates from all the available sources. MGsASC are required to insert advertisements annually giving the types of contracts concluded in that Command and invite potential suppliers to register themselves as ASC contractors. Despite this and despite a large number of registered vendors, audit examination had revealed that competition in tendering and contracting for fresh rations by ASC was highly limited. Overall, the procurement process was highly non-competitive.

47. Audit assessment of the competitiveness in the tendering process, had revealed that in approximately 64 *per cent* of the cases where open tenders were invited from the registered firms during the period, *i.e.* 2005-06 to 2007-08, only one or two vendors responded to the Notice Inviting Tender and purchased the tender documents. The response in terms of quotation received from vendors was even poorer. While in 36 *per cent* of the cases only one vendor had bid for the contract, in 46 *per cent* of cases only two vendors had bid. Thus, 82 *per cent* of the procurement was based on less than three quotations. This was despite the fact that in all the three years *i.e.* 2005-06 to 2007-08, the number of vendors annually registered ranged from 110 to 222. A large number of vendors registered contrasting with only one or two vendors purchasing tender documents points strongly towards serious problem of cartelization in ASC procurements as also registration of unsuitable vendors without proper verification of their capacity.

48. Further, the analysis made by the Audit of the procurements made by Major General Army Service Corps (MGASC), Western Command, found that in all the three years, in Delhi, only one vendor purchased the tender documents for the supply of meat and chicken and the contract was awarded to him. Thus, during the last three years, about Rs. 5 crore worth of meat and chicken was annually procured for Delhi station on a single vendor basis despite the fact that 12 of the 99 vendors registered for the supply of meat and chicken in the Western Command were Delhi based. Similarly, in Chandimandir, only two vendors responded for meat and chicken during tendering in 2005-06. The contract was awarded to one particular vendor. In the next two years the same vendor responded and bagged the contracts with annual orders value of Rs. 2.34 crore. This was despite the fact that eighth of the 99 registered vendors were based at Chandimandir.

49. In their response to the Audit observation, the MGASC, WC accepted that the competition was low despite adequate advertisement and stated that the aspect of poor response needs to be evaluated at the highest level and necessary remedial measures evolved. Army HQ also acknowledged the point regarding low number of tenderers and stated that the remedial measures were being instituted. As regards anomalies in the process of registration, the Army HQ replied that the existing procedure enunciated in September 2006 was adequate and relevant.

50. The Committee desired to know the steps taken by the Ministry to foster competition and expand the vendor base for supply of quality fresh rations to the Army. In their written reply, the Ministry stated as under:—

"There is no restriction prescribed in the procedures for the number of participants for a particular contract. Irrespective of the number of tenders, rate at which the contract is sanctioned does not cross the Reasonable Rates (RR) as fixed by Panel of Officers prior to opening of the tenders, thereby safeguarding the interest of the State. One of the parameters laid down in the procedure is that each contractor has a fixed Contract Carrying Capacity (CCC) and thus can secure contract in one/two stations as per his CCC. Once he has exhausted his CCC he cannot secure contract in any other station. This restricts the vendor base and sometimes lead to a single vendor situation. The matter is being reviewed.

Efforts are also being made to further enlarge the vendor base. Government sanction has been accorded to include Meat frozen and Chicken (Broiler) frozen as authorised substitute of Meat/Chicken (Broiler) dressed in the scales of ration for officers and troops. This will enable participation of reputed vendors to supply Meat/Broiler frozen in future. Government sanction has been also recently accorded permitting contractors to bid for either Meat/Chicken (broiler) in the same tender thereby ensuring that more contractors participate in tender activity.

The study being undertaken by the Committee chaired by QMG shall look into measures to simplify the registration and payment procedures by introducing a single point registration and verification of vendors as also remitting faster payment so as to realign the procedures and eliminate such aberrations."

(c) Unreasonably low rates for Fresh Rations

51. In order to assess the reasonable rates of various items of fresh rations, a Board of Officers constituted by the Station Commander determines the Average Local Market Rates (ALMR). Prior to opening of tenders, Reasonable Rates (RR) are worked out by a panel of officers for each item and station. These rates are determined by factoring in the whole sale price index, average local market rates, all India average weighted rates, availability of the commodity, previous sanctioned rates etc. The L1 rates are then compared with the RRs before awarding the contracts. If the L1 rate is 20 *per cent* below the RR, the rate is considered as "fictitious" and is rejected.

52. However, audit examination had revealed that in all cases, the accepted rates were way below the ALMR. In fact the RR itself was determined much below the level of ALMR, which rendered it grossly unrealistic. The variation between ALMR and RR is depicted in the Table 7.

Table 7*Variation between ALMR and RR**(ALMR, RR and Accepted Rate are in Rupees)*

Year	Station	Item	Unit	ALMR	RR	Accepted Rate (AR)	Difference between ALMR and RR (in per cent)	Difference between ALMR and AR (in per cent)
2005-06	Ambala	Fowl Dressed	Kg	70.42	41.55	41.28	41.00	41.38
2005-06	Delhi	Fowl Dressed	Kg	75.83	46.20	46.60	39.07	38.55
2005-06	Chandimandir	Meat Dressed	Kg	112.00	65.80	65.20	41.25	41.79
2005-06	Delhi	Meat Dressed	Kg	127.92	68.75	67.25	46.26	47.43
2005-06	BD Bari	Veg Fresh	100 Kg	1320	591.22	610	55.21	53.79
2006-07	Chandimandir	Meat Dressed	Kg	110.00	68.50	61.75	37.73	43.86
2006-07	Chandimandir	Meat on Hoof	Kg	40.00	24.00	10.00	40.00	75.00
2006-07	BD Bari	Meat Dressed	Kg	101.11	75.00	78.00	25.82	22.86
2006-07	Udhampur	Broiler Dressed	Kg	100	59	58.25	41.00	41.75
2006-07	Akhnoor	Veg Fresh	100 Kg	881.23	490.35	456.00	44.36	48.25
2007-08	Kolkata	Meat on Hoof	Kg	55.00	25.00	30.00	54.55	45.45
2007-08	Delhi	Meat Dressed	Kg	129.33	73.00	73.00	43.56	43.56
2007-08	BD Bari	Fruit Fresh	100 Kg	3661.9	1639.45	1700	55.23	53.58
2007-08	Hasimara	Meat Dressed	Kg	141.96	95.00	89.11	33.08	37.23

(d) Unusual Variations in Contracted Rates in the same and adjacent Locations

53. Audit scrutiny revealed, wide variation of contracted rates within the same geographical area. Analysis of the rates accepted by various CFAs for adjoining stations in Northern, Western and Eastern Command by the Audit indicated unusual variations. The same are discussed below.

Northern Command

54. B.D. Bari, Nagrota, Udhampur and Akhnoor are stations in the Northern Command which are located within a radius of 40 km. The rates at which contracts, were concluded at five adjacent stations in the Northern Command during the last three years are shown in Table 8.

Table 8

*Comparative analysis of rates at adjacent stations in Northern Command
(Rupees per Quintal)*

Station	Vegetable fresh			Fruit			Meat		
	05-06	06-07	07-08	05-06	06-07	07-08	05-06	06-07	07-08
B.D. Bari	660	675	772	1318	1423	1423	7300	7800	8185
Nagrota	470	469	790	1040	1040	1390	7240	7240	7530
Akhnoor	467	456	790	1050	1022	1612	6677	7677	7127
Udhampur	780	850	940	1440	1555	1890	7940	8500	8915
Srinagar	549	750	647	799	1000	945	8980	9497	9947

Analysis for the last three years showed wide variation in rates at which fresh rations were contracted at these stations as discussed below:

- (i) During 2006-07 the rates for vegetables and fruits fresh at B.D. Bari were found to be higher than the rates at Akhnoor by 48 *per cent* and 39 *per cent* respectively. For Udhampur, the range by which the rates were higher than the rates at Akhnoor extended up to 86 *per cent* and 52 *per cent*. The contracts for B.D. Bari and Udhampur were approved by the Army Commander, Northern Command while the contracts at Nagrota and Akhnoor and Srinagar were approved by the Corps Commanders.
- (ii) At Srinagar, the rates for fruits and vegetables were 12 *per cent* to 50 *per cent* lower than the same at Udhampur during 2005-06 to 2007-08.
- (iii) Unusual movement of contracted rates was also noticed for the same items in the same location. Nagrota and Akhnoor witnessed an increase of 68 to 73 *per cent* for fresh vegetables from 2006-07 to 2007-08, whereas in case of fresh fruits the increase was of 33 to 58 *per cent*. The ALMR for these items did move only by 0.5 *per cent* in case of fresh vegetables and 21 *per cent* in case of fresh fruits. The disproportionate increase in the procurement rate of fresh items of fresh rations indicated that those rations were not consistent with the ALMR and therefore did not mirror the actual market rates.

- (iv) Similarly, during 2006-07, the rates at which vegetable and fruits were contracted at Srinagar was 37 per cent and 25 per cent higher than the previous year while in all other stations the maximum increase was only 9 per cent and 8 per cent. The pattern was however reverse in 2007-08, when contracted rates at Srinagar for vegetables and fruits were lower by 14 per cent and 6 per cent respectively when there was an increase up to 73 per cent and 58 per cent at other adjoining stations.

Western Command

55. Similarly comparison of contracted rates for meat and chicken at five major military stations in Western Command by the Audit showed similar variation during the period from 2005 to 2008 as shown, in Table 9-below.

Table 9

Comparative analysis of rates at adjacent stations in WC

(Rupees per quintal)

Station	Meat dressed			Broller dressed	
	2005-06	2006-07	2007-08	2006-07	2007-08
Ambala	6498	6808	7108	5378	5578
Chandimandir	6520	6175	7155	4689	5345
Jalandhar	6518	6800	7094	5285	5594
Amritsar	6280	6650	6390	4700	-
Ludhiana	6435	7485	7078	6195	6013

Eastern Command

56. 'Like-wise, in Eastern Command, Audit comparison of contracted rates for meat dressed at 3 stations viz. Dumdum, Dakshineswar and Kolkata revealed wide variation. The closeness of these stations warrants that the purchase rates should be in close consonance. It was however, found that while meat was procured in Kolkata at Rs. 10,495 per quintal in 2006-07, it was procured for Rs. 6100 per quintal at Dumdum which is only approximately 4 Km. from Kolkata. Table 10 shows the comparison:

Table 10

Comparison of rates for meat dressed at three stations in EC

(Rupees per quintal)

Station	Meat	
	2006-07	2007-08
Dakshineswar	8430	8390
Dumdum	6100	6900
Kolkata	10495	10795

57. Further, Audit has also noticed abnormal differences between contracted rates for some items for supply to Supply Depots and Base/R&R Hospitals in Delhi in the same contracts. The differences were glaring as would be evident from the Table 11 given below.

