



Oil & Gas
Authority

OGA Annual Report and Accounts

2018–19

(for the year ended 31 March 2019)

HC 2334



Annual Report and Accounts of the Oil and Gas Authority 2018-19:

Accounts presented to the House of Commons pursuant to Section 6
of the Government Resources and Accounts Act 2000
(Audit of Non-profit Making Companies) Order 2009

Report presented to the House of Commons by Command of Her Majesty

Ordered by the House of Commons to be printed 4 July 2019



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Any enquiries regarding this publication should be sent to us at:

Oil & Gas Authority
AB1 Building
48 Huntly Street Aberdeen AB10 1SH
oga.correspondence@ogauthority.co.uk

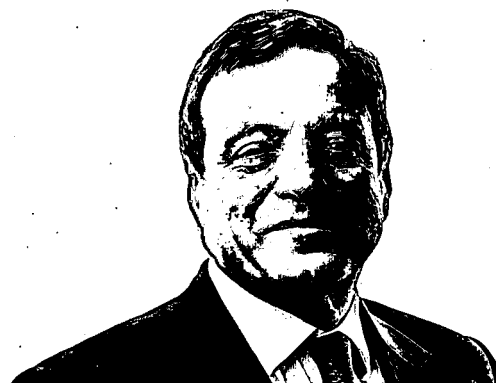
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Chairman's foreword

I am delighted to be leading the Oil and Gas Authority (OGA) as it continues to work with industry and government to maximise the value of this critical sector.

I would like to thank Frances Morris-Jones for her commitment whilst Interim Chair and greatly value her continuing enthusiastic contribution to Board debate.

My thanks also to the many staff I have met during my first months at the OGA. They have helped me learn quickly about the organisation and I have been very impressed by their expertise and belief in the OGA's role.

With all our statutory powers now in place, and the progress we have made with our ambition to achieve regulatory excellence, the OGA has built the strong foundations needed to support a relentless focus on maximising economic recovery.

In doing so, it will be vital to keep the focus on our strategic priorities and the Board will support the Leadership Team as it takes the OGA into its next phase of more active stewardship activity. We of course recognise our obligation to industry to provide value for money for levy payers.

I welcome the outcome of this year's board evaluation and am pleased to join a board which has built strong working relationships over time. The Board reviewed and approved this Annual Report and Accounts on 20 June 2019.

I am impressed with the progress the OGA has made to date and look forward to increasing the pace of delivering MER UK*.

I very much look forward to working with the Board, government, and industry to achieve this.

A handwritten signature in black ink, appearing to read 'Tim Eggar', with a horizontal line underneath.

Tim Eggar
Chairman



Chief Executive's statement

2018-19 has been another significant year for the OGA. We have maintained our firm focus on maximising economic recovery of oil and gas. Our central production projection out to 2050 is now 3.9 billion barrels higher than it was in 2015. A mixture of field life extensions, infield reserve additions, enhanced oil recovery and new projects and discoveries, have helped add this additional 45% in future production.

Our forecasts now show there are potentially over 20 billion plus barrels of oil equivalent (boe) remaining in the UK Continental Shelf (UKCS). We have stepped up further our focus on stewardship and our expectations of industry. Compared to 2014, costs are down, production and efficiency are up and the UKCS is globally competitive. Looking ahead, industry must focus on sustaining cost efficiencies and drilling efficiently.

The keys to unlocking significant new opportunities are data and digitalisation. We continue to maximise the value from the wealth of UKCS data; making it openly and transparently available for all. We launched the UK's first National Data Repository with 130 terabytes of openly available wells, seismic and infrastructure data; this promises to be a real game-changer.

Industry and government's focus on decommissioning costs intensified this year. The OGA continues to support work to continue to drive down decommissioning costs, with an impressive 7% like for like cost reduction in just one year. Operators are clearly thinking more strategically about technology uptake and there is evidence of more collaborative partnering with the supply chain and improvements in commercial behaviours more generally. Supply Chain Action Plans have gone from strength to strength this year, rightly putting partnering with the service sector at the heart of efficient field development plans and project delivery.

Over the past year, we have also started significant work on how the OGA can support the energy transition. Projections show oil and gas will play a part in the UK's energy mix for the foreseeable future. In delivering MER UK there are clear opportunities to support the UK's energy transition, which in turn also support the UK industry - through increased efficiencies, extending the life of assets, building and preserving a sustainable skills base that can also support renewables in the UK, and retaining the social licence to operate.

The work has included publishing a flaring and venting policy, awarding our first CCS carbon dioxide (CO₂) appraisal and storage licence, and a new project to explore the potential for a more integrated offshore energy sector, including innovative closer links between oil and gas production and offshore renewables.

Following the publication of our 2019-24 Corporate Plan* in April 2019, I look forward to working with industry and government to deliver on our strategic objectives and the stretching targets we have set together. We're asking industry leaders to work towards the exciting future which Vision 2035 offers; it requires exceptional partnerships and new business models delivering value at pace, operational excellence across the lifecycle, and widespread deployment of new technologies, including digital. Most importantly, I believe it requires full inclusion, diversity and genuine workforce engagement.

I am proud to lead such a great team, which has again achieved so much. I would like to thank Frances Morris-Jones for her support and dedication whilst Interim Chair. The OGA welcomed Tim Eggar as our new Chairman in March 2019 and I look forward to working closely with Tim as we continue our work with industry and government to deliver the significant value outlined in Vision 2035.

A handwritten signature in dark ink, reading 'Dr Andy Samuel'. The signature is fluid and cursive, with a large 'A' and 'S'.

Dr Andy Samuel
Chief Executive

*<https://www.ogauthority.co.uk/news-publications/publications/2019/oga-corporate-plan-2019-2024/>

Strategic report

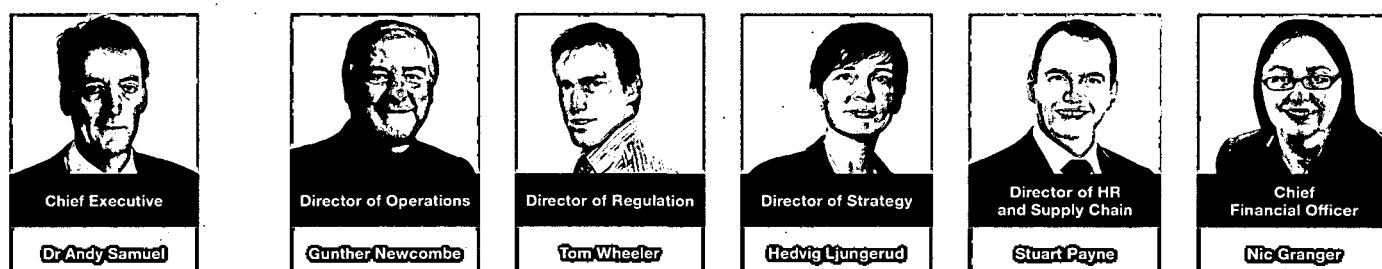
Governance and strategy

The OGA is a government company whose sole shareholder is the Secretary of State for Business Energy and Industrial Strategy (BEIS). The OGA Board is responsible for setting the authority's strategic direction, policies and priorities.

Board of Directors and Company Secretary



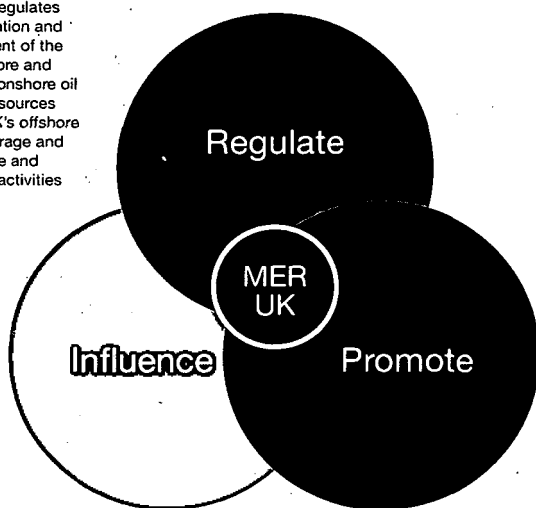
Leadership team



The role of the OGA

The OGA's role is to regulate, influence and promote the UK offshore oil and gas industry in order to achieve the statutory principal objective of Maximising the Economic Recovery of the UK's oil and gas resources (MER UK).

The OGA regulates the exploration and development of the UK's offshore and England's onshore oil and gas resources and the UK's offshore carbon storage and gas storage and offloading activities



The OGA has a critical role to influence and encourage a culture of greater collaboration on the UKCS, improve commercial behaviours, and help enable a more efficient industry

The OGA has an important role to promote investment in the UKCS, create value in the UK through exports and develop the prosperity of the industry including wider supply chain

The MER UK Strategy* enables the OGA to develop novel methods to influence positive delivery, value generation and cultural change across the UK's oil and gas industry, working alongside the industry and government.

The OGA also regulates the exploration and development of England's onshore oil and gas resources and the UK's offshore carbon storage, gas storage and offloading activities.

The OGA's ambition, purpose, priorities and values were initially articulated in its 2016-21 Corporate Plan and its Activity Plan for 2017 and 2018 and the OGA's performance against plan targets is recorded in the accountability report on page 11. The OGA published its 2019-2024 Corporate Plan, including new performance measures co-created with industry, in April 2019 (see page 32).

The OGA recovers its costs from a levy on licence holders and via direct fees for specific activities. This is in line with the established 'user pays' principle, where the regulator recovers its costs from those benefiting from its services. In addition, it receives some direct funding from its parent department.

The OGA works closely with industry and governments to attract investment and jobs to retain and develop vital skills and expertise in the United Kingdom.

The OGA is headquartered in Aberdeen, with another office in London.

*<https://www.ogauthority.co.uk/news-publications/publications/2016/maximising-economic-recovery-of-uk-petroleum-the-mer-uk-strategy/>

Regulatory framework

Legislative Context	Infrastructure Act 2015	Energy Acts 2011 and 2016	Petroleum Act 1998			
Principal Objective	The principal objective is that of 'maximising the economic recovery of UK petroleum'					
Central Obligation	MER UK Strategy: 'to take the steps necessary to secure that the maximum value of economically recoverable petroleum is recovered'					
Supporting Obligations	Exploration	Regional development	Asset stewardship	Technology	Decommissioning	
	Collaboration					
	Cost reduction					
Execution	Facilitation	Licensing regime	Strategies and delivery programmes	MER UK plans	Regulatory powers	
Regulatory Powers	Non-binding dispute resolution	Information and samples	Meetings	Licence model clauses	Third party access	Sanctions
Guidance	Statutory, non-statutory and Stewardship Expectations					
Sanction Notices	Enforcement notice	Financial penalty notice	Operator removal notice	Licence revocation notice		

The OGA seeks to exercise its powers in a proportionate way to achieve its principal objective. It endeavours to do so in a transparent, consistent and targeted manner and works

with industry to foster a culture where disputes are resolved based on our published prioritisation principles <https://www.ogauthority.co.uk/regulatory-framework/guidance/>

Financial overview

The 2018-19 year is the second full year the OGA has operated as a government company.

Revenue

The Activity Plan for 2017 and 2018 showed an intention to raise a levy of £21.3m for the year, anticipated chargeable work of £0.965m and grant from BEIS of £3m. The actual levy invoiced was higher, at £22.9m, which included £0.925m in relation to the National Data Repository which was not included in the Activity Plan.

During the year it became clear that chargeable work would generate higher fees and charges revenue, primarily due to 31st licensing round applications. This additional revenue enabled the OGA to fill the gap in levy funding and re-evaluate the level at which chargeable work is budgeted in future.

The net revenue position of £1.065m will be returned to licence holders through a levy repayment and was excluded from the Statement of Comprehensive Income.

The OGA will continue to set the levy in a fair and transparent manner, returning any levy that is not required to the industry.

Expenditure

Expenditure for the year was in line with budgets and financed significant investment in enhancing our data services – including the launch of the National Data Repository, the Digital Excellence programme and regional geological mapping.

At year-end, there was a small underspend across OGA services and a larger underspend in legal budgets, where funding was not needed. In all decisions with a financial impact, the OGA ensured that best value for money was achieved.

Viability statement

Directors have assessed the OGA's prospects, taking into account its current position and the principal risks it faces over the 2019-2024 Corporate Plan period. The OGA has undertaken a strategic financial review and is confident that its financial management processes will ensure that its expenditure and liabilities will be covered by its income, as set out in the Plan. Directors do not foresee any changes to the regulatory or legal environment which would impact the OGA's operations. Directors have a reasonable expectation that the OGA will continue in operation and meet its liabilities as they fall due.

Summary

In summary, the OGA has used the available funding to deliver value adding activities, ensuring best value for money for both the industry and the Exchequer.

Developing our people

The OGA has policies in place which ensure its recruitment, performance management, training and reward activity together contribute to making the OGA a great place to work and ensure that the OGA can attract, develop and retain a talented and diverse workforce to deliver its objectives. The OGA embraces inclusion and diversity and ensures we promote equality of opportunity. Our goal is to ensure that these commitments, reinforced by our values, are embedded in our day-to-day working practices with all our staff, our partners in government and in industry.

