

## Chapter 2

### Audit Framework

#### 2.1 Scope of Audit

The performance audit covers fuel management of 13 out of 26 coal based power stations of the Company and its Joint Ventures (JV)/subsidiaries (18 stations of NTPC and 8 stations of subsidiaries and JV companies). Audit examination covered the period from April 2010 to March 2016.

#### 2.2 Audit Sample

13 power stations were selected for detailed examination comprising a mix of new and old power stations of NTPC. The sample included seven stations that were built during the XII Plan period, while the remaining six stations were selected based on their geographical location.

**Table-2.1: Stations selected for audit**

Sl. No.	Name of station	Sl. No.	Name of station
1	Dadri	8	Mouda
2	Badarpur	9	Farakka
3	Jhajjar (JV) <sup>5</sup>	10	Barh
4	Vindhyachal	11	Talcher Thermal
5	Korba	12	Ramagundam
6	Sipat	13	Vallur (JV) <sup>6</sup>
7	Rihand		

In addition, 36 out of 40 imported coal packages awarded during the period from April 2011 to March 2016 were examined. In respect of examination of coal linkages and monitoring of coal stock including storage capacity, stations not included in the sample were also covered.

#### 2.3 Audit objectives

The objectives of this performance audit were to assess whether:

- (i) All stations had fuel security through long term fuel linkages;
- (ii) Procurement of coal and inventory management were carried out economically, efficiently and effectively;
- (iii) Proper controls existed for monitoring consumption of coal by stations;
- (iv) Proper procedures were followed for assessing quality and quantity of coal; and
- (v) Billing of energy charges was done in compliance with the Tariff Regulations issued by Central Electricity Regulatory Commission (CERC).

<sup>5</sup> Indira Gandhi Super Thermal Power Station of Aravali Power Company Private Limited, Jhajjar, Haryana (JV of NTPC, Indraprastha Power Generation Company Limited and Haryana Power Generation Company Limited with shareholding of 50 percent, 25 percent and 25 percent respectively).

<sup>6</sup> Vallur Thermal Power Station of NTPC Tamil Nadu Energy Company Limited (JV of NTPC and Tamil Nadu Electricity Board with shareholding of 50 percent each)

## **2.4 Audit criteria**

Audit criteria for the performance audit were drawn from:

- (i) Tariff Policy, 2006 issued by Ministry of Power.
- (ii) New Coal Distribution Policy issued by Government of India (Ministry of Coal).
- (iii) CERC (Terms and Conditions of Tariff) Regulations, 2009 and 2014.
- (iv) Petitions filed by the Company before Regulatory and judicial fora and documents relating to the petitions.
- (v) Central Electricity Authority norms for long term coal linkages.
- (vi) Fuel Supply Agreements and Memoranda of Understanding with coal companies.
- (vii) Minutes of meetings of Board of Directors and Board level sub-committees.
- (viii) Contract packages for import of coal.
- (ix) Local Management Instructions issued by stations.

## **2.5 Audit Methodology**

Prior to commencement of audit, an entry conference was held with the Management of NTPC on 02 September 2015 where the audit scope, objectives, criteria and sample were discussed. Audit of the selected stations was carried out between September 2015 and January 2016 and the draft Performance Audit report was issued to NTPC on 26 February 2016. The replies of NTPC were received on 27 April 2016 and an exit conference was held with them on 16 May 2016. The responses of the Management were incorporated in the report and the revised draft report was issued to Ministry of Power on 01 September 2016. An exit conference was held on 24 October 2016 with Ministry of Power to discuss the report and responses of the Management. Subsequently, on 10 November 2016, detailed replies of Ministry of Power were received which have also been considered while finalizing the report.

## **2.6 Acknowledgement**

Audit acknowledges the cooperation extended by Ministry of Power and the Management of NTPC and its JVs in smooth conduct of this performance audit.

## **2.7 Audit Findings**

Audit findings are grouped under the following Chapters:

- Chapter 3 - Procurement of Domestic Coal
- Chapter 4 - Import of Coal
- Chapter 5 - Assessment of Quality and Quantity of Coal
- Chapter 6 - Coal Supply Management
- Chapter 7 - Consumption of Coal by Power Stations
- Chapter 8 - Conclusion and Recommendations