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Chapter-2

Audit Framework

2.1 Scope of Audit

This performance audit covers all the activities from conceptualization to implementation of all the projects selected by NTPC and its Joint Ventures/Subsidiaries for adding a capacity of 22,430 MW between April 2007 and March 2012.

2.2 Audit Objectives

In order to analyse the reasons for slow progress of work and to assess the effective and economic implementation of the capacity addition programme, a performance audit covering activities from conceptualisation to execution of projects by NTPC and its Joint Ventures (JVs)/Subsidiaries to achieve the targets of capacity addition set for 2007-12 was undertaken. Audit objectives were to assess whether:

- The projects were selected and formulated considering all relevant factors;
- Projects and Contracts were managed with due economy and efficiency;
- There was an effective monitoring mechanism at all levels; and
- The delay in completion of projects involved any financial impact.

2.3 Audit Criteria

The performance of NTPC was assessed against the following criteria:

- National Electricity Policy
- Corporate Plan of NTPC
- Minutes of meetings of the Board of Directors (BOD) and sub-committees
- Feasibility Reports (FR)/Detailed Project Reports
- Work and Procurement Policies and Procedures
- Contract Agreements
- Best practices adopted by the industry.

2.4 Audit Methodology

The Audit held a meeting with the NTPC Management on 7 July 2010 wherein the scope, objectives, criteria of audit and audit sample were discussed. Audit examined relevant records based on which preliminary observations were issued to the management and the replies of the management, wherever received, were considered while drawing audit conclusions which have been narrated in subsequent Chapters. After receipt of responses from the Management, an exit conference was held on 18th November 2010 and further clarifications and comments made by the Management during this interaction were also considered while finalizing this report.

2.5 Audit Sample

The projects covered under capacity addition programme of NTPC are to be completed by March 2012 and, therefore, some of the projects were still under award or execution. As such a representative sample of the contracts was drawn from list of contracts awarded for executing the projects using Interactive Data Extraction and Analysis (IDEA) software for examination of Contract awarding activities. Out of 442 contracts valuing ₹ 58,752 crore awarded between April 2003 and March 2009 for capacity addition programme, 150⁸ contracts (34 per cent) valuing ₹ 50,706 crore (86 per cent) were selected for review of award activities. As regards execution, all 24 projects under execution were selected for examination. The details of the sample selected are given in **Annexure-II**.

2.6 Audit findings

Audit findings are discussed in three chapters as detailed below:

- **Chapter 3** includes issues relating to pre-implementation planning and financial tie-ups
- **Chapter 4** flags audit analysis of factors leading to delay in project implementation
- **Chapter 5** highlights inadequacies in project monitoring and analyses the impact of delays in project implementation

2.7 Acknowledgment

Audit acknowledges the cooperation extended by Management to audit team.

⁸ Records related to four contracts could not be examined by audit as the same were with CBI/CVC.