



# INDEPENDENT AUDITORS' REPORT

## To the Members of Oil and Natural Gas Corporation Limited

### Report on the Audit of the Standalone Financial Statements

#### 1. Opinion

We have audited the accompanying Standalone Financial Statements of **Oil and Natural Gas Corporation Limited** ("the Company"), which comprise the Balance Sheet as at 31st March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the Standalone Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March 2020, and its profit (including other comprehensive income), the changes in equity and its cash flows for the year ended on that date.

#### 2. Basis for Opinion

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone

Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone Financial Statements.

#### 3. Emphasis of Matter

- i. We draw attention to Note No. 31.3 of the Standalone Financial Statements regarding outbreak of COVID-19 and the impact assessment made by the management on its business and operations. As stated in the said Note, the unfolding events could in fact may end up being different but it is anticipated the same are unlikely to materially affect the oil and gas production/off-take etc.
- ii. We draw attention to Note No. 49.1.1(b) of the Standalone Financial Statements, with respect to demand orders served on various work centres of the company by tax authorities under Service Tax (ST) and Goods & Service Tax (GST) demanding ST and GST on Royalty in respect of Crude Oil and Natural Gas. Based on the legal opinion, the company is contesting such demands and estimated amounts worked out towards ST and GST (including interest and penalty upto March 31, 2020) of ₹ 39,001.85 million and ₹ 61,041.86 million respectively (Total ₹ 1,00,043.71 million), which has been considered as contingent liability. As a measure of abundant caution, the company has deposited ST and GST along with interest under protest amounting to ₹ 13,509.56 million and ₹ 45,531.20 million respectively (Total ₹ 59,040.76 million).
- iii. We draw attention to Note 49.1.1(e) of the Standalone Financial Statements, wherein it is stated that Directorate General of Hydrocarbons (DGH) had raised a demand on all the JV partners under the Production Sharing Contract with respect to Panna-Mukta and Mid and South Tapti contract areas (PMT

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JV), being BG Exploration and Production India Limited (BGEPIIL) and Reliance Industries Limited (RIL) (together "the Claimants") and the Company (all three together referred to as "Contractors"), towards differential GOI share of Profit Petroleum and Royalty alleged to be payable by contractors pursuant to Government's interpretation of the Final Partial Award of Arbitral Tribunal (40% share of the Company amounting to USD 1624.05 million equivalent to ₹ 122,583.29 million, including interest upto 30th November, 2016). Subsequent to Tribunal Orders dated October 12, 2016, DGH vide letters dated May 25, 2017, June 4, 2018 and January 14, 2019 had asked contractor for re - casting of accounts of the PMT JV and for remitting the respective PI share of balance dues including interest till the date of remittance. As the company is not a party to the arbitration, the details of the proceedings of arbitration and copy of the order of London High Court are not available with the company. The Company has responded that The English high Court has delivered its final verdict on May 2, 2018 following which the Arbitral Tribunal re-considered some of its earlier

findings from the 2016 FPA (Revised Award); Pending finalization of the decision of the Arbitral Tribunal, the Company has indicated in its letters to DGH that the final recasting of the accounts is premature and the issues raised by DGH may be kept in abeyance and therefore no provision for the same has been considered necessary and the same has been considered as contingent liability.

Our opinion on the Standalone Financial Statements is not modified in respect of these matters.

#### 4. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of these Standalone Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:





| Key Audit Matter  | How our audit addressed the matter   |
|---|--|
| <p><b>Modified Audit Procedures necessitated pursuant to outbreak of COVID-19 pandemic:</b></p> <p>Due to spread of COVID-19 pandemic, during the period of Nation-wide lockdown and travel restrictions imposed by Central / State Government / Local Authorities till date extended from time to time commencing from the last fortnight of March 2020, the audit could not be carried by visiting the respective Assets/ Basins/ Plants/ Units/ Offices / other Business areas/Corporate Office of the company. Accordingly, this extraordinary situation due to Covid-19 has necessitated modification of our audit procedures so as to carry out the audit remotely through online access/receipt of digital documents.</p> <p>In view of this extraordinary situation due to Covid-19, we have identified such modified audit procedures as a Key Audit Matter.</p> | <p>Due to the said travel and other related restrictions during the continuing lock down, the audit processes were carried remotely by us from our respective places.</p> <p>The company has provided/shared with us the necessary books of accounts, records, documents etc. through digital medium such as e-mails, file sharing through Video Conferencing and remote/ VPN access over secured network to SAP, WEB-ICE, BI platform, IFCR Portal etc. To this extent, the audit processes were carried out on the basis of verification of such books of accounts, records, documents etc. made available to us as above, which were relied upon as audit evidence for conducting the audit and reporting for the current period.</p> <p>Accordingly, we modified our audit procedures as follows:</p> <ol style="list-style-type: none"> <li>a. Conducted verification of necessary books of accounts, records, documents etc. maintained by the respective Assets/ Basins/ Plants/ Units/ Offices / other Business areas/Corporate Office of the company through digital medium and remote electronic access as mentioned above.</li> <li>b. Carried out verification of scanned copies of the documents, evidences, deeds, certificates and the related records made available to us by the company through aforesaid digital medium.</li> <li>c. Making enquiries and gathering necessary audit evidence through Video Conferencing, dialogues and discussions over phone calls, e-mails and similar communication channels.</li> <li>d. Resolution of our audit observations through electronic and other telecommunication media instead of a face-to-face interaction with the designated officials.</li> <li>e. We have also relied upon and performed our audit procedures in accordance with the Advisories and Key considerations issued by the Institute of Chartered Accountants of India on the various Accounting and Auditing aspects impacted by COVID19.</li> </ol> |

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| Key Audit Matter   | How our audit addressed the matter  |
|--|---|
| <p><b>Evaluation of adequacy of provision for impairment for tangible and intangible assets</b><br/><b><u>(Refer Note 48 to the Standalone Financial Statements)</u></b></p> <p>Management has assessed whether any provision needs to be recognised on account of impairment of tangible and intangible assets.</p> <p>The Company reviews the carrying amount of its tangible and intangible assets (Oil and Gas Assets including Capital Work-in-Progress (CWIP) &amp; Development Wells in Progress (DWIP), Other Property, Plant &amp; Equipment (including Capital Works-in-Progress, Right of Use Assets) for the “Cash Generating Unit” (CGU) determined at the end of each reporting period to assess whether there is any indication that those assets have suffered any impairment loss.</p> <p>Oil and Gas price assumptions have a significant impact on CGU impairment assessments and are inherently uncertain. Furthermore, oil and gas prices are subject to increased uncertainty, given climate change and the global energy transition.</p> <p>The management’s assumptions for prices of oil and gas in future are judgemental and may not be reflective of above factors, leading to a risk of material misstatement.</p> <p>Given the long timeframes involved, certain recoverable amounts of assets are sensitive to the discount rate applied. Since the determination of appropriate discount rate is judgemental, there is a risk that discount rates may not reflect the return required by the market and the risks inherent in the cash flows being discounted, which may lead to a material misstatement.</p> <p>A key input to impairment assessments and valuations is the production forecast, in turn closely related to the Company’s reserves estimates, production profile and field development assumptions w.r.t Oil and Gas.</p> <p>The determination of recoverable amount, being the higher of fair value less costs to sell and value-in-use is based on the factors as discussed above, necessitating judgement on the part of management.</p> | <p>Our audit procedures included the following:</p> <p>We evaluated the appropriateness of management’s identification of the CGUs and exploration and evaluation assets and tested the operating effectiveness of controls over the impairment assessment process, including indicators of impairment.</p> <p>We reviewed the reasonableness of the judgments and decisions made by the management regarding assumptions for Oil and Gas prices in future to identify whether there are indicators of possible management bias and accordingly relied upon the management’s assumptions for Oil and Gas prices in future.</p> <p>We reviewed the appropriateness of discount rates used in the estimation.</p> <p>We relied on the technical assessment of the Management with regard to the Reserves and the Production profile of Oil and Gas, as shown to us by the management.</p> <p>We performed testing of the mathematical accuracy of the cash flow models and checked the appropriateness of the related disclosures.</p> <p>We evaluated management’s assessment and related calculations of impairment including comparison of the recoverable amount with the carrying amounts of respective CGUs in the books of accounts.</p> <p>We perused the future plans related to exploration activities. Further, we have relied upon management’s assessment that the ML/ PML shall be regranted, wherever expired/ is expiring in near future.</p> |