Table 11

Difference in procurement rates at two locations in Delhi

Item	Year	Rates for Supply Depot, Delhi per quintal	Rates for RR/ Base Hospital, Delhi per quintal	Difference (in percentage)
Tori Ghia	2007-08	480	575	20
Lime Sour	2007-08	1900	3900	105
Capsicum	2007-08	550	775	41
Mussambi	2007-08	1200	1500	25
Oranges	2007-08	1100	1400	27
Lime Sour	2006-07	1800	3800	111
Tomato Red	2006-07	540	700	30
Lime Sour	2005-06	1800	3400	89
Beans/Peas	2005-06	400	500	25
Capsicum	2005-06	450	700	56
Apple (Red/Golden/Delicious)	2005-06	980	1400	43
Mangoes (Safeda, Langda/Dussehri/Totapuri)	2005-06	950	1300	37

58. In this context, the Committee desired to know the basis for fixing Reasonable Rates (RR). In response, the Ministry in their written reply has stated that for fixing of RR, basic inputs as per guidelines are taken into account. Maximum possible information and data are being provided to the Executive Officers (Contract concluding authority) to ease the procedure for fixation of RR. The analysis of rates obtained at all major stations all over the country is being regularly disseminated as an additional input to the Executive Officers and is also being uploaded on the Army website. Requisite data on price discovery is being provided to representatives of the Principal of Controller of Defence Accounts (PCDA) by the Executive Officers. Orders have been issued to Executive Officers to ensure that the RR arrived at is realistic and keeping in view the current and expected market trends. Various inputs are taken into account for fixation of realistic RR which is close to market rates.

59. Asked whether there is a possibility of the quality of items being compromised when the Reasonable Rate (RR) is lower than the ALMR, the Ministry stated that the ration items are accepted from suppliers only if they are found meeting the laid down quality norms as per Defence Food Specifications.

60. Enumerating the steps contemplated to realistically assess and appropriately enforce the RR, the Ministry informed in a written reply that the present system of fixation of RR has ensured that prices do not spiral, however there is a need to further refine the methodology of fixing RRs so as to bring them in parity to Average Local Market Rate (ALMR). The Ministry further informed that a study to review same has been initiated in the Army Headquarters. Methodology being adopted by other Govt./Private Organisations like Railways, Airlines and Hotel industry is being analysed/studied. This shall be dovetailed into the study being undertaken by the Committee chaired by QMG to look into the need to realign the procedures in light of observations of the C&AG.

61. When asked about the reasons for unusual variations in the procurement rates of vegetables and fruits, the Ministry in their written reply stated that mere physical proximity alone is not the only yardstick to compare the rates of items of adjacent locations. Some of the reasons for unusual variation in rates in adjacent locations are as under:—

- (a) Tendering action for concluding contracts for different stations is held in a staggered time frame so as to enable the contractors to bid at different stations and ensure maximum participation.
- (b) If a particular contractor has not been able to secure any contract in the calls at the initial stations, he may quote lower rates in the interest of business in a bid to secure a contract at stations where tendering is still open. Moreover, the availability of his own infrastructure, like ware houses, godowns, offices etc., enables contractor to bring down overheads at a particular station, resulting in lower rates.
- (c) The volume of contracted quantity/economies of scale also affect the rate pattern.
- (d) Another factor which could sway the rates is the level of competition prevailing at a particular station.

62. To a specific query of the Committee as to how does the Ministry propose to minimize unusual and unrealistic variations in the rates of vegetables and fruits in future, the Ministry in their written note informed that variations in rates of perishable items of neighbouring stations are likely to exist keeping in view the differences in feeding strength, economies of scale, availability of infrastructure etc. However, Commands have been instructed to analyse the rates achieved at neighbouring stations and ensure that no unusual variations of rates in same/ neighbouring stations are accepted. Details of analysis of rates of all perishable items are being regularly uploaded on the website of the Indian Army for ease of access and analysis by the contract concluding officers.

63. In this regard during evidence the Additional Secretary, Ministry of Defence deposed as under:—

"Sir, CAG in its report has pointed out not just this, but several other examples where patently absurd rates have been accepted. Now, it is perhaps, your understanding, arising because of our SOPs which are a little faulty. Now, our SOP today says that if I am buying ten items overall and arrive at a reasonable price for the entire contract and if that is less than 20 per cent of the approved rates or the reasonable rates assessed, it is something which is acceptable even if parts of it are absurd. Now, we would like to issue very specific instructions that the rates have to be reasonable for each individual item and not of their collection as a whole."

64. In the same context, a senior official of the Ministry admitted that:—

"The standard operating procedure which was issued was little faulty."

65. Asked to state the reasons for non-adherence to tender instructions in various cases as pointed out by the Audit, the Ministry in a written note replied as under:—

"In the case pointed out by Audit, the Services have informed that the negotiations were carried out within the laid down regulations/stipulations of Central Vigilance Committee (CVC) guidelines issued *vide* GOI, CVC letter No. 005/CRD/12 dated 03 March, 2007. As per orders on the subject, sale of tender form closes by 1200 hours one day prior to the stipulated date of opening of tenders. The tender form observed by audit authority was issued to the contractor one day prior to the opening of tender. However, the dealing clerk erroneously mentioned the date of opening of tender as date of issue of tender on the tender form.

The C&AG report also highlights the drop in rates quoted, post negotiations, in the case of five items of fruits at two stations in Eastern Command. If viewed in isolation, it would obviously stand as questionable. However, it needs to be viewed in light of the fact that in the case of Supply Depot Bengdubi and Binnaguri, the initial rates quoted by L-1 tenderer was 132.44% and 119.20% above the then Current Contract Rates (CCR). Hence negotiations were desirable, being an exceptional circumstance.

It is also pertinent to mention that the items where in a drastic drop in rates have been highlighted are citrus fruits varieties namely Oranges and Mussambies. The authorised scale of fruit citrus then was less than half of fruit non-citrus, that is 110 gms. and 230 gms. respectively. Therefore, the quantity of citrus fruits physically demanded is also much lesser than compared to the non-citrus varieties. This aspect may have been used by the contractors to calculate their profit margins while bidding and negotiating for fruits contracts resulting in lower rates being quoted for citrus varieties.

Due to an error in the comparison of Lowest Tendered Rate (LTR) with that of the Current Contract Rate (CCR) by the Panel of Officers, a tender within the prescribed 20% range of the Reasonable Rate (RR) was inadvertently rejected in the particular case quoted in the C&AG Report pertaining to Eastern command. Directions have been passed to ensure strict checks during contract conclusion to avoid such mistakes."

66. The Committee enquired whether the Ministry conducted any study/ investigation to find out the reasons for such abnormal variation in rates for fresh vegetables, fruits and meat for the Army. In response, the Ministry in a written reply stated that all commands have been instructed to assess the reasons for such variations. Necessary advisory to this extent has been issued to commands to ensure such variations are minimized. Panel of Officers responsible to recommend rates for acceptance have been advised to justify such variations (if any) in the Panel Proceedings for consideration by the contract Sanctioning Authority. All commands have also been directed by the Army Headquarters to forward their detailed views on all aspects of contract conclusion so as to effect a meaningful improvement in the contracting procedure.

VI. Distribution of Rations

(a) Fresh Rations

67. The proportion in which different varieties of vegetables and fruits are to be issued to the consuming Units is prescribed for each month, for each station by the respective Station Commanders depending upon the troop's preference and local availability. Therefore, the contract for the procurement of fruits and vegetables also stipulates that the contractor would supply the varieties of vegetables and fruits according to the prescribed proportion.

68. Audit comparison of the procurement, issues and receipt of vegetables and fruits at 29 Units at three major stations, revealed that the consuming Units did not receive the fruits and vegetables according to the prescribed mix. Audit analysis showed that in the case of vegetables and fruits, about 74 per cent of the issues made during the month were not in accordance with the prescribed norms of issue. In some months the non-adherence was even to the extent of 100 per cent.

(b) Discrepancy in issue and receipt of items

69. Audit scrutiny also found that the quantities received by the consuming Units were different from what was shown to have been issued to the Units by the supply Depots. Certain varieties of vegetables shown to have been issued by the supply Depot and received by the consuming Units were not even procured by the Supply Depots on those particular days. The Units attributed short receipt to the Supply Depots. While no system for reconciliation between the Units and depots existed, crosschecking of the Unit records by Audit with the issue records at the depots indicated that there was a mismatch between what was issued to the units by the Depot and what was received by them.

70. A typical case of issues by Supply Depot Akhnoor and receipts by 510 ASC Bn. In two days is given in the Table-12 below. Both the Unit and the depot are commanded by the same Commanding Officer.

Table 12*Anomalies in issue/receipt of vegetable and fruit fresh*

Date: 9 July 2007				Date: 20 February 2008			
Issued by SD Akhnoor to 510 ASC Bn.		Recd. by 510 ASC Bn.		Issued by SD Akhnoor to 510 ASC Bn.		Recd. by 510 ASC Bn.	
Item	Qty. (Kg)	Item	Qty. (Kg)	Item	Qty. (Kg)	Item	Qty. (Kg)
Pumpkin	19	Pumpkin	15	Brinjal	58.5	Brinjal	15
Bitter Gourd	28	Bitter Gourd	7	Cauliflower	30	Cauliflower	16
Mint Green	4	Mint Green	Nil	Peas	20	Peas	12
Tomato Green	11	Tomato Green	3	Carrot	15	Carrot	35
Cucumber	Nil	Cucumber	3	Cabbage	25	Cabbage	33
Bottle Gourd	39	Bottle Gourd	Nil	Tomato	11	Tomato	8
Chillies Green	Nil	Chillies Green	1	Ginger	6	Ginger	Nil
Knol Khol	Nil	Knol Khol	30	Chillies Green	10.5	Chillies Green	3
R Saag	Nil	R Saag	15	Lime Sour	6.3	Lime Sour	Nil
Ladies Finger	33	Ladies Finger	60	Corriander	Nil	Corriander	5
Spinach	Nil	Spinach	30	Radish	Nil	Radish	25
Total	134	Total	134	Total	182.3	Total	182
Fruits							
Mango (S/F)	90	Pear	90	Banana	36	Banana	82
				Kinoo	22		

(c) No evidence of receipt of rations

71. While accounting for rations, all issues during the year are reconciled with the receipts by Units. This involves matching of issue and receipt vouchers. Audit scrutiny revealed that in the Northern Command alone, Rs. 1.92 crore worth of rations remained untraceable as of 31 March 2008. Of this, Rs. 1.20 crore worth of rations was issued during 2005-06, the receipt of which was yet to be traced. In their response, Army HQ stated that the mismatch in issue and receipt vouchers was being investigated.

72. The Committee desired to know the action taken by the Ministry in the cases where anomalies/discrepancies in issue and receipt of fresh rations were detected. In response, the Ministry in their written reply stated as under:—

"The variations in issue quantities as mentioned in C&AG report are pertaining to specific issues. Necessary comments were asked from concerned Commands by Army Headquarters. The issuing units have pointed out that monthly reconciliation were done at the end of the month to ensure issue of Vegetables and Fruits as per laid down variety percentage schedule in the contract.

