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(47)

No. O-22014/15/2006-ONG/US (EO)

Government of India

Ministry of Petroleum & Natural Gas

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To,

New Delhi the 19<sup>th</sup> June, 2008

The Chairman & Managing Director,  
ONGC, Jeevan Bharti Building  
124, Indira Chowk,  
New Delhi.

**Subject: - Audit Report and Draft audit exceptions in respect of KG-DWN-98/2 for the years 2004-05, 2005-06 and 2006-07.**

Sir,

I am directed to refer to the Auditor's report for the above block and to say that following actions are required to be taken at your end: -

**Exception No. 1: Transfer of Share**

In the year 2004-05 when M/s Cairn India Pvt. Ltd., transferred its share to ONGC Ltd., the total expenditure shown in the books of M/s Cairn India Pvt. Ltd. was US\$ 100,667,536 and drilling material in hand was to the tune of US\$ 1,262,680. ONGC Ltd. in the year 2005-06 while taking the opening balances showed opening exploratory costs, b/f from M/s Cairn India as US\$ 101,930,216 i.e. (US\$ 100,667,536 and 1,262,680) thus inflating the cost by US\$ 1,262,680 and deflating the current assets (inventory) by US\$ 1,262,680.

**This needs rectification and cost should be reduced to this extent.**

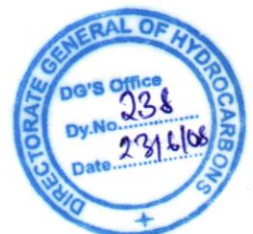
**Exception No. 2: Foreign Currency Conversions**

- (iii) The Contractors are converting the INR payments in US\$ by taking the day rate in both the circumstances i.e. whether it is equivalent to or more than US\$ 50,000 or less than US\$ 50,000.
- (iv) PEL fees is converted into US\$ by taking average daily previous month rate. Auditor has observed that in all the instances wherever PEL fees is paid the amount is more than US\$ 50,000, hence it should be converted by taking day rate.

**Contractor is required to follow PSC provisions for conversion of Foreign Currency.**

Sh. Anish Kumar p/

Shan  
23/6





146

**Exception No. 3: Actuals Vs. Budget**

Actual expenditure exceeds the budgeted expenditure and no approval has been taken from MC as per PSC requirement. Variances are as follows:

**Year 2005-06**

Head of A/c	Budgeted (US\$)	Actual (US\$)	Variance (%)
Seismic acq. 3D	-----	1512882	-----
Seismic Spl. Pr. 2D	-----	1818	-----
Seismic Spl. Pr. 3D	-----	269444	-----
Q marine data. Acq.	-----	15958857	-----
Seismic Interpretation	67500	187570	179
G&A	1079914	1301853	217
Exploratory Drilling	56408997	87373650	55

**Year 2006-07**

Head of A/c	Budgeted (US\$)	Actual (US\$)	Variance (%)
Seismic Spl. Pr. 2D	5160	109119	2015
Q marine data Acq.	13253766	42009575	217
G&A	1058444	1741707	65

Since, MC approvals are not obtained, the excess expenditure needs to be reversed.

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. No. 23384376

Copy to:

✓ Director General, DGH, C-139, Sector-63, Noida (UP). w.r.t. their letter No. DGH/CC/51/2008 dated 18<sup>th</sup> February, 2008 with request to monitor the case.