



Oil & Gas  
Authority

# OGA Annual Report and Accounts

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2017–18

(for the year ended 31 March 2018)

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09/11/2018 #256  
COMPANIES HOUSE

HC 1371

# **Annual Report and Accounts of the Oil and Gas Authority 2017–18:**

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 19 July 2018

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## Chair's statement

Engagement with industry has been the focus for the Oil and Gas Authority (OGA) this year. Building on the stewardship standards co-created over the last two years, we have been able to analyse industry survey data to drive greater transparency in performance. Benchmarking is encouraging operators to raise their game and look to peers and suppliers for innovative ideas and successfully deployed technologies and practices. We have stimulated collaboration on area plans to assist the industry achieve MERUK<sup>1</sup> solutions. The positive results are evidence of industry goodwill and active participation. Along with a consistent regulatory approach and a background of fiscal stability, these outcomes are attracting new investment to the sector.

*The achievements are detailed in this Report and highlighted by the Chief Executive in his Statement. They have only been possible thanks to the talent and dedication of staff, turning strategy to action and confronting new tasks with enthusiasm. They also rely on the clear and unfaltering leadership shown by Andy Samuel, his commitment to exploring what regulatory excellence means in practice and his skill in anticipating and positioning his organisation for change.*

Sir Patrick Brown, who left the board in March this year, played a crucial role in establishing our board and setting the tone and culture of the organisation. We have benefitted from his calm and assured manner, and his considerate chairing. I would like, on behalf of the board, to thank him, to pay tribute to his great contribution and to wish him the very best.

The Report describes the results of the full external evaluation of the board which took place at the turn of the year. Overall it reflects well on Sir Patrick's management. I will be taking forward the actions identified.

The BEIS<sup>2</sup> Sponsor team has continued to demonstrate strong commitment to the work of the board, providing context in changing times, and support for sector initiatives, which has been greatly appreciated.

Looking ahead, notwithstanding some respite from the oil price, there is still much to do to maintain and enhance the competitiveness of the sector and maximise the value of its assets – we cannot rest on our laurels. There are exciting changes in the environment we work in. Machine learning applied to more data of better quality is creating fresh insights. There are other potentially transformative technology combinations waiting to be deployed that can dramatically improve efficiencies. Imaginative and inclusive commercial structures can increase value. It's going to be another busy year.

A handwritten signature in black ink, reading "Frances Morris-Jones".

**Frances Morris-Jones**

<sup>1</sup> Maximise the economic recovery of the UK's oil and gas resources.

<sup>2</sup> Department for Business, Energy and Industrial Strategy

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## Chief Executive's statement

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As I look back on the previous year, it's clear the UKCS<sup>3</sup> landscape across which the OGA operates has changed considerably. This was a year in which we projected an additional 3.7 billion barrels to our official forecast, as compared to three years ago. Remarkable given the scenarios facing the basin not long ago.

To set the scene, our first full year as an independent authority was a year of deals and transactions across the basin, as we helped create the right conditions for assets to change hands.

We've always had – and continue to have – a strong focus on stewardship and clear expectations of industry. Industry's response has been positive; production has increased for a third year in a row, production efficiency has increased for a fifth consecutive year and cost efficiency efforts have been nothing short of remarkable – the imperative now is to sustain these improvements.

In a year in which the 2,500th exploration and appraisal well was successfully drilled in the UKCS (and will shortly be in production), we launched our successful 30th offshore licensing round. Focusing on mature areas, we made freely available unprecedented amounts of high quality seismic, mapping and prospect data and we offered up a swathe of small pools and other undeveloped discoveries.

We jointly held an event with the Oil and Gas Technology Centre, bringing operators and technology providers together and asked industry to collaborate and make use of technology in their 30th Licensing Round applications. The results of the round were impressive, with 123 licences offered over 229 blocks or part-blocks to 61 diverse companies. This included eight firm exploration/appraisal wells, nine firm new-shoot 3D seismic surveys and 14 licences progressing straight to field development planning (second term licences).

The rich data we gather has enabled us to frame the potential 4 billion barrel opportunity from collaborative area plans and helped take our benchmarking and sharing of lessons learned to a whole new level. Many thanks to the operator managing directors and teams who have worked so closely and constructively with us piloting new ways of working.

In decommissioning for example, we have, for the first time ourselves, been able to provide a robust cost estimate and play back to operators how they benchmark. In a good response to the cost reduction target, we've seen a number of operators strive towards greater efficiency, collaborating on joint well P&A campaigns and trialling innovative technology such as thermite plugging. Some operators are already achieving the targeted 35% cost savings through excellent operational practices.

