
**032 – NORWEGIAN OIL
AND GAS
RECOMMENDED
GUIDELINES
NORWAY JOINT
VENTURE AUDIT**

FOREWORD

These guidelines are recommended by the Norwegian Oil and Gas Referansegruppe økonomi and the Forum on fiscal policy. They have been approved by the director general of Norwegian Oil and Gas.

The responsible manager in Norwegian Oil and Gas is the tax and legal manager in Norwegian Oil and Gas.

These guidelines have been developed in cooperation with Equinor, Petoro, ENI Norge, Aker BP, Norske Shell, ConocoPhillips Norge, Total E&P Norge, Wintershall Norge, ExxonMobil and Spirit Energy and are owned by Norwegian Oil and Gas.

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1 INTRODUCTION

These Norway Joint Venture Audit Guidelines provide the framework around which Joint Venture audits in Norway should be conducted. They address the preferred approach for the conduct of Joint Venture audits in Norway and define the planning and conduct of audits, the communication between the audit team and the Operator, the reporting, follow-up and close-out of audits, as well as some administrative procedures inherent in the Joint Venture audit process. This guideline shall apply to

- Financial (Charges / Expenditure / Revenues (Tariff)) audits
- Hydrocarbon (Measurement / Allocation) audits.

Audit scope and coverage details need to be determined by each individual audit team and are not covered by these Guidelines.

2 JOINT VENTURE AUDIT PROVISIONS

Joint Venture audits in Norway are conducted under the audit provisions contained in the respective licence or unit agreements.

Reference is made to Accounting Agreement; attachment B, article 1.4.

However, the operator and the partners may enter into commercial agreements which may override the general provisions in the Joint Operating and Accounting Agreement. In such matters, the commercial agreements will apply. Examples are tie-in agreements between two or several licenses and assignment of rig agreements between the operator as company and the license(s).

3 AUDIT PLANNING AND PREPERATION FOR AN AUDIT

Summary Time Table of Audit Provision				
Accounting Agreement - Article 1.4.1, 1.4.1.1 and 1.4.1.2 - is the overruling document				
Step	Timing		Action	Responsible
1	Sept - Oct previous year		Planning meeting to agree on assets to audit and on lead company	Appointed COORDINATOR
2	- > 1 months	Min 30 days prior to Field Work start	Notification to non-operators prior to Operator notice	Nominated Lead Non-Operator Company
			Notification to Operator	
Field Work Start (FW)				Operator and Non-operator Lead
Field Work (FW) Close				Non-operator Lead
3	+1 month	Approx 30 days after FW close	Meeting to clear unresolved matters, signed minutes attached to Report	Operator
4	+3 months	3 months after FW close	Report to Operator, due date to be confirmed in minutes of meeting (step 3 above)	Nominated Lead Non-Operator Company
5	+6 months	3 months after receipt of Report	Operator to respond in writing	Operator
6	+12 months	9 months after receipt of Report	Operator to list unresolved claims on the agenda for mgt committee meeting (or Partner Forum for overhead charges etc)	

3.1 The Annual Joint Venture Audit Plan

The responsibility for this annual planning effort shall rotate annually amongst license participants. The Appointed Coordinator shall ensure following schedule to representatives from all Operators and Non-Operators:

Schedule

- By mid-August to call for an annual work pre-meeting for the annual JV audit plan
- By end September to call for the annual final meeting
- By end November to submit the next year's Joint Venture audit schedule with following particular information:

Details

- All licenses/projects/units to be audited.
- The gross auditable cost (actual or budget figures, as applicable)
- The time and duration for each audit.
- The company responsible for coordination of each audit.
- The company responsible for leading each audit, if already agreed.
- All audits deferred to the following year.
- Adjusted cost sharing rates and Overhead report sales price.

Distribution of the result from the Work meeting for agreed audit schedule shall be made no later than end of September together with an updated contact person and address list for all companies involved in Norway Joint Venture license audits. Any subsequent changes to the audit schedule need to be agreed in writing between the Operator and all Non-Operators of the license, group of licenses, or operating unit concerned.

