

Annex-I
Referred to Para 12.2.2
Statement showing the profile of the Eight select clusters

Sl. No.	Name of cluster and location and jurisdiction of KVIC	Name and location of IA and TA	Brief description of activity of cluster	Expenditure out of budgetary grant (₹ in lakhs)
1.	Barpeta Cane & Bamboo Craft (BCB) Cluster, Barpeta, Assam State Office- Guwahati	IA-Anchalik Gram Unnayan Parishad, Barpeta, Assam. TA-Indian Institute of Entrepreneurship (IIE), Govt. Of India, Guwahati.	Production of cane and Bamboo crafts- Decorative & Utility products.	78.50
2.	Surendranagar Cotton Khadi (SCK)Cluster, Gujarat State Office-Ahemdabad	IA-Saurashtra Rachnatmak Samiti,Rajkot. TA-Entrepreneurship Development Institute of India, Ahmedabad	Spinning , weaving and production of Khadi clothes, Mats, towels etc.	104.03
3.	Singhbhum Beekeeping (SBK) Cluster, Jharkhand State Office-Ranchi	IA-Singhbhum Gramodyog Vikas Sansthan, Nimdih, Chaibasa (West Singhbhum). TA-Xavier Institute of Management, Bhubaneshwar.	Collection of raw honey and its processing and marketing. Also engaged in production of allied products like Honey Ginger Jelly, Honey Tulsi, Ginger Awala etc.	72.90
4.	Horn & Bone product (HAB)cluster in Sambhal, Moradabad(U.P.) Divisional Office Meerut	IA-M/s Rudayan Gram Vikas Ashram, Sambhal (U.P.) TA- Entrepreneurship Development Institute of India, Ahmedabad	Horn and Bone made jewellery items, photo frames, Horn buttons etc.	63.12
5.	Tikarmafi Woolen & Cotton Khadi(TW&CK) cluster, Sultanpur (U.P.) State Office Lucknow	IA-M/s khestriya Shri Gandhi Ashram, Sultanpur (U.P.) TA-Entrepreneurship Development Institute of TA- Entrepreneurship Development Institute of India, Ahmedabad	Production of garments, lungi, chadar, shirting, thaana, kurta pyjama, etc	63.81

6.	Siddha and Ayurveda (S&A) Cluster, Tamil Nadu Divisional Office- Madurai	IA-Lakshmi Seva Sangham, Dindigul, Tamil Nadu TA-National Institute for Micro, Small and Medium Enterprises (NI-MSME),Hyderabad	Collection of herbs and production of Siddha and Ayurveda medicines	78.50
7.	Swami Ramanand Tirth (SRT)Cotton Khadi cluster, Nanded, Maharashtra State Office-Mumbai	IA-Marathwada Khadi Gramodhyog Sangh, Nanded. TA- Entrepreneurship Development Institute of India, Ahmedabad	Spinning, weaving and Production of Khadi clothes and its marketing	87.01
8.	Amravati-Wardha Beekeeping (AWB) Cluster , Maharashtra Divisional office- Nagpur	IA-Pragati Bahhuudesiya sanstha, Pulgaon TA- Central Bee Research Training Institute, Pune	IA is engaged in procurement of raw honey collected by artisans from the forests of Melghat region which is processed in CFC & marketed under the brand name of Melghat honey by the IA.	66.53

Annex-II
Referred to Para 12.2.3.2
Performance of selected clusters
SCK Cluster

Particulars	Pre-intervention period		Post-intervention period						Percentage Increase/decrease in comparison of Base year i.e. 2007-08 to 2014-15
	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	
Number of artisans engaged in cluster	100	300	400	450	500	536	536	536	+436
Production of cluster	169	222	159	147	188	303	297	311	+84.02
(Rs in lakhs)									
Production of cluster	2.10	3.03	1.94	1.36	1.25	1.89	1.38	1.75	-16.67
(In lakh meters)									
Profit/loss of IA*	0.99	2.87	3.10	4.62	6.45	8.48	11.62	12.12	+1124.24
(Rs in lakhs)									
Productivity (production in qty / no. of artisans)	2100	1010	485	302.22	250	352.61	257.46	326.49	-84.45
profit/loss of SFURTI centre	No separate Account has been maintained by IA								
Sales	No separate sales figure has been maintained by IA								

