# RIL not allowing CAG audit: OilMin to PMO

The petroleum ministry has informed the Prime Minister’s Office that it has not given a final nod to RIL’s plans to raise natural gas output from the flagging KG-D6 fields as the firm has refused to allow audit of its expenditure by CAG.

Oil Secretary G C Chaturvedi told at a meeting convened by Pulok Chatterji, principal secretary to the PM, on September 24 that the KG-D6 block oversight committee, headed by DGH with representatives of the ministry, had agreed to all the development proposals made by RIL, sources said here.

Chaturvedi, they said, told the meeting that finalisation of the decisions is however pending due to RIL's refusal to allow a second round of audit by CAG of its spending on the eastern offshore KG-D6 block.

While the management committee of KG-D6 block in August agreed to approval of capital spending plans pending for past three years, the resolution has so far not been signed. Also, at least three discoveries RIL has made in the block have so far not been declared commercial, a step necessary to begin production from them.

Besides, it had approved the revised field development plan for MA oil and gas field in the same block in August but formal orders have not been issued. All these investments, RIL says, are necessary to reverse drop in output at the fields. Sources said Chaturvedi apprised the PMO of the status of production in the KG-DWN-98/3 or KG-D6 block and contractual issues related to it. He told the meeting that production has been continuously declining at the field since 2010-11 when it had hit a peak of 61.5 mmscmd. Sources said RIL had on September 18 written to the Oil Ministry saying it was open to financial audit of its spending on the field, which has seen production drop by over 55 per cent to 27.5 million standard cubic meters per day instead of rising to planned 80 mmscmd, but emphasised that CAG did not have powers to audit a private company.

RIL said CAG's 2009 audit, which it had agreed to as a one-time exception, turned out to be a 'performance' audit which was contrary to the provisions of the Production Sharing Contract (PSC). The PSC provides for checking of the contractor's accounts in order to verify the charges and credits but not questioning efficacies of processes or technology used in the complex deepsea operations. The CAG had in its first round of audit questioned the 'reasonableness' of costs incurred in the gas field development and said the government should revisit the profit sharing mechanism. CAG, in the second round, is to audit spending made by RIL during 2008-09 and 2011-12.

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