A random check of items issued to dependent units by 510 ASC Battalion Supply Depot Jalandhar and Supply Depot Delhi Cantt. was carried out during January 2011 and it was found that laid down instructions on the subject are being strictly followed by these units.

This aspect shall also be addressed by the study to be conducted by the Committee chaired by the QMG so as to further refine the existing provisions and bring in a reasonable amount of flexibility both at issuing and receiving end based on exigencies."

73. When asked about the reason for non-accounting of rations after issue by the recipient Units, the Ministry in their post evidence reply stated that all ration items issued by the Supply Depots are accounted by the receiving Units as per laid down accounting instructions. All such issue/receipt transaction are audited. In peace stations, the audit is being carried out by the local audit authorities whereas infield areas the supply depots are audited by the local audit authorities and the receiving units are audited by a Station Board of Officers and a ration return is prepared duly accounting the entire ration receipts/consumed. Responsibility is fixed for the discrepancy found at any stage as per due administrative/disciplinary procedure.

(d) Inadequacy in the quality of rations as per the Army's own Feedback Reporting System

74. The Defence Research and Development Organization in coordination with the Director General, Armed Forces Medical Services conducted a detailed study from September 2001 to September 2005 to assess the nutritional status of the three Services and the adequacy of the existing scales of rations. The study also included surveys at selected stations to assess the satisfaction level of troops regarding quantity, quality and taste of rations. The survey was repeated after a gap of three months. While in the initial survey, the satisfaction with the quality of rations was 34 per cent, however it decreased to 29 per cent in the second survey. Similarly, the satisfaction with regard to taste of rations decreased from 32 per cent to 16 per cent in the second survey. Satisfaction with respect to quantity was also low at 38 per cent during the initial survey and 33 per cent during the repeat survey. The following were the important findings and recommendations of the report relevant in this context.

- Satisfaction level of troops regarding quantity, quality and taste of rations was very low; and
- The quality of meat and fresh vegetables was particularly low, and efforts should be made to improve the quality of meat and chicken.

75. In order to assess the quality of rations and make improvements, Army has a system of obtaining periodic feedback reports from the consuming Units wherein the troops evaluate the quality of various items as excellent, good, satisfactory or poor. The reports are finally rendered to the Army HQ, which monitors the quality of rations provided to the troops.

76. Audit scrutiny of 224 such feedback reports rendered by the Units in Northern and Western Command during the period found that in 68 per cent of the cases, the quality of rations was graded as satisfactory and below, in 31 per cent the grading was good and in only one per cent the grading was excellent. In 14 of the 50 cases pertaining to a Corps in Northern Command, the Units had complained that the quality of rations was poor and sub-standard. Dissatisfaction was also experienced against the specification and size of eggs. The Commander of the Corps had issued instructions stating that any rations if graded as "Satisfactory" by the troops should be rejected and that only rations graded as "Good" or above should be accepted. The feedback report also contains a form for reporting of rejection of rations received from the Supply Depots due to poor quality. Audit also found that only in case of 33 reports these rejections forms were filled up by the Units. In rest of the feedback reports such forms were not included at all.

77. While agreeing to the aforesaid Audit observation on Army's feedback system, the Ministry of Defence in their post evidence reply stated that issue of good quality rations is a Key Result Area of the Army and all out efforts are continuously undertaken to ensure that the best possible rations are issued to the troops. In the study carried out from 2001 to 2005 by Defence Institute of Physiology and Allied Sciences (DIPAS) it was noted that satisfaction level of troops regarding quantity, quality and taste of rations was low. In general there was a feeling that the supply of meat and fresh vegetables were of poor quality.

78. However, the Ministry has informed the Committee that the following corrective actions have been taken by them to ensure improvements in quality of rations.

- (a) Defence Food Specifications of Pulses and Tea were revised in 2008, since then approximately 90000 MT pulses and 5000 MT of Tea as per superior revised specifications have been procured by Army Purchase Organisation (APO) and released to Commands.
- (b) Procurement of branded Atta has been introduced in 2009.
- (c) To provide variation, ready to eat Chicken curried boneless and vegetables in retort pouches have been introduced in 2008.
- (d) The scales of fruit fresh citrus and non citrus have been equated in March 2009.

- (e) Special rations have been now authorised to all troops deployed above 12000 feet with effect from May 2010. Certain items of special rations have been also authorised to troops deployed in Counter Insurgency operations in 3 Corps in March 2009.
- (f) Meat frozen and Chicken (Broiler) frozen have been authorised as substitute of meat/broiler dressed in the scales of ration for Officers and troops as per Government sanction accorded in August 2010.
- (g) Government sanction has been granted in May 2010 for procurement of Sheep meat and Goat meat in any ratio based on the preference of troops.
- (h) The enhancement of scale of ration as below has been sanctioned by the Government in August 2010 and same has been implemented:—

Items	Below 9000 ft.		Above 9000 ft.	
	Existing	Revised	Existing	Revised
Fruit Fresh	230 gms. thrice a week	230 gms. per day	110 gms. per day	230 gms. per day
Eggs	Nil	02 Nos. per day	01 Nos. per day	02 Nos. per day

2. Feed back for the Quarter Ending September and December 2010 has been received from all Corps and Area Headquarters. The quality of rations have been graded from Excellent to Satisfactory.

3. Further the Ministry proposes to carry out a regular and periodic study by DIPAS so as to ascertain the satisfaction level of troops on quality of rations and suggest required improvement thereto.

VII. Constitution of High Level Committee to examine Recommendations of the C&AG Report on "Supply Chain Management of Rations in Indian Army"

79. In the light of C&AG Report on Performance Audit of Supply Chain Management of Rations in Indian Army, a high level Committee under the Chairmanship of Quarter Master General (QMG) has been constituted by the Ministry of Defence to analyse the recommendations of the C&AG, review relevant policies/procedures for provisioning, procurement of dry supplies and fresh rations and suggest necessary measures required to effect desired improvements.

80. The important recommendations made by the Expert Committee are summarized as under:

A. Provisioning of Dry Supplies and Tinned/Dehydrated Items

- (i) The Existing Standing Operating Procedure (SOP) on "Provisioning review and quantity vetting for procurement of ration items through APO and other Central Agencies" dated 19 December 2003 is quite comprehensive and the system of calculating approximate annual requirements based

upon posted strength of the troops with formation/units as per data drawn by Commands from dependent units is quite reliable. However, the approximate annual requirements are now recommended to be calculated on 4/5th of the posted strength of the troops.

- (ii) As an additional input, it is recommended that posted strength details may also be drawn from MISO (ASO) for the purpose of the comparison with the overall feeding strength details indicated by Commands in their SRDS.
- (iii) Strict enforcement of performance appraisal system of vendors be done by the APO to bring in credibility to the procurement system as mandated in DPM 2009.
- (iv) Opening up procurement of Dals, Edible Oil, Animal rations to reputed bulk producing companies with core competence/speciality in the said field.
- (v) Considering sentiments of troops, procurement of upto 10 per cent Basmati Rice is also recommended to meet the requirements of units for religious festivals, raising days and other regimental functions.
- (vi) APO to procure Milk Tinned and Cheese Tinned from member Co-operative Union of NCDFI through negotiated contract instead of open tendering, and allot procurement quantities to more than one Co-operative as per their production capacity for enhanced supply assurance.
- (vii) Due to limited availability of fruits for canning purposes and limited number of vendors registered with APO, introduce and procure additional fruit based products like Fruit Juices, Fruit Candy, Dry Fruits etc. The existing provisioning ratio of Fruit tinned and Fruit dried is recommended to be changed from 75:25 to 60:40.
- (viii) Enlargement on vendor base for procurement of Meat tinned, Fish tinned, Chicken based products and Meals ready to Eat (MsRE) and introduction of more varieties of processed foods as in lieu of tinned items to facilitate responsive procurement be done on priority.
- (ix) Convert process of APO tendering to an e-format to ensure greater transparency and conclusion of contracts as per specified timelines.

B. Estimated Storage Life (ESL) of Food Items

- (i) With realistic estimation, correct provisioning and timely turnover of the stocks there will be a rare eventuality for seeking undue extension of ESL. Therefore, due care be taken in realistic provisioning of anticipated requirements of ration items by Command Headquarters/lower formations and as well by Army Headquarters (ST-3/4) so as to avoid over provisioning, excessive releases/over stocking, thereby ensuring consumption of released items within ESL.

- (ii) Stock holding supply depots and consumer units need to be proactive and take adequate measures in storage, turnover and issue of held items to ensure consumption within ESL.
- (iii) Army Headquarters (ST-7/8) should closely monitor extensions of ESL by CFLs for AWs items held in high altitude locations so that ESL if required is extended judiciously in a controlled manner.
- (iv) Review of ESL of all food items may be undertaken by Army Headquarters (ST-7/8) in consultation with the Technical Standardization Committee (Food Stuffs), especially of tinned/dehydrated items with aim to procure maximum food items with original ESL of 12 to 18 months thereby obviating necessity of extension of ESL even for AWs items stocked in high altitude locations. The avenues and technology thresholds need to be explored to increase the initial shelf life all items with specific reference to cater for AWs requirements.

C. Upgradation/Reorganisation of Food Inspection Organisation

- (i) **Upgradation of Units:** The current Organization of the Food Inspection Organization should be reviewed by upgrading all existing Food Inspection Units (FIUs) to Composite Food Laboratories (CFL).
- (ii) **Inadequacy of Storage Accommodation for Ration Storage:** Poor state or inadequacy of storage accommodation at the Supply depots leads to faster deterioration of the quality of rations no matter how much precautions are taken. As the health of the troops alongwith optimal exploitation of the useful life of the rations is of paramount importance, works are recommended to be released on priority for construction of KLP locations for proper storage and accommodation of the rations at all stations.
- (iii) **Creation of Temperature Controlled Facilities for Fresh Rations:** All items of Fresh rations are extremely sensitive to the weather conditions. To ensure that the items are maintained in a fresh and healthy state it is essential to create infrastructure based on temperature controlled storage facilities in all supply depots having feeding strength of approximately 10000 troops and above.

D. Review of Procedure/Policies for Procurement of Fresh Rations

- (i) To simplify the participation of vendors in perishable items contract, it is recommended that contractors registered for supply of fresh rations should be allowed to participate in contracts of fresh rations in all stations of a Command based on their Contract Carrying Capacity, and not based on present classification of Class 'A', Class 'B' and Class 'C' contractors.
- (ii) Wherever participation of adequate number of registered contractors is not forthcoming and tendering results show lack of competition, after two calls the unregistered contracts/firms with pre-decided QRs in terms of specialization/capability, turn over and financial standing, must be

permitted to participate with the approval of CFA to break up the cartel, by allowing their participation by depositing an enhanced Security Deposit/ Bank Guarantee provided the Executive Officer finds them genuine. Provisions to this effect exist in DPM 2009.