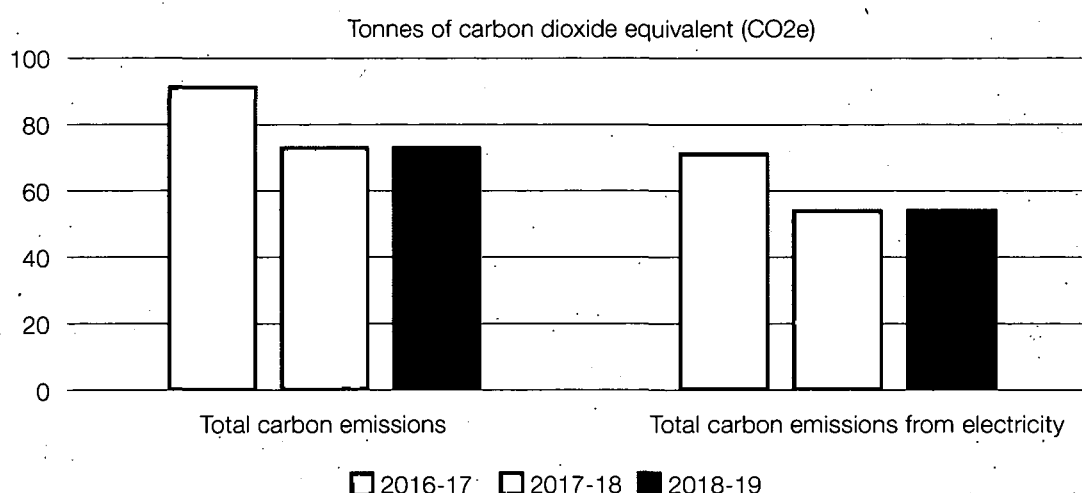
Principal risks

Risk	Risk description	Mitigation action
1.	Political and economic uncertainty.	Maintain cross government relationships and responsive horizon scanning activity. Act on changing scenarios.
2.	IT systems attacked and breached.	Cyber security strategy in place. Security Operations Centre monitors IT operations. Regular cyber security reports provided to Audit and Risk Committee. IT security training programme in place.
3	Loss of momentum and cost reduction gains as a result of the rising oil price.	Maintain focus on culture change, Vision 2035 opportunities, asset stewardship expectations and resource progression. Proportionate, appropriate and transparent use of MER UK powers.

Environment report

The OGA's total carbon emissions for the period 1 April 2018 to 31 March 2019 were 72.07 tonnes of carbon dioxide equivalent (CO₂e), down from 73.12 tonnes in 2017-18. The largest source of carbon emissions is electricity consumption, which accounts for 53.9 tonnes of CO₂e (74.9% of the total), down from 54.47 tonnes of CO₂e in 2017-18.

Total carbon emissions - annual change



Breakdown of annual greenhouse gas emissions by activity type 1 April 2018 to 31 March 2019:

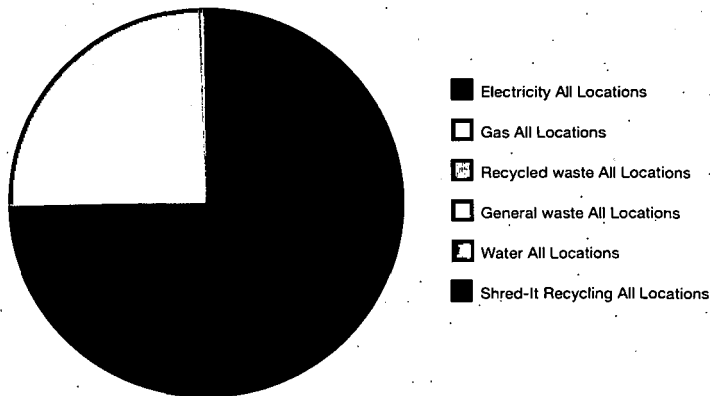
Activity	Units	(t CO2e)	% of total
Total purchased electricity (kWh)	153,325	53.9	74.9
Aberdeen	72,969		
London	80,356		
Gas	72,574	16.44	22.8
Aberdeen*	0		
London	72,574		
Water	9,457		
Aberdeen**	0		
London	9,457		
Total general waste	3,219	1.50	2
Aberdeen	1,495		
London	1,719		
Total recycled waste	3,273	0.16	0.2
Aberdeen	1,402		
London	1,871		
Total shredded paper***	12,428	0.06	0.1
Aberdeen	1,938		
London	10,490		

* No gas usage.

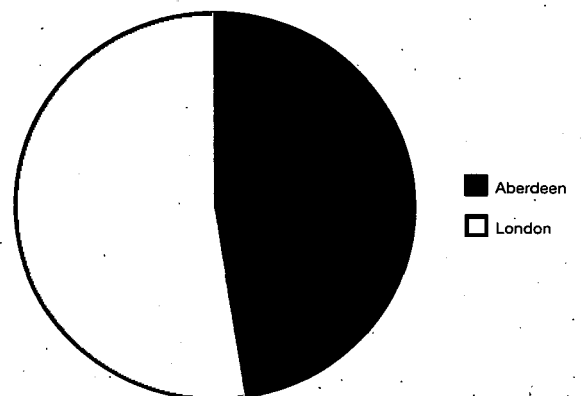
** Water costs are included in business rates.

*** Shredded paper volumes increased year on year following a drive to digitise paper records.

Breakdown of CO2e footprint



Total purchased electricity



Total carbon emissions fell by 1.05 tonnes of CO2e.

Waste is handled as three principal waste streams:

General waste is incinerated at a waste to energy plant, generating electricity.

Mixed recyclables are recycled.

Shredded paper is recycled as a feedstock for the paper industry.

Recycling shredded paper avoided the use of:

4.9 tonnes of recycled fibre

80.7 trees

11.8 cubic metres of landfill

49,430.4 KWh of electricity

106.7 tonnes of carbon equivalent

Signed for and on behalf of the Board

Dr Andy Samuel

Chief Executive

24 June 2019

Accountability report

Performance report

The OGA's ambition, purpose, priorities and values were originally articulated in its Corporate Plan 2016-2021. The OGA's Activity Plan 2017 and 2018 retained the aims, priorities and operating framework and articulated updated milestones and targets for achievement over 24 months.

All Activity Plan activities were completed during the 2018-19 reporting period.

Key performance indicators – Activity Plan 2017 and 2018

Leading Indicators

KPI	Area	KPI Measure	KPI Target	
1	Increase in quality E&A drilling	OGA Exploration Programme Attainment	Attain 90% of 2017 programme	○
2	Enhanced asset stewardship	Number of Tier 1 reviews complete	90% of Tier 1 reviews complete	○
3	Area and MER UK plans to deliver barrels and value	Number of Area Plans	50% of Area Plans identified in Opportunity Matrix 2017 & 2018	○
4	Improve decommissioning efficiency	Number of Decommissioning Plans reviewed to improve cost and efficiency	Review 100% of Plans received	○
5	Delivery of IM Plan	Attainment of the OGA IM Programme	75%	○
	Delivery of Technology Plan	Delivery of OGA Technology Programme	90% of planned activity for 2017 and 2018	○
6	Use of powers to maximise economic recovery	Number of cases processed	Zero cases lost for process	○
7	Inform UK Government's Industrial Strategy			
8	Drive investment, efficiency and new business models			
9	Transform the OGA IT Systems	Attainment of the OGA IT Programme	Attain 75% of planned activity in 2017 and 2018	○
10	Making the OGA a great place to work	% of staff with development objectives in place	100% development objectives in place	○
		Staff engagement (measured via staff survey)	% increase from previous survey	○

Key



"On target" +/- 10%



Behind target 10 – 20%



Behind target >20%

Lagging Indicators

KPI	Area	KPI Measure	KPI Target	
1	Increase in quality E&A drilling	Additional Recoverable Reserves	200 mmboe Additional Recoverable Reserves (5 year rolling average)	○
2	Enhanced asset stewardship	Production Efficiency (PE)	PE 80% by end 2018	○
		Recovery Factor (RF)	Increase average RF % by end 2020	○
3	Improve decommissioning efficiency	Decommissioning costs	Reduce ABEX* by 35% from 2016 baseline estimate	○
4	Delivery of Technology Plans	Technology Plan (well costs)	Cost of well drilling and construction (net of equipment and service rates)	○

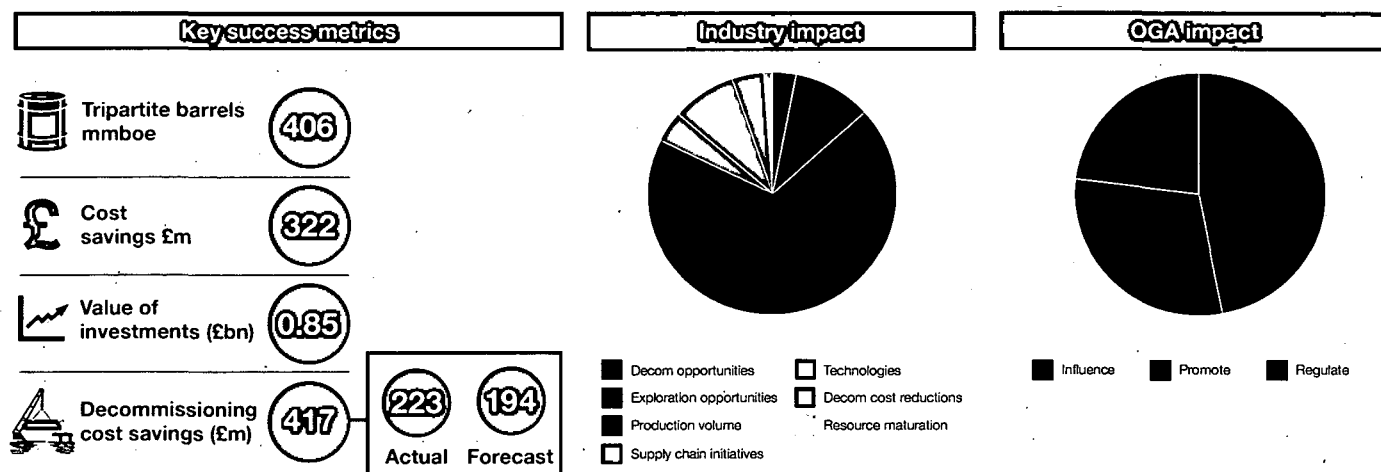
The Corporate Plan 2019-2024 identifies a revised set of OGA key performance indicators, as set out on page 32. These were developed in collaboration with industry and measure the impact of both OGA and industry activity.

*Abandonment expenditure.

Measuring Success

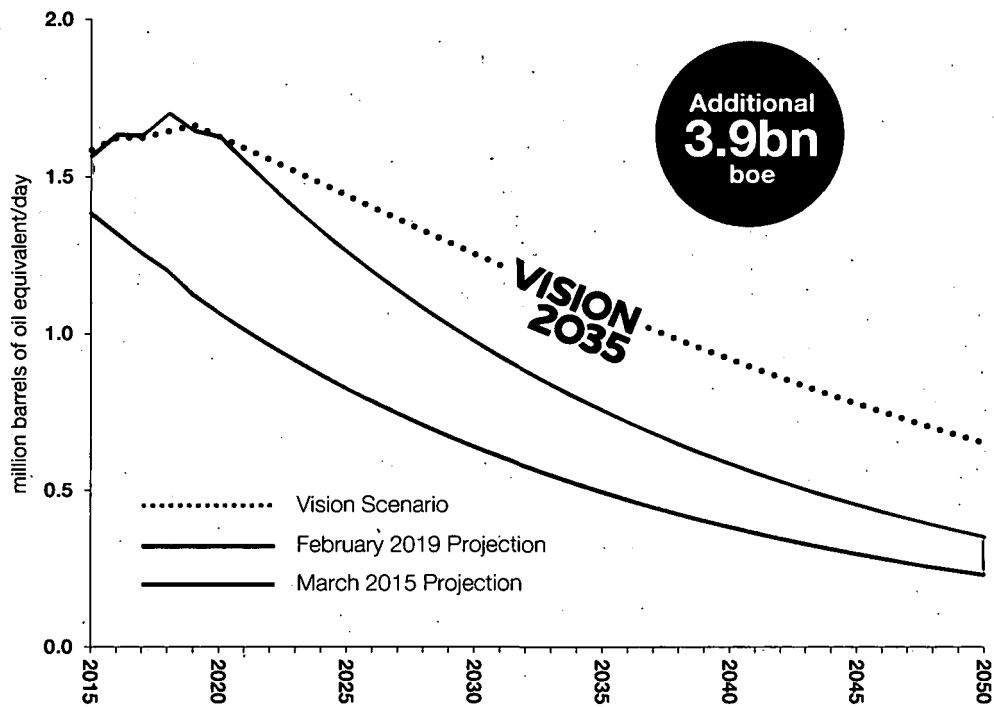
The OGA continues to measure success through the use of its success stories tracker, which was expanded in 2019 to show both forecast and actual decommissioning cost savings.

Success Stories between April 2018 and March 2019



MER UK Progress

Updated OGA projections (March 2019) show a further increase in cumulative production from 2016 to 2050, up 200 million boe from previous projections published in September 2018. Based on central production projections, cumulative production from 2016 to 2050 is now estimated to be 3.9 billion boe higher than projected in March 2015.



Parliamentary accountability and audit report

Regularity of Expenditure (audited)

No losses have been incurred in excess of £300,000*.

No special payments have been made which exceed £300,000. No material gifts have been made by the OGA.

One severance payment was made in 2018-19, as detailed in the remuneration report.

Fees and charges disclosures (audited)

The OGA, as a Public Sector Information Holder, has complied with the cost allocation and charging requirements set out in HM Treasury and the Office of Public Sector Information guidance.

Analysis disclosed for fees and charges includes:

- i. The financial objective(s) and performance against the financial objective(s).
- ii. The full cost and unit costs charged in year.
- iii. The total income received in year.
- iv. The nature/extent of any subsidies or overcharging.

