



LANCASTER CONSULTING
JOINT VENTURE AUDITORS & BUSINESS CONSULTANTS

SERVICES

June 2020



Joint Venture Auditors and Business Consultants



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Lancaster Consulting – Forward

About Us

Lancaster Consulting LLP can trace its origins to the 1980's, and is a firm of joint venture auditors and oil industry specialists. We serve clients all over the world, during the last year performing audits on all Continents. Partners:

Chiara Tonello has been in the oil & gas industry for the past 20 years, covering several upstream finance and JV auditor senior roles in many E&P companies including ENI and EON. Chiara was also an Asset Manager for EON before concluding her corporate career as Finance Manager for Mitsui - prior to joining Lancaster in 2013.

Brad Daniel is a chartered accountant and held various upstream finance roles, latterly controller for a Nigerian offshore producer, before he joined Lancaster in 2016. Brad enjoys technical accounting matters as well as audit. He is also leading the development of our sustainability audit, with a focus on the link between finance, sustainability and asset value.

Terry Taylor is a chartered accountant and Chairman of the Oil Industry Auditing Development Group, sponsored by Oil and Gas UK. Terry was also global JV audit manager for Murphy Oil, before joining Lancaster in 2016. Terry previously organized the BP multi-venture audit process. He also has good downstream knowledge.

Covid-19 – our response

We are in dialogue with our clients to reschedule audits where appropriate and some of our assignments are being performed remotely. During the last two years we have performed several audits remotely and developed an efficient approach that can work for you.



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- **Joint venture cost and financial audits**

- Joint venture audit is our core business. Lancaster audit approach is tailored as desired by our clients' objectives. We have a risk based audit methodology, use technical and language specialists as required, and have an exceptional track record in adding value for our clients.

- **Hydrocarbon metering, measurement and allocation audits**

- We see increasing demand for hydrocarbon metering, measurement and allocation (mass balance) audits, where we work with specialist petroleum engineers. See special appendix 1 - feature service

- **Vendor Audits**

- The Lancaster audit skill set combined with our industry experience means that we are the ideal partners to work with you on getting value for money from major contracts

- **Training**

- Because of the considerable industry experience of all our personnel we can provide tailor-made training courses to suit clients' requirements. Possible subjects include: risk management; operations, internal and joint venture auditing; financial management; oil industry accounting; inventory control; contract administration; treasury control. We can also write and review financial and commercial control procedures.
- During 2019 and 2020 we facilitated delivery of well cost accounting training courses.
- Joining the audit team – some clients frequently second someone from their finance function to the audit team which can be mutually beneficial for the audit and give valuable audit experience to the team member.



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- **Internal audit & pre-emptive JV audit**
 - Internal audit review of our client's own accounting system and processes, contributing to gap remediation. Internal audit and pre-emptive joint venture audit both help avoid monetary findings against our client.
- **Cost Recovery and withholding tax (WHT) compliance**
 - During joint venture audits we find more focus on cost recovery and withholding tax compliance helping our clients avoid large exposures. Our specialism is making us a “go-to” point for clients, also in between audits.
- **G&A review**
 - Clients like to make head office G&A process/time-writing review – this often leads to other important points being discovered, particularly around cost recovery. Several clients have asked us to do this in the last 12 months, and it was a catalyst for connected value adding work for some clients.
- **Interim Management/Consulting**
 - Placement of highly skilled E&P staff for finance function support and remediation, or special projects.





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▪ Business Ethics audits

- Specialist audit of Operator or key Contractor to provide assurance over the compliance environment and adherence to the US Foreign Corrupt Practices Act and UK Bribery Act. Has your company just farmed in to a new license or are you making a new country entry? At Lancaster we are alert to unusual transactions during every financial audit, but sometimes you may require a focused ethics audit to also review and assess an entity's compliance environment including risk management, internal polices, staff training, use of Agents, and management of investigations resulting from allegations. Among our trusted Associates we have a US licensed lawyer whose international E&P experience includes managing Anti-bribery & Corruption audits as part of the audit investigation counsel teams for major oil industry service providers. She provides guidance and support for our audit teams in the field.