- (iii) It is recommended that approval of the Ministry of Defence may be given to Army Headquarters (ST-5/6) to allow participation of major private players into the ASC contracting system.
- (iv) Adequate provisions to take necessary action against non-performing vendors already exist. These instructions are recommended to be strictly enforced by Commands.
- (v) There is requirement to identify major catchment areas of vegetables/ fruits in the geographical region of each Command as reference markets. Daily arrivals/turnover of the tonnages of such reference markets should be noted. Rates of such nodal points or reference markets be taken as base rates for RR fixation of all satellite stations. For all Stations being fed from the same market the infrastructural overhead including transportation be suitably added to arrive at realistic rates for conclusion of the contracts.
- (vi) Rates for different delivery locations in same stations must be uniform with minor variation of additional cost of transportation and other such expenditures which must be quantified. In case variation persists, then reasons for the variation should be recorded in the panel proceedings.

E. Fixation of Reasonable Rates (RR) for Conclusion of Fresh Ration Contracts

- (i) A suggested mathematical model with the inflation and futuristic prediction needs to be factored in for correct formulation of the RR. The suggested model is recommended to be taken as one of the additional tool for fixation of RR by the Panel of Officers. Panel may also choose its own model giving due weightage to various other inputs.
- (ii) First and foremost, the RR should be fixed for a base station in each Command. Thereafter, keeping the interest distance from the base station as well as from one base station to another and other factors peculiar to the station, the RR should be fixed for other stations.
- (iii) In case of meat group items if rates quoted are lower than 15 per cent of RR, the same should be treated as fictitious and rejected by Panel of Officers, instead of the present stipulation of 20 per cent. However, for all other items, in case rates quoted are lower than 20 per cent of RR the same shall be treated as fictitious as hither to fore.
- (iv) Resource Mapping and Market Research Cell (REMMREC) in each Command is recommended to be set up for gathering real time information on prices and authenticated online statistics. Adoption of customized research tools with this will facilitate forecasting of market trends, effect correct price discovery and evolve realistic RR.

F. Marginal/Substantial Increase of Lowest Tendered Rate (LTR) over RR

- (i) As per the existing instructions if the LTR is higher than the RR, negotiations are required to be done with the L-1. It is recommended that if the L-1 is marginally higher than the RR, contract should be sanctioned without carrying out negotiations and the same be recorded in the panel proceedings. In case if LTR is substantially higher than RR and L-1 is invited for negotiations, but negotiations do not lead to any fruitful results/ reduction in quoted rates, then retender should be ordered.

G. Introduction of Major Players in ASC Contracting System

- (i) Bringing in retail chains, will indeed raise the bar of satisfaction and give certain quantum of assurance in terms of inducing healthy competition. These retail chains should be brought in ASC contracting system to open up the closed cartel type operation of a limited few registered players.
- (ii) Such major players/First should have a minimum annual turnover of Rs. 25 crores per annum for the items for which they are to be registered. Value of irrevocable bank guarantee should be considered as an asset for fixing the contract carrying capacity of such firms. Last three years audited balance sheets be taken into account to ascertain his financial status to execute contracts. The firms should be centrally registered at Army Headquarters (ST-5/6). Once registered, they should be allowed to take part in contractual activity in all Commands for the items for which they are registered.

H. Option of concluding Perishable Items contracts of less than one year based upon Flush Season of Vegetables and Fruits Fresh

- (i) Keeping constraints of authorization of ST staff at various levels and cumbersome and lengthy process of conclusion of contracts in mind, it is recommended to conclude half yearly contracts termed as summer and winter contracts as under:
 - (aa) **Summer Contracts** 01 April to 30 September.
 - (ab) **Winter Contracts** 01 October to 31 March.
- (ii) E-Tendering is recommended to simplify the process of conclusion of contracts. It will reduce the problem of cartel formation by contractors, increase efficiency and hasten contractual process. Retender if required can be scheduled after one week based on realistic RR application on E-auction portal site as being done presently for auction of surplus/ unserviceable Packing Material through MSTC.

I. Feedback System of Rations

The Committee proposes the following with emphasis on quality and optimum satisfaction level of the troops:

- (i) The composition of the target audience for the feedback should be

deliberated as the food habits of the Officers and the JCOs/OR are at variance and at all times may not reflect the correct picture. The target audience composition to obtain quality feedbacks should be kept into consideration that these are primarily troop rations and not Officer rations.

- (ii) The monthly messing meeting parade at station level should be conducted strictly under the aegis of the Station Commander. The attendance at the messing meeting should truly represent the entire affected dependency of the station units.
- (iii) A study by DIPAS after every two years to suggest alteration in rations depending upon development of food technology and preference of troops is recommended.

J. Miscellaneous Issues

The purpose of rations is provision of nutritious wholesome food to maintain the health of troops and enhance their performance in all type of terrain, climate and conditions. This should enjoy overriding paramount status, independent of costs. Following sub-systems are therefore recommend to be put in place for modernizing the supply chain:

- (i) Modern Warehousing with Air Treatment infrastructure.
- (ii) Provision of need-based Cold Chain infrastructure.
- (iii) Defence Food specifications be updated in keeping with developed infrastructure.
- (iv) Kitchen Equipping and Dining Facilities Management.
- (v) Establishment of Culinary Center of Excellence.
- (vi) Automation.

The above-mentioned modernization should be achieved in a definite time-bound manner for which requisite budgetary provisions should also be planned.

81. Based on the recommendations of the High Level Committee, the Army Headquarters forwarded 18 proposals to the Ministry of Defence for their consideration. These have been deliberated upon in the Ministry in consultation with Defence Finance and Army Headquarters. According to the Ministry, five of the proposals have been approved in principle and action is under way to implement the same. It was also stated that the cases under consideration are also proposed to be taken up in a time-bound manner and time lines have been ascribed in mutual consultation for finalizing the action to be taken. A brief note indicating

the Action taken/Proposed to be taken alongwith the time lines for implementation of the proposals made by the AHQ are given as under:

Subject	Action Taken/Proposed & Time Lines
<p>QMG Proposal No. 1 Review of SOP on the provisioning, review and quantity vetting for procurement of ration items through APO and</p>	<p>Management Information System for ASC is at an advanced stage of completion. The system will enable asset transparency, tracking and management, speedy processing and real time up-dation of data. Presently, a very elaborate procedure is being followed, based on feed-back from the formations, which is then matched with data available on the consumption patterns, the total strength of the Army etc., and is also ratified by the Defence Finance before CFA approval by the Ministry. However, the accuracy of the projections had been questioned by C&AG.</p> <p>The High Level Committee's Study Report has proposed a change in the methodology as also greater reliance on automation to address the issue. To this end, the following amendments/additions have been recommended in the existing SOP on the subject:</p> <p>(a) The approximate annual requirements are now recommended to be calculated on 4/5th (as against 5/6th) of the posted strength of the troops.</p> <p>(b) The posted strength details may also be drawn from MISO (ASO), for the purpose of the comparison with the overall feeding strength details indicated by Commands in their SRDS. Similarly, besides obtaining details of holding strength of Personnel and Recruits, details of new raisings should also be obtained.</p> <p>The proposal has been examined in the Ministry in consultation with Defence Finance and Army Headquarters and is at an advanced stage of finalisation.</p> <p>Time Line for finalising the action: 15 days</p>
<p>QMG Proposal No. 2 Procurement of Milk and Cheese by the APO from member Co-op Unions of NCDFI through negotiated contracts instead of open tendering</p>	<p>The proposal stems from the experience during procurement of the items through the existing system of open tendering. The response for the order comes mainly from local co-operatives under the umbrella of NCDFI. Many times, the turnover of the individual co-operatives is not sufficient to cater to the large orders of the Army. It is the view of AHQ that concluding a negotiated contract with NCDFI will give the co-operatives sufficient flexibility of cross-locality</p>

Subject	Action Taken/Proposed & Time Lines
<p data-bbox="347 443 619 1025">QMG Proposal No. 3 Review of provisioning ratio of Fruit tinned: Fruit dried from 75:25 to 60:40</p>	<p data-bbox="635 443 1254 600">adjustments and would lead to efficiency in the supply chain management for the items. Such an arrangement has already been working very satisfactorily in conclusion of negotiated contracts of Desi ghee, Butter tinned and Whole Milk powder.</p> <p data-bbox="635 622 1254 801">The matter has been examined in the Ministry in consultation with Defence Finance and Army Headquarters. After due deliberations it has been agreed upon that the procurement should be opened to competition and NCDFI could also participate in the tender process.</p> <p data-bbox="635 824 1254 857">Time Line for finalising the action: 15 days</p> <p data-bbox="635 880 1254 1283">The proposal has been examined. The thrust of the argument for changing the ratio is that, consequent upon the change in 2010 in scale of fruit for PBORs from 230 gms. per week to 230 gms. per day, there has been considerable increase in the annual requirement for holding of General Staff Reserved and Maintenance Stocks in the Commands. It is anticipated that there could be problems of procurement of the said quantities. The measure also has cost benefits the ESL management of the products would be better, and the nutritional aspects would improve since tinned food, being syrup-based, is not as healthy as having the fruit in natural form.</p> <p data-bbox="635 1305 1254 1429">The matter has been examined in the Ministry in consultation with Defence Finance and Army Headquarters. After due deliberations the proposal has been agreed upon with an option for review after 3 years.</p> <p data-bbox="635 1451 1254 1485">Time Line for finalising the action: 15 days</p>
<p data-bbox="347 1507 619 1653">QMG Proposal No. 4 Procurement of improved quality of Rice as per Def Food Specification No. 168</p>	<p data-bbox="635 1507 1254 1845">The Army Purchase Organisation (APO) is procuring Rice for the Army from FCI. Allotted quantities of rice are lifted on a quarterly basis from around 90 FCI depots across the country. In quality terms, this rice conforms to the Rice Grade 'A' as per ASC Specification No. 166, which comprises about 41% of sound grains and up to 59% of broken/unsound/dicoloured grains. The existing quality of Rice has been drawing poor feedback from the troops along with a constant request by the formations to improve the quality of Rice. In order to overcome this problem, a study of issues involved was</p>