As detailed in the financial overview above, a higher volume of chargeable work than anticipated was undertaken in 2018-19. In line with its statutory function, the OGA does not seek to make a profit from its charges but merely to recover costs in carrying out its functions. All payers of the levy will receive a proportionate rebate of any surplus.

Remote contingent liabilities (audited)

The OGA is not exposed to any remote contingent liabilities.

*The Managing Public Money threshold mandated for financial statements prepared under the government financial reporting manual.

Directors' report

The Directors present their annual report on the company, together with the financial statements and auditor's report, for the year from 1 April 2018 to 31 March 2019.

A report on corporate governance matters is included separately below.

The OGA is a fair and considerate employer which recognises the value of a workforce from diverse backgrounds. The board recognises the considerable contribution of its skilled, experienced and committed staff in delivering the company's objectives and its functions. The OGA supports staff with training opportunities and encourages career, leadership and personal development. A code of conduct and related policies are in place and are available to all staff on the OGA intranet. All applications for employment are treated equally and are fully considered.

The company encourages open and honest communication between employees and senior management. Regular company briefings are held, spanning both offices, and an employee engagement forum gives staff the opportunity to contribute ideas and share their views.

The OGA had 156 employees on 31 March 2019 (including secondees and executive directors, but excluding interim contractors and non-executive directors). There were 9 interim contractors as at 31 March 2019.

The OGA takes its environmental responsibilities seriously. Details are set out in the Environment Report on page 7.

During the year, the company made no direct charitable or political contributions, but staff organised a series of fund raising activities for several charities.

Directors are satisfied that the company pays its suppliers in accordance with contractual provisions, subject to compliance by the suppliers with their obligations.

The company has prepared its 2018-19 financial statements in accordance with International Financial Reporting Standards (IFRS). The audited financial statements for the year ended 31 March 2019 are set out on pages 33-62. The OGA is a not-for-profit company largely funded by fees and a levy on industry. Additional interim grant funding is provided by its shareholder. Any surplus operational costs from the levy collected from industry are refunded to levy payers. This refund is recognised in the financial statements.

On this basis, the financial results for the period reflect a neutral profit position.

Directors' third party indemnity provisions

Directors have been provided with an indemnity against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such third party indemnity remains in force as at the date of approving this directors' report.

Going concern statement

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future and the company financial statements have been prepared on a going concern basis. The basis of this view is outlined in more detail in note 2.4 to the financial statements.

The directors have assessed the company's prospects and are satisfied that company's financial arrangements minimise the risk of the company being unable to meet its liabilities.

Furthermore, the directors do not envisage any changes to the current regulatory and legal regime which will adversely affect the operation of the company within the next twelve months.

Directors' responsibility statement

The company's financial statements have been prepared in accordance with IFRS. Directors are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company for the year.

In particular they are satisfied that:

- i. the company's accounting policies are reasonable and have been applied correctly.
- ii. judgements and accounting estimates are reasonable and prudent.
- iii. applicable IFRS standards have been followed and any material departures have been disclosed and explained in the company financial statements.
- iv. the financial statements have been prepared on a going concern basis.
- v. the company has taken reasonable steps to prevent and detect fraud and other irregularities.

- vi. adequate accounting records have been kept to demonstrate that the financial statements comply with IFRS and Companies Act 2006 requirements, as applicable.

Directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position, performance, business model and strategy.

Principal risks

Directors carefully consider the way the company manages and mitigates the risks which could adversely impact the company's ability to deliver its principal objective. The OGA's principal risks are set out on page 7 above.

Auditor

Directors are not aware of any relevant audit information of which the auditor is unaware when giving its opinion on the accounts.

In line with the 2017 HM Treasury Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2017, the Comptroller and Auditor General has been appointed as the company's auditor.

Directors reviewed the effectiveness of the external auditor. No non-audit services were provided by the external auditor or its contractor, Ernst & Young LLP (EY). No Director is a related party to EY.

By order of the Board



Dr Russell Richardson
Company Secretary
24 June 2019

Corporate Governance Statement

Date of incorporation: 1st July 2015.

Company number: 09666504.

The Energy Act 2016 established the OGA as an independent government company, with its own legal status and a new suite of powers with which it regulates, licences and promotes the extraction of oil and gas in order to maximise the economic recovery of petroleum from the UK Continental Shelf.

On 1 October 2016, the company was vested with its powers under the Energy Act 2016 and became operational as the Oil and Gas Authority.

The company has one shareholder, the Secretary of State for Business Energy and Industrial Strategy (BEIS), as a corporation sole. BEIS will conduct its first three-year review of the OGA in 2019.

The OGA was first established as an independent regulator on 1 April 2015, when it was founded as an Executive Agency of the Department of Energy and Climate Change (DECC), prior to DECC becoming part of BEIS.

The Board was established in April 2015 and all members of the Executive Agency Board were appointed by the shareholder as Directors of the company shortly before the company became active on 1 October 2016.

The first Chairman of the Oil and Gas Authority was Sir Patrick Brown. His three-year tenure ended on 16 March 2018. On 1 April 2018, the shareholder appointed Frances Morris-Jones as Interim Chair for 12 months, whilst a competition was run to recruit a permanent Chairman.

On 6 March 2019, the shareholder appointed Tim Eggar as Chairman and he commenced his three year term on 11 March 2019.

At the end of the year, the company had seven Directors. Tim Eggar, Mary Hardy, Robert Armour and Frances Morris-Jones are deemed by the Board to be independent. Frances Morris-Jones is the Senior Independent Director.*

In addition to being a Director of the company, the Chief Executive is accountable to Parliament in his role as the OGA's Accounting Officer. This role is delegated to him by the Principal Accounting Officer of BEIS, the BEIS Permanent Secretary.

Directors are collectively responsible for the overall strategic direction of the company and for monitoring its performance. The OGA recognises the value of good corporate governance and complies with all applicable principles of the Code of Good Practice for Corporate Governance in Public Bodies and the UK Corporate Governance Code (the 'Code'). Section E of the Code is not deemed to be applicable, as the OGA fulfils its responsibilities to its sole shareholder through the Board and other operational activities.

The company's primary constitutional document is its Articles of Association. In addition, there is a Framework Document, supplemented by a Finance Letter and a Chair's Letter, which set out the OGA's financial and performance accountabilities to Parliament and to its shareholder.

The Board met on nine occasions in 2018-19 and has seven meetings scheduled for 2019-20. The majority of board meetings are held at the OGA's Aberdeen headquarters.

The Chairman holds meetings with the Non-executive Directors without the Executive Directors being present.

The Board and the Leadership Team met in September 2018 to discuss the strategic direction of the OGA.

Delegated powers

The OGA has set out those powers which are reserved to Directors and those which have been delegated to management.

Matters reserved to the Board are:

- Approving the OGA's annual budget and overall financial policy.
- Approving the OGA's annual report and accounts.
- Approving the OGA's annual corporate plan, long term objectives and overall strategic policy framework.
- Undertaking a formal regular review of the Board's own performance and that of Board Committees. Approving the terms of reference of Board Committees.
- Making Sanction and Third-Party Access decisions.

*The role of Senior Independent Director was allowed to lapse whilst Frances Morris-Jones was Interim Chair.

Induction of directors

Directors receive a structured induction to the OGA and its broader context, including a programme of meetings with key stakeholders, and site visits. Directors are briefed on their duties under the Companies Act 2006, the UK Corporate Governance Code, the Code of Conduct for Board Members of Public Bodies and Managing Public Money.

Meeting schedule

During the year, the Board discussed the regularity and length of board meetings and agreed some adjustments to the schedule, including allowing additional time for workforce engagement.

Board committees

The Board has three permanent Committees: Audit and Risk, Remuneration and Nomination.

Audit and Risk Committee

The Audit and Risk Committee is chaired by Mary Hardy and met on three occasions in 2018-19. Robert Armour and Frances Morris-Jones are Committee members.

The Committee reviewed financial policies and financial statements; the year-end accounting and external audit timetable; the outcome of external audit work; risk management and assurance mapping; internal audit planning and progress; information security; and data protection law compliance.

Nomination Committee

The Nomination Committee is chaired by the Chairman of the Board. Tim Eggar, Mary Hardy, Robert Armour and Frances Morris-Jones are Committee members.

The Nomination Committee met once in 2018-19, in February 2019. The Committee discussed the induction programme for the new Chairman and succession.

Remuneration Committee

The Remuneration Committee is chaired by the Chairman of the Board, in a departure from the UK Corporate Governance Code. This ensures that the Committee benefits from the considerable non-executive experience of the Chairman. Tim Eggar, Mary Hardy, Robert Armour and Frances Morris-Jones are Committee members.

The Remuneration Committee met twice in 2018-19: in May 2018 to review performance management outcomes and approve annual bonuses; and in March 2019 to review proposals for 2018-19 bonus setting and proposed 2019-20 pay awards.

Board evaluation

In January 2019, Directors completed a board evaluation questionnaire. The board discussed the anonymised responses at the February 2019 Board meeting. The responses indicated that Directors are content with the current board meeting cycle. Directors are content with the evolution of the agenda to focus increasingly on testing strategy, supporting the executive with prioritisation when needed, and allowing time for informal lunches with staff.

Declaration of Directors' financial interests

In accordance with the general OGA conflict of interest policy, Directors declared any financial interests which may, or may be perceived to, influence their judgment in performing their functions or obligations. The Board seeks updates on this information at the start of each board meeting, and on the appointment of Directors, updating the record accordingly. Where a Director has a specific conflict of interest, he or she will not take part in any related discussion at board or other meetings.

The Board does not consider the interests held by Tim Eggar, Frances Morris-Jones and Robert Armour to be sufficiently significant to impair their independent judgement in board discussions. The Board does not consider that any decision within the OGA's powers could materially impact the value of their shareholdings.

Directors - register of interests

The OGA conflicts of interest policy states that a register will be maintained of the interests of board members and their families in oil and gas companies. Board members' relevant interests are shown below.

Member	Date advised board secretary	Nature of interest	Total current value
Tim Eggar	6 March 2019	132,347 equity shares MyCelx	£293,810
		Family member holdings: 4,099 BP ordinary shares	£22,065
		1,875 Shell ordinary shares	£44,756
Robert Armour	21 March 2017	Family member holdings: 8,807 BP ordinary shares	£49,495
		1,702 Shell ordinary shares	£41,835
Frances Morris-Jones*	19 October 2015	37,625 BP ordinary shares	£211,567
		3,715 ConocoPhillips ordinary shares	£186,741
		1,857 Philips 66 ordinary shares	£132,977

*Year on year volume increases are due to reinvested dividends.

Dr Andy Samuel placed his oil and gas interests in a blind trust prior to joining the OGA. Mary Hardy, Nic Granger and Emily Boyrne submitted nil returns.

Directors - other directorships and offices

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Tim Eggar	Chairman, MyCelx Technologies Corporation Strategic Advisory Board Braemar Energy Ventures Investment Committee Platina Partners Mentor, Criticaleye	Chairman of Shiplake Court Enterprises Limited Director of Shiplake Court Limited	
Frances Morris-Jones	Non-executive, Standards Policy and Strategy Committee of the board of BSI Group	Trustee and Finance Committee Member, Anti-Slavery International Trustee and Remuneration Committee Member, Protect External Governor, University of Portsmouth, and Chair, Audit and Quality Committee	Association of International Petroleum Negotiators Fellow, Energy Institute
Mary Hardy	Non-executive director and Audit Committee Chair, Royal Navy board Non-executive member of Ministry of Defence audit committee Non-executive director and Audit Committee Chair, Sensyne Limited	Trustee and Chair of Audit Committee, Chartered Accountants' Benevolent Association Non-Executive Director, Commonwealth Games Partnership Limited Independent Member, Audit and Risk Committee, Commonwealth Games Federation Director of Firbeck Consulting Ltd Director of Gilbert Mews Ltd	Institute of Chartered Accountants in England and Wales Chartered Institute of Internal Auditors Institute of Directors
Robert Armour*	Chair, Brockwell Energy Group Ltd. Director, Albion Community Power Ltd. Director, Nuclear Liabilities Fund Ltd. Consultant, Gowlings WLG LLP. Director, Eneus Energy Ltd. Director, Dalriada Energy Ltd. Director, Opportuneo Ltd.		Law Society of Scotland Fellow, Energy Institute Nuclear Institute Fellow, Institute of Chartered Secretaries and Administrators
Dr Andy Samuel		Director, Oil and Gas Technology Centre Director, Opportunity North East	Petroleum Exploration Society of Great Britain Geological Society
Nic Granger		Chair of Tech Faculty Board, Institute of Chartered Accountants in England and Wales (ICAEW) ICAEW Council Member	Institute of Chartered Accountants in England and Wales The Chartered Institute of Public Finance and Accountancy Institute of Directors
Emily Bourne		Board Member, POWERful Women	

*Also sits on certain subsidiary companies of Albion Capital Group or Albion Community Power Ltd., which hold solar or hydro-electric assets. These are:- Avesi Limited, Regenerco Renewable Energy Ltd, The Street by Street Solar Programme Ltd, Green Highland Renewables (Lock Arkaig) Ltd, Chonais River Hydro Ltd, Chaorach Holdings Ltd, Chaorach Hydro Ltd, Bruachaig Hydro Ltd, Liatrie Burn Hydro Ltd, Gharagain River Hydro Ltd.

The following directors were members of the National Trust or the National Trust of Scotland during the year: Mary Hardy, Frances Morris-Jones, Robert Armour, Dr Andy Samuel and Emily Bourne.

