

RIL continues to give a hard time to CAG on KG-D6 audit

Reliance Industries Ltd (RIL) has hardened its stand in its ongoing spat with the Comptroller and Auditor General (CAG). Fresh round of negotiations between the two sides has failed to yield a breakthrough on the nature of audit for RIL's oil and gas block Dhirubhai 6, better known as D6, at Krishna-Godavari basin off India's east coast.

Matters came to a head when RIL dispatched letters to the petroleum ministry on January 16 and January 29, complaining that the CAG was overstepping its jurisdiction and set conditions for the audit to commence again. A CAG team has already reached Mumbai, but RIL is yet to share the relevant documents with it. An RIL official spokesperson, though, dismissed allegations of stonewalling the audit as "wholly baseless and untrue". The petroleum ministry had written to RIL on December 24, asking it to provide the CAG team with the documents required, and warned that not doing so would be a violation of Article 30 of the Production Sharing Contract (PSC).

A CAG spokesperson was guarded in his response. "Our officers are doing their duty as per the law and they would speak later at an appropriate platform," he said.

Earlier, on January 9, an RIL team led by COO Bibhas Ganguly had met a seven-member CAG delegation. According to company sources, RIL objected to the scope and objectives of the statutory audit. It also stuck to its stand that there should only be a financial audit - and not a performance audit - in accordance with its PSC with the petroleum ministry. It also insisted that the audit should not be made public. While CAG officials told RIL that they would only conduct a financial audit, they made it clear that the report would be placed in Parliament.

RIL sources also say that they have told the petroleum ministry that they will be ready for the audit only if CAG conducts it as a representative of government of India as per the terms of the contract between RIL and the petroleum ministry. CAG would not be allowed to make backward linkages for financial audit of the period between 2008/09 and 2011/12 - it would mean that the auditor will not be able to question RIL's procurements in the past.

Petroleum ministry officials told Business Today that if CAG was recognised as a government nominee, it would not be able to table the report in Parliament. If the demands are accepted the audit will become a mere formality, according to these officials.

With no immediate resolution of the standoff in sight, the stage seems set for a prolonged battle between the CAG and RIL.

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