We shouldn't lose sight of the reality that many in the service sector are still experiencing tough times. We've put in place Supply Chain Action Plans (SCAPs) to ensure all projects – whether new field developments or decommissioning – put partnering with the service sector at the very heart of good project delivery. We were very pleased to approve Shell and Esso's Penguins redevelopment – the first such project to incorporate a SCAP – and we hope one of many high value redevelopments to come.

I am honoured to lead such a great team which has achieved so much so quickly and which continues to learn and to make the OGA a great place to work. I would like to thank Sir Patrick Brown for his tremendous support and wise guidance over the last three years while we were building and shaping the OGA and I very much look forward to working closely with Frances Morris-Jones as our Chair.

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

**Dr Andy Samuel**  
Chief Executive

<sup>3</sup> United Kingdom Continental Shelf

# Strategic report

## OGA role

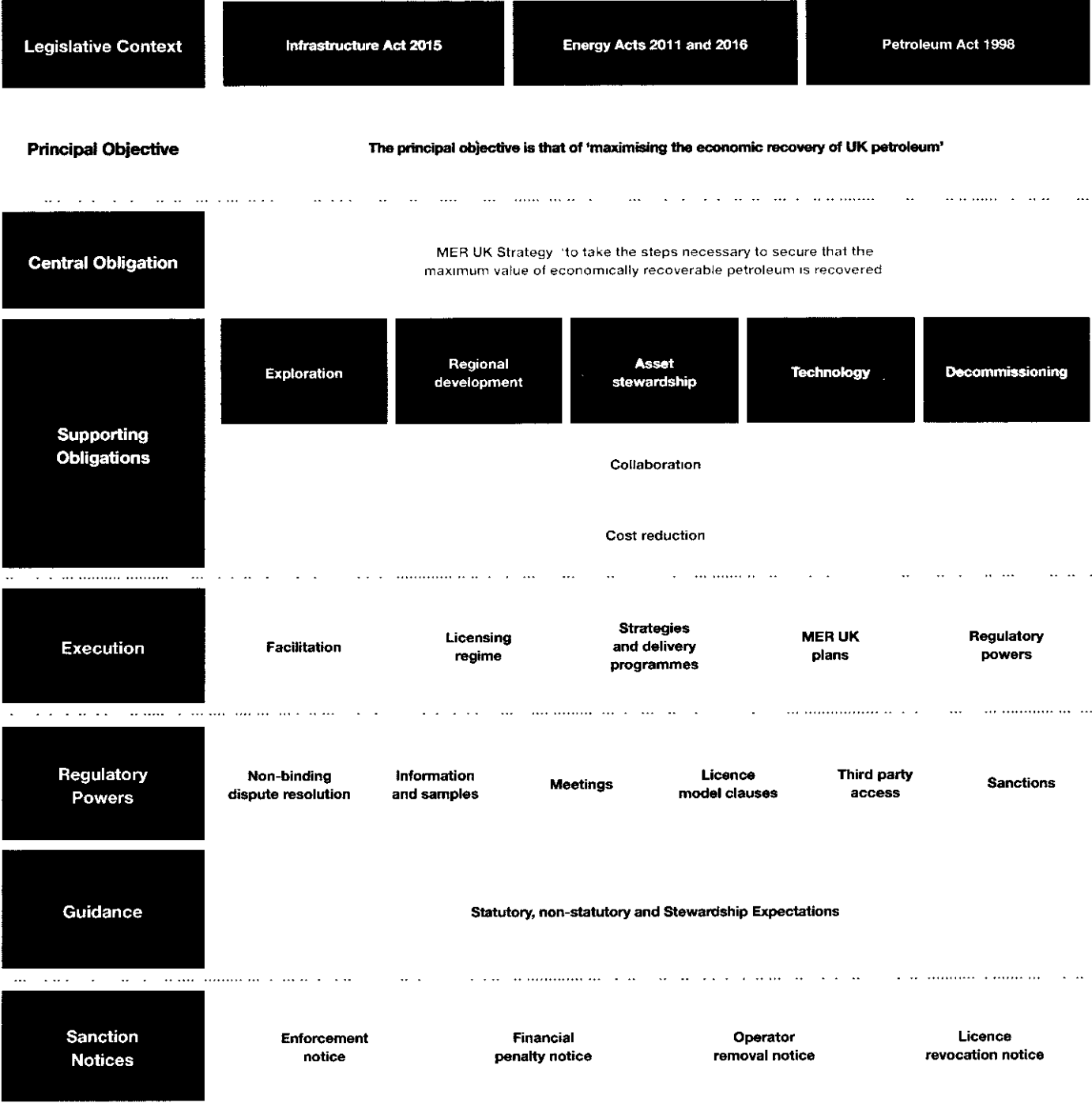
The OGA's role is to regulate, influence and promote the UK offshore oil and gas industry in order to achieve the statutory principal objective of maximising the economic recovery of the UK's oil and gas resources (MER UK).