Directors - dates of appointment

Name	Date of appointment (Executive Agency board member)	Date of appointment (Director)	Re-appointed
Tim Eggar	-	6 March 2019	-
Emily Bourne	-	21 March 2018	-
Nic Granger	2 November 2016	2 November 2016	-
Dr Andy Samuel	1 January 2015	27 September 2016	-
Robert Armour	19 October 2015	27 September 2016	1 October 2017
Frances Morris-Jones	19 October 2015	27 September 2016	1 October 2018
Mary Hardy	1 November 2015	27 September 2016	-

Directors - attendance at meetings and committees

	Board of directors	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Total number of meetings: 1 April 2018 - 31 March 2019	9	3	1	2
Tim Eggar	1(1)	N/A	0(0)	1(1)
Frances Morris-Jones	9	3	1	2
Mary Hardy	9	3	1	2
Robert Armour	9	2	1	2
Dr Andy Samuel	9	3	1	2
Nic Granger	9	3	N/A	N/A
Emily Bourne	9	3*	N/A	2

*A delegate represented Emily Bourne at the Audit and Risk Committee.

Numbers in brackets denote the number of meetings held during a director's tenure.

Implementation of staff policies

The OGA periodically reviews its code of conduct, which sets out the obligations and responsibilities of staff and Directors, including under Statute. The OGA implemented a revised data protection policy prior to the 25 May 2018 updates to data protection law.

Quality assurance of analytical models

The OGA continues to develop its analytical modelling capacity and capability. It develops and implements a quality assurance framework on an ongoing basis, with particular emphasis on business-critical models. This is consistent with Sir Nicholas MacPherson's 2013 review of quality assurance of government analytical models and will provide greater confidence in the robustness of our modelling work.

Declaration of staff financial interests

The OGA identified no new material conflicts of interest following its annual review of staff and board member financial interests.

Fraud and whistleblowing

The OGA's Security Operations Centre monitors information security and fraud threats. The Chief Information Officer chairs the OGA's Security Advisory Board, which provides periodic reports for the Audit and Risk Committee. The Information Security Manager delivered mandatory information security training in 2018 and issues regular alerts regarding emerging information security threats. The finance and information security teams issue regular alerts and updates for staff. The OGA recorded a loss of £25,000 to bank mandate fraud during the financial year.

During the period, no concerns were raised under the raising concerns at work (whistleblowing) policy.

Data protection

The OGA's Data Protection Officer monitors the OGA's compliance with data protection law. The OGA reported one personal data breach to the Information Commissioner's Office (ICO) during 2018-19.


Risk management

Directors have delegated regular review of management's assessment of the strategic risks facing the company to the Audit and Risk Committee. The OGA maintains a strategic risk register which identifies the top risks it faces, including those identified and escalated from within the organisation and those identified by the leadership team or by a Board Committee.

All risks in the strategic risk register have a named leadership team risk owner. All risks have mitigation measures in place to reduce the potential impact to an acceptable level wherever possible. Material changes to the risks, including any new or escalated risks, are reviewed quarterly by the leadership team and three times a year by the Audit and Risk Committee. The full Board reviews risk, taking a clean sheet perspective, once a year.

The Chief Executive and the Leadership Team continue to reinforce a strong culture of risk awareness and risk management in the organisation. The principal risks identified by the OGA are detailed on page 7.

By order of the Board



Dr Andy Samuel

Chief Executive

24 June 2019

Internal audit statement

Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit (HIA) to give the Accounting Officer an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, timed to support the Governance Statement.

The OGA continues to go through major changes in line with its Corporate Plan, and internal audit work focused heavily on this, as well as looking at key controls. Proportionate controls have been effective overall. Whilst improvements are needed in some areas, no major weaknesses were found in the course of the work.

Overall, the HIA offered a 'moderate' assurance, and noted that there are no significant issues within the OGA surrounding the governance, risk management and control environment, from internal audit work completed. The HIA specifically highlighted the effectiveness of the implementation and embedding of the new GDPR requirements in the OGA.

Remuneration and staff report

Remuneration policy

The remuneration policy for OGA staff, including former Senior Civil Servants, is set by the OGA Board, as recommended by the Remuneration Committee, in consultation with both BEIS and HM Treasury.

Whilst governed in large part by the rules relating to public bodies, specific arrangements were reached with HM Treasury in 2016 to better align the basic salary arrangements of staff to the relevant talent markets for those roles. This was a one-off adjustment.

Performance and reward

The OGA has a policy and procedure for managing the performance of all staff to drive performance and reward delivery against clearly articulated goals.

All staff are reviewed during the year and a final assessment of their delivery against agreed goals is made in May. Annual bonus awards are dependent on the consistent attainment or exceeding of goals. No bonus payments are made if staff fail to meet their goals.

Recruitment policy

OGA recruitment is underpinned by the company's values:

Considerate	– the best available candidate will be appointed.
Accountable	– those involved take responsibility for their campaigns.
Robust	– the selection processes must be objective, impartial and applied consistently.
Fair	– opportunities are advertised openly and there is no bias in the assessment of candidates.

Recruiting and retaining a diverse range of people to work in the OGA, and ensuring that there is an inclusive environment for them to deliver, is something the company is serious about and demonstrates the OGA's values in action. As part of this commitment the OGA sought and was awarded external accreditation as a Disability Confident employer.

Staff covered by this report hold open-ended appointments, with one exception: the Chief Executive holds a fixed term appointment, which terminates on 31 December 2020. Early termination of any appointment other than for misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Payments to Directors (audited)

The salary and pension entitlements of executive directors were:

Member	Salary (actual and full year/time equivalent) (£'000)	Bonus Payment 2018-19* (£'000)	Pension Benefits 2018-19 (£'000)	Total 2018-19 (£'000)	Accrued pension at pension age at 31/3/19 (£'000)	Real increase in pension and related lump sum at pension age to 31/3/19 (£'000)	CETV at 31/3/19 (£'000)	CETV at 31/3/18 (£'000)	Real increase in CETV (£'000)
Dr Andy Samuel	280-285	45-50	-	330-335	-	-	-	-	-
Nic Granger	125-130	10-15	50	185-190	5-10	2.5-5	64	32	17

*2018-19 bonus to be paid in 2019-20 financial year, subject to Remuneration Committee approval.

Fees and benefits in kind paid to non-executive directors during the year:

Non-executive directors	Expiry date of current contract	Fees 2018-19 (£)	Fees 2017-18 (£)
Tim Eggar Non-executive Chairman (from 11 March 2019)	10 March 2022	4,500*	N/A
Mary Hardy Non-executive director and Chairman of Audit and Risk Committee	01 October 2019	25,200	25,100
Frances Morris-Jones Interim Chair (1 April 2018 to 31 March 2019). Non-executive director and senior independent director	30 September 2021	80,000**	20,100
Robert Armour Non-executive director	30 September 2020	20,200	20,100

* Pro-rata at year end.

** Frances Morris-Jones returned to her role as a Non-executive Director on 1 April 2019.

The above relates only to directors and those covered by the Government's Disclosure of Senior Salaries Agenda.

'Salary' includes gross salary, recruitment and retention allowances and any other allowance that is subject to UK taxation.

The banded remuneration of the highest paid director for the Department in the financial year 2018-19 was £330,000 to £335,000 (2017-18: £330,000-£335,000). This was 4.7 times (2017-18: 5.1 times) the median remuneration of the workforce, which was £70,079 (2017-18: £64,931). In 2018-19, no employees (2017-18: nil) received remuneration in excess of the banded remuneration of the highest-paid director. Remuneration ranged from £23,000 to £334,000 (2017-18: £23,000-£332,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

No senior management or non-executive directors were in receipt of benefits in kind for the financial year 2018-19.

No senior managers have received compensation for loss of office in the financial year 2018-19.

The shareholder representative director receives no remuneration from the OGA. The post is held by a senior civil servant employed by BEIS.

Staff costs

	Permanent staff (£'000)	Others* (£'000)	Total (£'000)
Wages and salaries	10,293	456	10,749
Social security costs	1,257	-	1,257
Pension costs	2,008	-	2,008
Sub total	13,558	456	14,014
Other staff costs	-	-	-
Less recoveries in respect of outward secondments	-	-	-
Total	13,558	456	14,014

*Others include contractor costs for the financial year ending 31 March 2019.

Average number of people employed

	Number
Permanent staff	151
Others	7
Total	158

The Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension arrangements

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme was introduced – the Civil Servants and Others Pension Scheme, or alpha, which provides benefits on a career average basis, with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed staff and the majority of those already in service joined alpha. Prior to that date, staff participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for

each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website:
www.civilservicepensionscheme.org.uk

Inclusion and diversity report

The OGA embraces inclusion and diversity and ensures that it promotes equality of opportunity. The company's goal is to ensure that these commitments, reinforced by our values, are embedded in day-to-day working practices with all staff, partners in government and in industry.

The OGA has a dual role in this regard, recognising its responsibilities as an employer or public servants and as an industry authority. The OGA is working actively with partners such as Oil and Gas UK to drive real improvements in the inclusion that exists in the sector, and to promote the value of real diversity as an enabler to greater collaboration, business outcomes and ultimately supporting the goals of Vision 2035.

In recognition of the OGA's work as an employer, it was awarded Silver accreditation in the Gender Diversity Benchmark, run by Business in the Community and the Prince's Responsible Business Network. The OGA continues to look at what further actions it can take to improve on this recognition and to learn from others.

The OGA has a clear inclusion and diversity action plan covering 2019, which includes new elements which seek to support both line managers and staff.

The table below shows the current available data, as recorded from staff declarations. The OGA encourages staff to complete all categories.

%	Males	Females
Gender	56	44

%	Full Time	Part Time
Working Pattern	95	5

%	Not Disabled	Declared Disabled	Unknown	Prefer Not to Say
Disability	60	1	34	5

%	White	Non-White	Unknown	Prefer Not to Say
Ethnicity	59	12	25	4

%	Below 20	21-30	31-40	41-50	51-60	61 and over
Age	1	10	29	26	28	6

%	Heterosexual/ Straight	Gay Man	Gay Woman/ lesbian	Bisexual	Unknown	Prefer Not to Say
Sexual Orientation	72	1	1	0	18	8

%	No Religion	Buddhist	Christian	Hindu	Muslim	Sikh	Other	Unknown	Prefer Not to Say
Religion and Belief	31	0	34	5	3	0	1	18	8

Sickness Absence data

The OGA is committed to supporting the physical and mental health of its people. The company has a comprehensive attendance management policy and provides access to occupational health provision and employee assistance. The average number of days lost due to sickness absence was 1.4 days for 2018-19 (2.5 days for 2017-18).

Consultancy and temporary staff

Spend on consultancy and temporary staff:

	£'000
Consultancy	736
Temporary staff	456
Total	1,192

The OGA has introduced model 'payment of tax' clauses into its standard terms and conditions, following HM Treasury's review of the tax arrangements of public sector appointees. Crown Commercial Service has provided assurance that its resourcing frameworks, which the OGA uses to source all its contractors, meet the new tax requirements.

For 2018-19 the OGA undertook a risk-based, in-depth review of tax assurance for all contractors, as required under IR35 legislation.

Off-payroll engagements

The number of off-payroll engagements (for more than £245 per day and lasting for longer than six months) as at 31 March 2019 was:

Total existing engagements	3
Engagements of less than one year duration	1
Engagements of one to two years duration	2
Engagements of two to three years duration	0
Engagements of three to four years duration	0
Engagements of four or more years duration	0

The number of new off-payroll engagements or those that reached six months in duration between 1 April 2018 and 31 March 2019 (for more than £245 per day and that last for longer than six months) was:

Number new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	2
Of which;	
Number assessed as caught by IR35	2
Number assessed as not caught by IR35	0
Number engaged directly (via PSC contracted to company) and are on the company payroll	0
Number of engagements reassessed for consistency/assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

There were no off-payroll engagements of directors and/or senior officials with significant financial responsibility between 1 April 2018 and 31 March 2019.

All recruitment of contractors in the OGA is undertaken in compliance with the principles of the Alexander tax review of off-payroll workers.

Exit Packages (audited)

Reporting of civil service and other compensation schemes - exit packages to 31 March 2019:

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< 10,000	0	0	0
£10,001 - £25,000	0	0	0
£25,001 - £50,000	0	1	1
£50,001 - £100,000	0	0	0
£100,001 - £150,000	0	0	0
£150,001 - £200,000	0	0	0
Total number of exit packages	0	1	1
Total cost (£000)	0	40-45	40-45

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. When the OGA has agreed early departures, the additional costs are met by the OGA and not the Civil Service pension scheme.

Signed on behalf of the Board



Dr Andy Samuel

Chief Executive

24 June 2019

Accounting Officer statement

As the Accounting Officer, I am responsible for reviewing the effectiveness of our corporate governance. My review is based on the work of our internal auditors and the directors and managers who are responsible for developing and maintaining our governance framework. I also take into account the comments of the external auditor.

During 2018-19, the Oil and Gas Authority undertook the following work:

- Reviewed its strategic risks on a quarterly basis and provided assurance on mitigation actions to the audit and risk committee.
- Worked closely with the Government Internal Audit Agency on the 2018-19 internal audit and the 2019-20 internal audit plan.
- Worked collaboratively with the National Audit Office on the 2018-19 audit.
- Renewed all statutory and other appropriate insurance cover.
- Ensured the OGA was compliant with new data protection law.
- Established a security operations centre to monitor all IT activity.

I have taken all the steps necessary to make myself aware of any relevant audit information and to establish that the OGA's auditor is aware of that information.

I confirm that, as far as I am aware, there is no relevant audit information of which the auditor is unaware.

I confirm that the annual report and financial statements are fair, balanced and understandable.