The Appointed Coordinator has the overall responsibility for coordinating and nominating a lead company. Non-operators are expected to take an active role to volunteer for the lead role. The Non-Operator with the largest share shall carry this responsibility. If audits are deferred beyond the two year time frame stipulated in the standard audit clause, the Non-Operators need to obtain agreement from the Operator that their audit rights for the period beyond the past two years are not lost.

3.2 Preperation for an Audit

3.2.1 The Lead Auditor

The Lead Auditor shall have sufficient audit experience, and knowledge of Norwegian Joint Venture operations to lead the audit efficiently, prepare an adequate audit report, and conduct all associated administrative and follow-up activities. The other participating Non-Operators shall provide suitable auditors to ensure the composition of a balanced and experienced team with regards to the unit audited and the specific areas to be covered.

Once nominated, the Lead Auditor Company carries the overall responsibility for coordination, planning, conduct, reporting, follow-up, and all general administration of the audit. Prior to the audit and after the Audit Follow-up meeting, the Lead Auditor serves as the single point of contact between the audit team and the Operator. The other participating Non-Operators shall receive copies of all Lead Auditor correspondence with the Operator.

3.2.2 Overheads/Multi Venture Audits

The overhead audits could, due to complexity and size, be split into separate audits in order to make these large audits more manageable and improve the turnaround time during the audit and audit follow-up. The objective should be to split each overhead audit into two or more main audit areas, each of which should consist of groups of logically related costs.

The implementations of and timeframes for such audits will be agreed each year at the Joint Venture Audit Planning Meeting.

The Audit Reports should be addressed in accordance with last year distribution list. The Audit Coordinator would be copied on the audit report and all correspondence related to the audit.

Scope included in the overhead audit, cannot be audited in the license audit and vice versa. It is recommended that matters which involves several licenses, are subject to audit in the

overhead audit – such matters may be cost matters that involve several licenses like restructuring costs or pool costs shared by several licenses.

It is not recommended to raise cases of non-financial nature in a financial audit – such matters may be the Operator's anti-corruption system or other matters of non-financial character.

In addition to the points mentioned above, the Joint Venture Audit Guidelines listed herein also apply to overhead audits.

3.2.3 Notification to Non-operators for License Audit

The Lead Auditor shall contact other the Non-Operators for their participation in the forthcoming audit, with the following alternatives, if

- You want to participate with an auditor and cost share. If yes, please name your representative(s).
- You want to cost share only and receive follow up correspondence.
- You want to participate and only cover own cost without cost sharing.
- You neither want to participate nor to cost share
- Where appropriate, distribute a draft audit program to all participating Non-Operators including the audit scope, objectives, necessary system descriptions and a suggested work program for comments in due time before the audit. The individual auditor should bring to the attention of the Lead Auditor any additional subjects to be included in the audit program.
- Clarify audit cost sharing.

3.2.4 Notification of Audit to Operator

At least 30 days prior to each audit the Lead Auditor Company shall notify the Operator of the forthcoming audit and provide the following information:

- A reference to the annual Joint Venture audit schedule.
- The names of the participating companies.
- The names of the Lead Auditor and the other participants.
- The audit period and dates.
- A request that the Operator nominates an Audit Coordinator and Audit Contact Person(s) for the electronic data and the accounting system.
- A request for a pre-audit meeting, if requested by either party.
- An indication of any advance information required for audit scope and coverage planning.
- A request for information which should be available at the beginning of the audit.

Notification later than 30 days prior to audit may result in a shortened field work period.

3.2.5 Audit Information

The Lead Auditor's preparations prior to audit start-up shall include:

- Obtain electronic transaction data reconciled with billings and audit scope from the Operator.
- Ensure electronic transaction data is available for participating auditors on request prior to field work start.
- Analyze, sort and evaluate the audit scope based on risk and materiality assessment.
- Prepare work packages for the auditors based on risk and materiality assessment. The audit participants should in their answer to the audit invitation (from the lead auditor) express their concerns about risk areas and specific areas of interest to be included in their work package.
- Request further documentation necessary for cost verification (vouchers, contracts etc.) from the Operator prior to audit field work start-up.

