

# THE OAG COST RECOVERY MANUAL

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TO

WGEI STEERING COMMITTEE MEETING  
IN WASHINGTON

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# Introduction



- **Manual Based on ISSAI 4000**
  - Audits based on compliance with the law and agreements
  - Costs to be recoverable have to be necessary, economical and related to petroleum operations
  - Costs are submitted annually and audits undertaken on the costs
  - Once determined as recoverable, the recoverability is capped to 60% of production and the rest is carried forward
- **Direct reporting**
- **Reasonable assurance**

# Methodology



- Based on the OAG Regulatory manual
  - Pre-engagement
  - Strategic planning
  - Detailed planning and field work
  - Audit summary
  - Reporting
  - Evaluation and follow up

# Salient Features



- **Determination of materiality**
  - As the amounts involved a huge. It is important to set different materialities for different costs objects/centers
  - Audit can best be effected using cost centers as set up under the chart of accounts/ expenditure statement
  - The procedures applied are different for each of the different cost center i.e. drilling costs, standbys timewriting....
- **Fraud checklist- test for indications of fraud**
- **Use of an expat- determine if expats are required**

# Analysis of Data



- Occasionally, similar costs are grouped the same in order to apply the same procedures to them.
- These could include costs like; salaries, allowances and bonus, pension all under payroll or
- marine costs to include barge, boat hire, ferry crossing, jetty

- Work Programme and Budgets and Approval for Expenditure
- Authorisation For Expenditure (AFE)
- Geological, Geophysical, Reservoir and Engineering Studies (G&G)
- Drilling of wildcat and appraisal wells -a) Well drilling b) Rig costs c) Drilling tangibles (Inventory)
- Time-writing costs

- Procurement of Intra-group services
- Intra-group Sales
- Taxes
- Transfer pricing (OECD guidelines)
- Ring fencing



# Reporting



- This is done in accordance to ISSAI 4000
- Conclusions should be supported by evidence so a reader could reach the same conclusion as the auditor.
- The criteria used should be explicitly identified in the report
- In the findings section, the findings should be compared to the criteria, showing the basis for the findings and the conclusion.
- Response from the auditee should be included.
- Recommendations should be included for all findings.
- The report is submitted to Parliament