Subject	Action Taken/Proposed & Time Lines
<p>QMG Proposal No. 5 Upgradation of appointment of ADST in 20 x HQ Sub-Areas presently tenanted by Lt. Col. to the appt. of Col. ST to be tenanted by a selection grade Col.</p>	<p>undertaken by Army Headquarters and a proposal was mooted by the Army Headquarters in 2009 for procurement of non-Basmati varieties of Rice as per revised Defence Food Specification No. 168 by APO.</p> <p>The issue is already being progressed with FCI for initiating pilot project in this regard. FCI is to work out the financial implications as also give their go ahead to the proposed pilot project. The Ministry is pursuing the matter with FCI.</p> <p>Time Line for finalising action: 3 months</p> <p>DGST has stated that with upgradation of Sub-Areas to the Command of Major General from Brigadier, a large number of contracts are likely to be concluded under the financial powers of Sub-Area Commanders as Competent Financial Authority (CFA). Presently, an ADST of the rank of Lt. Col. is authorised in HQ Sub-Areas. With the projected increase in Financial powers of the Sub-Area Commanders, a selection grade Colonel will now be required to be authorised in each HQ Sub-Area as Colonel (ST) instead of existing Lt. Col. (ADST) to execute the enhanced complex task.</p> <p>Further, the report of High Level Committee has also recommended conclusion of half yearly contracts termed as Summer and Winter contracts based on production season of vegetables and fruits fresh. Change from existing procedure of conclusion of annual contracts into a bi-annual affair will double the work load in the HQ Sub-Areas.</p> <p>The upgradation of appointment of Additional Director, Supply and Transport (ADST) in 20 x Headquarters Sub-Areas, presently tenanted by Lieutenant Colonel (Lt. Col.) to the appointment of Colonel, Supply and Transport [Col. (ST)] to be tenanted by a selection grade Colonel along with associated support staff has been accordingly (been) proposed.</p> <p>The proposal is presently being deliberated upon in-house in Army Headquarters for inclusion as part of the revised list of appointments currently under revision so that overall appointments are within the approved limit of 1051 appointments for the Army.</p>
<p>QMG Proposal No. 6 Establishment of a</p>	<p>Time Line for finalising action: 15 days</p> <p>The present set up in the Command Headquarters is very lean and so busy in operational level activities</p>

Subject	Action Taken/Proposed & Time Lines
Resource Mapping and Market Research Cell at each of the six Command HQs.	<p>that it is not able to devote anytime to market research and analysis. At the same time, it is anticipated that there is likely to be a spurt in such work since seasonal contracting instead of the present practice of annual contracting is also being considered to address abnormal fluctuation in rates. The need for such an organization was therefore felt necessary.</p> <p>The matter has been examined in the Ministry in consultation with Defence Finance and Army Headquarters. After due deliberations it has been agreed upon that automation and ready availability of information on internet may obviate the need for setting up the research units in all the six Commands. Further there is a total ban imposed on accretions by the Ministry of Finance. Therefore, while acknowledging the need for market survey and well researched inputs for proper price fixation, it has been decided that the methodology could factor in outsourcing in view of the total ban on accretions.</p> <p>Time Line for finalising action: 3 months</p>
<p>QMG Proposal No. 7 Upgradation of four FIUs located at Bengdubi, Guwahati, Lucknow and Chennai into CFLs and raising of a CFL at 'N' Area Chandigarh dedicated for 14 Corps</p>	<p>At the forefront of the concerns of the Public Accounts Committee has been the quality of rations being dispensed to the troops. In view of the peculiarities of service conditions, terrain as well as security concerns, the Indian Army routes the quality testing of rations through test laboratories within the environment.</p> <p>In developing total quality management setup, and to have a pro-active stock management system, it is essential for the quality control units to provide real-time composite advice to the technical functionaries at all levels based on the assessment of the storage and stock conditions. Therefore, the Army's Food Inspection Organisation units are recommended by QMG to be revamped and located within a turnaround of about 48 hours from all locations in their area of responsibility with the inherent flexibility to go on to ground in any eventuality and provide suitable advice.</p> <p>The matter has been examined in the Ministry in consultation with Defence Finance and Army Headquarters. Keeping in view the merits of outsourcing</p>

Subject	Action Taken/Proposed & Time Lines
<p>QMG Proposal No. 8 Nomination of ASC officers on professional courses</p>	<p>such non-crore activities especially in metros and big cities, and yet maintaining the emphasis on operational needs, it was agreed upon that the case for two CFLs at Chandigarh (new raising) and Guwahati (upgradation of existing FIU) would be recommended for approval of Ministry of Finance.</p> <p>Time Line for forwarding proposal to Ministry of Finance: 15 days</p> <p>The impact of newer food chain models has revolutionised the food production and marketing techniques. With increased financial capabilities and growing aspiration levels, there is a need to change the system of procurement and distribution of rations. Thus, in addition to knowledge of food production, nutrition, processing and packaging, there is a requirement of training ASC officers in Food Supply Chain management to continuously evaluate and update their knowledge.</p> <p>In this context Army Headquarters have stated that the Indian Institute of Management and other Govt./non-Govt. institutions conduct courses on supply chain management, contract and tendering, agriculture food supply chain etc. which are taking a central stage due to consumer preferences, new product technologies, food safety issues, etc. Similarly, institutes like Central Food Technological Research Institute (CFTRI), Mysore conduct courses on food processing, food hygiene, food irradiation, food preservation etc.</p> <p>Government has accorded 'in principle' approval for ASC officers attend such courses on a regular basis. This will help to generate a pool of talent within the organisation to drive the envisioned systemic improvement.</p>
<p>QMG Proposal No. 9 Review of procedure of registration and reverification of vendors and procedure for formulation of RR</p>	<p>Action completed.</p> <p>The supply chain process needs to be opened up to ensure competitiveness and quality of rations. The fixation of reasonable rates is also a key factor in achieving satisfactory quality of supplies at the best cost to the exchequer. The 2006 procedure prescribed for procurement of fresh rations has been suitably</p>

Subject	Action Taken/Proposed & Time Lines
<p>QMG Proposal No. 10 Analysis of option of concluding perishable items contracts of less than one year based upon flush season of seasonal varieties both of vegetables and fruits fresh.</p>	<p>modified by Army Headquarters to incorporate the relevant provisions of DPM 2009 in order that the document could be published as a supplement to DPM 2009.</p> <p>The matter is under active consideration in the Ministry in consultation with Defence Finance and Army Headquarters.</p> <p>Time Line for finalising action : 30 days</p> <p>As per present procedure, ASC is concluding two types of contracts for perishable items <i>i.e.</i></p> <ol style="list-style-type: none"> i. Meat Group items which include Meat/Broiler dressed/alive, Eggs etc., and ii. Fresh Group contracts which include Vegetable/Fruit/Potato, Onion, Garlic etc. <p>The contracts are concluded on a yearly basis commencing from 01 April each year for Meat, Chicken, Eggs, Fish, Potatoes, Onions, Garlic, Firewood, Charcoal, Lime quick and Combined items and commencing from 01 October each year for Vegetables, Fruits, Milk, Bread and Green grass/fodder. The volatility and unpredictability of rates of fresh rations for a period of one year leads to incorrect speculative forecast of availability and rates of fresh rations for conclusion of annual contracts of fresh supplies. However, the rates of Meat Group items are not as volatile as compared to Fresh Group items.</p> <p>An in-Depth analysis of the connected issues has been made by the High Level Committee in their Study Report, while admittedly there are constraints of staff at various levels and process of conclusion of contracts is time-consuming and cumbersome, nevertheless a systemic shift for a more realistic set of rates is necessary in the fresh fruits and vegetables segment.</p> <p>Therefore, it has been proposed that half yearly contracts be concluded for the Fresh Group items. To ensure efficiency in contract conclusion so as to not cause any stoppage of the supply chain, specific timelines shall be adhered to by all stake-holders in the processing of tender documents and taking approval of CFA. To this end, so as to ease implementation in the long run for the entire scale of procurement, it is further proposed to first put in place pilot projects on an</p>

Subject	Action Taken/Proposed & Time Lines
<p>QMG Proposal No. 11 Review of existing instruction on drawal/ issues of veg and fruit fresh as per laid down variety percentage schedule.</p>	<p>experimental basis in select stations in each Command as decided by the Army Commander.</p> <p>The matter has been examined in the Ministry in consultation with Defence Finance and Army Headquarters.</p> <p>Government sanction has been accorded for concluding perishable items contracts of less than one year in the Fresh Group contract segment, based upon flush season varieties of both vegetables and fruits fresh, with specific time-lines and on the basis of the success of pilot project for the period 01 April 2012 to 31 March 2013.</p> <p>Action completed.</p> <p>The drawal of fresh supplies by variety and percentages from the contractor is governed by a set of instructions contained in Paras 205 to 208 of 'Guide to ASC Contracts 1967'. Monthly schedule of percentages has to be corrected to the last decimal point by the Supply Depot at the time of reconciliation, which is not possible at all times.</p> <p>Further, the existing procedure of issue of vegetables and fruit fresh as per schedule variety percentage takes into account the variety percentage schedule of the stations as a whole and not really of a particular individual unit in the station.</p> <p>It has been the experience of Army Headquarters that at times some of the units demand a particular item(s) more to meet the dietary habits and troops preference. Such a request is foreclosed as per procedure, since vegetables and fruit fresh are issued to all units as per the common variety percentage schedule fixed for the station.</p> <p>Further, the powers to accord variation on in the event of failure of crop, delay in crop or similar other unforeseen reasons in the variety percentage schedule is currently vested with the officer responsible for conclusion of the contracts. Obtaining sanction of the CFA in such cases takes times and at times leads to non supply of such critical varieties.</p> <p>In view of the above, there is need to delegate these powers to the local Station Commander. Essentially, an element of flexibility and empowerment is being sought</p>

Subject	Action Taken/Proposed & Time Lines
	<p>to be introduced to factor in decision making at the ground-level. More so, since recourse to automation has been put in place at majority of the stations and there is very little leeway for errors now.</p>
	<p>The matter has been examined in the Ministry in consultation with Defence Finance and Army Headquarters. It has been agreed upon that in view of the automation put in place, the 5% variation would suitably address the concerns expressed by C&AG.</p>
	<p>Time Line for finalising action: 15 days</p>
<p>QMG Proposal No. 12 Conduct of DIPAS study every two years to suggest alteration in rations depending upon development of food technology and preference of troops.</p>	<p>One of the major components of carrying out a thorough appraisal of the ration system to identify the weaknesses can be effected by obtaining suggestions from the users and scientifically analysing them. An in-house four-fold system of obtaining feedback on quality of rations supplied to the Army is already in place. However, the merit of a periodic and independent survey conducted, whether by Indian Council of Medical Research (ICMR) or Defence Institute of Physiology and Allied Sciences (DIPAS) for determining the satisfaction-level of troops has been agreed upon when the matter was deliberated upon in the Ministry in consultation with Defence Finance and Army Headquarters. This is to be done on an annual basis. Nutritional aspect are to be addressed over a broader period, say five years, by DIPAS.</p>
	<p>Time Line for finalising action: 15 days</p>
<p>QMG Proposal No. 13 Authorisation of <i>in lieu</i> items in the existing ration scales for Officers and JCOs/OR.</p>	<p>Inputs on nutritional requirements of existing supplies of rations were obtained by Army Headquarters from DIPAS, who have opined that energy and nutrient requirements are based on total energy expenditure, metabolic state, body composition, and are influenced by environmental conditions. Existing Ration scales of Indian Army are able to meet energy requirements of troops under normal working conditions, Macro and micronutrients are within safe limits. However, there is requirement of providing variety as <i>in lieu</i> items, without increasing overall calorie content of rations. The Study Report has therefore recommended that there is a need for providing certain variety as <i>in lieu</i> items without increasing the overall calories contents in the existing scale of ration for the both <i>i.e.</i> Officers and JCOs/OR.</p>