I take personal responsibility for the annual report and financial statements and the judgments required for determining that it is fair, balanced and understandable.



Dr Andy Samuel
Accounting Officer
24 June 2019

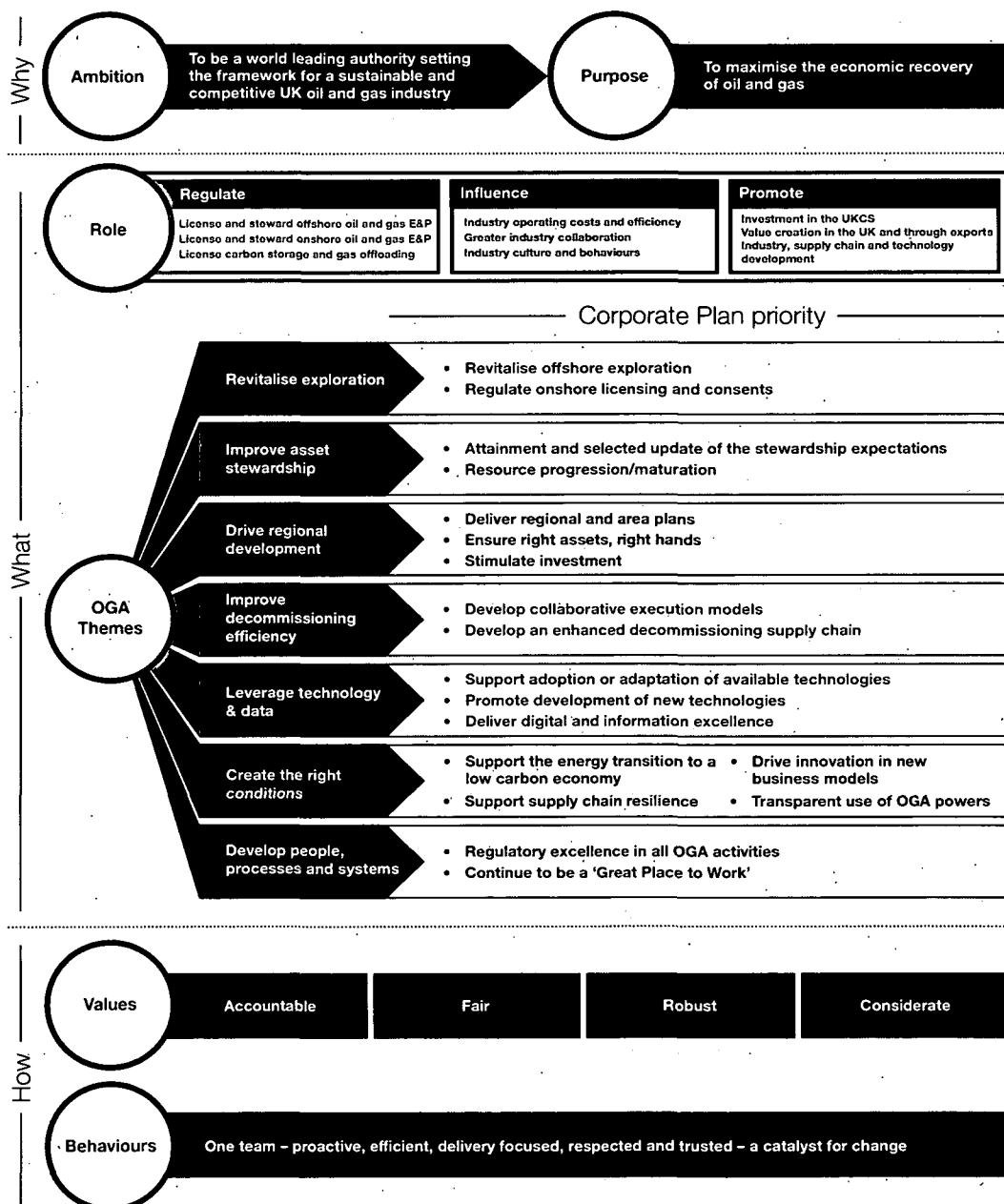
Future developments

Corporate Plan 2019-24

Following successful delivery of the 2016-21 Corporate Plan and the Activity Plan 2017 and 2018, and a thorough review of activities and priorities, in April 2019 the OGA published a new Corporate Plan for 2019-2024.

The Corporate Plan 2019-24 retains the OGA Way Forward as the OGA's operating model and articulates a refreshed set of aims and priorities to drive OGA activity over the next five years.

The OGA Way Forward



The Corporate Plan 2019-2024 identifies a revised set of OGA key performance indicators. These were developed in collaboration with industry and measure the impact of both OGA and industry activity.

Summary of OGA KPIs 2019-2024

KPI	Area	KPI Measure	KPI Target	Timing
1	Revitalised exploration	Discovered recoverable resources	200 mmmboe additional recoverable resources (Five year rolling average)	Annual
2	Enhanced asset stewardship	Production efficiency	80% UKCS average production efficiency	End 2022
3		Cost efficiency	Maintain average unit operating costs within +/- 15% of the 2017 level (2017 prices)	Annual
4	Regional development	Resource progression	300 mmmboe from 2C to 2P* annually	Annual
5	Improve decommissioning efficiency	Decommissioning costs	35% reduction in forecast total decommissioning costs from 2017 baseline estimate	End 2022
6		Cost certainty	For 90% of all assets, an AACE** class 3 estimate (or better) should be submitted to the OGA at least three years before each planned decommissioning activity	End 2021
7	People, processes and systems	Staff engagement	5 percentage point improvement in OGA positive engagement score	End 2023

*2C Resource volumes which are estimated to have a better than 50% chance of being technically producible.

2P Reserves which are not yet proven, but which are estimated to have a better than 50% chance of being technically and commercially producible.

**Association for the Advancement of Cost Engineering.

Company

Financial statements

Independent Auditor's Report to the Sole Shareholder of the Oil and Gas Authority

Opinion on financial statements

I have audited the financial statements of the Oil and Gas Authority ("the company") for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration and Staff Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Conclusions relating to principal risks, going concern and viability statement

I have nothing to report in respect of the following information in the annual report, in relation to which the International Standards on Auditing (ISAs) (UK) require me to report to you whether I have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated; or
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Basis of opinions

I conducted my audit in accordance with ISAs (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the company in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The regularity framework described in the table below has been applied:

Regularity Framework	
Authorising legislation	<ul style="list-style-type: none"> • Infrastructure Act 2015 • Energy Act 2016 • Articles of Association
Parliamentary authorities	<ul style="list-style-type: none"> • The Oil and Gas (Levy) and Pollution Prevention and Control (Fees) (Amendment) Regulations 2018
HM Treasury and related authorities	<ul style="list-style-type: none"> • Framework document between the Secretary of State and the company • HM Treasury and related authorities to the extent they are applicable to the company.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that I identified.

I have not identified any key audit matters throughout the course of my audit.

In this year's report the following change to the risks identified has been made compared to my prior year report:

- The key audit matter in the prior year relating to the implementation of a new accounting system was not applicable in the current year as the system was fully implemented in 2017-18.

Application of materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the company's financial statements at £608,000, which is approximately 2% of gross expenditure. I chose this benchmark as I consider it to be of principal interest to the users of the financial statements.

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors in the Payments to Directors disclosure. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £12,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view;
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or, the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Audit scope

The scope of my audit was determined by obtaining an understanding of the entity and its environment, including entity-wide controls, and assessing the risks of material misstatement at the entity level.

Other Information

Directors are responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Directors' Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

I am specifically required to address the following items and to report uncorrected material misstatements in the other information, where I conclude that those items meet the following conditions:

- Fair, balanced and understandable: the statement given by the directors that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the necessary information to enable users to assess the entity's performance, business model and strategy, is materially inconsistent with my knowledge obtained in the audit; or
- Audit Committee reporting: the section describing the work of the company Audit and Risk Committee does not appropriately address matters communicated by me to the Audit and Risk Committee.

I also have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act

Directors' remuneration

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

I also report to you if, in my opinion, certain disclosures of directors' remuneration required have not been made. I have nothing to report arising from this duty.

The strategic and directors' reports

In my opinion, based on the work undertaken in the course of the audit, the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report.

The corporate governance statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the corporate governance statement, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by Financial Conduct Authority (the FCA Rules), in respect of internal control and risk management systems in relation to financial reporting processes, and about share capital structures, is consistent with the accounts and has been prepared in accordance with applicable legal requirements; and
- rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees have been complied with.

Based on my knowledge and understanding of the company and its environment obtained during the course of the audit, I have identified no material misstatements in this information.

Matters on which I report by exception

Adequacy of accounting records information and explanations received

I report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- a corporate governance statement has not been prepared by the company.

I have nothing to report arising from this duty.

Gareth Davies

Comptroller and Auditor General
26 June 2019

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Comprehensive Income for the year ended 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Income			
Income from sale of services	3	1,804	1,738
Other income	3	28,592	22,008
Total operating income		30,396	23,746
Expenditure			
Staff costs	4	(14,014)	(14,056)
Other operating costs	5.1	(15,632)	(8,805)
Depreciation and amortisation charges	5.2	(711)	(835)
Loss on disposal of fixed assets	5.3	-	(17)
Provision expense	5.4	(39)	(33)
Total operating expenditure		(30,396)	(23,746)
Total net income		-	-
Other comprehensive income for the year			
		-	-
Total comprehensive income for the year		-	-

These financial statements reflect the year from 1 April 2018 to 31 March 2019. The comparative figures reflect the year 1 April 2017 to 31 March 2018. Further detail on the accounting period is included in note 1.

The notes on pages 43 to 62 form part of these financial statements.

Statement of Financial Position as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Property, plant and equipment	6	1,567	2,049
Intangible assets	7	374	554
Total non-current assets		1,941	2,603
Current assets			
Cash and cash equivalents	8	5,647	1,890
Trade and other receivables	9	1,767	2,308
Total current assets		7,414	4,198
Total assets		9,355	6,801
Current liabilities			
Trade and other payables	10	(7,794)	(4,753)
Total current liabilities		(7,794)	(4,753)
Total assets less current liabilities		1,561	2,048
Non-current liabilities			
Trade and other payables	10	(1,455)	(1,965)
Provisions	11	(106)	(83)
Total non-current liabilities		(1,561)	(2,048)
Total liabilities		(9,355)	(6,801)
Net assets		-	-
Shareholders' equity and other reserves			
Share capital	12	-	-
Retained earnings		-	-
Total equity		-	-

The notes on pages 43 to 62 form part of these financial statements.

The financial statements were approved by the Board of Directors on 20 June 2019 and signed on its behalf on 24 June 2019 by



Dr Andy Samuel

Director

Company registered number: 09666504

Statement of Cash Flows for the year ended 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Cash flows from operating activities			
Comprehensive income for the year		-	-
Adjustments to reconcile comprehensive income to net cash flows:			
Depreciation of property, plant and equipment	5.2	513	627
Amortisation of intangible assets	5.2	198	208
Loss on disposal of fixed assets	5.3	-	17
Working capital adjustments:			
Decrease/(increase) in trade and other receivables	9	541	4,837
Increase/(decrease) in trade and other payables excluding capital funding from government grant: current year	10	2,362	(3,857)
Use of provisions	11	23	33
Net cash inflow from operating activities		3,637	1,865
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(31)	(375)
Purchase of intangible assets	7	(18)	(122)
Proceeds from the sale of IT equipment assets		-	22
Net cash outflow from investing activities		(49)	(475)
Cash flows from financing activities			
Capital funding from BEIS: current year	10	169	500
Net financing		169	500
Net increase/(decrease) in cash and cash equivalents in the year		3,757	1,890
Cash and cash equivalents at the beginning of the year	8	1,890	-
Cash and cash equivalents at the end of the year	8	5,647	1,890

The notes on pages 43 to 62 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2017	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2018	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2019	-	-	-

The notes on pages 43 to 62 form part of these financial statements.

Notes to the Financial Statements

1. General Information

The Oil and Gas Authority (OGA) is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006. The company is wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS) (the shareholder). The company registration number is 09666504. The registered office of the company is situated at 21 Bloomsbury Street London WC1B 3HF. The company's principal activities are to work with government and industry to ensure the United Kingdom (UK) gets the maximum economic benefit from its oil and gas reserves; and to influence, promote and regulate investment in the UK continental shelf in the interests of the Maximising Economic Recovery (MER) UK strategy.

The OGA was incorporated on 1 July 2015 and commenced operations on 1 October 2016, following the transfer of assets and liabilities from the OGA executive agency. The year covered in these financial statements is 1 April 2018 to 31 March 2019.

Under the Companies Act 2006, Section 454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

2 Accounting policies

2.1 Basis of preparation

These financial statements have been prepared under the historical cost convention and are presented in pounds sterling, with all values rounded to the nearest thousand pounds (£'000), except as otherwise disclosed.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

These financial statements are exempt from the requirements of Part 16 of the Companies Act under section 482 of that Act (non-profit-making companies subject to public sector audit) and are subject to audit under section 25(6) of the Government Resources and Accounts Act 2000.

2.2 New or amended accounting standards and interpretations

The OGA has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the year ended 31 March 2019 to determine the impact on the company's financial statements.

The following new standards, amendments and interpretations are effective for the first time in these financial statements. These have had no material effect on the company.

