

NOROG 032

Recommended Guidelines Norway
Joint Venture Audit



Agenda

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 - Background
- Timeline
- Key topics
 - Prior field work
 - During field work
 - After work
- Status & Improvements
- Way forward



NOROG 032

Background

- Originally made for financial audits (F&C)
- Also valid for measurement & allocation audits (M&A)
- Covers planning, field work and follow-up of an audit

032 – NORWEGIAN OIL AND GAS RECOMMENDED GUIDELINES NORWAY JOINT VENTURE AUDIT



The annual joint venture audit plan

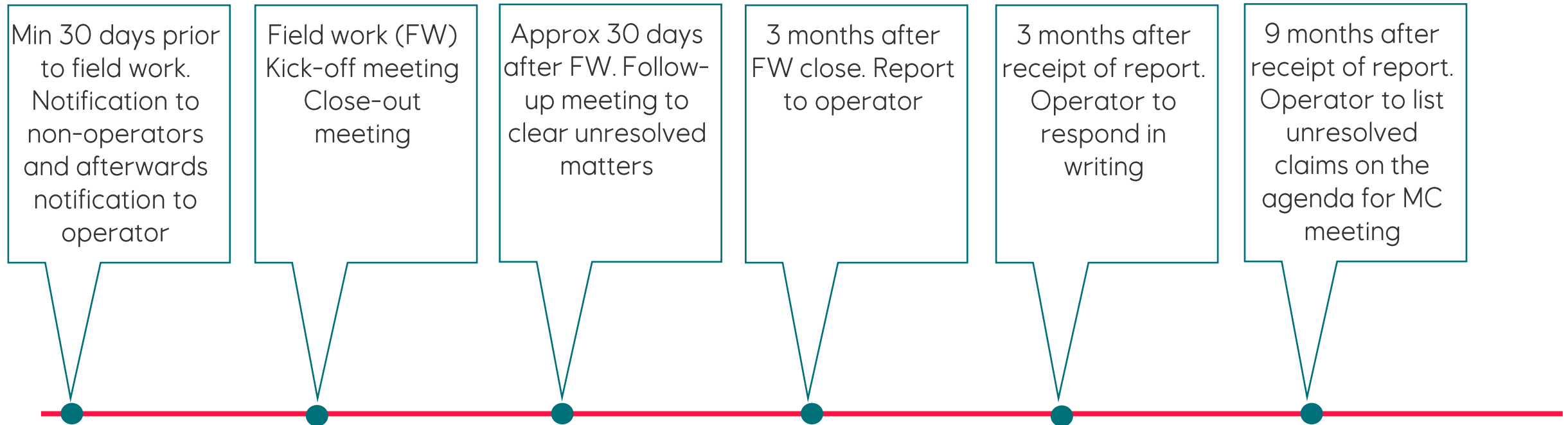
Schedule:

By mid-August, call for an annual work pre-meeting for the annual JV audit plan

By end September, call for the annual final meeting

By end November, submit the next year's Joint Venture audit schedule

Timeline audits



Key topics prior to field work

- Notification of audit to operator by lead auditor
 - At least 30 days prior to audit
 - Companies and participants
 - The audit period and dates
 - A request that the operator nominate an audit coordinator and audit contact persons
 - A request for information which should be available at the beginning of the audit
 - Lead auditor to evaluate the audit scope based on risk assessment
 - Audit participants to express concerns about risk areas and specific areas of interest
- For Hydrocarbon Audit the Lead Auditor's preparations prior to audit start-up shall include:
 - Obtain description of allocation systems and some examples of allocation reports from Operator
 - Obtain overview of allocation reports, overview of ownership structure and overview of infrastructure and metering points from the Operator
 - Request from Operator relevant information such as procedures for measurement, procedures for maintenance of measurement systems, procedures for laboratory sampling and analysis etc
 - Overview of transportation agreement and overview of value adjustment agreements

Notification later than 30 days prior to audit may result in a shortened field work period

During Field Work

- The joint objectives of the field work shall be to highlight risk areas and to settle as many audit exceptions as possible
- In this respect, it is essential that;
 - Potential issues are discussed in detail with the operator
 - Audit exceptions are concise, have substance and are well documented
 - The operator takes immediate action to respond and resolve the issues within agreed timeframes
- Information requests (IR)
 - Operator should provide and maintain a database for IR
 - IR which are still open after completion of the audit and the follow-up meeting shall be included in the audit report
 - No new IR after field work close-out meeting
- Audit exceptions (AE)
 - Should be issued as early as possible during the audit
 - After close-out meeting any new AE shall be linked to an IR

Follow-up after Field Work

- Field work ends with the close-out meeting
 - Review all AE raised to ensure common understanding
 - Determine when open IR shall be responded to
 - If contentious or disputed issues have been raised, a second close-out meeting may be held
- The operator shall complete the initial replies to all AE and outstanding IR prior to follow-up meeting
 - After meeting the lead auditor shall submit a draft audit report to audit team for comments



Status & Improvements

- Seems to be different interpretations of the Guideline
- Not all paragraphs fits into measurement & allocation audits
 - I.E. notification 30 days prior to field work is in many cases to late for heli-booking
- Some issues are obvious for financial auditors and thus not written into the guideline
- The understanding of context between audit exceptions, close-out meeting, field work and audit period seems to differ between companies



Way forward

Suggest to update NOROG 032 with a Measurement & Allocation specific appendix

Will bring this into to NOROG committee in end of June

Need as many of the companies involved in M&A audits to participate

- The process as important as the result



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