Whenever applicable or appropriate the Operator should comply with Lead Auditor's request for electronic data submission. The request should be made to the Operator's Audit Coordinator well in advance of the audit field work. The Audit Coordinator should provide the Lead Auditor with the electronic data as soon as possible and not later than 3 weeks prior to audit start-up.

Electronic data must be presented in a readable form allowing the lead auditor to perform pre-audit analysis. Ref appendix B.

The Operator must assure and confirm the quality and completeness of transaction data by reconciling the transaction data with the billing statement(s).

For Hydrocarbon Audit the Lead Auditor's preparations prior to audit start-up shall include:

- Obtain description of allocation systems and some examples of allocation reports from Operator.
- Obtain overview of allocation reports, overview of ownership structure and overview of infrastructure and metering points from the Operator
- Request from Operator relevant information such as procedures for measurement, procedures for maintenance of measurement systems, procedures for laboratory sampling and analysis etc.
- Overview of transportation agreement and overview of value adjustment agreements

Hydrocarbon audits may elect to only cover Measurement or Allocation and thereby the need and requested information may vary.

Audit information security:

- **All information provided by the operator prior to or during the audit is owned by the Operator.**
- **All information is confidential and shall be protected from unauthorised access, managed securely and according to Operator's and external regulations.**
- **Redistribution of such information is made to named individuals only (audit team members) additional distribution to be approved by the Operator.**
- **Distribution of information should be done in a safe/secure way.**
- **Information shall be stored and archived as approved by Operator.**
- **User shall protect devices, which contain Operator's information, from theft or unauthorized access.**
- **Increased attention shall be paid on these devices during travel and when working outside the Operator's premises.**
- **Once the audit report has been issued, all information provided by the Operator must be deleted and rendered unavailable for further use. However, the auditors should have access to information and working papers needed for the follow-up work until the audit is formally closed.**

3.3 Audit Coordinator and Audit Contact Person(s)

The Operator shall nominate an Audit Coordinator and Audit Contact Person(s) for the electronic data and the accounting system and notify the Lead Auditor accordingly. The Audit Coordinator shall have sufficient experience and knowledge of the Norwegian joint venture operations to coordinate the audit efficiently. The Operator shall ensure that the Audit Coordinator's position is such that it facilitates the resolution of audit issues and exceptions. The Audit Contact Person(s) shall have sufficient experience and knowledge with regards to the electronic data and the accounting system. Specifically, the Audit Coordinator should:

- Coordinate the provision of all information/documents requested by the Lead Auditor prior to the audit.
- Arrange for adequate audit team work space.
- Notify all departments affected by the audit.
- Organize the opening meeting and ensure appropriate attendance.
- Acquaint the audit team with the Operator's layout of facilities, accounting systems, vouchers, ledgers, various department locations and any safety considerations
- Introduce the audit team to the appropriate Operator personnel.
- Coordinate all audit activities including the distribution of information requests and audit exceptions.
- Obtain replies from the appropriate Operator personnel within an agreed time Frame.

4 CONDUCT OF THE AUDIT

4.1 Audit Preparations

The Operator and the auditors will cooperate in order to facilitate the use of electronic data tools to the extent possible for data processing, analysis and communication (e-mail) through all phases of the audit. At the start of the audit field work, the Lead Auditor shall agree with all audit team members the final audit scope and program, distribution of work, man-days allocated, work paper standards, reporting methods, and team organization. When the audit work is being assigned to the audit team members, due consideration shall be given to the experience and background of each auditor and his/her employing company's specific interests in the audit.

Prior to the audit and as part of the preparation, each non-Operator, who has a representative in the audit team, is responsible to update their auditor with relevant information.

