

OIL & GAS (E&P) COST AUDITING, COST CONTROL & COST RECOVERY MECHANISMS IN PSC & SERVICE CONTRACTS

Course Description:

This technical course is intended for empower participants such that they can effectively audit, control and recover costs in a Production Sharing Contract (PSC) and Service Contract types in oil and gas exploration and production operations.

Participants will be taken through the mechanisms that enables them to question, query and enforce strict adherence and compliance to cost booking, as well as effectively audit costs such that they can effectively ensure adequate cost recovery even where there is no cost recovery ceiling (limit) in the contract terms or fiscal regime.

Each participant will be able to query cost items and highlight errors in cost bookings thereby building the true basis for cost minimization and cost recovery after attending this course.

The program will be taught in an interactive classroom environment with numerous class exercises and case studies.

The major highlights and what participants will learn in this program include the following:

1. To bring out the key issues in Costing, Cost Control and Auditing Procedure under PSC & Service Contract such that Cost Recovery is maximized.
2. To bring Cost Auditing, Cost Control and Cost Recovery issues together.
3. To enhance understanding of Costing in Budgeting and Costing Auditing through Budgetary Control.
4. To enable understanding of Cost Auditing and enhance understanding of key areas of conflict in cost recovery with a view to resolving these problems.
5. To enable a better understanding of resource rent and the economics of cost recovery.
6. To highlight how to ensure that control is effective through budget based cost auditing.
7. Accruals and cash budgeting and how each affects cost recovery.
8. The ways to ensure that PSC/SC Contractor Internal Control mechanisms are applied for cost control purposes.
9. AFE Administration as cost auditing tool for effective cost control.

COST AUDITING – MODULE 1

Course Content

1. Cost Classification & Cost Types (e.g. Approved, Committed, Incurred, Invoiced & Forecast Costs)
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3. Typical Problems in Cost Classification (e.g. Allowable & Non-Allowable Costs)
4. Accounting for Exploration, Drilling & Production Costs
5. Cost Centre Accounting
6. Cost Allocation (Direct & Indirect Costs)...The unknown Head Office Cost
7. Budgeting & Cost Control:
 - Budgeting Process
 - Costing in Budget Preparation
 - Work Program Based Budgeting
 - Budget Based Cost Auditing
 - Cost Allocation for Budgeting
 - Budget Carryovers
 - Working Capital Budgeting
8. Cost Auditing:
 - Budgeted Cost, Actual Cost & Treatment of Variations
 - Performance Based Cost Auditing
 - Disputed Costs Origination & Treatment

- Authorization for Expenditure (AFE) in Cost Auditing including AFE Clearances.

9. Common Cost Auditing

COST CONTROL & COST RECOVERY – MODULE 2

Course Content

1. Accounting Procedures for Cost Control Purposes in PSC & SC.
 - General Provisions
 - Control of Costs & Expenditures of PSC/SC Contractor.
 - Control of Costs & Expenditures of Govt & Oil Service Companies.
 - Cost of Control through Asset Evaluation.
2. Auditing & Cost Control for Cost Recovery & Maximization of Govt Take.
 - Budget Assumptions for Cost Control Purposes.
 - Cost Recovery Accounting Methodology.
3. Cash vs. Accrual Basis for Cost Recovery.
4. Accrual Basis of Budget & Implications for Cost Control & Cost Recovery.
5. Cost Control in Capital Allowance Computation for Cost Recovery purposes.
6. Investment Tax Allowance & Control Recovery.
7. Internal Cost Control Mechanisms.
8. Other Cost Control Mechanisms:
 - Variance Analysis
 - Performance Measurement for Cost Control & Cost Recovery

Who Should Attend?

This course is design for the benefit of all staff involved or engaged with costing, budgeting, economics and accounting for cost control, auditing, economics & financial analysis, and cost recovery be they accountants, non-accountants, economists and financial analysts.