Subject	Action Taken/Proposed & Time Lines
<p>QMG Proposal No. 14 Modernisation of the CFL's by procurement of state of the art testing equipment and its budgetary support during life cycle of the equipment.</p>	<p>The proposal has been examined in the Ministry in consultation with Defence Finance and Army Headquarters and has been agreed upon.</p> <p>Time Line for finalising action:15 days</p> <p>To ensure that the units of Food Inspection Organisation function effectively and are able to provide real time quality assurance support, to all the consumer units/ stock holding/supply units and Formation HQs, the following measures are recommended to be instituted by AHQ:—</p> <ul style="list-style-type: none"> (a) Modernisation of all the CFLs with state of art automated scientific testing equipment. (b) The review of equipment holding to be carried out every five years through a specialist board of officers, who will submit detailed recommendations post technical evaluation for assessing the serviceability, applicability of the existing equipment and procurement of any additional equipment. (c) Dedicate budgetary support under relevant budget heads and technical grants with duly apportioned responsibility of the various CFAs to be provided for procurement, maintenance & repairs during the life cycle of the equipment. The matter has been examined in the Ministry in consultation with Defence Finance and Army Headquarters and has been agreed upon. Government sanction has been accorded for action to be taken based on the competency of the concerned CFA.
<p>QMG Proposal No. 15 Testing of food samples for cross validation and carrying out scientific interaction with NABL (National Accreditation Board for Testing and Calibration Laboratories, Department of Science and Technology, Govt. of India) accredited Testing Laboratories.</p>	<p>Action completed.</p> <p>Food inspection of ration supplies in the Army, on an average, entails quality testing of approximately 20,000 samples every year. Though the testing is carried out as per stipulated testing protocols and methodologies, such large quantum of samples can induce errors in equipment and subjectivity in the evaluation of the sample results. In order to overcome situations of subjectivity and avoidable equipment/procedural errors, it has been recommended by the QMG's Study Report that budgetary support and provisions need to be put in place to facilitate and empower the CFLs to carryout scientific interactions and cross validation of test results with</p>

Subject	Action Taken/Proposed & Time Lines
	<p>other NABL (National Accreditation Board for testing and Calibration Laboratories, Department of Science and Technology, Govt. of India) certified food testing laboratories. The matter has been examined in the Ministry in consultation with Defence Finance and Army Headquarters and has been agreed upon in principle. The financial implications of the proposal have been worked out and the matter is under active consideration.</p>
<p>QMG Proposal No. 16 Integration of the food inspection organisation (ST-7/8) of Dte. Gen. Supplies and Transport, QMG's Branch, Integrated HQ of MoD (Army) with Food Safety and Standards Authority of India as a member.</p>	<p>Time Line for finalising action: 15 days</p> <p>The Armed Forces till date remain the largest consumer of the processed food items procured by the food industry. The Food Inspection Organisation therefore has the capability to provide valuable input to the National Food Safety and Quality Assurance set up to ensure better food safety by formulating superior food quality specification for the Nation. In fact the expertise of the Food Inspection Organisation of the Armed Forces has been sought for formulation of the National Food Specifications by the Food Safety and Standard Authority of India, or FSSAI. Government has approved the proposal of Army Headquarters to interact at the appropriate level with the Nodal Ministry for obtaining membership of FSSAI for Food Inspection organisation of Army Headquarters.</p>
<p>QMG Proposal No. 17 Revision of terms and Conditions of APO contracts as per DPM 2009.</p>	<p>Action completed.</p> <p>The Army Purchase Organisation (APO) is responsible for procurement of dry rations to cater to the needs of the Defence Services. Directorate General of Supplies and Transport compiles the annual provisioning requirement of rations and submit indents to APO for procurement action. APO in turn obtains the approval of the competent authority and concludes contracts for procurement of dry supplies and tinned/dehydrated items.</p> <p>The procurement procedures adopted by the APO are based on the DGS&D Manual and APO's Manual of purchase Procedure. The general terms and conditions of contracts are governed by DGS&D Form No. 68. The existing terms and conditions of APO contracts are sometimes exploited by the firms to suit their convenience and tender contracted items as and when market conditions become favourable to them in total disregard</p>

Subject	Action Taken/Proposed & Time Lines
<p>QMG Proposal No. 18 Opening up procurement of pulses, Edible oil and Animal rations to reputed bulk producing Companies.</p>	<p>to scheduled delivery periods, thereby adversely affecting the planned release of stocks to Commands.</p>
	<p>It is therefore proposed to revise the terms and conditions of APO contracts with the concurrence of Ministry of Law.</p>
	<p>The matter is under active consideration in the Ministry in consultation with defence Finance and Army Headquarters.</p>
	<p>Time Line for finalising action: 3 months</p>
	<p>Dry rations constitute a substantial portion of the rations being supplied to the service personnel. These are procured through the Army Purchase Organization. A review of APO procedures was undertaken by the Ministry and changes suggested. Commodity-wise analysis was done and process initiated for changes. Government sanction has been already accorded on 24th December 2009 to introduce the revised procurement procedure of wheat <i>Atta</i> Whole Meal for the Army. Branded <i>Atta</i> is now being procured directly at maximum stations.</p>
<p>Some progress has also been made in negotiations with FCI for procurement of Rice of better specification. The Pilot Project is however, yet to materialise. Ministry is pursuing the matter with FCI. Sugar, as a controlled commodity, is not yet ripe for any change.</p>	
<p>The instant proposal addresses the vendor base issues for pulses and edible oil.</p>	
<p>The matter is being deliberated upon in the Ministry in consultation with Defence Finance and Army Headquarters.</p>	
<p>Time Line for finalising action : 3 months</p>	

PART II

OBSERVATIONS/RECOMMENDATIONS

1. The Committee note that the supply chain management of rations in Indian Army involves provisioning, procurement, dispatch, receipts, storage, accounting, quality control and issue of various items of dry supplies and fresh rations to troops located in various peace and field stations including high altitude areas and remote locations. The Army Service Corps (ASC), in conjunction with the Army Purchase Organisation (APO), undertakes the task of provisioning, procuring, supplying both dry and fresh rations on a daily basis to about 14 lakh personnel of the Army. It is the primary responsibility of the Corps to provide wholesome and nutritious food to troops to meet their calorific and nutritious requirements so as to enhance their performance in various terrains and climatic conditions. The examination of the functioning of supply chain management of rations in the Indian Army by the Committee has revealed several glaring deficiencies and inadequacies. These, amongst others, include dated procurement procedures adopted by the ASC for provisioning of dry rations, issue of rations to troops even after the expiry of original Estimated Storage Life (ESL), highly non-competitive procurement procedure for fresh rations and deviation from the laid down norms of tendering process etc. Rampant shortcomings were noticed in contracts for procurement of rations leading to excess and short procurements, non-adherence to tendering instructions, discrepancy in issue and receipt of various items, etc. The Committee's examination of the subject has also revealed certain disquieting aspects viz., poor satisfaction level of troops regarding quality, quantity and taste of rations and insufficient number of Defence Food Labs for checking the quality of rations. These deficiencies, largely accepted by the representatives of the Ministry/Army, as correct during evidence, have been examined in detail in the succeeding paragraphs and suitable remedial and corrective measures recommended.

2. Startlingly, different quantities were worked out by different agencies using different figures of the feeding strength of the troops and more importantly of the opening stock balance. Despite the fact that the scale of rations are laid down and the data relating to opening stock balance and feeding strength is verifiable, yet the critical data, on the basis of which the provisioning was done, varied at different levels causing the risk of over and under provisioning. Further, the Committee note that the estimated opening stock as on 01 April of the ensuing year at the start of the provisioning period, as adopted by the Ministry, was different from that of the Army HQs. Thus the total requirement was centrally determined more on a normative basis rather than on actual data as neither DGST nor the Ministry had at their disposal the correct figures of feeding strength and opening balance. The Ministry also claimed that the failure on the part of the suppliers sometimes distorts the well laid down procedures for

provisioning/procurement. In order that such lapses or shortcomings do not recur, the Committee recommend that the terms and conditions of APO contracts be suitably revised and made unambiguously stringent to provide for cancellation of non-performing contracts by forfeiture of their Performance Bank Guarantee and conclusion of fresh contracts so that there is no disruption in the supply chain and the quality of rations. The Committee also noticed that the Standard Operating Procedure (SOP) had become outdated and needed to be revisited and updated in consonance with the constantly changing requirements of the time. The Committee note that the report of the High Level Committee appointed by the Army in the wake of the C&AG report has recommended various measures including amendment of the SOP on the provisioning, review and quantity vetting for procurement of ration items. The Committee would like to be apprised of the recommendations and the steps taken for implementation of the proposal for assured, uninterrupted and quality supply of food articles to the Army within three months from the date of presentation of this Report.

3. The Committee regret to note that the procedure adopted for procurement of dry rations was not aligned with provisioning estimation which led to excess procurement of sugar, short procurement of dal and tea and failure of large contracts pertaining to dal and tea. While there was 25 per cent excess procurement of sugar over and above the provisioned requirement during 2006-2007, the excess expenditure incurred for procurement of various dry rations was Rs. 9.99 crore in 2005-06 and Rs. 18.42 crore in 2006-2007. The Committee are deeply dismayed to observe recurrent shortfalls in procurement of tea and dal in all the three years. i.e. 2005-06 to 2007-08. The shortfalls were made good through local procurement at an avoidable extra expenditure of Rs. 7.48 crore during 2005-06, Rs. 10.92 crore during 2006-07 and Rs. 11.66 crore during 2007-2008. Asked to furnish justification, the Committee were informed by the Ministry that the local purchase by Commands was resorted in order to meet immediate requirements of troops since the risk purchase contracts were difficult to materialise in the desired time frame due to legal obligations and procedures involved in invoking contractual clauses. The Ministry, however, submitted that a new policy was promulgated w.e.f. January 2009 which envisages procurement of tea through open tendering system by APO with stringent quality control mechanism. While welcoming the steps taken by the Ministry, the Committee would like to be apprised of the impact of the new policy measures on the procurement of rations and avoidance of excess purchases or short purchases.

4. The Committee are perturbed to note that out of 343 contracts that were signed for annual procurement of dry rations for the troops, during the period 2005-06 to 2007-08, 80 contracts i.e. 23 per cent had to be cancelled by the APO due to the non-performance of the contracts. The Committee note that many of the national Federations and PSUs, who were contracted, failed to supply *dal* and tea and as a result local procurements/purchases for high value items had to be resorted to by the Supply Depots to meet the deficit. Further, the Committee observe that due to the higher prices of local procurements vis-a-vis central procurements, Army incurred an excess expenditure of Rs. 30.06 crore on account

of local purchase of dal and tea to meet the shortages caused due to failure of central supplies. The Ministry have attributed the failure of contracts mainly to abnormal rise in prices of the items of rations and the volatility of market forces. The plea advanced is unacceptable as the Committee consider it obligatory on the part of the Ministry to have anticipated the price rise of items, volatility in the market etc. and factor these aspects in the terms and conditions of the agreement entered into with contractors/suppliers. The Committee, therefore, demand that the causes of failure of a large number of contracts and the possibility of unholy collusion/nexus between the contractors and local traders to create artificial shortages in the stocks of food articles and market volatility may be investigated. The possibility of any nefarious deals between the purchasing authorities and the suppliers/contractors also need to be probed into. The Committee recommend that the Ministry and the Army take urgent steps to strengthen the procurement procedures to overcome wide variations between provisioning and procurement are avoided. Further, the Ministry and APO should consider introduction of risk purchase clauses in the Central Procurement contracts which will cover the local purchases made by the Supply Depots in case of non-performance of the Central Contract. The Committee were informed by the Ministry that the High Level Expert Committee constituted by them have recommended opening up procurement of pulses, edible oil and animal rations to reputed bulk producing companies. The Committee would like to be apprised of the decisions taken on the recommendation of the Expert Committee and the impact of the implementation of the recommendations on the assured and uninterrupted supply of food articles to the Army, within three months from the date of presentation of this Report.

