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हाईड्रोकार्बन महानिदेशालय

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय
भारत सरकार

DIRECTORATE GENERAL OF HYDROCARBONS

Ministry of Petroleum & Natural Gas
Government of India

DGH/CF/51/2018

9th October 2018

The Chairman & Managing Director
Oil & Natural Gas Corporation (ONGC)
3rd Floor, Plot 5A & 5B,
Nelson Mandela Marg, Vasant Kunj,
New Delhi – 110070
Fax: 011-23383585 & 23383100

Sub: Audit Exceptions in respect of KG-DWN-98/2 for the Year 2015-16

Sir,

I am directed to refer to Auditors M/s Nemani Garg Agarwal & Co., Chartered Accountants Report on the subject cited above and forward the following exceptions for taking necessary action.

Exception No. 1: Chart of Accounts

The Operator maintains the books in computerized environment - SAP & from our examination of Accounting Records. It appears that proper books of accounts are maintained.

As the block is under Exploration Phase the applicable reports under Section 5 to 12 of Accounting Procedure of PSC are maintained by Operator and submitted to DGH periodically.

However, it is ascertained that the Formal Approval of the "Chart of Accounts" as required per PSC has not been received from O/o of DGH.

DGH Comments: Operator is required to get their Chart of Accounts approved by GOI at the earliest.

Exception No. 2: Exchange Conversion

All Non-US\$ transaction converted as per PSC provisions i.e. SBI Rate of Exchange for the Respective Transaction day as against the Stipulated Transactions value exceeding US\$ 50k.

DGH Comments: Operator is required to explain non compliance and indicate financial implications due to non compliance.

Exception No. 3: Exchange Conversion

It is observed that operator has incidental income as on 31.03.2016 amounting US\$ 52,513 and Operator has not credited this incidental income to Cost Recovery Statement as required in Appendix-C Para-3.4 of PSC. In our opinion this incidental income should be credited to Cost Recovery Statement and Unrecovered Contract Cost would be reduced by US\$ 52,513 at 31.03.2016.

DGH Comments: Operator is required to make adjustments and send documentary evidence for adjustments made.

Exception No. 4: Cost Recovery

It is observed that the Cost Recovery Claim could have been higher for the period under review as well as for the few Earlier Years also, BUT DUE TO INCORRECT / FAULTY CONVERSION METHODOLOGY EMPLOYED for all Expenditure Transactions originating from Mumbai Project for the block relating to Charter Hire of the Off-Shore Rigs & Bundled Services, it is under Stated.

Detail Annexed in Annexure-S-4.

DGH Comments: Operator needs to explain the audit exception.

Exception No. 5: Essential Certificates

ONGC is not maintaining Block specific essentiality certificate records as ONGC has centralized Procurement system. In our opinion Operator should maintain EC records of Imported materials & equipment which are consumed or used for Block.

DGH Comments: Operator is required to explain the non compliance.

Exception No. 6: Procurement Procedure

The Operator-ONGC has not procured any Material / Services separately for this block.

In ONGC, Centralized Procurement is carried out in accordance with ONGC Material Management Manual which has detailed and well-documented procedure & has been relied by other Regulatory Authorities like Statutory Audit & CAG.

However, Operator is required to get the procurement procedure approved by MC as directed by MOP&NG letter no. O-22015/37/2012-ONGC-IV/EO dated 23.01.2015 and subsequent reminder on 11.05.2017 written to C&MD, ONGC. Operator has submitted Procurement Procedure to DGH, but Approval of MC is still pending.

DGH Comments: Operator is required to get their Procurement Procedure approved by MC.

Exception No. 7: Expenditure

We report that the expenditure has been incurred in accordance with approved work program by MC.

One Actual Expenditure Totaling to US\$ 47,269,691 incurred for the block and claimed as cost recovery has been incurred against the Approved Budget (RE) amounting US\$ 57,857,086 in MCR dated 12.03.2016.

However, we observed an Expenditure of US\$ 37,421 for G&G expenditure & US\$ 13,420 for Material Consumption to well #NAMA_A, charged to Cost Recovery Statement during the current FY without any specific Budget and Work Programme Approval AS THIS IS SPILL OVER EXPENDITURE OF EARLIER PERIOD DOES NOT HAVE ANY MACHING SPILL OVER BUDGET DURING THE F.Y. 2015-16.

Further per our observation in Para-15 regarding Cost charged for Rig Operation amounting US\$ 23,796,833 for Operator's own Rig Sagar Bhushan.

The above two expenditure Claimed as cost recovery is subject to MC Specific Approval.

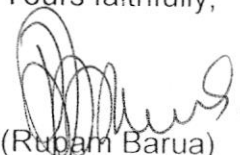
The Audited Accounts for the FY 2015-16 under review, are timely submitted to MC for Approval.

DGH Comments: Operator is required to elaborate the audit exception and obtain specific MC approval as suggested.

The contractor is required to forward the comments to DGH within 15 days from receipt of this letter.

Thanking you,

Yours faithfully,


(Rupam Barua)
HOD (CF)

Copy to: Mr. D.K. Ghosh, Under Secretary to the Govt. of India, MOP&NG, Shastri Bhwan, New Delhi – 110001