IFRS	IASB Effective Date	EU Endorsement status
IFRS 9 (2014) Financial Instruments	1 January 2018	Endorsed
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Endorsed

IFRS 9 (2014) Financial Instruments, which replaced parts of IAS 39, deals with the classification and measurement of financial assets and liabilities, hedge accounting and the impairment of financial assets (following the July 2014 amendment). IFRS 9 is intended to improve and simplify the treatment of financial instruments in financial statements. The standard impacts the impairment assessment of trade receivables and has had no material impact on the financial statements, with the only applicable change being the recording of a trade receivables - expected credit losses provision as part of the trade receivables balance at 31 March 2019. Under the transitional provisions the opening balance for trade receivables has not been adjusted for any loss allowances. The closing balance includes a trade receivables - expected credit losses provision of £16k (31 March 2018: nil) and is stated at fair value.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The adoption of this standard using the modified retrospective approach has had no material impact on the financial statements, with the only applicable change being that deferred income is now classified as a contract liability.

Given the nature of the OGA's activities, and that IFRS 15 relates to commercial organisations, it was not considered appropriate to adopt IFRS 15 directly. Accordingly, IAS 8 (10) has been applied and judgement used to develop an accounting policy that provides information that is relevant and reliable.

In doing so the definition of a contract has been broadened to include legislation and regulation. A 'contract' in this circumstance would be the legislation and regulations that allow the OGA to charge industry a levy and other fees and charges. Grant income does not fall under IFRS 15 and is recognised in accordance with note 2.5.

The standard also introduces the concept of identifying performance obligations which are promises in a contract to transfer goods or services that are distinct. The performance obligation for the levy is expenditure in the course of the regulation and stewardship of the UK continental shelf. The performance obligation for fees and charges is the provision of consent for activities undertaken by industry and the assignment and relinquishment of petroleum licences.

The transaction price is the amount of consideration that an entity expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price has been determined to be as set out in the relevant legislation or regulation, or by the time and materials incurred in relation to the transaction.

Since there has been no change to revenue recognition an adjustment to opening retained earnings under the transitional provisions of IFRS 15 was not required in these financial statements.

2.3 New or amended accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2019, and accordingly have not been applied in preparing these financial statements, including IFRS 16 Leases. The company has not sought early adoption of any standards or amendments.

The company is required to adopt IFRS 16 Leases from 1 April 2019. The company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements. The impact of adopting the standard on 1 April 2019 may vary, as new accounting policies are

subject to change until the company presents its first financial statements for the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The company will recognise new assets and liabilities for its operating leases of 48 Huntly Street, Aberdeen and 21 Bloomsbury Street, London. The nature of expenses related to those leases will now change because the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the company recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between lease payments and expense recognition. Based on the information currently available, the company estimates that it will recognise lease liabilities of £3,181k as at 1 April 2019.

The company plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective approach. Therefore, there will be no restatement of comparative information. The company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 April 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2.4 Going concern

In accordance with the Energy Act 2016, the OGA has been established as a government company. The legislative powers enable the OGA to impose a levy on persons holding licences for the exploitation of petroleum, providing funding to deliver operations. The day to day operational costs of the company are funded by the oil and gas industry levy and the licensing fees and charges income received through the assignment and relinquishment of petroleum licences. The industry levy is set by new regulations made each year. The directors note the low risk that annual regulations may not be made until after the commencement of the relevant financial year (which could result in the company experiencing a timing mismatch in its funding requirements). The directors are of the view that there is no reason to believe that future regulations will not be forthcoming. The 2019-20 levy regulations were laid before parliament on 7 March 2019, guaranteeing the OGA's ability to charge the levy for the coming year.

During the course of a year, the company may, where it identifies that there is likely to be no shortfall in the collection of the industry levy against its requirements, request the department for BEIS provide additional grant in aid funding.

The directors also note that there is a low risk of total operational costs exceeding the levy income set for a year or that a timing mismatch might arise between the time when monies are raised by the levy and the time when monies are required to meet spend commitments made by the company.

The Statement of Financial Position at 31 March 2019 shows net current assets/liabilities of nil.

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis. In forming this view, the directors note that the company:

- a. applies prudent financial management in order to ensure that its commitments are accommodated within the timing of its collection of its levy, fees and charges;
- b. undertakes a robust and detailed annual business planning and budgeting process to establish its operational cost requirements each financial year; and
- c. has considered the potential impact of credit risk and liquidity risk detailed in note 13.

2.5 Income

Income represents the amounts, exclusive of VAT, arising from the operating activities of the OGA. Income is recognised when contractual obligations have been performed, the income can be measured reliably, and it is probable that the economic benefits will flow to the company.

i. Industry Levy

The OGA is primarily funded by an industry levy. The legal basis for the OGA to charge a levy was introduced by the Infrastructure Act 2015, which states that regulations must be brought forward every year to set the levy rate. The Oil and Gas Authority (Levy) and Pollution Prevention and Control (Fees) (Amendment) Regulations 2018 were laid in Parliament to set the levy charges rate for the year from 1 April 2018 to 31 March 2019. Levy income is recognised in the Statement of Comprehensive Income to match expenditure not funded from elsewhere. The regulations state that any surplus at the end of the financial year must be reimbursed to levy payers. Therefore, any excess collected is not recognised in the Statement of Comprehensive Income and is shown as a payable due to industry on the Statement of Financial Position.

The industry levy is recognised as income in the financial year to which it relates and is presented net of any industry levy repayable to levy payers. The levy is recognised on an accrued basis.

ii. Fees and charges

Licensing fees and charges income is received mainly through the assignment and relinquishment of petroleum licences. Other income is received in relation to development plans, decommissioning, and well consents. This income is credited to the Statement of Comprehensive Income.

iii. Other government grant

The OGA receives funding from BEIS to assist the company with its day to day operations and the funding is accounted for in accordance with IAS 20. BEIS grants are provided to cover general expenditure so are recognised as the OGA incurs the costs for which this funding is intended to compensate. BEIS also provides funding for capital expenditure. At the point the OGA incurs capital costs which give rise to a right to capital funding from BEIS, the company recognises both an asset and capital loan owed to BEIS. Any capital costs incurred by the OGA are not recoverable through the levy or other income, and are funded through the capital loan from BEIS.

iv. HM Treasury grant

The OGA was awarded an additional £5m of funding, of which £4.7m was spent (31 March 2018: nil), to promote and support exploration activity across the UK continental shelf. In collaboration with industry forums, a number of projects were subsequently undertaken by the OGA.

v. Other income

The company also received funding of £350k (31 March 2018: nil) from Innovate UK for the Regulators' Pioneer Fund which is a project to realise cross-sector integration on the UK Continental Shelf to support the UK's energy transition.

2.6 Research and development

Expenditure on research is charged to the Statement of Comprehensive Income in the year in which it is incurred.

Expenditure on development is capitalised as an internally generated intangible asset if the criteria of IAS 38 section 57 are met.

These include all of the following:

- it is technically feasible that the asset will be completed and available for use;
- the asset is intended to be used;
- the asset is expected to be usable and identifiable;
- it is probable that the asset created will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development to allow the use of the asset; and
- the development cost of the asset can be measured reliably.

2.7 Property, plant and equipment

The OGA capitalises assets as property, plant and equipment if they are intended for use on a continuing basis and the original purchase cost of the asset on an individual or grouped basis is £5,000 or more. The company's assets are funded through a capital loan from BEIS and are stated at cost or their current value in existing use at the reporting date. Property, plant and equipment are depreciated at rates calculated to write them down to their estimated residual value (if any) on a straight line basis over their estimated useful lives. The depreciation expense is charged to the Statement of Comprehensive Income.

Assets in the course of construction are valued at cost and when they are brought into use the relevant value is transferred to assets, at which point depreciation commences.

2.8 Intangible assets

The OGA capitalises assets as intangible if they are without physical substance and the cost of the asset on an individual basis is £5,000 or more and can be reliably measured. The company's intangible assets are funded through a capital loan from BEIS, have finite lives and comprise software licences capitalised at cost where they satisfy the capitalisation criteria. The cost of intangible assets comprises the purchase cost and any directly attributable costs incidental to their acquisition. Software licences are amortised over the shorter of the term of the licence and the useful economic life. The estimated useful life of third party developed software licences is five years.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The amortisation expense is charged to the Statement of Comprehensive Income.

2.9 Depreciation and amortisation

Property, plant and equipment are depreciated on a straight line basis in order to write-off the value of the assets less any estimated residual values over the assets expected useful life or the period of the lease, if shorter. The company reviews the useful lives of assets on a regular basis. The useful lives are as follows:

Depreciation

Furniture and fittings	5 to 10 years
Information technology	3 to 4 years

Amortisation

Software licences	3 - 5 years or economic life
Information technology	5 years

2.10 Impairment

The OGA reviews the carrying amount of property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss on an annual basis. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment losses are charged to the Statement of Comprehensive Income and prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

2.11 Financial instruments

The OGA does not hold any complex financial instruments. The only financial instruments included in the financial statements are the following assets and liabilities: receivables and payables, as disclosed in notes 9 and 10. These are non-derivative financial assets and liabilities with fixed or determinable payments that are not traded in an active market and, as they are expected to be realised within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. Trade and other receivables are recognised at fair value and upon recognition, a loss allowance is recognised for an amount equal to the lifetime expected credit losses. Trade and other payables are recognised at fair value.

All financial assets and liabilities are recognised when the company becomes party to the contractual provisions to receive or make cash payments. The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was held or acquired. Management determine categorisation of the asset or liability at initial recognition and then annually re-evaluate.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2.13 Receivables

From 1 April 2017, the company operated its own bank account, prior to this date the company's cash transactions passed through the BEIS bank account. During the 2018-19 year there were no cash transactions settled by BEIS on behalf of the OGA. As at 31 March 2018 the company recorded such transactions in the financial statements through other receivables and/or payables.

2.14 Leases

Determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. At their inception, leases are classified as operating or finance leases, based on the extent to which the risks and rewards of ownership lie with the lessee. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At 31 March 2019, the company holds operating leases. The rentals payable under the operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into the operating lease (if any), are also spread on a straight-line basis over the lease term.

2.15 Employee benefits

Under IAS19 Employee Benefits legislation, all staff costs must be recorded as an expense as soon as the company has an obligation to pay them. This includes the cost of any untaken leave as at the reporting date. In accordance with IAS 19 Employee Benefits the company recognises all staff costs as soon as there is an obligation to pay. This includes the recognition of an accrual for untaken annual leave.

2.16 Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in the Remuneration Report. The OGA is unable to identify its share of liabilities in these multi-employer schemes so accounts for its expenses as if the schemes were on a defined contribution basis, as required by IAS19. Expenditure accrues to the extent contributions are payable by the OGA as employer. The employer contribution rates payable by the OGA for employees covered by the PCSPS in 2019-20 are expected to be in the range of 26.6% – 30.3% (2018-19: 20% – 24.5%).

2.17 Corporation tax

The OGA is liable for corporation tax in relation to income earned from business activities. The vast majority of the company's activity is non-business as it has a statutory obligation to regulate and provide services to the oil and gas industry and is not in competition with the private sector in carrying out this activity, as no-one else has the right to maintain this role. Non-business activity is further characterised by the fact that the company does not receive any payment in consideration for regulating the oil and gas industry; instead it is funded from levies charged. Non-business activities are not subject to corporation tax.

The company does not have any business activities that are subject to corporation tax in this financial year. Where tax is to be paid, it is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

2.18 Value Added Tax (VAT)

The OGA has trading activities where VAT is charged at the prevailing rate and where the related input VAT costs are recoverable. Input VAT is also recoverable on certain contracted-out services. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to fixed assets. Where output tax is charged on business activities or input tax is recoverable, the amounts are stated net of VAT.

2.19 Provisions

Provisions are recognised when the OGA has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle that obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The accounting policy allows for an increase in the provision due to the passage of time (time value of money) which would be recognised as an interest expense. The OGA discounts the provision to its present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The company has a dilapidations provision in respect of the company's leased premises at 48 Huntly Street, Aberdeen and the 4th Floor, 21 Bloomsbury Street, London. The provisions represent the directors' best estimate of the expenditure required to settle the obligation, often with the benefit of technical advice.

2.20 Financial risk identification and management

The OGA's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the company.

The company is not exposed to significant interest rate, credit or cash risks. The trade receivables are reviewed at the year end and where it is considered there is a risk in relation to recoverability of these monies, an impairment provision is included within the financial statements.

In the current year, a £16k trade receivables expected credit losses provision has been raised against outstanding funds.

2.21 Critical accounting judgements, estimates and assumptions

The preparation of the OGA's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The results form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Estimating useful lives of property, plant and equipment and intangible assets

At each reporting date, the useful lives and residual values of property, plant and equipment and intangible assets are reviewed. Assessing the appropriateness of useful life requires the company to consider a number of factors such as the physical condition of the asset, technological advancement, expected period of use of the asset by the company, and expected disposal proceeds (if any) from the future sale of the asset. An incorrect estimate of the useful life will affect the depreciation/amortisation expense recognised in the Statement of Comprehensive Income and the asset's carrying amount.

Expected credit losses for financial assets

Under IFRS 9, financial assets are required to be assessed for impairment based on expected credit losses. The Government Financial Reporting Manual 2018-19 states that balances with core central government departments are excluded from recognising impairments under IFRS 9; while the OGA is a non-FReM body, receivables from BEIS have been excluded from this assessment as the OGA considers there to be no recoverability risk. The company had experienced no historical credit losses with regards to trade receivables, therefore a review of outstanding balances at 31 March 2019 was carried out to establish a 'loss rate' to apply. The company will continue to reflect identified losses using the calculated loss rate methodology on an ongoing basis.

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the company. The company only has provisions which relate to a future liability for dilapidations costs for its leased premises.

