

PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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***CAG PERFORMANCE AUDIT REPORT ON “WORKS MANAGEMENT IN
INDIAN NAVY” PRESENTED IN PARLIAMENT***

CA&G's Audit Report No. 30 of 2025, Union Government (Defence Services - Navy) of Performance Audit on “Works Management in Indian Navy” was laid on the table Lok Sabha and Rajya Sabha here yesterday. The report covering a sample of works from the Annual Technical Works Programme (ATWP) and Annual Major Works Programme (AMWP) for which Administrative Approvals were issued during the period 2018-19 to 2022- 23 was taken up to assess if the works were approved timely as per the long term plans; and pre-contract activities, contract conclusion and execution were carried out timely and as per Rules.

The availability of Technical, Administrative and Residential infrastructure and related facilities provide the essential support system for the Operational readiness of the Naval Forces. Work services like construction of buildings, workshops, storage depots, runways, other utility services, *etc.* at naval units and stations are essential to operate, maintain and train naval platforms. For creating and augmenting infrastructure in Indian Navy, ATWP and AMWP programmes are approved by the Ministry of Defence. ATWP works involve technical infrastructure with equipment components, while AMWP mostly relates to civil works. Alignment of the works programmes with long term needs for infrastructure creation and their timely execution ensure that the desired outcome of creating supporting infrastructure for operational needs is achieved.

The audit findings under the broad themes of Planning and Approval, Contract Management and Monitoring of works are summarised below:

1. Planning and Approval

Long term plans such as ‘**Plan 1**’ and ‘**Plan 2**’ are the guiding documents for the infrastructure requirements of the Navy over the next 15 years. Only 36 per cent of the sanctioned ATWP works were in line with ‘**Plan 1**’ and due to receipt of insufficient information, audit was not able to derive assurance of the alignment of AMWP works with ‘**Plan 2**’.

There was a reducing trend in the slippage of Approval-In-Principle (AIP) against prescribed timelines. In 57 out of 69 works, Administration Approvals (AA) were delayed after the AIP due to delayed submission of Board Proceedings/Approximate Estimates (AEs) and differences in complexity of works. Further, shortcomings were observed in projections of the Planned Date of

Completion (PDC); preparation of AEs; and the format for Engineer Appreciation in the context of ATWP works. These observations underscored the need for greater due diligence in various stages of the planning and approval process. Some of the provisions are more relevant to AMWP works and require a review in the context of applicability to ATWP works.

2. Contract Management

Contract management is critical for the timely completion of Works. Post Administrative Approval, Engineer Authorities are required to prepare Draft Costed Schedule of Works based on approved drawings and specifications and issue Technical Sanction as per the provisions of Defence Works Procedure (DWP). Subsequent tendering process is based on the Manual on Contracts.

Audit observed lack of clarity in the instructions leading to different practices being followed in the enlistment of contractors. There were deficiencies in verification of credentials; in three instances of competitive contracts, ineligible bidders were qualified to participate and contracts were awarded for a total sum of ₹78.03 crore in contravention of the provisions relating to fair and transparent tender evaluation.

Out of the 14 contracts concluded for ATWP works, 13 contracts were concluded with delays up to 52 months with an average delay of 24.5 months; and all the 47 contracts test checked in respect of AMWP works were concluded with delays up to 64 months with an average delay of 13 months. The delays were attributable primarily to delay in issue of technical sanctions; changes in scope of work; delay in finalisation of drawings; frequent issue of corrigenda; Covid 19; frequent changes in Notice Inviting Tender; re-tendering; and preparation of deficient estimates.

Out of the 14 ATWP contracts test checked, in nine contracts extensions ranging between 108 to 690 days were allowed beyond the original contract PDC. In respect of AMWP works, 15 contracts were completed within audit period, of which 13 were completed with extensions ranging between 117 to 1367 days. The extensions were granted on grounds like non-clearance of site by users, changes suggested by Users, non-availability of materials, modifications in designs, *etc.* In 13 out of 14 ATWP contracts and 34 out of 47 AMWP contracts the contract PDCs were over shooting job PDCs up to maximum of 231 weeks, and without the approval of CFA.

The Special Project ‘S2’ was envisaged to be completed by December 2023. While different works were ongoing, the project was incomplete (May 2025) and was awaiting RAA which includes a cost overrun of ₹95.72 crore on the original AA of ₹235.92 crore. There were shortcomings in the planning and implementation of the project including gaps in the initial assessments leading to revised layout for the land based infrastructure; change from a combined tender for land and marine works to separate tenders; non-compliance to eligibility criteria in the tender for

marine works; non-inclusion of mandatory provision of pre-bid meeting in the contract for land works and non-compliances to the extant provisions relating to the processing of RAA.

The Ministry of Finance issued (March 2016) instructions to all Ministries, to adopt the Structured Financial Messaging System for verification of Bank Guarantees (BG) after which the paper BG would become operative. This system for verifying credentials of BGs has not yet been adopted in respect of BGs received for Naval works.

No timeline has been prescribed to raise reduction statements in DWP which release blocked funds that could be utilized for other works.

3. Monitoring

Integrated Project and Budget Management System (IPBMS) was implemented by DGsNP for real time monitoring of projects. The system was not optimally utilized in DGsNP('L2') and corrective actions were required to make the monitoring real-time.

Project Monitoring Group (PMG) is to be constituted to assist in facilitation of works, review of proposals and to resolve bottlenecks. The DWP did not prescribe specific timelines for setting up PMGs which was being done at different points of time after accord of AA. PMGs were required to be set up immediately after AA in the interest of effective monitoring. Further, DGsNP were using different formats for reporting progress of works to DoDY. On being pointed by Audit, corrective action was taken by promulgating a standard format for reporting physical and financial progress of works.

In view of the audit findings, the following recommendations have been made to the Ministry.

1. *Ministry may develop a mechanism to ensure that AMWP works are in alignment with 'Plan 2'.*
2. *Timelines required for works of different complexities may be reviewed by Ministry and incorporated in DWP.*
3. *Ministry may expedite system changes for fixing realistic PDC for works.*
4. *Ministry may devise a new format for Engineer Appreciation in respect of ATWP works.*
5. *Ministry may clarify the authority to enlist contractors for ATWP works.*
6. *Systemic changes to frame realistic timelines for contract conclusion and completion of work, based on complexities, need to be expedited.*
7. *Guidelines for adoption of SFMS may be issued by the Ministry in consultation with stakeholders.*
8. *Timeline for preparing reduction statement may be laid down in the DWP by the Ministry.*

9. *Ministry may prescribe timelines with interim milestones to achieve full functionality of IPBMS.*
 10. *Ministry may issue directives for formulation of PMGs immediately after accord of administrative approval and holding of meetings at prescribed intervals.*
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