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F. No. O-22014/22/2008-ONG/US (EO)
Government of India
Ministry of Petroleum & Natural Gas

New Delhi, the 14th July, 2008

To,

The Chairman & Managing Director,
ONGC, Jeevan Bharti Building, Tower-II,
124, Indira Chowk,
New Delhi

Subject: - Audit Report and Draft Audit Exceptions in respect of CY-ONN-2002/2 for the years 2004-05, 2005-06 and 2006-07.

Sir,

I am directed to refer to Auditor's report on the subject cited above and to forward the following draft audit exception for taking necessary action.

Exception No. 1: Delay in presentation of Budget before Managing Committee:

(i) Year 2004-05:

The PSC is effective from 6th February 2004 and accordingly the last date of presenting budget before MC ends on 90 days from the effective date i.e. 5th May 2004. The Budget for 2004-05 was reviewed by MC in the meeting held on 5th October 2004 only i.e. with a delay of 5 months.

(ii) Year 2005-06:

As per the PSC, the last date of approval is 90 days before the commencement of financial year, which falls on 31st December 2004. The Budget for the year 2005-06 was reviewed by MC through resolution by circulation dated 10th February 2005 i.e. with a delay of 41 days.

(iii) Year 2006-07

The budget for the year 2006-07 was reviewed by MC in the meeting held on 23rd August 2006 i.e. with a delay of 241 days. The budget should have been approved before 90 days of commencement of the year 2006-07 i.e. before 31st December 2005.

Sh. Anisha Kumar pl

Sh. K. C. Mathur



Budget need to be presented on time.

Exception No.2: Actual Expenditure exceeding the Budgeted Expenditure

In case of following expenditure, the PSC has exceeded the budgeted expenditure:

Year 2005-06:

S. No	Nature of Expenditure	Budgeted Expenditure (In USD)	Actual Expenditure (In USD)	Difference (In USD)
1	Exploration G&G	4,18,347	17,89,863	13,71,516
2	General & Administration	74,190	1,05,120	30,930
	Total	4,92,537	19,94,983	14,02,446

Year 2006-07:

S. No	Nature of Expenditure	Budgeted Expenditure (In USD)	Actual Expenditure (In USD)	Difference (In USD)
1	General & Administration	32,923	53,276	20,353

All actual expenditure exceeding budgeted expenditure not approved by MC are non cost recoverable & need to be reversed.

Exception No. 3: Management Committee (MC) Meeting

As per Article 6.7 of PSC, the Management Committee shall meet at least once in three months or more frequently at the request of any member. The contractor has not followed the above guidelines. There were only one meeting in the year 2004-05 and two meetings in the year 2006-07. As explained, other seven meetings were held by circulating the Resolutions among the Members. However, overall, the total number of meetings was nine instead of twelve. Further, these meetings were not held within the time schedules. There were regular delays in conducting the meeting.

Management Committee Meeting needs to be convened as per PSC provisions.

Exception No. 4: Delay in submission of annual accounts before Management Committee



Contd... 3/-

The audited accounts should have been submitted within 90 days from the end of the financial year for the submission to DGH. The operator has delayed in submitting the Audited Accounts for all the three years. The delays were as under:

Year	Due date for submission of accounts	Date of adoption of Accounts before MC	Delay (in Days)
2004-05	30 th June 2005	7 th December 2005	160
2005-06	30 th June 2006	10 th October 2006	102
2006-07	30 th June 2007	Not Available	NA

Annual Accounts need to be submitted to MC and DGH on time as per PSC provisions

Exception No. 5: Delay in submission of End of Year Statement

The Contractor has not provided auditors any details relating to submission of End of Year Statement to DGH. In the absence of the same auditors were unable to comment on the same that whether or not they were submitted within stipulated time limit. The details of these statements being signed by the auditor and adoption of the same in MC meeting were as follows:

Year	Due date for submission of accounts	Date of adoption of Accounts before MC	Date of Signing of Financial Statements by Auditor
2004-05	30 th June 2005	7 th December 2005	18 th May 2005
2005-06	30 th June 2006	10 th October 2006	29 th April 2006
2006-07	30 th June 2007	Not Available	27 th April 2007

End of the year statement need to be submitted to the MC and DGH on time as per PSC provisions.

The operator is requested to forward their compliance reports/further comments directly to DGH at the earliest.

Yours faithfully



(P.G. George)

Under Secretary to the Government of India
Ph. 23384376

Copy to:

Director General, DGH, C-139, Sector-63, Noida (UP). w.r.t. their letter No. DGH/CC/51/2008 dated 3rd June, 2008 with request to monitor the case.

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T. R. CHADHA & CO.
CHARTERED ACCOUNTANTS

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Nr. Hanuman Cross Road No. 2
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Tel.: 022-26121428
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Email: mumbai@trchadha.com

Ref.: 165/107/2008

May 23, 2008

Mr. Ravinder Kumar
Advisor - CF
Directorate General of Hydrocarbons,
C-139, Sector 63
Noida - 201 301

Sub: Report on Audit and Inspection of the Sharing Contract No.CY-ONN-2002/2 for the years 2004-05, 2005-06 and 2006-07

Dear Sir,

This has reference to your appointment letter no. DGH/CC/51/2007 dated 22nd November 2007 appointing our firm for carrying out the audit and inspection of the accounting record of the above-mentioned exploration block. We have since completed the audit of the books of account as required to be maintained under Production Sharing Contract (PSC), of the following exploration block:

Name of Block	Years of Audit
CY-ONN-2002/2	2004-05, 2005-06 and 2006-07

On the basis of the records produced before us and information and explanations given to us, we are enclosing our report, on the audit of the production sharing contractor for the years ended 31st March 2005, 31st March 2006 and 31st March 2007, for your perusal and such action as may be considered necessary. We are also enclosing the CD containing such report.

We shall be pleased to give further clarifications, if any required in connection with our above report. Thanking you and assuring you of our best professional services at all times.

Yours sincerely

For T.R. Chadha & Co.
Chartered Accountants

Vikas Kumar

Vikas Kumar
(Partner)

Encl.: As above

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o/c

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DGH/CC/51/2008

3rd June 2008

Shri P. G. George
Under Secretary to Govt. of India.
Ministry of Petroleum & Natural Gas
Shastri Bhawan
New Delhi – 110001.

SUB: Audit Report and Draft Audit Exceptions in respect of CY-ONN-2002/2 PSC for the years 2004-05, 2005-06 and 2006-07

Sir,

M/S T.R. Chadha & Co., Chartered Accountants have forwarded the subject Audit Report on CY-ONN-2002/2 PSC for the year(s) 2004-05, 2005-06 and 2006-07 along with their recommendations.

The Audit Report has been examined by the Consultants hired by DGH and exception reports have been prepared accordingly. Copies of the audit report along with draft audit exceptions (hard copy as well as soft copy) are enclosed.

It is requested that a suitable view on these Draft Audit Exceptions may be taken by the Ministry for inclusion in the final Audit Exceptions. The final exceptions may be notified to the Operator for adjustments / compliance / further comments within 120 days of completion of Audit. The audit was completed on 23.05.2008.

Thanking you,

Yours faithfully,


(Ravinder Kumar)
Advisor – CF

Encl.: As above

Draft Audit Exceptions in respect of block CY-ONN-2002/2 for the years 2004-05, 2005-06 and 2006-07

Exception No. 1: Delay in presentation of Budget before Managing Committee:

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Budget need to be presented on time.

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