SRT Cluster

Particulars	Pre-intervention period		Post-intervention period						Percentage Increase/decrease in comparison of Base year i.e. 2007-08 to 2014-15
	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	
Number of artisans engaged in cluster	301	339	386	412	406	480	483	479	+59.14
Production of cluster (Rs in lakhs)	103.55	110.47	132.48	119.87	164.92	181.12	160.48	147.18	+42.13
Production of cluster (In meters)	76632	79824	99142	92085	100092	118816	108680	105317	+37.43
Profit / loss of IA* (Rs in lakhs)	(0.30)	(0.57)	1.16	10.16	110.52	44.92	7.62	36.72	+12340
Productivity (production in qty / no. of artisans)	254.59	235.47	256.84	223.51	246.53	247.53	225.01	219.87	-13.64
Sales	There is no system to maintain separate sale for SFURTI								

*The profit / loss of SFURTI activities is not maintained separately by IA. The profit/loss indicated above depicts the overall Profit / loss of IA which includes all production centres of IA (i.e. SFURTI centres and other production centres)

S&A Cluster

Particulars	Pre-intervention period	Post-intervention period							Percentage Increase/decrease in comparison of Base year i.e. 2007-08 to 2014-15	
		07-08	08-09	09-10	10-11	11-12	12-13	13-14		14-15
Number of artisans engaged in cluster	242	626	626	626	665	665	665	665	665	174.79
Production of cluster (Rs in lakhs)	249.68	229.89	271.43	122.23	72.83	154.76	180.48	213.76	213.76	-14.39
Production of cluster (in quantity)	68415kgs	75795 kgs	54415 kgs	22327kgs	19045 kgs	24837 kgs	29282 kgs	45518 kgs	45518 kgs	-33.47
	26445ltrs	48097 kgs	32865 ltrs	3736 ltrs	2895 ltrs	5778 ltrs	11376 ltrs	5637 ltrs	5637 ltrs	-78.68
Profit/loss of SFURTI centres (Rs in lakhs)	32.50	42.44	-24.89	3.95	-24.73	2.07	-16.45	3.64	3.64	-88.80
Productivity (in kgs) (production in qty / no. of artisans)	282.71	121.08	86.92	35.67	28.64	37.35	44.03	68.45	68.45	-75.79
Productivity (in ltrs)	109.28	76.83	52.50	5.97	4.35	8.69	17.11	8.48	8.48	-92.24
Sales (Rs in lakhs)	244.15	332.49	225.56	182.65	113.66	208.11	206.66	285.43	285.43	+16.91

AWB Cluster

Particulars	Pre-Intervention		Post-intervention						Percentage Increase/decrease in comparison of Base year i.e. 2007-08 to2014-15
	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	
No of artisan engaged in the cluster	70	150	220	320	430	510	510	510	+628.57
Production of IA (Rs in lakhs)	1.32	13.56	4.59	12.59	16.67	12.05	6.95	9.38	+610.61
Production of IA (In kg)	2643	22594	6559	15742	15147	10044	6314	7213	+172.91
Profit / loss of IA (Rs in lakhs)	NA	0.96	2.20	1.19	0.28	2.32	4.55	2.79	-
Sales of IA (Rs in lakh)	3.35	20.60	7.99	19.63	20.86	17.48	8.59	13.78	+311.34

Annex-III
(Refer Paragraph 14.3.1)

Para wise details of Audit exception issued by MoPNG based on the Previous C&AG Report No. 24 of 2014 and the present status