4.2 Opening Meeting

The opening meeting shall include the audit team, Audit Coordinator and other appropriate Operator personnel. At this meeting, the Operator shall give a brief orientation about his organization, activities and relevant systems and procedures related to the audit scope. The Lead Auditor should present the broad audit scope and the intended communication and reporting procedures to the Operator.

4.3 Audit Process – Roles and Responsibilities

The joint objectives of the field work shall be to highlight risk areas in the joint accounts and to settle as many audit exceptions as possible during the field work period. Both parties are expected to contribute in order to obtain this objective. In this respect, it is essential that

- Potential issues are discussed in detail with the Operator
- Audit exceptions are concise, have substance and are well documented
- The Operator takes immediate action to respond and resolve the issues within agreed timeframes.

Each auditor will be responsible for carrying out and complementing detailed work and test required in the areas assigned. Before reviewing a specific area, the auditor should consult with the Lead Auditor to clearly define the objectives of the review and to identify methods that might be employed to perform the review. Each auditor is responsible for completing each review within the assigned man days or to communicate as soon as possible to the Lead Auditor that the review will not be completed within the assigned man-days. The Lead Auditor will decide whether the review is to be curtailed to stay within the mandate budget, or whether additional man days should be provided to complete the review.

The Lead Auditor shall inform all team members regularly of all issues raised during the audit, the replies received from the Operator, and the overall progress of the audit against the original plan and program. If desired, weekly progress review meetings can be held including the audit team, Audit Coordinator and appropriate Operator personnel.

4.4 Voucher Requests (VR)

If explored information is not retrievable via access in Operator's system, a VR must be written by the auditor in order to obtain applicable information.

4.5 Information Requests (IR)

Verbal clarification to a subject or to an IR response may sometimes be useful and practical. However, if the explanation becomes vital for any IR or AE, the result shall be written down and shared.

Information Requests as such shall always be issued in writing, and Operator's answer shall also be in writing. All Information Requests shall be numbered sequentially.

When possible, Information Requests should be maintained in an Operator provided database. If this is not available, copies of the information requests must be logged and filed by the Lead Auditor who is responsible to follow up on all open information requests. Information requests which are still open after completion of the audit and the solution-oriented follow-up meeting shall be included in the audit report.

4.6 Audit Exceptions (AE)

Audit exceptions prepared by the auditor responsible should be issued as early as possible during the audit. All exceptions shall be numbered sequentially and reviewed by the Lead Auditor prior to release to the Audit Coordinator (or into Operator database). If an issue is contentious or arguable, the Lead Auditor should first consult with all team members and the participating companies' Audit Managers.

Typically, AE should have the following elements:

- **Comment / Observation:** Properly describe and quantify (when possible) and supported by appropriate documentation or IR references
- **Significance:** If other than a straight forward booking error, a summary of implications and consequences should be emphasized – typically for Procedural Findings
- **Action:** Recommended corrective action to be stated

All AE shall have the status of OPEN, ACCEPTED, CLOSED (e.g. when correction vouchers have been issued) or WITHDRAWN. There should be a reference if the exception is MF (Monetary Finding) or PF (Procedural), or both.

All Audit Exceptions raised should be evaluated in line with an acceptable level of materiality for the specific audit. As a rule of thumb, formal monetary findings less than KNOK 100 should not be submitted. Errors discovered during fieldwork which is less than a materiality level should be notified informally to the Operator who should consider adjusting the accounts accordingly.

For Hydrocarbon audits, (Measurement/Allocation) Audit Exceptions (AEs) should be included in the final audit report. An AE should be issued when the auditors request written response from the Operator. 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.

4.7 Audit Close-Out Meeting

An audit close-out meeting will be held at the end of the field work to review the status of all information requests, audit exceptions and Operator replies. The Lead Auditor and the team shall review with the Operator each of the audit exceptions raised to ensure common understanding of all audit concerns and to determine when any unanswered exceptions or information requests will be responded to. The objective should be to solve as many issues as possible.

If contentious or disputed issues have been raised, a second close-out meeting may be held in an attempt to resolve these issues prior to the release of the audit report.

