CAG raps ONGC for misuse of funds: Says Besides Poor Planning & ...

Sanjay Dutta TNN

The Times of India (1861-current); Feb 22, 2008; ProQuest Historical Newspapers: The Times of India pg. 21

CAG raps ONGC for misuse of funds

Says Besides Poor Planning & Monitoring, Oil Explorer Lacks Even Norms, Benchmarks

Sanjay Dutta | TNN

New Delhi: Every government has been trying to figure out why ONGC, despite its flagship status, cuts a sorry figure against private entities when it comes to finding oil or gas. Now, the comptroller and auditor general of India (CAG) appears to have put a finger on the reasons behind the dismal show. The government's book-keeper has said the state-owned entity frittered away huge sums in "unfruitful" expenditure and penalties stemming from poor

planning, lack of foresight and co-ordination in decision-making besides sloppy monitoring of work during the 10th Plan.

To begin with, CAG has told the oil ministry, failure on the part of ONGC to drill the number of wells "resulted in payment of Rs 124 crore penalty and an expenditure of Rs 368.89 crore that was rendered unfruitful". Delays in hiring rigs meant putting off drilling of eight deepwater wells. Not hiring two additional rigs led to a backlog of 18 wells and an extra expenditure of Rs 886.81 crore, while



Not hiring two additional rigs led to an extra expenditure of Rs 886.81 crore, while late renewal of one contract resulted in commitment of an extra expenditure of Rs 311.42 crore

late renewal of one contract resulted in commitment of an extra expenditure of Rs 311.42 crore from 2008 onwards.

ONGC failed to monitor drilling operations and maintain estimates. Analysis of 35 wells revealed that "actual cost of drilling the wells was Rs 3,286.57 crore against estimates of Rs 2,482.55 crore partly because the company had not established norms and benchmarks for work completion...It diverted its own deepwater rig to shallow waters, foregoing a saving of Rs 2.775 crore."

Pointing to lack of coordination among various divisions, CAG said ONGC drilled six of the 16 wells committed in the original grant period of four years in nine acreages it got without bidding. It repeatedly bought more time by paying Rs 15 crore each time but still failed to drill the committed number of wells in two blocks. In March 2007, it surrendered one of the two blocks after incurring an expenditure of Rs 111.38 crore.

Scrutiny of 10 contracts for seismic surveys, CAG said, showed ONGC's lack of foresight in chartering and mobilising specialised vessels and the firm lost significant part of the working season in six deals. This led to delays in acquisition, processing and interpretation of seismic data in six contracts and it had to pay extra money to remobilise vessels in one instance.

"In addition, award of contract to a financially unsound party led to slippages in minimum work programme commitments."

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.