

Proposed Framework for Government Auditing Guideline of Oil Companies under service contract

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INTRODUCTION

- There is no doubt that oil have a large place within economic and strategic concerns.
- Oil industries require large capital to be used in all phases of oil production, starting from search, exploration to production, transportation and refining. For this reason and other technical and political reasons, the oil resource royals were unable to invest this resource, so they give this right to foreign companies to search, explore and invest in oil on the basis of sharing with oil- producing countries on different basis evolved over time and the development of the resource of the royal countries and increasing awareness in and having technical expertise .
- Oil companies conclude contractual agreements to exploit oil.
- The oil contracts have privacy differs from each other because of the political and economic situation from one country to another and other reasons.

1-The main phases of oil production

- Oil production process including many operations and activities go through several phases before reaching to the last consumer as the following:
- **Survey and Exploration.**
- **drilling.**
- **Production or extraction .**
- **Storage, transport and sale .**
- **Refining .**

2- The nature of accounting and its role as an information system in the oil production companies of the service contracts:

- A) Restricting the financial operations related to the activities of the economic unit and place them in the form of raw data recorded in the accounting books.
- (B) operating or processing basic data according to the generally accepted accounting principles, in order to transfer these data into financial information serving the purposes of its users;
- (C). Communicate the information that has been addressed to the interested parties through a set of financial reports, thus accounting becomes a system of communication inside and outside the SAIs.

- **2- General auditing procedures followed in auditing oil extraction operations under service contracts**

Adopting control measures when auditing the extraction of crude oil by extractive companies that prepared for export, refineries and other destinations.

- **3. Government auditing standards of oil companies under service contracts**
- **The scope:** This standard applies to the state oil companies as a part in service contracts signed with companies developing oil fields.
- **Requirements:** To carry out the oil companies audit under the service contracts that requires to provide a set of standards are:

The First Group (General Standards)

- The scientific and professional qualification of the auditor.
- Maintaining professional competence.
- Independence.

The second group (Field Work Standards)

- Audit Planning Standard
- Supervising the work of assistants standard
- Examine and assessing Internal Control System standard
- Documentation and Worksheets standards
- Adequate and suitability of evidence

Third Group : performance Auditing Standards

- Planning work sufficiently to implement .performance audit.
- Economic and Efficiency Auditing Standard.
- Software Efficiency Audit .
- Auditing the recovered expenses from oil companies.
- Performance Auditing.

- **Terms used in service contracts.**