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Audit Framework

2.1 Scope of Audit

This performance audit covers the activities relating to acquisition, management and operations of vessels undertaken by the Company during the last five years from 2005-06 to 2009-10 with main thrust on the Bulk and Liner Segments, which put together account for almost 95 per cent of the total earnings of the Company. In addition, Government's policies on maritime trade and its impact on the shipping industry were also examined.

2.2 Audit Objectives

The performance audit was conducted to assess and evaluate whether:

- Government's maritime policies were conducive to the growth of the industry in general and public sector in particular;
- Company's Plans were directed towards sustainable business performance, maintaining market share and steady growth;
- Systems and procedures for vessel acquisition were robust, efficient, transparent and competitive;
- The operations of the Company were carried out in an efficient and economic manner and
- Maintenance of old vessels was as per statutory requirements and industry norms.

2.3 Audit Criteria

The performance of the Company was assessed against the following criteria:

- Merchant Shipping Act 1958.
- Targets fixed by the Government and Company for various activities.
- Minutes of meetings of the Board of Directors and Management Committees;
- Contract Agreements;
- Best Practices adopted by the industry.

2.4 Audit Methodology

Audit commenced with an entry conference with the Management on 21 April 2010 wherein the scope, audit objectives and sample were discussed and the audit criteria were agreed upon. Audit examined the relevant records of the Company which included electronic data supplemented by questionnaires and memoranda. The records of Ministry of Shipping and Director General (Shipping) relating to framing/revision of Government policies were also examined. In addition, data relating to crude oil imports by oil majors (IOCL, HPCL and BPCL) was collected, analysed and incorporated in the report, wherever found necessary. Based on the examination, draft Performance Audit Report was issued to the Management and an exit conference was held on 13 November 2010 to discuss the audit findings. Replies / explanations furnished by the Management and Ministry (April 2011) have been considered while drawing audit conclusions which are discussed in the subsequent chapters.

2.5 Acknowledgement

Audit acknowledges the co-operation extended by Ministry of Shipping, Managements of the Shipping Corporation of India Limited and Oil sector Public Sector Undertakings in furnishing of records, information and clarifications to audit teams.

2.6 Audit Findings

Audit findings are discussed in the following chapters:

- Chapter 3:** highlights government policies and their impact on the growth of shipping industry.
- Chapter 4:** flags issues relating to the acquisition of fleet
- Chapter 5:** dwells on issues relating to the operation and maintenance of vessels.
- Chapter 6:** discusses issues of inadequacies in oversight mechanism.
- Chapter 7:** Conclusions and Recommendations.