| Key Audit Matter   | How our audit addressed the matter  |
|--|---|
| <p>In case of exploration and evaluation assets, based on management's judgement, assessment for impairment is carried out when further exploration activities are not planned in near future or when sufficient data indicate that although a development is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or by sale.</p> <p>Based on the above factors, we have considered the measurement of impairment as Key Audit Matter.</p>   |   |
| <p><b>Estimation of Decommissioning liability</b><br/> <b><u>(Refer Note 25.1 to the Standalone Financial Statements)</u></b></p> <p>The Company has an obligation to restore and rehabilitate the fields operated upon by the Company at the end of their use. This decommissioning liability is recorded based on estimates of the costs required to fulfill this obligation.</p> <p>The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology. At each reporting date the decommissioning liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred at reporting date.</p> <p>We have considered the measurement of decommissioning costs as Key Audit Matter as it requires significant management judgment, including accounting calculations and estimates that involves high estimation uncertainty.</p> | <p>Our audit procedures included the following:</p> <p>Evaluated the approach adopted by the management in determining the expected costs of decommissioning.</p> <p>Identified the cost assumptions used that have the most significant impact on the provisions and tested the appropriateness of these assumptions.</p> <p>Reviewed the appropriateness of discount and inflation rates used in the estimation.</p> <p>Verified the unwinding of interest as well as understanding if any restoration was undertaken during the year.</p> <p>We have relied upon the technical assessment w.r.t the Production Profile as estimated by the management based on which the Terminal year of the filed for decommissioning has been considered.</p> <p>We have relied upon management's assessment that the ML/ PML shall be regranted, wherever expired/ is expiring in near future.</p> <p>Relied on the judgments of the internal/ external experts for the use of technical /commercial evaluation.</p> <p>Performed a review to ensure that all key movements were understood, corroborated and recorded correctly.</p> <p>Assessed the appropriateness of the disclosures made in the financial statements.</p> |

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| Key Audit Matter   | How our audit addressed the matter  |
|--|---|
| <p><b>Litigations and Claims</b><br/><b><u>(Refer Note 49 to the Standalone Financial Statements)</u></b></p> <p>Litigation and claims are pending with multiple tax and regulatory authorities and there are claims from vendors/suppliers and employees which have not been acknowledged as debt by the company (including Joint Operations).</p> <p>In the normal course of business, financial exposures may arise from pending legal/regulatory proceedings and from above referred claims not acknowledged as debt by the company. Whether a claim needs to be recognized as liability, disclosed as contingent liability in the Standalone Financial Statements or considered as remote is dependent on a number of significant assumptions and judgments. The amounts involved are potentially significant and determining the amount, if any, to be recognized or disclosed in the financial statements, is inherently subjective.</p> <p>We have considered Litigations and claims as Key Audit Matter as it requires significant management judgment, including accounting estimates that involves high estimation uncertainty.</p> | <p>Our audit procedures included the following:</p> <p>Understood Management's process and control for determining tax litigations and other litigations and claims and its appropriate accounting and disclosure.</p> <p>Tested key controls surrounding such litigations.</p> <p>Discussed pending matters with the Company's legal department.</p> <p>Assessed management's conclusions through understanding precedents set in similar cases, including placing reliance upon the expert opinions obtained by the management.</p> <p>We have assessed the appropriateness of presentation of the contingent liabilities in the Standalone Financial Statements.</p> |



Notwithstanding the current challenges, ONGC maintained critical supplies of oil and gas for the country



