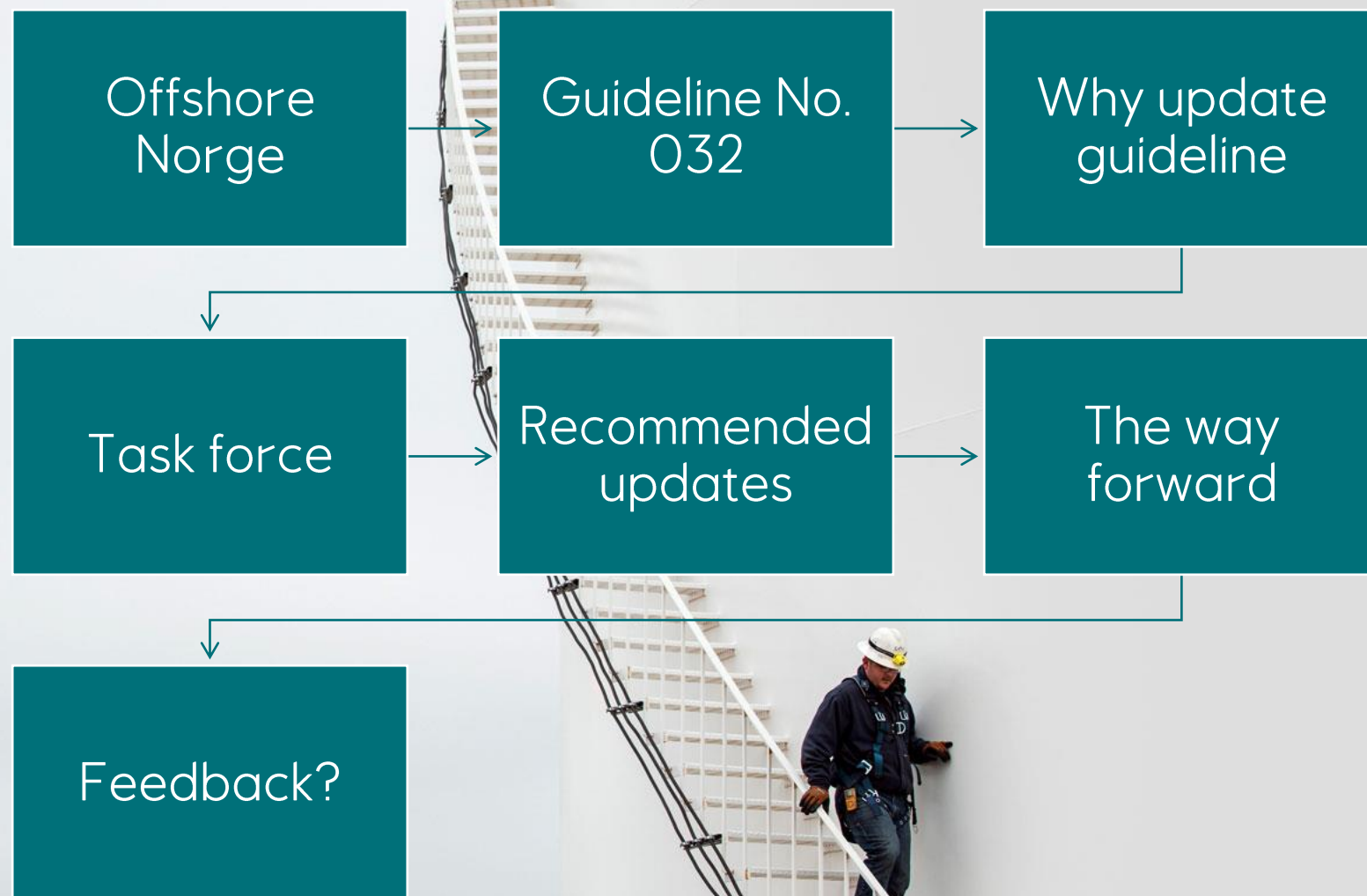


Recommended guidelines Norway joint venture audit

Update of Offshore Norge
Guideline No. 032



Agenda



Offshore Norge (previous Norsk Olje og Gass)

- An employer and industry organization for companies with activities related to offshore Norway
- Works to further develop Norway as a competitive and reliable energy nation
- More than 100 organized companies
- Organized in two branches
 1. Oil companies
 2. Supplier companies
- Has three permanent committees
 - Composed of representatives from member companies
- Has several forums and networks
- Has several guidelines
 - Can be found on the Offshore Norge website



Guideline No. 032

Recommended Guidelines Norway Joint Venture Audit

What are the objectives?

Provides

- framework for conducting audits
- preferred approach of the audits

Defines

- planning and conduct of audits
- communication between audit team and operator
- reporting, follow-up and close-out of audits

Applies to

- Financial audits
- Hydrocarbon (Measurement & Allocation) audits (M&A audits)

Does not cover

- audit scope and coverage details

Provisions for conducting audits are given in

- the Accounting Agreement
- the respective license or unit agreements

Why update guideline

- 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
- This was presented at the workshop last year
 - The presentation can be found on the NFOGM web site



Task force



Offshore Norge Forum for economics created a task force to review the guideline



Personnel from seven companies participated



A diverse group with different backgrounds within auditing, metering and allocation



wintershall dea



TotalEnergies



vår energi



equinor



Regular meetings from October 2022 until now



The process as important as the results

Recommended updates

General considerations

Many issues was discussed during the review

- Some might be solved by updating unclear wording
- Some might be solved by including established practice
- Some was already mentioned in the guideline

A complete new guideline?