4.8 Audit Follow-up

The Operator shall endeavour to complete the initial replies to all audit exceptions and outstanding information requests prior to the follow-up meeting designed to clear unresolved matters, ref *Accounting Agreement, Attachment B, article 1.4.1.1*.

As soon as possible after the follow-up meeting the Lead Auditor shall submit a draft audit report to all audit team participants for review and comment. If requested, an updated draft including all review comments, shall be re-circulated to all participants prior to the issuing of the final Audit Report to Operator.

4.9 Stand Still Agreement

For audits covering 2 year periods, execution of a Stand Still Agreement (see Appendix D) shall be addressed within 3 years after the beginning of the first year comprised by the audit in question and normally at:

1. The meeting to be held in accordance with Joint Accounting Agreement (hereinafter referred to as the "JAA") article 1.4.1.1, second paragraph, or
2. At the end of field work meeting, if the audit is conducted in Q4 of the year the audit is performed.

Such Stand Still Agreement shall apply for the following 12 months and shall cover any audit exceptions being identified in the Minutes of Meeting from said meetings.

If other audit exceptions are identified during the audit follow up, the non-operators could request the Operator to include these in the Stand Still Agreement.

5 AUDIT REPORT

Reference is made to Accounting Agreement; attachment B, article 1.4.1.1.

An essential element in the audit report is the Summary of Audit Exceptions to keep track of status for all Exceptions / Recommendations until close status. The summary will facilitate other participating companies' follow-up and communication with their management. AE Format and further recommended details in the report, ref Appendix C

5.1 Operator's rebuttal

If a Non-Operator has comments to the Operator's written reply, such comments shall be submitted in writing via the Lead Auditor. The Operator shall give a written reply to the comments.

The Operator's reply shall identify all agreed audit adjustments/corrections with the corresponding voucher references and booking dates. The Lead Auditor's company is responsible for coordinating the review and discussion of the Operator's reply with the other audit participants and the conduct of any further follow-up correspondence with the Operator.

6 AUDIT COST SHARING

The decision to share costs for the conduct of Norway joint venture audits rests with the individual non-operator Specific guidelines for audit cost sharing are summarized in Appendix A attached hereto.

7 PARTICIPATION ENTITLEMENT

Accounting agreement Attachment B article 1.4.1 states that a Non-operator shall have the right to audit the Operator. Prior to each audit, all Non-Operators shall be requested to indicate their desired participation in the forthcoming audit (ref par. 3.2.3). When nominating the audit team, efforts shall be made to accommodate all Non-Operators wishing to participate.

All Non-Operators participating in the audit with an auditor will receive copies of all correspondence relating to the audit. In addition, they are expected to participate actively in the audit program preparation, the review and finalization of the audit report, and the audit follow-up and close out process.

Non-Operators which only participate through cost sharing will receive copies of all follow-up correspondence. They are also entitled to request the Lead Auditor to include specific items in the audit program. The audit program, audit memoranda and replies, and other selected information from the work paper files will be made available on written request to the Lead Auditor.

8 COMMUNICATION AND CONFIDENTIALITY

Unless otherwise agreed, any notice or other communication required according to the Joint Venture Audit Guidelines listed herein, shall be sent in writing in the English language. The use of electronic mail for transfer of documents and files shall at all times be in accordance with internationally recognised standards and controls as adopted by the petroleum industry.

Confidential information shall be treated in strictest confidence and in accordance with the relevant confidentiality agreements reference is made to point 3.2.5 in this guideline.

APPENDIX A: REVISION HISTORY

Changes to the guideline is highlighted in a separate document, Appendix A.