| Key Audit Matter   | How our audit addressed the matter  |
|--|---|
| <p><b>Adoption of Ind AS 116, Leases</b><br/> <b><u>(Refer Note 7, 23 &amp; 42 to the Standalone Financial Statements)</u></b></p> <p>As described in Note 42 to the Standalone Financial Statements, during the current year the Company has adopted Ind AS 116, Leases ('Ind AS 116'), the new standard on lease accounting. The application and transition to this accounting standard is complex and is an area of focus in our audit as the Company has a large number of leases with different contractual terms.</p> <p>Ind AS 116 introduces a new lease accounting model wherein lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet. The lease liabilities are initially measured by discounting future lease payments during the lease term as per the contract/ arrangement. Adoption of this standard involves significant judgements and estimates including, determination of the discount rates and the lease term.</p> <p>The Company adopted the modified retrospective approach method to transition to Ind AS 116, consequently comparative financial information was not restated.</p> <p>Additionally, the standard mandates detailed disclosures with respect of transition.</p> | <p>Our audit procedures on adoption of Ind AS 116 included the following:</p> <p>Verified the "Operating Leases" covered under the previously applicable standard and ascertaining the leases to which the new standard is applicable and reviewing the residual lease obligations.</p> <p>For new / modified leases, tested the lease accounting and estimates/ judgments used by the Management.</p> <p>Corroborated by performing a check of the information used for determining assets and liabilities related to lease contracts with underlying contractual data. We assessed the key terms and conditions of the leases with the underlying lease contracts, evaluated computation of lease liabilities.</p> <p>Evaluated broadly the design and implementation of the processes and internal controls relating to implementation of the new lease standard.</p> <p>Based on our evaluation of the contractual agreements entered into and our knowledge of the business, assessed the appropriateness of the leases identified by the Management.</p> <p>Reviewed the assumptions made by the Management, including benchmark for low value assets not considered for determination of ROU.</p> <p>Reviewed the appropriateness of discount rates used in the estimation and computing the lease liabilities.</p> <p>Relied upon the management's assessment/ judgement relating to the extension/ cancellation of lease period beyond/ before expiry of original lease period.</p> <p>Evaluated the appropriateness of the accounting policy, disclosures provided under the new lease standard and assessed the completeness and arithmetical calculations of the relevant disclosures, including those related to transition.</p> |

### 5. Other Matters

- i. We have placed reliance on technical/commercial evaluation by the management in respect of categorization of wells as exploratory, development, producing and dry well, allocation of cost incurred on them, production profile, proved (developed and undeveloped)/probable hydrocarbon reserves, and depletion thereof on Oil and Gas Assets, impairment, liability for decommissioning costs, liability for NELP and nominated blocks for under performance against agreed Minimum Work Programme.
- ii. As mentioned in Note No. 47.1.3, the Standalone Financial Statements include the Company's share in the total value of assets, liabilities, expenditure and income of 160 blocks under New Exploration Licensing Policy (NELP)/ Hydrocarbon Exploration and Licensing Policy (HELP) / Joint Operations (JO) accounts for exploration and production out of which:
  - a. 9 NELPs/ JOs accounts have been certified by other Chartered Accountants. In respect of these 9 NELPs/ JOs, Standalone Financial Statements include proportionate share in assets and liabilities as on 31st March, 2020 amounting to ₹ 81,281.88 million and ₹ 46,948.63 million respectively and revenue and profit including other comprehensive Income for the year ended 31st March, 2020 amounting to ₹ 95,188.66 million and ₹ 20,482.91 million respectively, Our opinion is based solely on the certificate of the other Chartered Accountants.
  - b. 9 NELPs / JOs have been certified by the management in respect of NELPs / JOs operated by other operators. In respect of these 9 NELPs / JOs, Standalone Financial Statements include proportionate share in assets and liabilities as on 31st March, 2020 amounting to ₹ 2,470.87 million and ₹ 4,041.38 million respectively and revenue and profit including other comprehensive Income for the year ended 31st March, 2020

amounting to ₹ 83.37 million and ₹ (21.87) million respectively, Our opinion is based solely on management certified accounts.

- iii. We audited the adjustments, as disclosed in Note No. 54 to the Standalone Financial Statements, which have been made to the comparative Standalone Financial Statements presented for the years prior to year ended 31 March 2020, in accordance with the requirement of applicable Ind AS. In our opinion, such adjustments are appropriate and have been properly applied.
- iv. The Standalone Financial Statements of the Company for the year ended 31st March, 2019 were audited by joint auditors of the Company three of which are the predecessor audit firms, and have expressed an unmodified opinion dated May 30, 2019 on such financial statements.

Our opinion on the Standalone Financial Statements is not modified in respect of above matters.

### 6. Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report, Management Discussion and Analysis, Business Responsibility Report and Report on Corporate Governance but does not include the Standalone Financial Statements and our auditors' report thereon. The above-referred information is expected to be made available to us after the date of this audit report.

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information identified above when





it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions necessitated by the circumstances and the applicable laws and regulations.