Para ref in AR 24 of 2014	Para in brief	Present status
2.3	Audit constraints	
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2.4	REGULATORY AND CONTROL ISSUES	
2.4.1	Delays in approval of the Work Programme and Budget (WP&B)	The contractor has acknowledged CAG's observation. The WP&B for 2015-16 was also finalized before 31 March 2015. No deviation has been noticed in the current audit.
2.6	PRODUCTION FROM D1-D3 GAS FIELDS	
2.6.4	Increase in development cost The Operator created facilities to handle gas production of 80 mmscmd. As of March 2012, the Operator had incurred expenditure of US\$ 5.76 billion on the development of D1 -D3 gas fields as against the MC approved cost of US\$ 5.20 billion.	The position remains as before. No corrective action has been taken by the Operator.
2.7	EXPENDITURE RELATED ISSUES	
2.7.1.1	Contract for Engineering, Procurement, Installation and construction of offshore facilities EPIC contract of offshore facilities was awarded to M/s. Allseas Marine Contractors (AMC) at a lump sum and provisional price of Euro 699.09 million and Euro 64.99 million respectively. Due to various factor attributable to Operator, AMC could not achieve the milestones. Concessions of Euro 200 million approx. given to AMC by the Operator in order to expedite completion of the works were not allowable for cost recovery as the concessions were not in line with EPIC.	<ul style="list-style-type: none"> • MoPNG disallowed the expenditure commented from Para 2.7.1.1 to 2.7.7.1.9 and directed the Contractor to reverse the amount immediately, provide documentary evidence of reversal and remit resulting additional profit petroleum to Government of India. The • Contractor, had not taken action yet for reversal of cost recovery as directed by MoPNG, in all cases, other than Para 2.7.3 where rectification has been proposed by the Contractor during 2014-15. • However, similar issues regarding allocation of cost have been noticed and have been commented

		<p>vide Para 2.2.3 and 2.2.9 of the report</p> <ul style="list-style-type: none"> In regard to Para No. 2.7.6.2 of Audit Report 24, the operator has also paid uptime bonus for chartering of FPSO in addition to the normal lease rental per day during 2012-13 and 2013-14. This has given additional benefit of US\$ 10.13 million to the contractor up to the period 2013-14. The same has been commented in the report as para 2.1.3.
2.7.1.2	Contract for chartering FPSO	
2.7.1.2.1	<p>Extension of Dry Docking life</p> <p>Within four months from the date of signing the agreement, the Operator requested the FPSO vendor to extend the dry docking life of the FPSO from ten to fifteen years for a one time compensation of US \$ 17.36 million. Since the FPSO was chartered for 10 years only, extension of dry docking to fifteen years is not justified.</p>	
2.7.1.2.2	<p>Increased cost for expediting deliveries and early mobilization of commissioning team and extension of date of first production of oil and gas</p> <p>Despite the FPSO vendor being unable to meet its contractual obligations, the Operator re-scheduled the Date of First Production of Oil (DFPO), without imposing any penalty. In addition, though there was no provision in the agreement which entitled the vendor to any compensation or incentive for expediting deliveries, the Operator paid compensation US \$ 45 million to the vendor for early mobilization of the vendor's commissioning team and expediting deliveries of top side modules etc.</p>	
2.7.1.2.3	<p>Fabrication and installation of living quarters</p> <p>The FPSO has been leased for ten years. However the Operator refurbished the existing living quarters and fabricated and installed additional living quarters, at a cost of US \$ 15 million with the intention to purchase the FPSO at a later date.</p>	
2.7.2	Irregular payments	
2.7.2.1	Construction of OT INR 22.7 million to M/s Larsen & Toubro (L&T) Ltd	