APPENDIX B – COST SHARING

NORWAY JOINT VENTURE AUDIT COST SHARING

These details for Norway joint venture audit cost sharing were developed in early 1986 and have subsequently been modified to reflect increases in Charge Out Rates. They serve as general guidance but may be modified to suit specific circumstances as deemed necessary by Audit Committees or individual Non-Operator audits. For Overhead Audits, ref. 4.3 to this Appendix A

1. Audit Cost Charge Out Rates - 2017

(a)	Per diem for auditors' salary plus departmental overhead costs	7,700 NOK/Day
(b)	Per diem for out of town auditors	2,950 NOK/Day
(c)	Per diem for local auditors	360 NOK/Day

All rates are adjusted yearly and approved in the yearly planning meeting. Adjustment is based on the Consumer Price Index (CPI) of Statistics Norway as of 15 July the preceding year. Reference is made to Minutes of Meeting from Norway Joint Venture Audit plan meeting.

2. Application of Charge Out Rates

- The per diem rate (a) applies to all auditors including the Lead Auditor.
- The per diem rate (a) applies to full working days only.
- The Lead Auditor can charge per diem rate (a) for an additional 10 days for audits of up to 2 weeks and 15 days for audits of 3 weeks or more to cover audit preparation, report writing and audit follow-up work. (b) and (c) do not apply.
- The initial per diem rate for out of town auditors (b) is made up as follows:
Hotel: 1,900 NOK, meals: 600 NOK, local transport, incidentals, etc. 400 NOK.
- Out of town auditors can charge the per diem rate (b) for all intermediate weekends (2 days) for which no return fares are reimbursed

3. Transportation Charges

3.1. Air fares will be charged to the audit costs on the following basis:

- Norwegian base auditor location: One return trip for every week or part of a week
- European base auditor location: One return trip economy premium class for every two weeks or part of two weeks.
- Outside Europe base auditor location: One return trip business class per audit (four weeks duration or more)

3.2. At locations with insufficient public transport or remote office locations, the cost of one rental car can be charged to the audit costs. Car rental shall be made on the most economic basis available to the audit team.

- 3.3. Additional transportation charges for audit visits to Operator's branch offices or operating locations, contractor offices etc. (plane, train, ferry) can also be charged to the audit costs. To the extent possible, however, such visits shall be combined or covered with air fares under 3.1 or car rental under 3.2 above. All other costs associated with travel hereunder are deemed to be covered under the per diem rates in 1. above.
- 3.4. Additional transportation charges for a visit by the Lead Auditor to the Operator for one additional visit prior to or after the audit can be charged to the audit costs.

4. Basis for Audit Cost Sharing

- 4.1. **Financial Audits:** Under individual licenses, operating units or group of licenses, audit costs shall be shared on the basis of each Non-Operator's financial share in the license or unit, adjusted to exclude the Operator's share and also any Non-Operators who have elected not to participate in cost sharing. By financing share is meant the Non-Operator's payment as per the Billing Statement.
- 4.2 **Hydrocarbon Audits:** The sharing methodology is as under 4.3. below.
- 4.3 **Overhead Audits:**
- For specific overhead and indirect costs audits the following method of cost sharing should be applied for all audits:
 - Each non-operator participating in the audit team bears his own costs.
 - Non-participating non-operators wishing the report and follow-up correspondence pay NOK 36,000
 - Income on sale of reports is collected by and credited to the Non-Operator leading the audit to compensate for extra time on planning, administration, report writing and follow-up.

APPENDIX C ELECTRONIC TRANSACTION DATA WITH/ATTACHMENTS

Data submission as referred to in paragraph 3.2.5 must be supplied with supporting tables allowing the lead auditor to extract relevant information. The supporting tables should at least give specification of the following:

1. Company code
2. License / Project / JV – code
3. Venture description
4. Equity group

5. Cost center number
6. Cost center name
7. Account number
8. Account name

9. Billing code- JIB (*Joint Interest Billing Reference*) code.

10. Fiscal Year - YYYY
11. Document date - DD.MM.YY
12. Posting date - DD.MM.YY
13. Posting period - MM. YY

14. Cost object / WBS / Internal order code
15. WBS - Description

16. Contract/Purchase order – reference
17. Vendor number
18. Vendor description

19. DT - Document type
20. DT - Description

21. Document/line item - text

22. Document number reference
23. Voucher number reference
24. Invoice number reference

25. VAT code
26. Credit / Debit – code

27. Amount in transaction currency
28. Currency code
29. Amount in local currency NOK
30. Text/description field

APPENDIX D SUGGESTED AUDIT REPORT FORMAT

1. **Cover letter** from Lead Company to the Operator
2. **Management summary** (no need to repeat from Fact book, from audit Program or comprehensive repeat of audit comments)
3. **Background information** (typical elements are Scope and Objectives, expenditure coverage, license mix when applicable, Audit Period, Location, Audit Coordinator and Team)
4. **Summary / List of Audit Exceptions** in table format *) – as **Attachment 1**
 - AE # and MF/PF nature
 - Subject
 - Amount Claimed NOK
 - Amount Accepted NOK
 - Amount Rejected NOK (if any)
 - Amount Withdrawn NOK (if any)
 - Status: Open, Accepted or Closed
 - Correction Voucher
5. **List of Open Information Requests**
6. **Detailed Audit Findings / Exceptions** - pending volume of communication etc, an alternative format to normal word writing is recording the facts in three columns,
 - Comment / Observation
 - Significance (when applicable)
 - Recommendation (includes Operator's response, Rebuttals and Status as Open / Accepted / Closed / Withdrawn)
7. **Signed minutes of follow-up meeting**

*) SUMMARY OF AUDIT EXCEPTIONS AND STATUS

AE #	Description *)	Type MF / PF	Amount Claimed	Amount Accepted	Amount Withdrawn	Status	Corr. Vouch ref.

*) for Hydrocarbon summary, a reference to findings detailed in another spreadsheet may be useful.

APPENDIX E PROCEDURE AND FORMAT STAND STILL AGREEMENT

1. Introduction

This procedure is worked out in collaboration with the major operators at NCS. The mandate of the group concerns the issue of time barring in relation to the 24-month audit pursuant to the Joint Accounting Agreement article 1.4. For the avoidance of doubt, 1 year audits are excluded from the mandate of this work group.

2. Procedure

Since the parties cannot agree in advance that limitation shall not set in, the intention of entering into a Stand Still Agreement (attachment 1) should first of all be addressed and added as an item on the agenda for the yearly audit meeting where all companies in principle will be represented.

Furthermore, the undertaking of a Stand Still Agreement should be dealt with at the meeting to be held in accordance with JAA article 1.4.1.1, second paragraph where the licensees go through all outstanding issues from the audit, including any audit exceptions and information requests. Such meeting is held after the field work has been completed but prior to the issuance of the audit report. Accordingly, the meeting will as a basis take place within the audit execution year, and therefore prior to any audit claim being time barred pursuant to the general 3 year limitation period, cf. the time line illustration above.

Alternatively, if the audit is conducted in Q4 of the audit execution year, undertaking of a Stand Still Agreement should be dealt with at the end of field work meeting (meeting normally held at the end of the audit field work and prior to meeting regulated in JAA article 1.4.1.1)

If the Operator signs a Stand Still Agreement at the JAA article 1.4.1.1 meeting or at the end of field work meeting, one will first of all avoid any audit exceptions being time barred during the audit follow up for the duration of the agreement. Also, the parties will have a fixed date to act in accordance with to avoid any time barring, which implies predictability for all parties. Secondly, by signing an agreement at one of these meetings one can avoid any discussions concerning commencement of the limitation period, supplementary limitation period and the question of whether the licensees had necessary knowledge of a claim.

However, in order for the Operator to sign a Stand Still Agreement at the JAA article 1.4.1.1 meeting or at the end of field work meeting, the Minutes of Meeting should be prepared and ready to sign at the end of the meeting. Alternatively, the Agreement may be enclosed the Minutes of Meeting which shall be sent to the participants for signing shortly after the meeting is held.