#### **7. Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

#### **8. Auditor's Responsibilities for the Audit of Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## MAKING A STRATEGIC MOVE

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to

evaluate the effect of any identified misstatements in the Standalone Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### 9. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in "Annexure-1" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. Based on verification of books of accounts of the Company and according to information and explanations given to us, we give below a report on the Directions and Sub-directions issued by the Comptroller and Auditor General of India in terms of Section 143(5) of the Act:



| Directions/ Sub-directions u/s 143(5) of the Act for year 2019-20   | Auditor's reply on the action taken on the directions   |
|---|---|
| <b>Directions</b>   |   |
| 1) Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implication of processing of accounting transaction outside IT System on the integrity of the accounts along with the financial implications, if any, may be stated; | Yes, the Company has system in place to process all the accounting transactions through IT system, namely SAP. Based on the audit procedures carried out and as per the information and explanations given to us, no accounting transactions have been processed/carried outside the IT system. Accordingly, there are no implications on the integrity of the accounts.  |
| 2) Whether there is any restructuring of an existing loan or cases of waiver/ write-off of debts/ loans/ interest etc. made by a lender to the company due to the Company's inability to repay the loan? If yes, the financial impact may be stated;                                      | Based on the audit procedures carried out and as per the information and explanations given to us, there are no such cases of restructuring or waivers / write-off of debts/ loans/ interest etc. by any lender to the company due to the company's inability to repay the loan during the year.  |
| 3) Whether funds received/ receivable for specific schemes from Central/ State agencies were properly accounted for/utilized as per its term and conditions? List the cases of deviation.   | Based on the audit procedures carried out and as per the information and explanations given to us, the Company does not have any funds received/ receivable for specific schemes from Central/ State agencies.  |
| <b>Sub-Directions</b>   |   |
| 1) The records of title deed/ lease deeds/legal documents of all the land acquired/ possessed under freehold and leasehold by the Company may be reviewed and its depiction in the accounts suitably may be ensured.  | <p>We have reviewed the records of title deed/lease deeds/ legal documents of all the land acquired/ possessed under freehold and leasehold by the Company on the basis of audit procedures carried out and the information to the extent compiled by the Company pending the reconciliation of the available records with the books of account and also considering the voluminous nature and various locations, we have observed that such lands have been suitably depicted in the accounts (Refer Note No. 6 &amp; 7 of Standalone Financial Statements)</p> <p>Cases of non-availability of clear title deeds/ lease deeds/ legal documents of land acquired/ possessed under freehold and leasehold by the Company are provided in the table below.</p> |

| Nature         | Number of assets | Gross Block<br>(₹ in millions) | Net Block<br>(₹ in millions) |
|----------------|------------------|--------------------------------|------------------------------|
| Freehold land  | 2                | 1,322.28                       | 1,322.28                     |
| Leasehold land | 14               | 595.34                         | 389.98                       |

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### 3. As required by Section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and Cash flows dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid Standalone Financial Statements comply with the Ind AS specified under Section 133 of the Act;
- e. As per notification number G.S.R. 463(E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, section 164(2) of the Act regarding the disqualifications of Directors is not applicable to the Company, since it is a Government Company;
- f. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating

effectiveness of such controls, refer to our separate report in "Annexure 2";

- g. As per notification number G.S.R. 463 (E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, section 197 of the Act regarding remuneration to director is not applicable to the Company, since it is a Government Company; and
- h. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements – Refer Note 49.1.1 to the Standalone Financial Statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses- Refer Note 56 to the Standalone Financial Statements;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

#### For MKPS & Associates

Chartered Accountants  
Firm Reg. No. 302014E

Sd/-  
(Narendra Khandal)  
Partner (M. No. 065025)  
UDIN: 20065025AAAAFI1012  
Place: Mumbai

#### For G.M. Kapadia & Co.

Chartered Accountants  
Firm Reg. No. 104767W

Sd/-  
(Rajen Ashar)  
Partner (M. No. 048243)  
UDIN: 20048243AAAAFL2804  
Place: Mumbai

#### For R. Gopal & Associates

Chartered Accountants  
Firm Reg. No. 000846C

Sd/-  
(Sandeep Kumar Sawaria)  
Partner (M. No. 061771)  
UDIN: 20061771AAAACA3059  
Place: Kolkata

#### For Kalani & Co.

Chartered Accountants  
Firm Reg. No: 000722C

Sd/-  
(Vikas Gupta)  
Partner (M. No. 077076)  
UDIN: 20077076AAAAAG5689  
Place: Jaipur

June 30, 2020

#### For SARC & Associates

Chartered Accountants  
Firm Reg. No. 006085N

Sd/-  
(Pankaj Sharma)  
Partner (M. No. 086433)  
UDIN: 20086433AAAAAD2300  
Place: New Delhi

