

Chapter I : Introduction

1.1 About CSD

Canteen Stores Department (CSD) came into being as a Department under the Ministry of Defence in January 1948. Its objective is to provide the service personnel and their families with consumer goods of high quality at prices cheaper than the market prices. The motto of CSD is “Service to Services”. From a modest beginning made six decades ago, it has grown rapidly. It now caters to 44 lakh beneficiaries through a network of 3600 Unit Run Canteens, some of which are in remote areas. The number of items of consumer goods available with CSD was 3044 as of March 2009. The Sales of CSD were Rs. 6955.11 crore during the year 2008-09. It has been able to achieve significant progress in its operations as well as financial outcomes. It caters not only to Army, Navy and Air Force but also to other organisations like Coast Guard, DRDO, Border Roads Organisation, Assam Rifles, etc. Defence Civilians are also covered by CSD.

In July 1942, Government of India took over the business of supplying household requirements of troops earlier managed by the Canteen Contractors Syndicate. “Canteen Services (India)” was formed and run on commercial lines and was expected to be self-supporting. After independence, Canteen Services (India) went into voluntary liquidation and CSD as a department of Ministry of Defence came into being.

1.2 Organisational structure

CSD at its apex level has the Board of Control, Canteen Services (BOCCS) with Raksha Mantri as the Chairman. The BOCCS lays down the overall policies of CSD and advises the Government on the disbursement of profits. The Board is assisted by an Executive Committee, which reviews the functioning of the Department once in a quarter.

The management of the CSD is vested in the Board of Administration with the General Manager (GM) as the Chairman and members representing Ministry of Defence (Finance), Army Headquarters (QMG’s Branch) and other Services. The GM is responsible for day-to-day management and reports to the BOCCS through the QMG. The activities of the CSD are carried out from its Head Office in Mumbai through a chain of 34 Area Depots spread over the country, a Base Depot in Mumbai and five Regional Offices.

1.3 Service delivery mechanism of CSD

CSD procures approved consumer goods from listed vendors. The stores are received by the Base Depot in Mumbai/Area Depots. Goods are sold to the beneficiary consumers through the network of Unit Run Canteens (URCs),

which collect such stores from the assigned Area Depots through Indent cum Invoice. The URCs are independent of CSD but their functioning is governed by policies laid down by the Ministry of Defence. The goods are introduced in the CSD inventory after detailed market survey and approval by the Board of Administration.

1.4 Scope of Audit

The Performance Audit covering transactions for the period 2003-04 to 2007-

08 was carried out from June 2008 to October 2008 at BOCCS, New Delhi, CSD HQrs Mumbai, Base Depot Mumbai and nine¹ of the 34 Area Depots. The report has been updated to cover transactions upto 2008-09. The Area Depots were selected based on their sales

URCs had to be kept out of the scope of audit as access to URCs was denied by Army Headquarters on the ground of these being run from non-Public fund. This report does not, therefore, include any comment on the functioning or financial results of the URCs.

volume and geographical location and only one Depot in a State was selected. The nine Depots catered to 941 URCs out of a total of 3600 in the country.

1.5 Audit Objectives

The Performance Audit was conducted to obtain reasonable assurance that:

- financial operations of the CSD were carried out in accordance with the financial and accounting rules and principles as applicable to Government Organisations;
- consumer goods of high quality were being provided to the service personnel, at a price cheaper than the prevailing market rates;
- consumer demand satisfaction was maintained; and
- business operations of CSD had been managed efficiently and effectively.

1.6 Audit Criteria

Audit criteria for evaluation of performance were derived from CSD Stores Manual, CSD Purchase Procedures, CSD Pricing Policy and URC manual. The distribution of profits as Grants-

¹ Agra, Bangalore, Dehradun, Delhi, Jaipur, Kirkee, Kochi, Kolkata and Secunderabad

in-Aid was examined in the light of the General Financial Rules of the Government.

1.7 Audit Methodology

After a preliminary study to collect background information, the Performance Audit commenced with an entry Conference in the Ministry of Defence on 10 July 2008. Detailed audit scrutiny was conducted at the CSD Headquarters, selected Area Depots/Base Depot including BOCCS to evaluate the performance against the audit criteria. Audit findings were discussed with the Ministry of Defence on 5 February 2009. The reply of the CSD management had been taken into account in finalizing the report.

1.8 Acknowledgement

Officials of the Ministry of Defence, the General Manager, CSD and his officers and staff, and the Area Managers of all the nine Area Depots had extended full co-operation during the audit which is gratefully acknowledged.