Furthermore, the undertaking of a Stand Still Agreement at the meeting in accordance with JAA 1.4.1.1 or at the end of field work meeting or alternatively when signing the Minutes of Meeting following such meeting is based on the assumption that the audit exceptions are sufficiently identified at this stage. To be covered by the Stand Still Agreement open information requests must be converted to audit exceptions.

The Operator cannot undertake an agreement where a claim is not identified or is only vaguely stated. One does not have to specify any amount or give an estimate with regards to the relevant claim. However, the frame of each potential claim will, to a certain extent, have to be specified so that the Operator knows which claims the undertaking comprises.

All outstanding audit exceptions identified in the field work will be comprised by the Stand Still Agreement. If the licensees identify other audit exceptions during the audit follow up, the on-operators could request the Operator to include these in the Stand Still Agreement. The Operator shall not, however be obligated to accommodate such requests.

THE NON COMPATIBILITY FOR AUDIT OF THE TIME BAR ISSUE WITH JOA

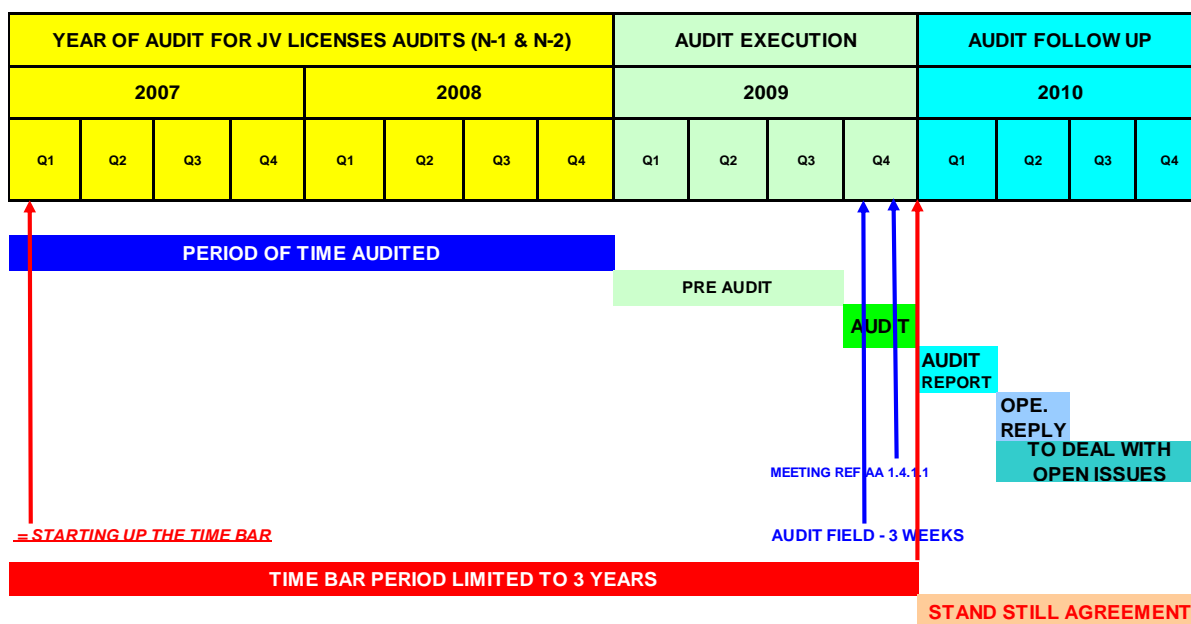


Figure 1: Time line example (for illustration purposes only)

ATTACHMENT 1 – STAND STILL AGREEMENT

STAND STILL AGREEMENT

This Stand Still Agreement is undertaken in relation to audit performed for License [x and x] for the years 20xx and 20xx.

[Company name] hereby declares that it will not claim time barring pursuant to the Norwegian Limitation Act for any audit exceptions as specified in the Minutes of Meeting dated [dd.mm.yyyy] up to and including one year after the date of signing this Stand Still Agreement.

This Stand Still Agreement shall not constitute any precedence for how the audit exceptions are resolved.

[Place, date]

Name:

[Authorized signature]