#### For R.G.N. Price & Co.

Chartered Accountants  
Firm Reg. No.002785S

Sd/-  
(Rangarajan Raghavan Iyengar)  
Partner (M. No. 041883)  
UDIN: 20041883AAAAAB6754  
Place: Mumbai



**Annexure - 1 to the Independent Auditors' Report**

**(Referred to in paragraph 9(1) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

- i. reconciliation of physically verified assets with the book records is in progress. Discrepancies noticed on the physical verification and consequential adjustments are carried out on completion of reconciliation. According to information and explanations given by the management and in our opinion, the same are not material.
- a. The Company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets (Property, Plant & Equipment (PPE)).
- b. As per the information and explanations given to us and on the basis of our examination of the records of the Company, the fixed assets (PPE) having substantial value, other than those which are underground/ submerged/ under joint operations have been physically verified by the management in a phased manner to cover all items over a period of three years, which in our opinion is reasonable, having regard to the size of Company and nature of its business. The
- c. On the basis of the information to the extent compiled by the Company pending the reconciliation of the available records with the books of account and also considering the voluminous nature and various locations, we report that the title/lease deeds of immovable properties are held in the name of Company except for the following where the title/lease deeds are not available with the Company:

**(₹ in million)**

| <b>Nature</b>   | <b>Number of Assets</b> | <b>Gross Block</b> | <b>Net Block</b> |
|-----------------|-------------------------|--------------------|------------------|
| Lease hold land | 14                      | 595.34             | 389.98           |
| Free hold land  | 2                       | 1,322.28           | 1,322.28         |
| Building        | 6                       | 279.65             | 51.22            |
| <b>Total</b>    | <b>22</b>               | <b>2,197.27</b>    | <b>1,763.48</b>  |

- ii. According to the information and explanations given to us, the inventory (excluding inventory lying with third parties, inventory under joint operations and material in transit) has been physically verified by the management in a phased manner at reasonable intervals to cover all items over a period of three years, which in our opinion is reasonable, having regard to the size of Company and nature of its business. Such verification did not reveal any material discrepancies.
- iii. The Company has not granted loans, secured or unsecured to any companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act.
- iv. In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a Company in which the Director is interested to which provisions of section 185 of the Act apply. The provisions of section 186 of the Act, in our opinion, are not applicable to the Company.
- v. In our opinion and according to information

## MAKING A STRATEGIC MOVE

and explanations given to us, the Company has not accepted any deposits from the public and hence provisions of Sections 73 to 76 and other relevant provision of the Companies Act, 2013 & Companies (Acceptance of Deposits) Rules, 2014 are not applicable.

- vi. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under sub section(1) of section 148 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with the view to determine whether they are accurate or complete.
- vii.
- a. According to records of the Company, undisputed statutory dues including

Provident Fund, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Goods and Service Tax, Cess and other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as of 31<sup>st</sup> March, 2020 for a period more than six months from the date of becoming payable.

- b. According to the information and explanations given to us, there were no dues in respect of Income Tax, Duty of Excise, Duty of Customs, Sales Tax, Service Tax, Value Added Tax and Goods and Service Tax which have not been deposited on account of any dispute except the following:

(₹ in million)

| Name of Statute                 | Forum where Dispute is pending                           | Period to which the amount relates (Financial Year) | Gross Amount Involved | Amount paid under protest | Amount Unpaid    |
|---------------------------------|--|---|-----------------------|---------------------------|------------------|
| <b>Central Excise Act, 1944</b> | Commissioner   | 2018-19   | 2.37                  | -                         | 2.37             |
|                                 | Custom, Excise and Service Tax Appellate Tribunal        | 2005-06; 2014-15; 2018-19                           | 36.61                 | 16.95                     | 19.66            |
|                                 | Hon. High Court  | 2012-15   | 6,204.65              | -                         | 6,204.65         |
|                                 | Hon. Supreme Court                                       | 2001-02; 2006-09                                    | 517.54                | -                         | 517.54           |
|                                 | <b>Total (A)</b>   |   | <b>6,761.17</b>       | <b>16.95</b>              | <b>6,744.22</b>  |
| <b>The Customs Act, 1962</b>    | Commissioner   | 1987-88   | 331.32                | -                         | 331.32           |
|                                 | Custom, Excise and Service Tax Appellate Tribunal        | 2007-08   | 5.00                  | 1.00                      | 4.00             |
|                                 | Hon. High Court  | 2012-13; 2015-16                                    | 64.17                 | -                         | 64.17            |
|                                 | <b>Total (B)</b>   |   | <b>400.49</b>         | <b>1.00</b>               | <b>399.49</b>    |
| <b>Income Tax Act, 1961</b>     | Commissioner/ (Appeals) and Additional Commissioner/ ITO | 2006-07; 2009-16; 2017-18                           | 1,66,296.99           | 1,23,022.49               | 43,274.51        |
|                                 | Income Tax Appellate Tribunal                            | 2001-12   | 2,43,410.85           | 1,89,384.17               | 54,026.68        |
|                                 | Hon. High Court  | 1994-95; 2000-01                                    | 1,127.76              | 1,118.85                  | 8.91             |
|                                 | <b>Total (C)</b>   |   | <b>4,10,835.61</b>    | <b>3,13,525.51</b>        | <b>97,310.10</b> |