5. The Committee note that the present practice of procurement, transportation and grinding of wheat into Atta at the floor Mills by the Army is very uneconomic and the rates for grinding of Atta at various stations not only varied but were also inconsistent. A comparative analysis by the audit at one of the Supply Depots proved that the cost of 50 Kg bags of a branded Atta as given in the offer submitted by one branded Atta company was much less than the cost of Atta produced through the present practice of grinding of wheat into Atta by the Army. The average cost difference between obtaining Atta from grinding of wheat and procuring branded Atta readily available in the market was Rs. 2 per Kg. During the course of examination, the Committee were informed that the Government accorded sanction on 24 December 2009 to introduce the revised procurement procedure of Wheat Atta Whole Meal for the Army and branded Atta was now being procured directly at the maximum stations. The Committee would like the Ministry to take measures to ensure that wholesome, unadulterated whole wheat Atta is procured at competitive prices for supply to the Army well in time.

6. Taking note of the fact that wheat is the staple food and biggest item of consumption by the defence personnel. As per the Director General Supplies and Transport (DGST) technical instructions, the Supply Depots are to ensure that food items are issued in accordance with their Estimated Storage Life (ESL). The

instructions also state that food stuffs must be consumed when they are sound, wholesome and fit in all respects and not at the last stages of storage. The Committee were informed that in special circumstances ESL may be extended by a maximum period of 3 months. The Committee deplore that out of the 11346 samples of rations sent to the Composite Food Laboratories (CFLs) for extension of ESL, extension was granted in respect of 11330 cases that means almost 100%. The Committee are startled to note that ESL of a number of dry rations was extended by Composite Food Laboratory, Jammu beyond its permissible limit and in some cases even upto 28 months. Still worse, these dry rations were consumed by the troops even 6 to 28 months after expiry of their normal Estimated Storage Life (ESL). The Committee reject outrightly the contention of the Ministry that the life of the rations was extended based on the scientific analysis and meeting the requirements of the stipulated quality parameters. The Committee strongly feel that there is a case for revisiting/amending the existing provision of the Army Service Corps Technical Instructions under which the extension of ESL is carried out. They also recommend that in future extension of ESL should be kept to the barest minimum time after rigorous test having regard to the nature of the rations and the climatic conditions. The reports of micrological and chemical analysis in respect of each item by the Food Testing Labs should be communicated invariably to the Operational level before extension of ESL but in no case, the Committee reiterate, the consumption of such items be allowed beyond the extended life of 3 months.

7. Admittedly, all the items of Central procurement on tendering against contracted quantities are qualitatively analysed for their conformity with Defence Food Specifications by the Food Inspection Organisation in the DGST, comprising three Composite Food Laboratories (CFLs) and four Food Inspection Units (FIUs) at various locations. The Committee are however, surprised to note that when compared with large size and vast geographical outreach of the Army, setting up of only three important labs is grossly inadequate. Since all other labs are minor in size and besides their quality of scientific instruments need upgradation/modernization. The Committee also find that in spite of tremendous advancement made in the field of science and technology, Army are not using the latest state-of-the-art technology for testing the food items/articles. Further, the Committee are surprised to find that there is no Scientific or Medical Advisor at the apex level in the Army for rendering advice for procurement of quality rations as also for checking the quality of rations. The Committee, therefore, recommend that Ministry should take immediate steps for appointment of eminently qualified Scientist/Medical officer at the AHQ level, who can supervise/monitor the quality control mechanism. Since the food technology is advancing at a rapid pace, the Committee hardly need to emphasise that Army have to leverage on the emerging technology for preservation of food and induct latest technology for testing in all the Defence Labs.

8. The Committee were informed by the Ministry that the High Level Committee constituted to examine C&AG recommendations has recommended upgradation of four FIUs located at Bengdubi, Guwahati, Lucknow and Chennai into CFLs and

raising of a CFL at 'N' Area Chandigarh dedicated for 14 Corps. Further, it was assured that two CFLs, one at Chandigarh (new raising) and other at Guwahati (Upgradation of existing FIU) would be recommended for approval of Ministry of Finance. The Committee were further informed by the Ministry that they have also agreed to the proposal of the Expert Committee for modernization of all the CFLs with state-of-the-art automated scientific testing equipment and also for the review of equipment holding to be carried out every five years through a specialist board of officers. While expressing their satisfaction over these initiatives of the Government, the Committee would like to be apprised of the implementation of these measures within three months of the presentation of this Report.

9. The Army Service Corps (ASCs) procedure for conclusion of contracts for procurement of fresh rations stipulates that contract concluding authorities should make all out efforts to generate adequate competition and analyse the rates from all the available sources. However, the Committee found that the competition intendering and contracts for fresh rations by the ASCs was quite limited and the procurement process was non-competitive. The Committee are dismayed that approximately 64 per cent of the cases where open tenders were invited from the registered firms during the period 2005-06 to 2007-08, only one or two vendors responded to the Notice Inviting Tender and purchased the tender documents. In 36 per cent of the cases only one vendor made a bid for the contract and in 46 per cent of cases only two vendors made the bids. Worse, 82 per cent of the procurement was based on less than three quotations. Intriguingly, this had happened despite the fact that the number of vendors registered annually in all the three years 2005-06 to 2007-08 ranged from 110 to 112. Apparently, there seems to be cartelization or collusive bidding amongst the suppliers creating serious doubts about the quality of the rations supplied besides causing loss to the Exchequer. Further, despite a large number of registered vendors, purchase of tender documents by only one or two vendors points strongly towards serious problem of cartelization in ASC procurements as also registration of unsuitable vendors without proper verification of their capacity. The Committee also note that in the Western command during the last three years, about Rs. 5 crore worth of meat and chicken was annually procured for Delhi station on a single vendor basis despite the fact that 12 of the 99 vendors registered for the supply of meat and chicken in the Western command were Delhi based. Similarly, in Chandimandir, only two vendors responded for meat and chicken during tendering in 2005-06 and the contract was awarded to one particular vendor. Surprisingly, in the next two years the same vendor responded and bagged the contracts with annual orders value of Rs. 2.34 crore. This was despite the fact that eight of the 99 registered vendors were based at Chandimandir. The Committee, therefore, recommend that all these cases should be investigated into and suitable action taken against persons responsible for award of such contracts. The Committee further recommend that the Army Head Quarters should take all possible measures to foster competition and expand the vendor base for supply of quality fresh rations to the troops. They also recommend that ASCs prescribed procedure for conclusion of contracts should be reviewed, and if necessary amendments

should be carried out for fostering competition by enlarging the vendor base and participation of reputed vendors in the process of tendering. Further, the Ministry of Defence should set clear targets regarding expansion of vendor base and progress should be closely monitored. The Committee would like to be apprised of the outcome of these initiatives.

10. With a view to determine the reasonable rates of various items of fresh rations, a Board of Officers has been constituted by the Station Commander to determine the Average Local Market Rates (ALMR). Before opening of tenders, Reasonable Rates (RR) are worked out by a panel of officers for each item and station. However, the Committee note that various discrepancies in calculating ALMR, RR and Accepted Rates (AR) and the accepted rates were far below the ALMR in procurement of fresh rations. Further, the Committee observed unusual variations in the contracted rates in the same and adjacent locations and also a wide variation of up to 186 per cent in procurement rates. For example in B.D. Bari of Northern Command the ALMR of fresh vegetable was Rs. 1320/- per 100 Kg., RR was Rs. 591/- per 100 Kg. and AR was Rs. 610/- per 100 Kg. Further, the Committee note that no rationale method has been designed as yet to determine the ALMR, the RR or the AR. In yet another case, for the supply of meat on hoof in Chandimandir in 2006-07, the ALMR was Rs. 40/- per Kg. and RR Rs. 24/- whereas the AR fixed was Rs. 10/-, which is ridiculously a low price. The Committee observe that the calculation methodology adopted by the Army for arriving at actual rates of fresh rations is quite unusual and defies logic. Besides, the Committee came across several other examples where patently absurd rates were accepted by the Army. The representative of Ministry of Defence admitted before the Committee that the existing SOPs were 'faulty' and in many cases 'absurd'. The Committee, therefore, recommend that the procurement procedure be suitably modified urgently so that all the anomalies pointed out and conceded by the Ministry are rectified. The revised procedure may be finalized within the fixed time frame and the Committee informed.

11. The Committee note that the proportion in which different varieties of vegetables and fruits are to be issued to the consuming Units is prescribed for each month, for each station by the respective Station Commanders depending upon the troop's preference and local availability. The Committee decried that 74 per cent of fresh vegetables and fruits issued to the Units by the Supply Depots was not in accordance with the prescribed norms. Worse, the items received by the consuming Units were different from what was shown to have been issued to the Unit by the Supply Depot. Regrettably, there was no system for reconciliation of supplies issued and received between the Units and Depots. Table 10 shows the serious anomalies in receipt and supply of vegetables found in test check at a one station alone. The Committee note that in the Northern Command rations worth Rs. 1.92 crore remained untraceable as on 31 March 2008. Of this, rations worth Rs. 1.20 crore was issued during 2005-06, the receipt of which was yet to be traced. Obviously, the deficiencies noticed in test check are reflective of the deep rooted and widespread malpractices in the supply chain management of ration Indian Army. While deploring the wide mismatch/malpractices in issue

and receipt of rations, both in terms of items and quantities, to the Units, which is inconceivable without complicity or connivance on the part of officers concerned, the Committee recommend that the Ministry develop an efficient and effective computerized system connecting all the Supply Depots and supply points to avoid discrepancies in receipts by the Units and supply by the Depots. Responsibility should also be fixed on the concerned officers for the serious discrepancies and shortages noticed in the issue and receipt of rations and stringent prophylactic and punitive measures taken to ensure that such serious lapses do not recur.

