ARE YOU GETTING THE MOST OUT OF YOUR JOINT VENTURE (JV) AUDITS?

Wolverine.consulting's methodology provides you with additional Joint Operational procedural insights, at the conclusion of a Joint Venture audit your asset managers and executives:

- Are provided with insights as to how the Operator responded to Joint Operational issues and challenges encountered during the audit period reviewed
- Receive feedback to operational or commercial issues/questions raised prior to the initiation of audit fieldwork or sample selections
- Are provided with risks, issues, and discussion points to be addressed in subsequent Operator Committee Meetings or by Operator Sub-Committees
- Receive an assessment of the Operator's compliance with the terms and conditions of Joint Venture Operating Agreements, as well as, an evaluation of the Operator's policies and procedures, when compared to industry best practice
- Receive the opportunity for contributing to improvements to Joint Operational procedures and/or stewardship methodologies, presently employed by the Operator, which can result in prospective (future) benefits to Joint Operations

In addition to the above, Wolverine.consulting encourages a “transfer of knowledge” process that allows your personnel to participate as a member of the Wolverine audit team.

OVERVIEW OF JOINT VENTURE AUDITS

Joint Venture audits attest and evaluate Operators activities, policies and procedures, and costs over a defined scope period. Non-operating participants schedule and fund a review of detail transactions and related supporting documentation to ensure their individual ownership interests are productive and are being protected.

Guidelines and protocol for conducting Joint Venture audit activities, for both the Operator and Non-operator groups, are initiated within the parameters of the Joint Venture Operating agreement, which generally require the Operator to conduct all Operations in a manner consistent with generally accepted, good engineering, operating, financial, and commercial industry practices.

These good industry standards are widely documented and promulgated by industry setting organisations, such as: the Australian Petroleum Production & Exploration Association Ltd (APPEA); the United Kingdom’s Standard Oil Accounting Procedures (SOAP), and the United States’ Council of Petroleum Accountants Societies (COPAS). Whilst guidelines exist, the protocol for initiating and conducting Joint Venture audits has not been formally established by the industry. However, Wolverine.consulting have developed a methodology to ensure that the audits are conducted in an efficient, professional and cost effective manner.

OBJECTIVES & SCOPE OF TYPICAL JOINT VENTURE AUDITS

Objectives

- To ascertain whether the Operator had conducted Joint Operations within the terms and conditions of the Joint Venture Operating Agreement or other relevant documents in the allocation of charges to the Joint Accounts
- To ascertain whether the Operator has complied with the administrative and operating procedures specified by the respective Joint Venture Operating Agreement and other relevant documents in
conducting Joint Operations

• To ascertain if the Operator has undertaken exploration activity in accordance with key contracts and other relevant agreements

• To ensure that development costs are appropriate and to ensure that unrelated costs have not been included as project expenditures

• To ensure that project assets and project costs are adequately managed, controlled, and reported

• To ascertain whether the Operator’s and/or Operator’s affiliated company’s apportionment methodologies, conventions, processes, and/or procedures utilised to identify, value, compile, and distribute cost apportionments to Joint Operational areas are fair, equitable, and most importantly, in compliance with the terms and conditions of the Joint Operating Agreements

SCOPE

• Joint Account Electronic Transactional Data

• Joint Venture Operating Agreement (JOA) Administration

• Cash Calls, Banking and Participant Approvals

• Joint Interest Billing (JIB) and Production Sharing Contract (PSC) Statements

• Authority for Expenditures (AFE) Administration

• Contracts

• Security

• Vendor Maintenance

• Minor Capital Projects (MCP’s)

• Capital v Expense Determination

• Valued Human Resource Efforts – Timewriting (JV Audit)

• Valued Human Resource Efforts – Timewriting (Limited Scope Review)

• Overhead / Resource Cost Pool (Indirect) Allocations (JV Audit)

• Overhead / Resource Cost Pool (Indirect) Allocations (Limited Scope Review)

• Operating (Direct) Costs (JV Audit)

• Operating (Direct) Costs: (limited scope review)

• Foreign Exchange Gains/Losses

• Materials Management

• Insurances

• Litigation, Claims and Settlements

• Accruals

• Production Allocation (for producing licence areas only)

• Reservoir Surveillance: (for producing licence areas only)

• Pipeline Tariffs: (for producing licence areas only)

• Internal & Contractor Audits
AUDIT PLANNING AND EXECUTION

Joint Venture audits are traditionally conducted in the following manner:

- Preliminary work includes notification to operator of the intent to conduct the audit, data acquisition and transactional data requests
- Ongoing communication with our client and Operator during audit fieldwork
- On site testing conducted at the Operator’s location
- Development and Communication of Findings
- Summarisation of Findings and Audit Close-Out meeting
- Preparation and Presentation of the Final Report
- Operator Response to Final Report
- Resolution and Settlement of Audit Issues. The Managing Partner of Wolverine.consulting works closely, in partnership with the client, in order to navigate through the audit closure and beyond

VALUE FOR MONEY

If you are seeking a service provider based solely on the lowest cost to tick a box then Wolverine is not the right service provider for your organisation.

We pride ourselves as being value for money, however value for money is multidimensional. When comparing our JV Audit services to that of our competitors we recommend you ask the following questions, then come back to us and discuss the differences:

- Will the nominated Partner be involved in all aspects of the engagement from planning to reporting and be performing fieldwork?
- What is the specific and demonstrated Joint Venture experience of all members of the proposed audit team? Do they all have a minimum of 10 years specific JV Audit experience?
- What do they perceive as the top 3 risks facing the Joint Venture?
- Against what standards do they conduct the JV Audit?
- How do they audit timewriting from the Operator?
- What is their methodology for selecting transactions for substantive testing?
- Do the alternative proposals rely on experience of the organisation and not the experience of the nominated personal?

Please do not hesitate to contact us if you want to discuss Joint Venture audits.