

Chapter 3 - Audit Approach

3.1 Audit Objectives

Audit was conducted to ascertain:

- Robustness and efficacy of the design adopted for allocation of coal mines through e-auction.
- Proper implementation of the planned e-auction process and procedures and that the e-auction was conducted in a fair and transparent manner.

3.2 Methodology and Scope of Audit

An entry meeting was held with Ministry of Coal (MOC) and Nominated Authority (NA) on 28 May 2015, wherein the scope and objectives of audit were discussed. Audit examined the coal mines e-auctioned in the first two tranches. Audit examined the records at MOC, NA, Central Mine Planning and Design Institute Limited (CMPDIL), MSTC, Coal Controller's Organisation (CCO) and collected necessary documents from the other stakeholder Ministries/Department viz. Ministry of Power, the Ministry of Steel and the Department of Industrial Policy and Promotion. During field audit, audit requisitions and audit queries were issued. Draft audit report, after duly incorporating the replies received, was issued to MOC on 08 January 2016. Modified draft audit report was issued to MOC on 26 February 2016 after considering the issues raised by MOC on 04 February 2016. Reply of MOC on the modified draft audit report was received vide letter dated 10 March 2016. An Exit Conference was held on 31 March 2016 with the Secretary, MOC and other officers. Additional comments of MOC were received on 01 April 2016. Replies and comments received from MOC and the views expressed during the Exit Conference have been duly considered while finalising this report. Status of operationalisation of mines has been updated in the report on the basis of information received from MOC in May 2016.

As per the scope of this audit, Audit covered the coal mines auctioned in the first two tranches of the e-auction. For the purpose of a comprehensive analysis of the e-auction and the mines allocated thereof, Audit has covered the allocations from the stage of design of the e-auction mechanism to the stage of production of coal and monitoring thereof.

3.3 Sources of Audit Criteria

The sources of audit criteria were as given below:

- The Coal Mines (Special Provisions) Ordinance, 2014
- The Coal Mines (Special Provisions) Second Ordinance, 2014
- The Coal Mines (Special Provisions) Act, 2015
- The Coal Mines (Special Provisions) Rules, 2014
- The Coal Mines (Nationalisation) Act, 1973
- Mines and Minerals (Development and Regulation) Act, 1957
- General Financial Rules, 2005
- Orders/Circulars/Office Memoranda issued from time to time
- Methodology issued for fixing floor/reserve price of coal mines
- Contractual documents, tender documents and other relevant documents

3.4 The e-Auction Mechanism

Ministry of Coal laid down the new mechanism and carried out the 1st tranche of e-auction within five months of the Hon'ble Supreme Court judgment cancelling the allocation of 204 coal blocks. Audit appreciates the efforts made by MOC in planning and implementing a new paradigm of allocation of natural resources within this short span of time. As the mechanism has emerged, a substantial amount of financial resources has accrued/would accrue to the public exchequer from the mining activities carried out by the allottees of the coal mines.

Audit of this new system of e-auction was conducted and comments relating to the system and processes of the e-auction mechanism are given in this Report.

3.5 Acknowledgement

Audit acknowledges the co-operation provided by MOC, NA and all other stake holders viz. CMPDIL, MSTC and CCO.