

## OVERVIEW

The total expenditure of the Defence Services during the year 2014-15 was ₹2,37,394 crore. Of this, the Navy spent ₹36,622 crore while Coast Guard spent ₹2,428 crore, which constituted approximately 15.43 *per cent* and 1.02 *per cent* respectively of the total Defence Expenditure. The major portion of the expenditure of the Navy is capital in nature, constituting almost 60.81 *per cent* of the total expenditure whereas expenditure of Coast Guard was mainly revenue in nature at 52.97 *per cent* of total expenditure.

This report contains major findings arising from the test audit of transactions of the Indian Navy and the Indian Coast Guard. Some of the major findings included in the Report are discussed below.

### **I Performance Audit on Construction of Indigenous Aircraft Carrier**

Project approval for construction of the Indigenous Aircraft Carrier had been accorded by the Cabinet Committee on Security in May 1999, with revisions in October 2002 and July 2014. The requirement for a ship of 37,500 tons was identified in 1990. However, Preliminary Staff Requirements was promulgated in August 2004, after 14 years. Delays in conclusion of external design contracts and supply of major pre-launch equipment stretched the Phase-I contract timelines. Incorrect estimation of man-hour per ton to be utilised for fabrication and outfitting in the Phase-I contract led to undue benefit to the shipyard to the tune of ₹476.15 crore. The Ministry and the shipyard are not able to assess the physical state of construction of the ship due to non-inclusion of essential formats of progress reporting in the shipbuilding contracts. MiG29K, the chosen aircraft for the carrier, continues to face operational deficiencies due to defects in engines, airframe and fly-by-wire system. The delivery of the option clause aircraft scheduled between 2012 and 2016 is much ahead of the delivery schedule of the IAC, in 2023 as projected by Cochin Shipyard Limited. With INS Vikramaditya in service and INS Viraat likely to be de-commissioned in 2016-17, continuous shifting of

timelines of delivery of the Indigenous Aircraft Carrier will adversely impact naval capabilities.

*(Chapter-II)*

## **II Non-delivery of sewage barges**

Acquisition of sewage barges initiated by Indian Navy is yet to fructify because of its failure to carry out the required capacity assessment of the shipyard resulting in non-achievement of core objective of prevention of sea pollution even after spending ₹25.97 crore.

*(Paragraph 3.1)*

## **III Avoidable expenditure of ₹9.97 crore on the procurement of armament for an aircraft**

The Ministry concluded a contract on 8 March 2010 with the firm for procurement of armament for MiG29K/KUB by providing price escalation to the firm although an option clause was valid till 27 March 2010 under an earlier contract, resulting in an avoidable expenditure of ₹9.97 crore.

*(Paragraph 3.2)*

## **IV Extra expenditure in procurement of Magnetrons**

Integrated Headquarters, Ministry of Defence (Navy) procured Magnetrons for the refurbishment of Transmitter Receiver Units (TRUs) of Radar System of Sea King helicopters from a particular firm at an extra expenditure of ₹8.68 crore. Even after refurbishment, only five TRUs were serviceable against a requirement of 17 TRUs resulting in limited exploitation of the Sea King fleet for local missions only.

*(Paragraph 4.1)*

**V Avoidable procurement of Radio Receiver Beacons for naval ships**

Lack of coordination amongst various Directorates/establishments and ships within Navy resulted in avoidable procurement of five Radio Receiver Beacons worth ₹6.19 crore.

*(Paragraph 4.2)*

**VI Non-levy of liquidated damages in the procurement of pumps**

Ministry of Defence accorded extension for delivery of pumps with levy of liquidated damages. However, Integrated Headquarters Ministry of Defence (Navy) failed to levy liquidated damages amounting to ₹1.56 crore on the firm for the delayed supplies.

*(Paragraph 4.3)*

**VII Under-recovery of ₹6.18 crore due to non-revision of rates of landing charges**

Indian Navy's failure to submit the details of capital expenditure and maintenance charges to Airports Economic Regulatory Authority of India (AERA), denied them the revised tariff rates for the landing charges for the Goa Airport since July 2013 resulting in under recovery of ₹6.18 crore.

*(Paragraph 4.4)*

**VIII Unfruitful expenditure of ₹5.73 crore on acquisition of land for setting up an Air Enclave by Coast Guard**

Failure of the Ministry of Defence/Coast Guard/Defence Estate Office (Visakhapatnam) to take cognizance of the Gazette notification entailing requirement of 'No objection certificate' by the Navy resulted in non-setting

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up of Air Enclave for the Coast Guard on the land acquired from the Visakhapatnam Port Trust at a cost of ₹5.73 crore. This in turn affected the operational preparedness of the Coast Guard besides rendering the investment unfruitful.

***(Paragraph 5.1)***