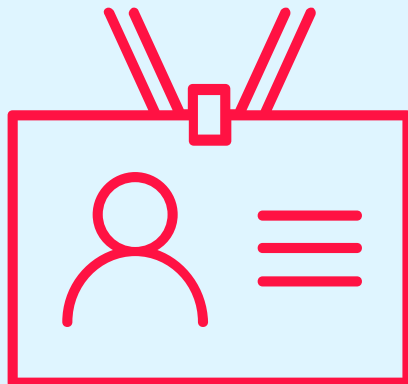
- Separate or attachment

Concluded that this was not optimal

- One common guideline will make sure finance and M&A are united
- An attachment would either have to:
 - be a complete guideline including the same information in two places
 - include many references to the guideline and therefore be complex to read

Recommended updates

Chapter 3 Summary time table Before Field Work



Site visits for M&A audits during the yearly planning is recommended to highlight

- To give operator time to plan ahead

The audit notification should include technical scope for M&A audits

- To make sure operator have the correct personnel available

A meeting between lead auditor and operator is recommended after the notification is sent for M&A audits

- To ensure alignment

If site visits are required, notification shall be sent min 60 days prior to field work start

- To give operator necessary time to make arrangements (especially helicopter booking)

Recommended updates

Chapter 3 Summary time table After Field Work



A draft report is recommended to send before sending the final report for M&A audits

- To ensure alignment

All rebuttals is recommended to be closed ahead of listing unresolved claims

- To reduce claims and time spent after the audit

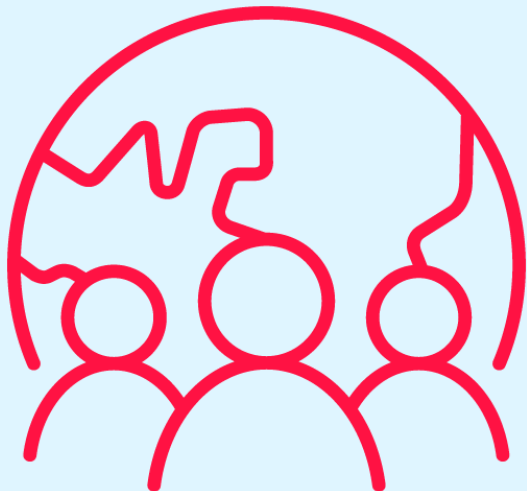
Specify that Audit Recommendations is not included when listing unresolved claims

- To reduce time spent on recommendations

Recommended updates

Chapter 3.1

The Annual Joint Venture Audit Plan



Include M&A personnel in yearly planning

- To make sure that M&A interests are included as early as possible

Create and maintain an overview describing area scope limits for M&A audits

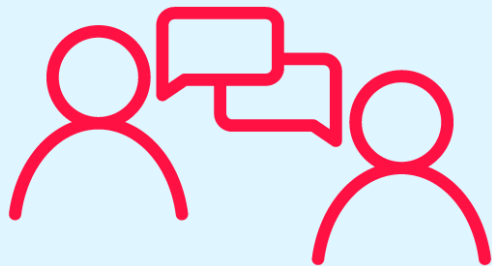
- To ensure good facilitation
- To reduce disagreements during audit

Include planned site visits in Details for M&A audits (if available)

- To ensure good facilitation

Recommended updates

Chapter 3.2.5 Audit information



Remove M&A paragraphs

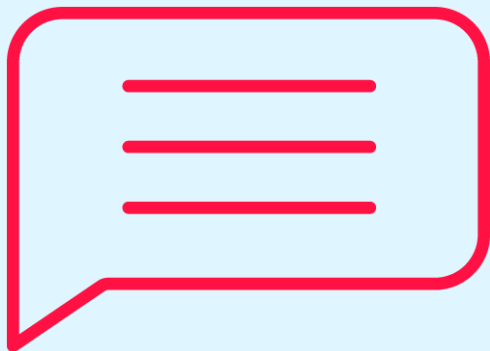
- The paragraphs are not clear and have been interpreted different

Include a new paragraph stating that lead auditor should obtain documentation ahead of audit

- This includes requesting documentation from operator
 - Specify that requested documentation should be limited to the planned technical scope
 - A new appendix listing typical documentation is suggested to be included in the guideline
 - This appendix states where documentation typically can be found (L2S/contract/etc.)
- To help lead auditor plan the audit
- To ensure efficient execution of the audit

Recommended updates

Chapter 4.5 Information requests (IR)



Specify the last paragraph:

- Propose to include text with underline:
 - Information requests which are still open after completion of the audit and the solution-oriented follow-up meeting shall be closed when submitting final report and included in the audit report as findings.
- To make a clear statement that IR shall be closed during the audit

Recommended updates

Chapter 4.6

Audit exceptions (AE)



It should be done a cost/benefit analysis when evaluating the impact of errors for M&A audits

- To reduce time spent on insignificant errors

Clarify the last paragraph

- For M&A Audits, Audit Exceptions (AEs) shall only be used for discrepancies from agreements and/or regulations.
- Audit Recommendations (AR) can be used to highlight observations and proposals for improvements.
- Minor observations, which do not require reply from the operator, may be referenced in the summary part of the report.
- To reduce risk of different interpretation of the paragraph
- To clearly state the difference between Audit Exception and Audit Recommendation

The way forward



Final meetings to prepare guideline for hearing



Present the result for forum for economics



A hearing for all Offshore Norge members



Update the new guideline



Inform all members about the updated guideline



Encourage internal training for all companies



Be available for questions/clarifications



Consider using the new guideline for this year planning

Feedback?

- Give feedback directly to me today
- Send feedback to me or someone in the task force
- Give feedback through the hearing

Recommended guidelines Norway joint venture audit

Vegar Ingdal Hansen, Leading Advisor Fiscal, Multiphase Metering and Field Allocation