12. The Committee are saddened to note that the internal study, carried out by the Defence Institute of Physiology and Allied Sciences (DIPAS) from 2001 to 2005 to assess the nutritional status of the Services, had revealed that satisfaction level of troops regarding quality, quantity and taste of rations in general was very low and in particular with respect to the quality of meat and fresh vegetables. Out of 224 feedback reports received from the Northern and Western Commands, in 68 per cent cases the quality of rations was graded as SATISFACTORY and below, in 31 per cent the grading was GOOD and in only one per cent grading was EXCELLENT. The Committee further note that in 14 out of the 50 selected cases pertaining to Corps in Northern Command, the quality of rations supplied to troops was POOR and sub-standard. Concurring with the findings of the DIPAS study, the Ministry assured the Committee that annual, and independent survey would be conducted either by the Indian Council of Medical Research (ICMR) or DIPAS for determining the satisfaction-level of the troops. Since the satisfaction level of the troops is of paramount importance and forms an important yardstick to assess the efficiency of the Supply Chain Management System, the Committee recommend that in addition to the internal data generated by Army's own feedback system on quality of rations, an external validation by an independent agency/entity should also be undertaken by the Army without compromising the security and other operational aspects. Since AHQ has the primary responsibility to provide wholesome and nutritious food to troops to meet their calorific and nutritious requirements so as to enhance their performance in various terrains and climatic conditions, the Committee reiterate that under no circumstance sub-standard and inferior quality of rations shall be served to the troops. The Committee also recommend that the Defence Food Specifications of all the rations should be revised and superior Specifications laid down to meet the nutritional, climatic and conditional requirement of the troops. Further, the food specifications, of all the rations need to be reviewed after every three years.

13. The Committee are concerned to note that the functioning of the Management Information Systems Organisation (MISO) in Army Headquarters, charged with the responsibility for collection, compilation and maintenance of data on various aspects of the Armed Forces, including health of troops and consumption of rations, is far from satisfactory and leaves much to be desired. Further, the Committee are surprised to note that the Corps are not keeping any kind of robust data-base on the variations in food intelligence. Mindful of the glaring deficiencies in issue, receipt and inventory management of various items of rations, the Committee recommend that the Ministry and the Army Headquarters

should urgently draw up a detailed action plan and computerize the management of rations in the Army. They also recommend that the potential of Information Technology should be leveraged upon to create a network system connecting all the Supply Depots and supply points. Issues, Receipts, Inventory management, Procurement and other aspects of supply chain management should be brought under this system. Besides, contracted prices of various items of dry and fresh rations should be invariably posted on the exclusive website of the Army and the list of vendors be also put on the website of the ASCs. The Committee also recommend that the Ministry should take measures to put up the data regarding price variation rates at different locations on the website of the Army for the concurrent knowledge of different command/authorities tasked with the responsibility of procurement and provisioning for the troops. Last Purchase Price of procurement of fresh rations in Army should also be displayed on the website of ASC, which could be accessed by the Supply Depots.

14. The Committee are dismayed to note that though the draft report of the Comptroller and Auditor General of India (C&AG) on 'Supply Chain Management of Rations in Indian Army' was made available to the Ministry for their comments as early as January 2009, the Ministry didn't furnish their comments to the Audit till finalization of their Report as of March 2010. Had the Ministry of Defence taken speedy action to attend the draft Audit observations, much of the corrective action would have been taken in time. The Committee, therefore, reiterate that prompt response must be given to the draft Audit observations well in time and complete Action Taken Notes furnished to the C&AG on all the Audit findings.

15. The Committee note that following the C&AG Report on Performance Audit of Supply Chain Management of Rations in the Indian Army, High Level Committee under the Chairmanship of Quarter Master General (QMG) was constituted by the Ministry of Defence to analyse the recommendations of the C&AG, review relevant policies/procedures for provisioning, procurement of dry supplies and fresh rations and suggest necessary measures required to effect desired improvements. Based on the recommendations of the High Level Committee, the Army Head Quarters forwarded 18 proposals to the Ministry of Defence for their consideration. Out of these, 5 proposals are stated to have been approved by the Ministry of Defence in principle and action is under way to implement the same. The rest of the proposals are stated to be under consideration and are also proposed to be taken up and timelines have been ascribed in consultation with the AHQ for finalizing the action to be taken. The Committee would like to be apprised of the decisions taken on the rest of the recommendations of the Expert Committee, the action taken to implement them and the timelines prescribed. They also desire that the progress made in the implementation of the recommendations of the High Level Committee and the adherence to the timelines fixed may be intimated to the Committee within three months of the presentation of their Report. Since, as the undisputed adage goes, the Army marches on its belly, it is the foremost and inviolable duty of the Government to guarantee that our jawans are well-nourished and get necessary wherewithal in order to maintain

their high morale, to instill a sense of trust and confidence in their families and to inspire and motivate our talented youths to join, and be part of the honour and glory of, the armed forces. The Committee would not rest content till they are satisfied that our gallant soldiers, the sons of the soil, guarding the frontiers, and the bulwarks of the safety and security of the nation, are supplied with wholesome and nutritious rations on regular basis and that they are being well cared for and looked after deservedly commensurate with the daunting call of duty.

NEW DELHI
23 December, 2011
02 Pausa, 1933 (Saka)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE SEVENTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2010-11) HELD ON 12TH JANUARY, 2011

The Committee sat on Wednesday, the 12th January, 2011 from 1100 hrs. to 1315 hrs. in Room No. '63', First Floor, Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Ramen Deka
5. Shri Satpal Maharaj
6. Shri Bhartruhari Mahtab
7. Dr. K. Sambasiva Rao
8. Shri Yashwant Sinha
9. Shri K. Sudhakaran
10. Dr. M. Thambidurai
11. Shri D. Venugopal
12. Shri Arun Kumar Vundavalli

Rajya Sabha

13. Shri Ashwani Kumar
14. Shri N. Balaganga
15. Shri Kalraj Mishra
16. Shri N.K. Singh
17. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Ashok Sarin—*Joint Secretary*
2. Shri Raj Shekhar Sharma—*Joint Secretary*
3. Shri M.K. Madhusudhan—*Additional Director*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri Vinod Rai — Comptroller & Auditor General of India
2. Ms. Rekha Gupta — Dy. CAG (Report Central)
3. Shri R.B. Sinha — Director General (Report Central)
4. Shri Gautam Guha — Director General (Defence Services)
5. Shri V. Patwardhan — Director of Audit

Representatives of the Ministry of Defence

1. Shri R.K. Mathur — Additional Secretary (M)
2. Smt. Nita Kapoor — Secretary, Defence (Finance)
3. Shri Binoy Kumar — Joint Secretary (O/N)
4. Shri Upmanyu Chatterjee — Joint Secretary (Trg.) & CAO
5. Smt. Shobhana Joshi — Addl. FA& JS Defence (Finance)
6. Smt. Sungita Sharma — Director (Q)

Representatives of the Army

1. Gen. V.K. Singh — COAS
 2. Lt. Gen. Chetinder Singh — QMG
 3. Lt. Gen. G.S. Dhillon — DGST
 4. Maj. Gen. S.P.S. Katewa — ADGST
 5. Brig. S.T. Upasani — MA to COAS
 6. Brig. R.K. Kohli — CDP, APO
2. * * * * *
3. * * * * *

4. Thereafter, the Committee proceeded to have a briefing on the subject "Supply Chain Management of Rations in Indian Army" based on C&AG Report No. 6 of 2010-11. Then the Additional Secretary and other representatives of Ministry of Defence and Chief of Army Staff and other accompanying officers of Army were called in. The Chairman requested the Members and impressed upon the representatives of the Ministry of Defence and Army and all others present in the meeting to treat the proceedings of the Committee as confidential and not to disclose the contents of the deliberations of the sitting to any outsider, especially the Press.

5. The Chairman, then drew the attention of the Chief of Army Staff (COAS)

**** Matters not related with this report.

and other officers of Army present to some reports appeared in Press and TV Channels stating that they have been summoned by the Public Accounts Committee and that they never wanted to be here and felt as to why they were being called by this Committee. The Chairman clarified that COAS and other Officers of the Army have not been summoned in the sense of summoning and their presence is required because the subject under examination related to the distribution of rations to the Army personnel and that it is incumbent upon the Members of the PAC as the Members of the Parliament to see the welfare of the constituents who are serving in the Armed Forces. He also made it clear that PAC being a mini Parliament is empowered to call any person, any officer, any bureaucrat excluding a Minister to appear before the Committee. Hence the notion that the Army Chief or the Navy Chief or the Air Force Chief is beyond the purview of the Parliament is not correct. The Chairman allayed the fears of Army Officers that their presence before the Committee should not be taken as if the Committee want to demean or denigrate the Armed Forces or the dignity of their officers. The Chairman impressed upon the COAS that it is as much a part of their duty to appear before the Committee as it a part of the Committee's duty to examine the subject. He also stated that the Committee hold the Army General, the other officers and the jawans in high respect and they want to keep the confidence of the people in the Armed Forces intact.

6. Thereafter, the representatives of the Army made a power point presentation highlighting the functioning of the Supply Chain Management of Rations in Indian Army. The Additional Secretary, Ministry of Defence, and Chief of Army Staff and other representatives of Ministry/Army replied to the various queries of the Members. As some queries required detailed and statistical replies, the Chairman directed the Additional Secretary, Ministry of Defence to furnish the same in writing at the earliest.

7. The Chairman thanked the representatives of Ministry of Defence and Army for appearing before the Committee and for furnishing the available information on the subject. He has also thanked the C&AG and other Audit Officers for providing assistance to the Committee in the examination of the subject.

The witnesses then withdrew.

A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

APPENDIX II

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 21ST DECEMBER, 2011

The Committee sat on Wednesday, the 21st December, 2011 from 1500 hrs. to 1545 hrs. in Chairman's Room (No. 51), Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Sandeep Dikshit
4. Shri Anant Kumar Hegde
5. Shri Bhartruhari Mahtab
6. Shri Shripad Yesso Naik
7. Shri Sanjay Nirupam
8. Dr. Kavuru Sambasiva Rao
9. Dr. M. Thambidurai
10. Dr. Girija Vyas

Rajya Sabha

11. Shri Tariq Anwar
12. Shri Prasanta Chatterjee
13. Shri Prakash Javadekar
14. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh—*Joint Secretary*
2. Shri Abhijit Kumar—*Director*
3. Shri H.R. Kamboj—*Additional Director*
4. Smt. A. Jyothirmayi—*Deputy Secretary*
5. Ms. Miranda Ingudam—*Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri Gautam Guha — Director General (Defence Services)
2. Ms. Divya Malhotra — Principal Director (Railway Audit Board)
3. Shri V. Patwardhan — Director (Defence)

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG to the sitting of the Committee convened to consider and adopt the following Draft Reports.

3. The Committee, thereafter, took up for consideration the following Draft Reports, one by one and adopted the same without any modifications:—

- (i) Draft Report on '*Supply Chain Management of Rations in Indian Army*' (Ministry of Defence) based on C&AG Report No. 6 of 2010-11;
- (ii) * * * * *
- (iii) * * * * *
- (iv) * * * * *
- (v) * * * * *

4. Thereafter, the Committee authorized the Chairman to finalise these Reports in the light of factual verification done by the Audit and present the same to both the Houses of Parliament.

The Committee then adjourned.

**** Matters not related with this report.