▪ Sustainability audit

- From 2020, every Lancaster Consulting joint venture audit will be conducted with sustainable development in mind. This means during the ordinary course of the audit all our team are trained to remain alert in looking for clear red flags or opportunities. Some examples: 1) drawing attention to use of a vendor known for a weaker approach to environmental protection, 2) observations we may have on the Community Engagement Program, 3) opportunities for use of unspent training budgets, etc.
- As with Business Ethics, what we can achieve during the ordinary course of an audit will be calibrated, and only to the extent it adds value to the main objectives of the cost or financial audit. It is not a mandatory part of our audit scope, but our default position is that ultimately there is direct link between the value of the partner investment, and the sustainability credentials of the joint venture.
- Clients may work with us to specifically tailor an audit program to perform a dedicated sustainability audit, which may range from site visits with other specialists, to audit and review of Annual Sustainability Reporting.





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- **Special Audit/Major Projects Cost and Schedule Review**

- Higher than expected costs of a major project such as a FEED study or field development, either in planning or partway through execution phase, may already be a partner commercial discussion. Among our trusted Associates we have a senior facilities engineer who can join the audit team in order to add a technical rigour to joint venture audit exceptions. He has a technical and financial background in screening major facilities projects costs and schedule for new ventures and acquisitions, so will rapidly sense-check whether the project is off course, and suggest remediation.

- **Independent Project Cost and Schedule Assessment**

- It may not always be appropriate to combine technical review with audit, so a tailored exercise may be made outside the audit cycle. Lancaster Consulting offer a senior facilities engineer to lead an independent commercial technical assessment, which may include the review of appropriate project management methodology, especially for smaller operators who may not have a well documented in-house approach.

For further information about any of our services please contact one of our partners





Lancaster Consulting - Business Case

Why Lancaster Consulting?

- Best all round established joint venture audit firm, with global reach
- Long track record of cost recovery for clients
- Clients rely on us for advice and work in non-audit areas
- Consistent partner relationship and service level
- Languages: English, French, Italian, Spanish, Russian, Norwegian, Chinese
- Partner experience in all upstream finance processes, upstream M&A
- Partners and consultants have years of practical oil and gas knowledge
- We work with the best experts in facilities engineering, metering and measurement, oil marketing.
- Best techniques for audit fieldwork and remote audit

“Lancaster Consulting is a **trusted partner**, not just a supplier. In addition to joint venture auditing skills, Lancaster Consulting **adds value** for clients by acting as a sounding board, and leveraging its broad oil and gas experience from dozens of scenarios to provide advice and solutions”

Recent Assignments

- Jan 19 – preemptive internal audit for Operator, West Africa
- Feb 19 – pre-emptive cost recovery audit, West Africa (remote)
- Jan 19 – Dec 19 > 20 JV audits, UK, Europe, Africa, USA, global
- Jan 19 – Dec 19 > 3 metering and measurement audits, global
- Jan 19 – Dec 19 various HO costs, time writing review advice
- Apr 19 – input to SPA re treatment of open audit findings
- May 19 – contract and WHT advice re Africa drilling campaign
- Dec 19 – business ethics audit for major contractor, Americas





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Lancaster Consulting - Contacts

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Appendix 1 – Hydrocarbon audits

- Measurement, sampling, and hydrocarbon allocation are usually part of commercial agreements and will also reflect regulatory requirements.
- Where a facility receives fluids from several fields, the hydrocarbon allocation process used to derive product entitlements may be complex. This complexity is magnified by the composition of fields' fluids, the configuration of the measurement and processing facilities, and the products derived from the facility. If not carefully managed by the facility owner, field owners whose fluids are processed by the facility run a risk of loss. Such losses may arise through the mismeasurement of fluid streams and hence the misallocation of products to field owners.
- **Hydrocarbon Measurement and Allocation Audits**
- Our auditors are petroleum engineers with specific knowledge and experience, who have a track record in making profitable findings for our clients
- **Hydrocarbon Measurement System Audits**
- Measurement systems in this context means, meters; associated hardware such as pressure and temperature sensors; sampling systems; on-line analyser systems; supervisory computer systems; verification equipment etc.





Appendix 2 Partners and Consultants

▪ Partners

Brad Daniel

Chiara Tonello

Terry Taylor

▪ Consultants

- We use experienced consultants, who in most cases have worked many years for Lancaster. Consultants are continuously in the field for Lancaster, with different specialisms and language capabilities
- Our partners and consultants have worked on every type of client, including small independents, private equity backed start-ups, integrated oil majors, state oil companies, mid-caps, explorers, producers, onshore and offshore, conventional and unconventional.
- Currently the consultants we use are independent and we don't name them until an assignment is agreed with our client.
- During 2020/21 we will be moving towards more of our team becoming exclusive to Lancaster Consulting LLP, at which time we will be able to show more of their profiles on our website. Currently we have one exclusive Aberdeen based consultant.