	<p>As per the Onshore Terminal (OT) construction contract, no compensation was payable to the vendor on account of Plant & Equipment (P&E) provided by RIL in case the vendor was unable to mobilize the P&E. However, an amount of INR 22.7 million was paid to the vendor as compensation charges for Cranes which were hired by RIL by amending the contract to exclude these cranes.</p>	
2.7.2.2	<p>Payment of INR 1110.90 million as compensation on Free Issue Material</p> <p>In four cost plus contracts relating to construction of OT awarded by RIL in general payment of compensation was to be made to the vendors only on the cost incurred by them. However, these contracts also provided for payment of mark-up to the vendor as a percentage of the value of free-issue material of some categories supplied by RIL such as cement, steel, etc.</p>	
2.7.3	<p>Improper allocation of expenditure on risk advisory services resulting in excess cost recovery</p> <p>Non-allocation of the expenditure to other blocks has resulted in excess booking of cost recovery by US \$ 1.17 million in the year 2008-09 in KG-DWN-98/3 Block</p>	
2.7.4	<p>Classification of Start-up and Production Bonuses as part of recoverable costs:</p> <p>Start-up and Production bonuses of US\$12.48 million were paid to employees from the revenue earned from the Block. Since the Start-Up and Production Bonus are onetime and of an ad hoc nature, in Audit opinion, these bonuses should not be paid from the revenue earned from the sale of gas</p>	

2.7.5	Award of contract	
2.7.5.1	<p>Piecemeal hiring of drilling rig ‘Deepwater Frontier’ from M/s Transocean – US \$ 88.77 million</p> <p>Despite having adequate drilling prospects and keeping in view the poor response received from the vendors for provisioning of the rigs indicative of the scarcity of deep-water drilling rigs, the Operator did not consider it prudent to consider the option of long-term hiring of the drilling rigs and availing the firm rate advantage of such long term hiring.</p>	
2.7.5.2	<p>Hiring of drilling supervisor</p> <p>Despite having adequate drilling prospects and keeping in view the poor response received from the vendors for provisioning of the rigs indicative of the scarcity of deep-water drilling rigs, the Operator did not consider it prudent to consider the option of long-term hiring of the drilling rigs and availing the firm rate advantage of such long term hiring.</p>	
2.7.6	Additional payment for mandatory contractual work	
2.7.6.1	<p>Bonus paid for time saved during rig movement</p> <p>Operator paid bonus for time saved during the rig movement between wells with hanging Blow Out Preventor (BOP).</p>	
2.7.6.2	<p>Payment of Uptime Bonus for chartering FPSO</p> <p>The Operator paid uptime bonus which resulted in additional benefit to the vendor, as normally bonus payments are extra payments given as a reward or incentive for earlier completion of work or increase in production level, not for performing their contractual obligations. In this case, contractor was bound to make available FPSO during the charter period.</p>	

2.7.7	Non-enforcement of penal clauses	
2.7.7.1	<p>Availability of engine in deepwater drilling rig Discoverer 534</p> <p>The additional expenditure of US \$ 0.57 million was incurred due to failure of the Operator in enforcing contractual penal provisions resulting in non-recovery from vendor and hence, should not form part of cost recovery</p>	
2.8	Revenue issues	
2.8.3	Billing and accounting of natural gas	
2.8.3.1	<p>Marketing Margin on gas produced and sold</p> <p>Operator is charging the gas price at the rate of US \$ 4.430 mmbtu which includes 0.135 US \$/mmbtu towards marketing margin from its consumers. Marketing margin is not being considered as revenue for the purpose of Cost Petroleum, Profit Petroleum and Royalty while Contractor has collected an amount of US \$ 261.33 million on this account for the period 2009-10 to 2012-13.</p>	<p>MoPNG in its Audit Exception, directed the Contractor to make necessary adjustment, provide documentary evidence and remit the resulting profit petroleum and royalty to GOI along with the interest.</p> <p>The position continues. Impact for the period 2012-14 has been brought out at Paragraph 2.1.2 of the Report</p>
2.9	Accounting issues	
2.9.2	<p>Parent Company Overheads</p> <p>The Operator has been charging Parent Company Overhead since 2002-08 under section 2.6.2</p>	<p>MoPNG in its Audit Exception required the Contractor to explain and take necessary action.</p> <p>The Operator in reply stated (April 2015) that all requisite details along with Audit Certificate/ Report required for such expenses by DGH has been sent. The decision from MoPNG is awaited.</p>
2.9.3	<p>Maintenance of Site Restoration Fund</p> <p>The Operator is required to create the SRF as per provisions of the PSC. The D1-D3 and MA oil field is expected to have a life of 11 years till 2020. The contractor has made an estimate of SRF cost for US \$ 250 and US \$ 32 million for D1-D3 and MA oilfield respectively yet the proposal for the abandonment</p>	<p>MoPNG directed the Contractor, in its Audit Exception, to create Site Restoration Fund and inform.</p> <p>The Contractor yet to comply with the direction of MoPNG.</p>

