

DGH/CC/51/2006

11th July 2007

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**Sub: Audit Exceptions in respect of KG-DWN-98/2 for the years 2002-03
and 2003-04**

Ref.: MOP&NG letter No. O-19025/54/2006-ONG.D.V.

Sir,

DGH has received Ministry directions on the subject audit exceptions after reviewing the Operator's reply. Operator is required to implement the same and send a compliance report to DGH. Ministry's directions are attached.

Thanking you,

Yours faithfully,

(Ravinder Kumar)

Adviser – Contract Finance

Copy to: Shri P.G. George, Under Secretary, MOP&NG, Shastri Bhawan,
New Delhi – 110 001.

Mr Sampath.

Kind Attn: Mr. ANUJ SINGHAL.
FAX NO: 0124-2889320.

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**Ministry's Directions on Audit Exceptions in respect of
KG-DWN-98/2 for the years 2002-03 & 2003-04**

Exception No. 1: Cost recoveries of materials not used by the Operator

The explanation given by the Operator is not acceptable. As per Section 3.1.8 of Appendix C to PSC it is clearly stated that "material and equipment held in inventory shall only be charged to the accounts when such material is removed from inventory and used in petroleum Operations". Since these materials are not used, the same cannot be charged to accounts. Adjustments are required to be made.

Exception No. 2: procurement of Services

While making any purchases, as per PSC provisions Operator is required to obtain competitive quotations. In the absence of such competitive quotations reasonability of price cannot be established. Operator has not replied the exception satisfactorily. In future, prescribed procedure should be followed, which Operator needs to confirm.

Exception no. 4:

The unresolved audit exceptions pertaining to previous audit should be resolved by appropriate adjustment in PSC accounts.

Exception No. 4.1: Mob/Demob Cost

The mon/demob cost of US\$ 0.18 million incurred in FY 2001-02 for hiring of Maersk supporter and shipper, an AHTS vessel – its allocation to another KG-OS-6 block by then Operator, CEIL should be brought before MC and taken out of KG-DWN-98/2 block.

Exception No. 5:

In case any penalties are levied on such unapproved inter block transfers, the same would be non-cost recoverable.