3. Income

In 2018-19 the OGA received income from fees and charges; a levy on industry; a grant from BEIS to assist with the company's activities; a grant from HM Treasury; and funding from Innovate UK. The tables below detail the breakdown of income received for the year to 31 March 2019.

	2018-19 £'000	2017-18 £'000
a) Income		
Income from fees and charges	1,804	1,738
Income from the industry levy	21,795	19,503
Income from other government grant	1,701	2,500
Income from HM Treasury grant	4,746	-
Other income	350	5
Total income	30,396	23,746
b) Reconciliation of levy collected and levy income recognised		
Industry levy collected	22,860	20,331
Income from the industry levy (matched by expenditure funded by the industry levy)	(21,795)	(19,503)
Underspent levy refundable to industry	1,065	828

4. Staff costs

Staff costs comprise:

	2018-19		2017-18	
	Permanently employed staff £'000	All other staff £'000	Total £'000	Total £'000
Wages and salaries	10,293	456	10,749	11,072
Social security costs	1,257	-	1,257	1,188
Other pension costs	2,008	-	2,008	1,796
Sub total	13,558	456	14,014	14,056
Less recoveries in respect of outward secondments				
Total net costs	13,558	456	14,014	14,056

The average number of staff employed by the company (including executive directors) during the year:

	2018-19 FTE	2017-18 FTE
Permanent staff	151	139
Agency and contracted staff	7	11
Total	158	150

5. Other expenditure

	SoCI Reference	2018-19 £'000	2017-18 £'000
Legal, professional and consultancy		10,993	4,114
IT outsourcing		1,138	1,384
Accommodation		1,088	1,117
Travel and subsistence		501	398
IT expenditure		593	351
Training		277	232
Personnel related		208	218
Office services		189	175
Subscriptions		134	160
Auditors' remuneration and expenses - National Audit Office		38	37
Other		473	619
	5.1	15,632	8,805
Non-cash items			
Depreciation		513	627
Amortisation		198	208
	5.2	711	835
Loss on disposal of fixed assets			
Loss on disposal of fixed assets		-	17
	5.3	-	17
Provision expense			
Provision provided in year		39	30
Unwinding of discount		-	3
	5.4	39	33
Total		16,382	9,690

Other costs include telecommunications, insurance, conferences and events, bank charges, incidentals and catering costs.

Accommodation costs include operating lease rental expenses of £786k for the year to 31 March 2019 (£793k for the 2017-18 year).

Legal, professional and consultancy costs include £4.7m from HM Treasury funding for exploration and £1.4m for the establishment of the National Data Repository.

6. Property, plant and equipment

	IT equipment £'000	Furniture and fittings £'000	Assets under construction £'000	2018-19 Total £'000
Cost or valuation				
At 1 April 2018	1,637	1,304	-	2,941
Additions	31	-	-	31
Reclassifications	-	-	-	-
Disposals	-	-	-	-
At 31 March 2019	1,668	1,304	-	2,972
Depreciation				
At 1 April 2018	564	328	-	892
Charged in year	374	139	-	513
Disposals	-	-	-	-
At 31 March 2019	938	467	-	1,405
Net book value at 31 March 2019	730	837	-	1,567
Asset financing:				
Owned	730	837	-	1,567
Net book value at 31 March 2019	730	837	-	1,567
	IT equipment £'000	Furniture and fittings £'000	Assets under construction £'000	2017-18 Total £'000
Cost or valuation				
At 1 April 2017	766	1,304	781	2,851
Additions	375	-	-	375
Reclassifications	781	-	(781)	-
Disposals	(285)	-	-	(285)
At 31 March 2018	1,637	1,304	-	2,941
Depreciation				
At 1 April 2017	322	189	-	511
Charged in year	488	139	-	627
Disposals	(246)	-	-	(246)
At 31 March 2018	564	328	-	892
Net book value at 31 March 2018	1,073	976	-	2,049
Asset financing:				
Owned	1,073	976	-	2,049
Net book value at 31 March 2018	1,073	976	-	2,049

7. Intangible fixed assets

	Finance and HR software £'000	Software licences £'000	Website £'000	Assets under construction £'000	2018-19 Total £'000
Cost					
At 1 April 2018	385	380	104	6	875
Additions	-	18	-	-	18
Reclassifications	-	6	-	(6)	-
Disposals	-	-	-	-	-
At 31 March 2019	385	404	104	-	893
Amortisation					
At 1 April 2018	77	213	31	-	321
Charged in year	77	100	21	-	198
Disposals	-	-	-	-	-
At 31 March 2019	154	313	52	-	519
Net book value at 31 March 2019	231	91	52	-	374
Asset financing:					
Owned	231	91	52	-	374
Net book value at 31 March 2019	231	91	52	-	374

Software licences at 31 March 2019 include the following: (i) Spatial ETL software with a net book value of £20k and a remaining useful life of 14 months; (ii) Energy portal enhancements with a combined net book value of £52k and an average remaining useful life of 14 months; and (iii) Dependency mapping tool software with a net book value of £17k and a remaining useful life of 23 months.

	Finance and HR software £'000	Software licences £'000	Website £'000	Assets under construction £'000	2017-18 Total £'000
Cost					
At 1 April 2017	-	225	104	424	753
Additions	-	105	-	17	122
Reclassifications	385	50	-	(435)	-
Disposals	-	-	-	-	-
At 31 March 2018	385	380	104	6	875
Amortisation					
At 1 April 2017	-	103	10	-	113
Charged in year	77	110	21	-	208
Disposals	-	-	-	-	-
At 31 March 2018	77	213	31	-	321
Net book value at 31 March 2018	308	167	73	6	554
Asset financing:					
Owned	308	167	73	6	554
Net book value at 31 March 2018	308	167	73	6	554

8. Cash and cash equivalents

	2018-19 £'000	2017-18 £'000
Balance at 1 April	1,890	-
Net change in cash and cash equivalent balances	3,757	1,890
Closing balance	5,647	1,890
The following balances were held at:		
Government Banking Service	5,647	1,890
Balance at 31 March	5,647	1,890

9. Trade and other receivables

	2018-19 £'000	2017-18 £'000
Amounts falling due within one year		
Trade receivables	308	233
Trade receivables - expected credit losses	(16)	-
Other receivables	40	141
Prepayments	411	691
Deferred expense	306	-
Accrued income	-	15
Innovate UK receivable	350	-
BEIS receivable	368	1,228
Total trade and other receivables at 31 March	1,767	2,308

The carrying value of trade and other receivables approximates their fair value.

10. Trade and other payables

	Note	2018-19 £'000	2017-18 £'000
Amounts falling due within one year			
Trade payables		1,485	347
Other payables		108	132
18-19 levy underspend - refundable to industry	3	1,065	-
Prior years' levy underspend - refundable to industry *		6	908
VAT payable		56	60
Taxation and social security		592	557
Accruals		3,822	1,166
Deferred income		-	135
Contract Liability		25	-
BEIS payable		79	949
BEIS capital loan **		556	499
Total current payables at 31 March		7,794	4,753
Amounts falling due after more than one year			
Other payables		421	529
BEIS capital loan **		1,034	1,436
Total non-current payables at 31 March		1,455	1,965
Total trade and other payables at 31 March		9,249	6,718

The carrying value of trade and other payables approximates their fair value.

*£6k of the 2016-17 and 2017-18 levy underspend is still due to levy payers at 31 March 2019. The OGA are actively liaising with levy payers to ensure this is paid.

** The BEIS capital loan includes current year funding of £169k to purchase assets.

11. Provisions

	Dilapidations £'000	2018-19 Total £'000
Opening balance as at 1 April 2018	83	83
Provided in the year	30	30
Unwinding of discount	(7)	(7)
At 31 March 2019	106	106

Analysis of expected timing of discounted flows:

Later than 1 year and not later than 5 years	37	37
Later than five years	69	69
	106	106

	Dilapidations £'000	2017-18 Total £'000
Opening balance as at 1 April 2017	50	50
Provided in the year	30	30
Unwinding of discount	3	3
At 31 March 2018	83	83

Analysis of expected timing of discounted flows:

Later than five years	83	83
	83	83

The dilapidations provision relates to the company's leased premises at 48 Huntly Street, Aberdeen and the 4th Floor, 21 Bloomsbury Street, London. Upon moving into the new offices, the company undertook a complete refurbishment which has been capitalised. At the end of the lease term, the company is obliged to return the offices to their original state. The provision represents the best estimate of the expenditure required to settle that obligation, with the benefit of technical advice.

12. Share capital

	Number
Authorised shares	
1 Ordinary share of £1 each	1

Ordinary share capital issued £1 each and fully paid.

13. Financial instruments

IFRS 7 requires minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that the company faces in undertaking its activities. Due to the way in which Government entities are financed, the company is not exposed to the degree of financial risk faced by many business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The company has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the company in undertaking its activities. Nevertheless, the company's board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The core operations of the company are resourced from funds raised through the industry levy and so the company's activities are largely dependent on revenues from customers. This has an impact on the financial risks to which the company is exposed.

13.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the company's customers or counterparties fail to fulfil their contractual obligations to the company. The majority of the company's customers are private companies which increases the company's exposure to credit risk. In order to mitigate this, the company has policies and procedures in place to ensure credit risk is kept to a minimum and receivables are impaired where a specific receivable is deemed to be irrecoverable, based on the information available. The carrying amount of financial assets in the financial statements represents the maximum credit risk exposure of the company.

The following table provides an overview of the ageing profile of the financial assets comprising trade and other receivables at 31 March:

	2018-19 £'000	2017-18 £'000
Ageing of financial assets		
Neither past due nor impaired	164	242
Past due 1-30 days	18	78
Past due 30-60 days	20	27
Past due 61-90 days	-	3
Past due > 90 days	146	24
Total at 31 March	348	374

13.1.1 Impairment of financial assets

The company assesses at each year end whether there is objective evidence that financial assets are impaired based on historical credit loss rates. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future cash flows from receivables are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

13.2 Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations when they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The company's policy is to determine its liquidity requirements by using forecasts and mitigating funding constraints by requesting annual payments from levy payers in advance. The company believes that its contractual obligations, including those shown in notes 14, 15, and 16, can be met under the short and long term funding structure currently in place.

13.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures where these are considered to materially impact the business and operations of the company.

13.3.1 Interest rate risk

This is the risk that the company will suffer financial loss due to interest rate fluctuations. The company's financial assets and its financial liabilities carry nil or fixed rates of interest, therefore the company is not exposed to significant interest rate risk.

13.3.2 Exchange rate risk

This is the risk that the company will suffer financial loss due to changes in exchange rates. The company undertakes very few foreign currency transactions and is not exposed to significant exchange risk. Given the quantum of transactions in foreign currency, the company has assessed that a strengthening or weakening in these exchange rates will not have any significant impact on the financial statements.

13.3.3 Fair values

Set out below are the carrying amounts and fair values of the company's financial assets and liabilities that are carried in the financial statements. The company considers that the carrying amounts for trade and other receivables and trade and other payables approximate their fair value due to the short term maturities of these instruments.

	2018-19 £'000	2017-18 £'000
Carrying amounts and fair values		
Trade and other receivables	1,767	2,308
Trade and other payables	(9,249)	(6,718)
Total at 31 March	(7,482)	(4,410)

14. Commitments under operating leases

The company has the following minimum future lease commitments under non-cancellable operating leases:

	2018-19 £'000	2017-18 £'000
Buildings and printers		
Not later than one year	698	806
Later than one year and not later than five years	2,308	3,010
Later than five years	438	816
Total commitments under operating leases	3,444	4,632

The company's operating leases relate to the premises it occupies at 48 Huntly Street, Aberdeen and the 4th Floor, 21 Bloomsbury Street, London. The Aberdeen office lease expires on 31 May 2025 and is for 10 years. The London office lease expires on 30 September 2022 and is for 6 years and 8 months.

Operating lease rental expenses for the buildings and printers for the year to 31 March 2019 totalled £698k (2017-18: £803k).

15. Losses and special payments

Losses statement

The Statement of Comprehensive Income includes the following losses, including write-offs of unrecoverable debts and fruitless payments.

	2018-19	2017-18
Number of cases	1	-
£'000	25	-

16. Capital commitments

The company does not have any capital commitments.

17. Other financial commitments

The company has not entered into any non-cancellable contracts (which are not leases or PFI (and other service concession arrangement) contracts).

18. Contingent assets and liabilities

The company does not have any contingent assets and liabilities.

19. Related party transactions

BEIS publishes a consolidated Annual Report and Accounts for the core department each year. The OGA is classified within the BEIS consolidation boundary; therefore, any transaction that the company carries out within the group is considered a related party transaction. During the period, the company received grant in aid of £1.7m (31 March 2018: £2.5m) and a capital loan of £169k (31 March 2018: £500k) from BEIS. The company received funding from HM Treasury of £4.745m (31 March 2018: nil) to survey under-explored areas of the UK Continental Shelf to find potential new deposits. The company also received funding of £350k (31 March 2018: nil) from Innovate UK for the Regulators' Pioneer Fund which is a project to realise cross-sector integration on the UK Continental Shelf to support the UK's energy transition.

At the balance sheet date, the company has a net balance of £289k, included in trade and other receivables (£368k) and trade and other payables (£79k), which is due from BEIS (31 March 2018: net balance of £279k). The company has a capital loan of £1,590k (31 March 2018: £1,935k) included in trade and other payables which is due to BEIS and will be repaid through the annual depreciation which is funded by the levy.

No board members, key managers or other related parties have undertaken any material transactions with the company during the period. There are no conflicts of interest to report.

20. Compensation of key management personnel of the company

Key management personnel include executive directors and their compensation is disclosed in the Remuneration Report on pages 23 to 29.