| Name of Statute  | Forum where Dispute is pending   | Period to which the amount relates (Financial Year) | Gross Amount Involved | Amount paid under protest | Amount Unpaid      |
|--|--|---|-----------------------|---------------------------|--------------------|
| <b>Goods and Services Tax</b>  | Goods and Services Tax Appellate Tribunal  | 2017-18   | 1,632.30              | 1,597.69                  | 34.61              |
|  | Hon. High Court  | 2017-18'<br>2018-19                                 | 61,949.99             | 43,939.76                 | 18,010.23          |
|  | <b>Total (D)</b>   |   | <b>63,582.29</b>      | <b>45,537.45</b>          | <b>18,044.84</b>   |
| <b>Central Sales Tax Act, 1956 and Respective States' Sales Tax Acts</b> | Commissioner/ Joint Commissioner/ Commissioner -Appeals/ Joint Commissioner- Appeals                       | 2000-02;<br>2005-08;<br>2009-13;<br>2014-15         | 5,330.78              | 21.25                     | 5,309.53           |
|  | Appellate Tribunal/ First Appellate Authority  | 1996-97;<br>1998-2000;<br>2001-07;<br>2011-14       | 9,013.90              | 68.11                     | 8,945.79           |
|  | Hon. High Court  | 1978-79;<br>1992-95;<br>2006-07;<br>2011-13         | 51.77                 | 26.48                     | 25.29              |
|  | Hon. Supreme Court   | 2002-13;<br>2016-17                                 | 11,883.72             | 623.96                    | 11,259.76          |
|  | <b>Total (E)</b>   |   | <b>26,280.17</b>      | <b>739.80</b>             | <b>25,540.37</b>   |
| <b>Finance Act, 1994 (Service Tax)</b>                                   | Commissioner/ (Appeals), Joint Comm., Additional Comm. of Custom, Excise and Service Tax, Director General | 2006-08;<br>2009-10;<br>2011-17;<br>2019-20         | 10,607.19             | 0.49                      | 10,606.70          |
|  | Custom, Excise and Service Tax Appellate Tribunal/ First Appellate Authority                               | 2003-04;<br>2005-13;<br>2014-18;<br>2019-20         | 41,892.28             | 13,560.69                 | 28,331.59          |
|  | Hon. High Court  | 2005-06;<br>2012-13;<br>2015-16                     | 201.67                | 2.56                      | 199.11             |
|  | <b>Total (F)</b>   |   | <b>52,701.14</b>      | <b>13,563.74</b>          | <b>39,137.40</b>   |
| <b>Grand Total (A+B+C+D+E+F)</b>   |  |   | <b>5,60,560.87</b>    | <b>3,73,384.45</b>        | <b>1,87,176.42</b> |

## MAKING A STRATEGIC MOVE

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings dues to Banks and Financial Institutions, or dues to Debenture (Bond) Holders. The Company has not borrowed any amount from Government.
- ix. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been generally applied for the purpose for which they were raised. The Company has not raised any money by way of initial public offer or further public offer.
- x. According to the information and explanations given to us, no material fraud on the Company by its officers or employees or by the Company has been noticed or reported during the year.
- xi. As per notification number G.S.R. 463 (E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, section 197 of the Act as regards the managerial remuneration is not applicable to the Company, since it is a Government Company.
- xii. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company.
- xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details have been disclosed in the notes to the Standalone Financial Statements, as required by the applicable Indian Accounting Standards.
- xiv. According to the information and explanations given to us and on an overall examination of the Balance Sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions specified under section 192 of the Act with directors or persons connected with him.
- xvi. In our opinion, the Company is not required to register under section 45-IA of the Reserve Bank of India Act, 1934.

