

Government of India
Ministry of Petroleum and Natural Gas
Shastri Bhawan, New Delhi-110001
(Off.) (Fax : 23383585 & 23383100)

File No.O-22015/1/2014-ONG-IV/EO

30th August, 2017

To

The Chairman & Managing Director
Oil & Natural Gas Corporation Limited (ONGC)
5, Nelson Mandela Marg,
Vasant Kunj,
New Delhi-110 070.

Sub.: **Audit Exceptions in respect of KG-DWN-98/2 for the year 2014-15.**

Sir,

I am directed to refer to Auditor's Reports on the subject cited above and to forward the following exception for taking necessary action:

Exception No. 1: Work Programme & Budget

For the FY 2014-15, Revised work program and Budget BE was submitted in 12.02.2015 (ref: KG-DWN/98/2(I)/MCR-40/WP&B/2014-15 and WP & Budget RE for FY 2014-15 were submitted on 19.02.2015 (ref: KG-DWN-98/2(I)) and same was taken for review by Management Committee in 40th Management Committee Meeting dated 29.11.2014 amounting to USD 296,756,636.

Audit Exceptions: Re structured exploration is expired on 29.12.2013 and operator is approved by MOP&NG for grant of further force majeure the exploration period again expired on 25.01.2014.

Cost recover entitlement of exploration entitlement will not arise due to the following reason.

1. Operator has done exploration activity which was also disallowed in BE 2014-15.
2. The exploration activity were done after 29.12.2013 and prior to the date of date the MOP&NG policy dated 10.11.2014.
3. Pre-Development activities may be considered if they fall under appraisal activities as per the submitted MOP&NG.
4. The original MWP should be submitted to steering committee 90 days prior the commencement of FY the same has been approved by MC on 19th Feb 2015.

Operator is required to abide by the dates as per PSC.



DA-19
sb. R. Bandyopadhyay

Sh. A. Kumar H

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Sh. K.C. Mallikarjuna
24/8/17

Exception No. 2: Statements

On our verification of documents and as stated by the Operator, the operator does not possess the acknowledged copy of the statement.

Operator is required to submit all statements as per PSC on time.

Exception No. 3: Procurement

- 1) The Operator (ONGC) procure materials & equipment on behalf of all the blocks under the companies operatorship and these are used and/or consumed for carrying out the work programme of the venture.
- 2) For services related expenditure on drilling and seismic acquisition, ONGC awards and executes centralised, umbrella contracts encompassing a large number of blocks operated by ONGC. The originating debits are captured in the JV books through service entry sheets as explained above.

Operator is required to get the procurement procedure approved by MC as directed by MOP&NG letter no. O-22015/37/2012-ONG-IV/EO dated 23.01.2015 and subsequent reminder on 11.05.2017 written to C&MD - ONGC.

Exception No. 4: Service Tax Compliance

Services tax on the cost of in-house services provided by the operator to the block has not been recognised during the current financial year with retrospective effect.

Attention shall be drawn to Circular No. 179/5/2014-ST dated 24th September 2014 which states that JV and the members of the JV are treated as distinct persons and therefore, taxable services provided for consideration, by the JV to its members or vice versa and between the members of the JV are taxable.

Exception by the auditor needs to be explained. Proper taxes due need to be paid.

2. The contractor is required to forward their compliance reports / further comments directly to DGH as per provisions of PSC.

Yours faithfully



(D.K. GHOSH)

Under Secretary to the Govt. of India

Tel.No.23388164

Copy to :-

1. DG, Directorate General of Hydrocarbons, Noida with the request to monitor the progress and to ensure compliance of the audit exception. DGH may also obtain acknowledgement from operator for receipt of the notification.