HMRC - OT18650 - PRT Compliance: Risk Assessment - First Claims And Continuing Audits

Because returns and claims are not independently audited and are usually compiled close to the 6 month or year end an understanding of the accounting system that underpins those returns and claims is part of the risk assessment process.

In the past a First Claims Audit has been a major systems review which took place when a company became an operator for the first time. We will continue to want to understand the company’s systems and obtain assurance that they are adequate for the Responsible Person to meet their requirements in full. We will expect to engage soon after a company has become an operator. We also expect to be informed when there is a change of system or major upgrade. The objective should be to have an ongoing understanding of the systems and the controls in place.

The depth of any audit will depend on the circumstances but should be proportionate to the need for assurance. CRMs and tax specialists will be aware of the resource requirements on both companies and LB.

Operator systems are usually subject to joint venture audits. If companies agree these should be obtained to see if they can contribute to the assurance assessment. Joint venture audits may have a focus which does not reflect LB Oil & Gas’s concerns. Nevertheless we should aim to rely as far as possible on the work a company does to ensure that its systems are accurate and joint venture audits should be seen as part of the system of controls.

Previous page

Next page