### For MKPS & Associates

Chartered Accountants  
Firm Reg. No. 302014E

Sd/-  
(Narendra Khandal)  
Partner (M. No. 065025)  
UDIN: 20065025AAAAFI1012  
Place: Mumbai

### For Kalani & Co.

Chartered Accountants  
Firm Reg. No: 000722C

Sd/-  
(Vikas Gupta)  
Partner (M. No. 077076)  
UDIN: 20077076AAAAAG5689  
Place: Jaipur

June 30, 2020

### For G.M. Kapadia & Co.

Chartered Accountants  
Firm Reg. No. 104767W

Sd/-  
(Rajen Ashar)  
Partner (M. No. 048243)  
UDIN: 20048243AAAAFL2804  
Place: Mumbai

### For SARC & Associates

Chartered Accountants  
Firm Reg. No. 006085N

Sd/-  
(Pankaj Sharma)  
Partner (M. No. 086433)  
UDIN: 20086433AAAAAD2300  
Place: New Delhi

### For R. Gopal & Associates

Chartered Accountants  
Firm Reg. No. 000846C

Sd/-  
(Sandeep Kumar Sawaria)  
Partner (M. No. 061771)  
UDIN: 20061771AAAACA3059  
Place: Kolkata

### For R.G.N. Price & Co.

Chartered Accountants  
Firm Reg. No.002785S

Sd/-  
(Rangarajan Raghavan Iyengar)  
Partner (M. No. 041883)  
UDIN: 20041883AAAAAB6754  
Place: Mumbai





## **Annexure - 2 to Independent Auditors' Report**

**(Referred to in paragraph 9 (3) (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### **Report on the Internal Financial Controls with reference to Standalone Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

#### **To the Members of Oil and Natural Gas Corporation Limited**

We have audited the internal financial controls with reference to Standalone Financial Statements of Oil and Natural Gas Corporation Limited ("the Company") as of 31st March, 2020 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to Standalone Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued

by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Standalone Financial Statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to Standalone Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Standalone Financial Statements included obtaining an understanding of internal financial controls with reference to Standalone Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to Standalone Financial Statements.

#### **Meaning of Internal Financial Controls with reference to Standalone Financial Statements**

A Company's internal financial control with reference to Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to Standalone

## MAKING A STRATEGIC MOVE

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Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Standalone Financial Statements.

### **Inherent Limitations of Internal Financial Controls with reference to financial statements**

Because of the inherent limitations of internal financial controls with reference to Standalone Financial Statements, including the possibility of collusion or improper management, override of controls, material

misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Standalone Financial Statements to future periods are subject to the risk that the internal financial control with reference to Standalone Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to Standalone Financial Statements and such internal financial controls with reference to Standalone Financial Statements were operating effectively as at 31st March, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

#### **For MKPS & Associates**

Chartered Accountants  
Firm Reg. No. 302014E

Sd/-  
(Narendra Khandal)  
Partner (M. No. 065025)  
UDIN: 20065025AAAAFI1012  
Place: Mumbai

#### **For Kalani & Co.**

Chartered Accountants  
Firm Reg. No: 000722C

Sd/-  
(Vikas Gupta)  
Partner (M. No. 077076)  
UDIN: 20077076AAAAAG5689  
Place: Jaipur

June 30, 2020

#### **For G.M. Kapadia & Co.**

Chartered Accountants  
Firm Reg. No. 104767W

Sd/-  
(Rajen Ashar)  
Partner (M. No. 048243)  
UDIN: 20048243AAAAFL2804  
Place: Mumbai

#### **For SARC & Associates**

Chartered Accountants  
Firm Reg. No. 006085N

Sd/-  
(Pankaj Sharma)  
Partner (M. No. 086433)  
UDIN: 20086433AAAAAD2300  
Place: New Delhi

#### **For R. Gopal & Associates**

Chartered Accountants  
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Sd/-  
(Sandeep Kumar Sawaria)  
Partner (M. No. 061771)  
UDIN: 20061771AAAACA3059  
Place: Kolkata

#### **For R.G.N. Price & Co.**

Chartered Accountants  
Firm Reg. No.002785S

Sd/-  
(Rangarajan Raghavan Iyengar)  
Partner (M. No. 041883)  
UDIN: 20041883AAAAAB6754  
Place: Mumbai