	<p>plan/site restoration along with the Annual WP & B has not been submitted to MC for approval. Further, GOI will have to share the burden of SRF at some point of time, which will any way impact Cost and Profit Petroleum.</p>	
2.9.5	<p>Change in Accounting Policy—Asset Usage Charges and Notes forming part of the Trial balance as on 31st March 2009-No2(d)</p> <p>Due to revision/change in policy/method of AUC, the AUC should be recalculated as per the new (revised) policy from the date of the purchase of asset. Any deficiency or surplus arising from retrospective re-computation of charges as per the new method is to be adjusted in the accounts in the year in which the method is changed.</p>	Action has not been taken by the Operator yet.
2.9.6	<p>Treatment of closing stock of Crude and Condensate</p> <p>Closing stock of crude oil and condensate had not been accounted for in the books of the JV. Consequently, cost recovery of US \$ 12.80 million towards the value of closing stock had not been adjusted for the years 2008-09 to 2012-13 and there was a short remittance of US \$ 0.14 million of Profit Petroleum of closing stock for the years 2008-09 to 2012-13.</p>	Action has not been taken by the Operator yet.

Annex-IV

(Refer Paragraph 14.3.1.2)

Marketing Margin charged to Customers on sale of Gas

(Working on the basis of previous report)

Month	Quantity sold MMBTU	Rate of Marketing Margin	Total amount of Marketing Margin million US\$	Month	Quantity sold MMBTU	Rate of Marketing Margin	Total amount of Marketing Margin million US\$
Apr-12	32762848.46	0.135	4.42	Apr-13	15442012.44	0.135	2.08
May-12	32699426.58	0.135	4.41	May-13	15390608.56	0.135	2.08
Jun-12	30545682.76	0.135	4.12	Jun-13	14339692.91	0.135	1.94
Jul-12	30159596.01	0.135	4.07	Jul-13	14276550.57	0.135	1.93
Aug-12	28618232.24	0.135	3.86	Aug-13	14076342.62	0.135	1.90
Sep-12	26323550.70	0.135	3.55	Sep-13	13199561.94	0.135	1.78
Oct-12	26005359.45	0.135	3.51	Oct-13	12981087.15	0.135	1.75
Nov-12	22618687.53	0.135	3.05	Nov-13	11898013.81	0.135	1.61
Dec-12	22798657.39	0.135	3.08	Dec-13	12073109.63	0.135	1.63
Jan-13	21549085.20	0.135	2.91	Jan-14	13953617.71	0.135	1.88
Feb-13	17325700.90	0.135	2.34	Feb-14	12702605.51	0.135	1.71
Mar-13	17138197.97	0.135	2.31	Mar-14	13569598.54	0.135	1.83
	308545025.19	0.135	41.65		163902801.39	0.135	22.13

Annex-V

(Refer Paragraph 14.4.1.2)

Well wise/area wise details of DST Charges booked and considered for cost recovery for Block KGD6

Area	Well	Expenses Booked (in US\$)	Expenses Considered in Recoverable Cost (in US\$)
Exploration*	MJ-1	1619221.68	Nil*
Exploration*	MJ 1 Drilling Preparation	104419.89	Nil*
MA	MA-8	2029159.46	2029159.46
MA	Drilling Preparation	34791.55	34791.55
Workover	A2A	916471.40	916471.40
Workover	MA-6H	809573.03	809573.03
Workover	Drilling Preparation	174002.99	174002.99
OFPD	Drilling Preparation	34791.55	34791.55
Total Cost		5,722,431.55	3,998,789.98

*Cost recovery entitlement of MJ will be as per GoI's Memorandum no. 0-19025/10/2005-ONG-DV dated 01 February 2013