21. Events after the reporting period

In accordance with the requirements of IAS 10, Events after the Reporting Period, events are considered up to the date on which the financial statements are authorised for issue, which is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There have been no events since 31 March 2019 that would have a material impact on the company's financial statements.

Trust Statement

Financial statements

Accounting Officer's Foreword to the Trust Statement

Scope

The Oil and Gas Authority (OGA) is responsible for the collection and allocation of receipts from the Petroleum Licensing Regime. The Petroleum Licence fees collected by the OGA and paid over to the Consolidated Fund are included in this Trust Statement, along with the revenues, expenditure, assets and liabilities relating to the receipts of Petroleum Licences under The Petroleum Act 1998 for the financial year 2018–19.

This statement is also prepared to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

Background

The Petroleum Act 1998 vests in the Crown all rights to the nation's petroleum resources. The Act gives the Secretary of State power to grant licences that confer exclusive rights to "search and bore for and get" petroleum. The Secretary of State transferred these rights to the OGA on vesting of the OGA as a government company on 1 October 2016. Each of these licences confers such rights over a limited area and for a limited period.

The OGA is responsible for issuing and administering these licences. This process is carried out with a view to realising the full benefit to the UK of its petroleum resources in a way which balances the interests of potential developers with the interests of the nation as the owner of the resource.

Licences are awarded in periodic "rounds" subject to a requirement that the holder will make annual payments (known as 'Licence Rental Fees') to the OGA, which remits them, via Department of Business, Energy and Industrial Strategy (BEIS), to the Consolidated Fund. These payments are calculated on the basis of the acreage under licence, and incorporate an escalating scale of pre-determined rates per square kilometre. This is to encourage licensee-companies to relinquish acreage not undergoing productive activity, thus making it available for relicensing to other potential interested applicants.

Future developments

The 31st Offshore Licensing Round closed for applications on 7th November 2018. The OGA received 36 applications covering 164 blocks in frontier areas of the UK Continental Shelf (UKCS). The OGA has completed its technical evaluation of applications, and has offered awards to successful applicants in Q2 2019.

Additionally, in January 2019 the OGA launched a 31st Supplementary Round in the Greater Buchan Area which will provide an opportunity to develop and explore for a cluster of opportunities in a prime area of the Outer Moray Firth.

This is expected to be followed by the launch of the 32nd Round in the Summer of 2019.

Financial review

Fees received in respect of Petroleum licences amounted to £67.2m for the year to 31 March 2019 (£67.9m in 2017–18). These included nearly £800k in payments for over 100 new licences awarded in the 30th UKCS Offshore Licensing Round. Under Section 2 of the Miscellaneous Financial Provisions Act 1968, the Northern Ireland Government is entitled to a share of the proceeds received under the regime. The Northern Ireland Government payment for the 2018–19 year has been calculated at £1.7m (£1.7m in 2017–18, of which £0.5m was recorded in the 2018–19 year) and will be paid in the 2019–20 financial year. These payments are recognised in the Statement of Revenue, Other Income and Expenditure.

Auditors

These financial statements have been audited, under section 3 of the Exchequer and Audit Departments Act 1921, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 67 to 68. The auditor's notional remuneration of £8k is included within the BEIS's Accounts. There were no fees in respect of non-audit work.

Basis for preparation

The HM Treasury Accounts Direction, issued under section 2 of the Exchequer and Audit Departments Act 1921, requires the OGA to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection of receipts from the Petroleum Licences regime (together with the revenue, expenditure and cash flows for the financial year). Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

As the Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. These are all detailed in Note 1 to the Trust Statement.

Events after the reporting period

Details of events after the reporting period are given in Note 9 to the Trust Statement.



Dr Andy Samuel

Chief Executive and Accounting Officer

24 June 2019

Statement of the Accounting Officer's responsibilities in respect of the Trust Statement

Under section 2 of the Exchequer and Audit Departments Act 1921, HM Treasury has directed the Oil and Gas Authority to prepare a Trust Statement for each financial year in the form and on the basis set out in the Accounts Direction.

HM Treasury has appointed the OGA Chief Executive as Accounting Officer of the Oil and Gas Authority with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

The Accounting Officer is responsible for ensuring that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

The Accounting Officer is responsible for the collection of Petroleum Licences receipts and their onward transmission to the Consolidated Fund.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the assets, are set out in Managing Public Money published by HM Treasury.

The Trust Statement must give a true and fair view of the state of affairs of the Petroleum Licensing Schemes. These streams of income are recognised on an accruals basis.

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the Trust Statement on a going concern basis.

The Accounting Officer confirms that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole are fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

The OGA's Governance Statement, covering both the Accounts and the Trust Statement, is included in Governance section of this report, on page 16.

The audit report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I have audited the financial statements of the Oil and Gas Authority Trust Statement for the year ended 31 March 2019 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the Oil and Gas Authority Trust Statement gives a true and fair view of the state of affairs of the balances related to the collection and allocation of receipts from the Petroleum Licensing Regime as at 31 March 2019 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Oil and Gas Authority Trust Statement in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK.

My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the

audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Oil and Gas Authority Trust Statement's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the audit of the financial statements

As explained more fully in the Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oil and Gas Authority Trust Statement's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information

and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Accounting Officer's Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Gareth Davies

Comptroller and Auditor General
26 June 2019

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Revenue, Other Income and Expenditure for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Revenue			
Licence fees and taxes			
Petroleum licences	2	67,168	67,900
Total licence fees and taxes		67,168	67,900
Total revenue and other income		67,168	67,900
Expenditure			
Disbursements	3	(2,213)	(1,236)
Total disbursements		(2,213)	(1,236)
Total expenditure and disbursements		(2,213)	(1,236)
Net revenue for the Consolidated Fund		64,955	66,664

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 72 to 76 form part of this statement.

Statement of Financial Position as at 31 March 2019 for the Trust

	Note	31 March 2019 £'000	31 March 2018 £'000
Current assets			
Receivables	4	7,492	13,306
Cash and cash equivalents	5	27,559	59,578
Total current assets		35,051	72,884
Current liabilities			
Payables	6	(1,695)	(1,235)
Total current liabilities		(1,695)	(1,235)
Net current assets		33,356	71,649
Total net assets		33,356	71,649
Represented by:			
Balance on Consolidated Fund Account	7	33,356	71,649

The notes on pages 72 to 76 form part of this statement.

Dr Andy Samuel



Chief Executive Officer
24 June 2019

Statement of Cash Flows for the year ended 31 March 2019 for the Trust

	Note	2018-2019 £'000	2017-2018 £'000
Net cash flows from operating activities		71,229	59,578
Cash paid to the Consolidated Fund	7	(103,248)	(22,525)
(Decrease)/increase in cash in this year		(32,019)	37,053

Notes to the Statement of Cash Flows

A: Reconciliation of Net Cash Flow to Movement in Net Funds

Net revenue for the Consolidated Fund		64,955	66,664
(Increase)/decrease in receivables and accrued fees	4	5,814	(6,701)
Increase/(decrease) in payables	6	460	(385)
Net cash flows from operating activities		71,229	59,578

B: Analysis in changes in Net Funds

(Decrease)/increase in cash in this year		(32,019)	37,053
Net Funds as at 1 April (net cash at bank)		59,578	22,525
Net Funds as at 31 March (closing balance)	5	27,559	59,578

The notes on pages 72 to 76 form part of this statement.

Notes to the Trust Statement

1. Statement of Accounting Policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 2 of the Exchequer and Audit Departments Act 1921 and is prepared in accordance with the accounting policies detailed below. These have been agreed between the Oil and Gas Authority (the company) and HM Treasury and have been developed with reference to International Financial Reporting Standards (IFRS) and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in these statements are those flows of funds which the company handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.

The financial information in the Trust Statement and in the notes is rounded to the nearest thousand.

The Trust Statement is presented in pounds sterling, which is the functional currency of the company.

1.2 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention.

1.3 Revenue recognition

Taxes, licence fees and penalties are recognised on an accruals basis and are measured in accordance with FReM 8.2.4. They are measured at the fair value of amounts received or receivable net of repayments. Revenue is recognised when:

- A taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to the Exchequer. A taxable event occurs when a liability arises to pay a tax or licence fee; or
- A penalty is validly imposed and an obligation to pay arises.

Revenue in respect of petroleum licence fees is recognised when it falls due, which is on the anniversary date of each existing licence.

1.4 Financial instruments

The only financial instruments included in the financial statements are the following assets and liabilities: receivables and payables, as disclosed in notes 4 and 6. These are non-derivative financial assets and liabilities with fixed or determinable payments that are not traded in an active market and, as they are expected to be realised within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. Trade and other receivables are recognised at amortised cost and upon recognition, a loss allowance is recognised for an amount equal to the lifetime expected credit losses. Trade and other payables are recognised at amortised cost.

All financial assets and liabilities are recognised when the company becomes party to the contractual provisions to receive or make cash payments. The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was held or acquired. Management determine categorisation of the asset or liability at initial recognition and then annually re-evaluate.

1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2. Revenue

Petroleum licence income

	2018-19 £'000	2017-18 £'000
Fees receivable	67,168	67,900
Total	67,168	67,900

The responsibility for the collection of petroleum licences is with the company. The licence fees are net of repayments for surrendered licences. During the 2018-19 year, HM Treasury approved the waiver of £622k petroleum licence fees.

3. Expenditure and disbursements

Disbursements

	2018-19 £'000	2017-18 £'000
Payments to Northern Ireland Government	2,213	1,235
Bank charges	-	1
Total	2,213	1,236

The company makes payments to the Northern Ireland Government to reflect their share of the proceeds received by the company under the Petroleum Licensing Regime. These payments are made under Section 2 of the Miscellaneous Financial Provisions Act 1968. The amounts outstanding at the reporting date are disclosed under the payables note 6. Payments to the Northern Ireland Government of £0.5m are recorded in 2018-19 and relate to 2017-18 petroleum licence fees.

4. Receivables and accrued fees

	2018-19 £'000	2017-18 £'000
Petroleum licence fees receivable	7,492	12,675
Accrued petroleum licences receivable	-	605
BEIS receivable	-	4
Other receivables	-	22
Total	7,492	13,306

Petroleum licence fees receivable represent the amounts due from the licensees where invoices for payment have been issued but not paid for at the year end.

Accrued petroleum licences receivable represents the amount of revenue from licences which relate to the financial year but for which invoices had not been issued at the year end.

BEIS receivable represents receipts remitted into the BEIS bank account that were owed to the OGA.

Other receivables represents monies owed by the company.

5. Cash and cash equivalents

	2018-19 £'000	2017-18 £'000
Balance as at 1 April	59,578	22,525
Net change in cash and cash equivalent balances	(32,019)	37,053
Balance at 31 March	27,559	59,578

The following balances were held at:

Government Banking Service	27,559	15,547
BEIS bank account	-	44,031
Total	27,559	59,578

6. Payables

	2018-19 £'000	2017-18 £'000
Northern Ireland Government	1,690	1,235
Other payables	5	-
Total	1,695	1,235

Other payables represents monies owed to the Welsh Government for the licences pertaining to the Wales area. Onshore oil and gas licensing is devolved to the Welsh Ministers under the Wales Act 2017, however in accordance with a memorandum of understanding (MOU) between the OGA and the Welsh Ministers, the OGA retained responsibility for collection of licence fees. These are to be paid over to the Welsh Government on an annual basis.

7. Balance on the Consolidated Fund Account

	2018-19 £'000	2017-18 £'000
Balance on the Consolidated Fund as at 1 April	71,649	27,510
Net revenue for the Consolidated Fund	64,955	66,664
Less amounts paid to the Consolidated Fund	(103,248)	(22,525)
Balance on the Consolidated Fund as at 31 March	33,356	71,649

8. Financial instruments

8.1 Classification and categorisation of financial instruments

	2018-19 £'000	2017-18 £'000
Financial assets:		
Cash and cash equivalents	27,559	59,578
Petroleum licence fees receivable	7,492	12,675
Accrued petroleum licence fees receivable	-	605
BEIS receivable	-	4
OGA receivable	-	22
Total cash and receivables	35,051	72,884
Financial liabilities:		
Northern Ireland Government payables	(1,690)	(1,235)
Other payables	(5)	-
Total other financial liabilities	(1,695)	(1,235)

8.2 Risk exposure to financial instrument

The fees receivable under the Petroleum Licensing Regime are subject to credit risk. Management has assessed this risk to be minimal, demonstrated by there being no bad debts incurred. There were no write offs in 2018-19 (2017-18: no write offs). There is no foreign exchange risk as all the fees under this regime are receivable in Sterling. The market risk is limited due to there being a constant demand for licences.

9. Events after the reporting period

In accordance with the requirements of IAS 10, Events after the Reporting Period, events are considered up to the date on which the Trust Statement is authorised for issue, which is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

There have been no events since 31 March 2019 that would have a material impact on the Trust Statement.

The Accounting Officer has duly authorised the issue of the Trust Statement on the date of the Comptroller and Auditor General's audit certificate.

Annex D

Accounts Direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to the Oil and Gas Authority (OGA), a government company (and previously an executive agency) of the Department for Business, Energy and Industrial Strategy.
2. The OGA shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2019 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2018-19.
3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The Statement shall also be prepared to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 8). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 6(3) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Vicky Rock

Deputy Director, Government Financial Reporting
Her Majesty's Treasury
19 December 2018

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Oil and Gas Authority is a limited company registered in England and Wales
with registered number 09666504 and VAT registered number 249433979.

Our registered office is at 21 Bloomsbury Street, London, United Kingdom, WC1B 3HF

www.ogauthority.co.uk