HMRC - OT18660 - PRT Compliance: Risk Working - PRT / Accounts Reconciliations

At OT18570 we outline the obligations of companies within the framework of the TCRM Process.

Reconciliations should be part of a company’s PRT accounting system. LB Oil & Gas will need assurance that such a system is in place. Having a system or process is not enough; we need assurance that the reconciliation is carried out at least annually and that we are advised of changes that need to be made to returns and claims.

Reconciliations are a feature of PRT compliance. They are not a statutory requirement but they are necessary (for PRT paying fields) and very highly desirable (for non-paying PRT fields) to give assurance that overall income and expenditure have been correctly returned and claimed. Returns and claims are not audited and are often prepared before figures for a period have been finalised by auditors. Claims for a period do not have to be made at the same time as the corresponding return. Without a control process it is possible for claims to be made more than once - or for expenditure not to be claimed - and for miscellaneous income and insurance receipts to be omitted. In the past reconciliations have been a useful mechanism for ensuring that S493 adjustments are correct and that allowable expenditure has been claimed correctly.

Reconciliations vary in their complexity and in their form. Companies can perceive their provision as onerous. If companies claim that their systems have internal controls that address our concerns and they would prefer us to audit their processes to demonstrate this point we should consider engaging Audit specialists for this purpose. We do not expect reconciliations from companies or groups which do not have interests in taxpaying fields. However, if a customer is a new entrant to the UKCS and will at a future date have taxpaying fields, it should be advised of the possible future requirement so it can, if it wishes, build the necessary functionality into its system.

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