

## Chapter 2: Audit Approach

The performance of offshore shallow water rigs had been reviewed by the Comptroller and Auditor General of India (C&AG) in Audit Report 9 of 2007 (Chapter VII). The present audit covers the drilling activities, both onland and offshore (shallow and deep water) carried out by the Company over the period 2010-14.

### 2.1 Audit Objectives

The objective of the performance audit was to obtain reasonable assurance that the Company had planned, hired, deployed and utilised rigs in an efficient and effective manner. Audit examined the following issues in this regard:

- Whether drilling rigs were properly planned and matched with the requirement of Assets and Basins;
- Whether requisite number of rigs were made available through hiring or acquisition in an effective and efficient manner to implement the plan;
- Whether deployment of rigs (drilling as well as work-over rigs) was as per plan and their utilisation had been efficient; and
- Whether maintenance/repair/ up-gradation of drilling and work-over rigs was as per maintenance plan and statutory or other requirements.

### 2.2 Scope of Audit

The scope of audit was to review overall performance of management of rigs by the Company during 2010-11 to 2013-14. This covered various sections, such as planning, procurement and hiring, operations and maintenance of rigs of Drilling Services and Well Services groups of the Company. The monitoring of the drilling performance at corporate level was also covered during the audit.

### 2.3 Audit Criteria

The following were the sources of audit criteria:

- 11<sup>th</sup> and 12<sup>th</sup> five year plan document along with the annual plan documents for 2010-14, budget estimates and rig deployment plans.
- Company's policy, rules and regulations including material management manual, norms fixed by the Company for drilling activities, dry dock policy, drilling manual, maintenance schedule of owned rigs, Geo Technical Orders of locations, *etc.*
- Minutes of the Board Meetings, spud meeting minutes, Multi-Disciplinary Team (MDT) meetings, norms/standards prescribed in the Company's internal documents, Service Level Agreements entered by Assets/Basins with other services groups of the Company, performance contract (PC) signed between/among services groups of the Company.
- Guidelines issued by the Government as well as health and safety guidelines prescribed by statutory bodies.

## 2.4 Audit Methodology

The methodology adopted for the audit was as follows:

- An Entry Conference was held with the Company for discussion on the audit objectives, scope and methodology in July 2014.
- This was followed by collection of information through audit requisitions and questionnaires. After scrutiny of records, discussion with the Company officials, and test check of the transactions, preliminary audit observations were issued. These were further reviewed based on the responses of the Company and consolidated to prepare the draft audit report.
- The draft audit report was issued to the Company (November 2014) and reply of the Company was received in April 2015. Reply of the Company has been suitably incorporated in the report.
- An Exit conference to discuss the response of the Management on the audit findings was held on 2 May 2015. The views expressed by the Company during this meeting and the supplementary information provided during the meeting have also been suitably incorporated in the report.
- The draft report was issued (June 2015) to the Ministry of Petroleum and Natural Gas (MOPNG) and reply of MOPNG was received in August 2015. Reply of MOPNG has been suitably incorporated in the report.
- An Exit conference with MOPNG and Management of the Company to discuss the response of MOPNG on audit findings was held on 10 August 2015. The views expressed by MOPNG and the Company during this meeting and post Exit conference supplementary reply of the Company as forwarded by MOPNG (August 2015) have also been suitably incorporated in the report.

## 2.5 Sampling

The following sample was scrutinised for the Performance Audit:

**Table 2.1: Sampling methodology**

Sl. No.	Item / activity	Population	Sample size	No. Selected
1	Tenders for hiring of rigs	32	100 %	32
Performance of Offshore rigs				
2	Owned rigs	9	100%	9
3	Hired rigs –Deepwater	6	100%	6
4	Hired rigs – Shallow water	31	20%	7
5	Work-over hired rigs	3	20%	1
Performance of Onland rigs				
6	Owned rigs	68	20%	14
7	Hired rigs	16-20	20%	4
8	Work-over- hired rigs	19	20%	4
9	Work-over -Owned rigs	53	20%	11

The sample selected was a risk based one.

- All tenders for hiring of rigs were selected in view of high materiality and criticality of rigs for drilling operations.
- While reviewing performance of rigs, all owned offshore rigs were selected as their performance was poor with high non-productive time and significant expenditure was incurred on their repair and maintenance during the period of audit.
- Performance of all deep water rigs was scrutinised in view of their high costs and impact on exploration and development targets of NELP blocks.
- For charter hired offshore rigs, onland rigs and work-over rigs, a sample of 20 *per cent* had been selected. The selection was on the basis of materiality (higher operating day rates) and risk (lower cycle speed and commercial speed, higher non-productive time) of the rigs.

## **2.6 Acknowledgement**

Audit wishes to acknowledge the cooperation and assistance extended by the Ministry of Petroleum and Natural Gas (MOPNG) and the ONGC Management in the conduct of this performance audit.