

CHAPTER - 2

Audit Approach

2.1 Audit Scope, Objectives and Methodology

The Performance Audit was commenced with the entry conference with management of PFC in January 2009. The records of PFC were initially examined between January 2009 and September 2009 to assess comprehensiveness of the bidding guidelines⁴ and bidding documents, effectiveness and transparency of the bidding process, clarity in defining the role of consultants, etc. Important issues noticed during the audit were flagged to the Management and MOP in June 2010 and August 2010 respectively.

Since EGOM was constituted to take all major decisions concerning UMPPs including their coal linkages and a very important role was being played by MOP in this, as a sequel, audit was again conducted in MOP/PFC during August – September 2011, wherein action taken by the Management/MOP (including EGOM) on the issues pertaining to the so far awarded four UMPPs communicated to MOP in August 2010 and other related issues were examined with following objectives:

Standard Bidding documents were comprehensive without any ambiguity;

Selection of Consultants for Bid Process was made through a transparent system;

Bid Process management was carried out efficiently and in transparent manner;

Land and coal linkages provided to the UMPPs were justified.

The draft report was issued to MOP in October-November 2011 and the response of the Ministry was received in December 2011/ January 2012. The Exit conference with MOP and management of PFC was held in February 2012. After incorporating the views of the Ministry, the draft audit report was again issued to MOP in March, 2012 which was followed by another Exit conference with MOP in March 2012. MOP brought officials of Reliance Power Limited (RPL), the Developer for Sasan UMPP,

⁴ MOP notified (January 2005) 'Guidelines for determination of tariff by bidding process for procurement of power by distribution licensees', referred to as 'bidding guidelines' in this report.

who made presentations during the Exit conferences. MOP, however, in the exit conference stated (March 2012) that it could not endorse the facts and figures of RPL as they were commercial in nature. MOP's reply to the draft Audit Report received in March 2012 has also been considered while finalising this report.

2.2 Audit Criteria

Audit criteria adopted for the Performance Audit included:

GoI Guidelines for Tariff based Competitive Bidding.

Standard Bidding Documents developed and used for awarding UMPPs.

Reports of Consultant and Bid Evaluation Committees at both RFQ and RFP stage.

Memorandum and Articles of Association of PFC and SPVs.

Agenda/Minutes of meetings of Board of Directors of PFC/SPVs.

Documents related to various linkages provided to UMPPs.

Agenda/Minutes of meetings of EGOM.

2.3 Audit findings

Audit findings are discussed in the subsequent chapters.

2.4 Audit Acknowledgement

We take this opportunity to acknowledge the cooperation extended by MOP and PFC in facilitating the conduct of our audit.