



Specialist Group
Cauvery Basin
10th (East), CM DA Tower-I
Egmore, Chennai-600 008.

File No. ONGC/CB/SPG/Audit /DGH/Audit Exceptions/2015-16 Dated 28.04.2015

From: M.R. Satyanarayana, DGM (E&T), Audit Coordinator, Cauvery Basin, Chennai

To: The Directorate General
Directorate General of Hydrocarbons
OIDB Bhavan Sector-73
Noida- 201301(UP)

Sub: Reply to Audit Exception in respect of CY-ONN-2002/2 for FY 2011-12 & 2012-13

Ref: MOPNG File No. O-22015/171/2014-ONG-IV/EO dt.26.03.2015

Please find enclosed herewith the reply to the Audit Exceptions given in the above referred letter pertaining to the Block CY-ONN-2002/2 for FY 2011-12 & 2012-13

Submitted for your kind perusal.

Regards

(M.R. Satyanarayana)
DGM (E&T)-Audit Coordinator
Cauvery Basin

Copy for kind information to:

1. ED- Basin Manager, Cauvery Basin, Chennai
2. GM-Head EXCOM, ONGC Core-V, 5th & 6th floor, Scope Complex, 7 Lodhi Road
New Delhi – 110003
3. GGM-Chief Internal Audit, ONGC, 6th floor, scope Minar, Laxmi Nagar, delhi-110092
4. GM-Block Manager III, Cauvery basin, Chennai
5. GGM (F&A)-Head Finance, Cauvery Basin, Chennai
6. Regional Audit Head, Southern Sector, ONGC, Chennai
7. Office copy



Sh. Anitha Kumari pl

Varadachari

Q55

Sh. K. C. Mathew

Replies to DGH Audit Exceptions - NELP Block CY -ONN- 2002/2 for FY 2011-12 &2012-13		
Exception No.	DGH Audit Para	Reply
1	Chart of Accounts The operator has not submitted the Chart of Accounts to GOI as per PSC	Basin has already sent the Chart of Accounts of the Block to DGH for approval on 05.07.2013 and it is awaited. Copy of the forwarding letter is attached at Annexure-I. A copy of Chart of Accounts for the Exploration Phase is prepared and enclosed at Annexure- II.
2	Appointment of Auditors : For the FY 2011-12, M/s. GHG & Associates was appoined auditor in 35th Management Committee Meeting dated 18.05.2012. For the FY 2012-13, M/s. GHG & Associates, was appointed auditor in 40th Management Committee Meeting dated 12.07.2013. For both the years audit has been completed before their appointment in Management Committee. This is violation of Article 25.4.2 of PSC	Appointment of M/S GHG Associates, Chartered Accountants, Chennai, as the Auditors for FY 2011-12 and 2012-13 was approved by OC vide 35th OCR dt.27.02.2012 and forwarded to DGH for MC approval, vide letters dt.06.03.2012 and 08.03.2012. MC approval for the same for 2011-12 was accorded vide 35th MCR dt.25.04.12 and for 2012-13 vide MCR 40 dt.12.07.13. Copy of the OCR No.35, MCR No.35 and MCR No.40 are enclosed for reference at Annexure-III. In view of the above, it appears that the delay in MC approval appears to be procedural and the same may kindly be condoned. All efforts will be made to expedite the approval process in future.

3	<p>Site Restoration Fund (SRF): Site Restoration Fund has not been created by the operator even the operator has successfully completed the exploration phase and appraising its discovery in MD#3.</p>	<p>At present, Block CY ONN 2002/2 has completed appraisal phase and is in the process of entering into development phase. As per Article 14.10 of PSC, the site restoration fund is required to be created based on the Govt. notified Site Restoration Fund Scheme, and annual contribution should be based on Unit of Production method, i.e., reserve to production ration. Since the Block is yet to start its commercial production at present there is no obligation to create site restoration fund as per the provisions of PSC.</p> <p>Similarly, as per sub paragraph (3) of para 3 of Government notified Site Restoration Fund Scheme which states that "Such deposit has to be made in Indian Rupees and out of profits derived from the business consisting of prospecting for or extraction or production of Petroleum or Natural Gas or both, in India and in relation to which the Central Government has entered into an agreement (herein after referred to as the "agreement") with such assessee for such business".</p> <p>In view of the above fact, unless block starts its commercial production from the block under its production phase, till such time, site restoration fund deposit is not obligatory in nature. The necessary deposit in site restoration fund will be made as per the provisions of PSC as well as Site Restoration Fund Scheme, once Block is put on commercial production.</p> <p>Hence, the said audit exception may please be treated as settled.</p>
4	<p>Local Procurement Statement: For both the years, the Local Procurement statement was not submitted which is a contravention of Section 10 of PSC</p>	<p>Local Procurement Statement upto 31.03.2014 was already submitted to DGH vide letter dt. 15.09.2014. Copy of the same is enclosed (Annexure VI).</p>
6	<p>Production Statement: Production Statement has not been submitted by the operator that is applicable for FY 2012-13.</p>	<p>During the year 2012-13, the Block was in Appraisal Phase and no commercial production had started.</p>
7	<p>Late Submission: On our verification of documents the Statement of Cost, Expenditure and Receipts has been submitted to DGH from 2nd Quarter of 2011-12</p>	<p>Accounts of ONGC are getting finalised and got audited within 45 days time from the end of the respective Quarter, as per the present Statutory requirements. The DGH statements of the Block are being compiled after completion of Statutory Audit of ONGC as per above time lines, in order that the Statements are accurate and authentic. Hence it is requested that the delay due to above explained reasons may be condoned.</p>

7	<p>Late Submission: On our verification of documents the Statement of Cost, Expenditure and Receipts has been submitted to DGH from 2nd Quarter of 2011-12</p>	<p>Accounts of ONGC are getting finalised and got audited within 45 days time from the end of the respective Quarter, as per the present Statutory requirements. The DGH statements of the Block are being compiled after completion of Statutory Audit of ONGC as per above time lines, in order that the Statements are accurate and authentic. Hence it is requested that the delay due to above explained reasons may be condoned.</p>
8	<p>Procurement: The operator is not having pre-approved vendor list along with pre qualification criteria for specified activities (as prescribed in Appendix F of the PSC). 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. 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.</p>	<p>OC / MC approval for ONGC's procurement procedure (which is in line with CVC guidelines) has been taken up with the non- operating partner M/S BPRL, in view of the centralised consolidated procurement system which is in vogue in ONGC. After approval by OC, the same would be forwarded to MC for review of the requirement.</p>