The OGA 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.

## About the OGA

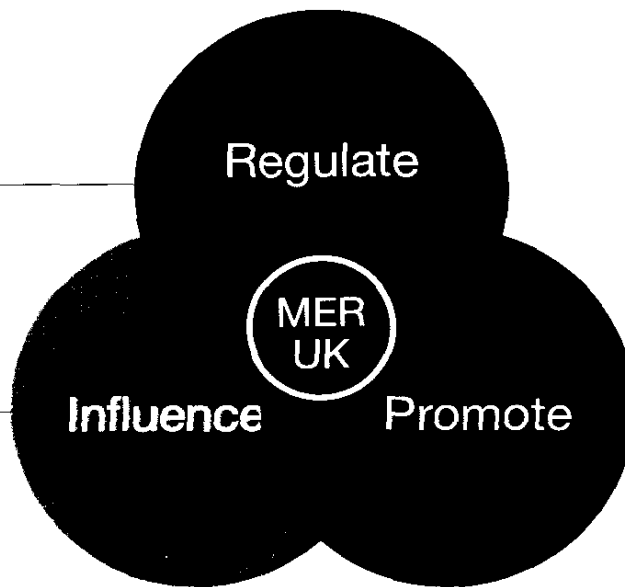
The OGA is a government company whose sole shareholder is the Secretary of State for Business Energy and Industrial Strategy (BEIS).

# Regulatory framework





The OGA regulates the exploration and development of the UK's offshore and onshore oil and gas resources and the UK's 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 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/powers-sanctions-guidance/exercise-of-the-ogas-powers/>**

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 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 benefitting from its services. In addition, it receives some direct funding from its parent department.

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

The OGA's ambition, purpose, priorities and values are articulated in its 2016-21 Corporate Plan and its Activity Plan for 2017 and 2018, which added milestones and targets covering those two years. The OGA's performance against plan targets is recorded in the accountability report on page 15.

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## Developing our people

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Ensuring that the OGA attracts, develops and retains the talent needed to deliver on its responsibilities and objectives is essential. To this end, the OGA has put in place policies which ensure its recruitment, performance management, training and reward activity together contribute to making the OGA a great place to work.

Following the 2017 staff survey, the Chief Executive scheduled and personally sponsored a series of staff workshops informed by feedback from the survey.

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## Financial overview

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### Financial overview

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The 2017-18 year is the first full year the OGA has operated as a government company. The financial statements this year show a full year of transactions whereas the comparative year shows only six months, due to the OGA having been an Executive Agency for part of 2016-17. A full comparative note is available on page 61. This year the OGA had full control of its own financial and banking systems (previously provided by BEIS) enabling it to better understand its financial information.

### Revenue

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The Activity Plan for 2017 and 2018 shows an intention to raise a levy of £21.3m for the period, anticipated chargeable work of £965k and grant from BEIS of £3m. Following some licence relinquishments in March 2017 the actual levy invoiced was lower, at £20.3m. The OGA adjusted expenditure budgets early in the year to account for this reduction in revenue. The Statement of Comprehensive Income excludes £828k which will be returned to licence holders and therefore includes levy income of £19.5m.

During the year it became clear that chargeable work would bring in higher fees and charges, primarily due to the 30th licensing round applications and 4th round licence extensions. This additional revenue enabled the OGA to replace the gap in levy funding and re-evaluate the level at which this revenue stream is budgeted in future, thus avoiding raising too much levy income at the beginning of the year. The net revenue position of £828k will be returned to licence holders through a levy repayment. 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

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Expenditure for the year was on track with budgets and financed significant investment in enhancing our data services – including a relaunch in early April 2018 of our Open Data site – benchmarking reports, and oil and gas production reports. During the year the OGA moved the majority of its IT spend away from the BEIS IT networks and equipment. The OGA invested in its own IT networks and equipment resulting in significant capital expenditure in the year.

At year-end, there is a small underspend across OGA services and a larger underspend in legal budgets where funding was not needed. This unspent expenditure, alongside the additional unspent revenues, will mean a total of £828k will be returned to levy payers. In all decisions with a financial impact we continue to ensure that best value for money is achieved.

### Viability statement

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Directors have assessed the OGA's prospects, taking into account its current position and the principal risks it faces over the 2016-21 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

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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.

## Principal risks

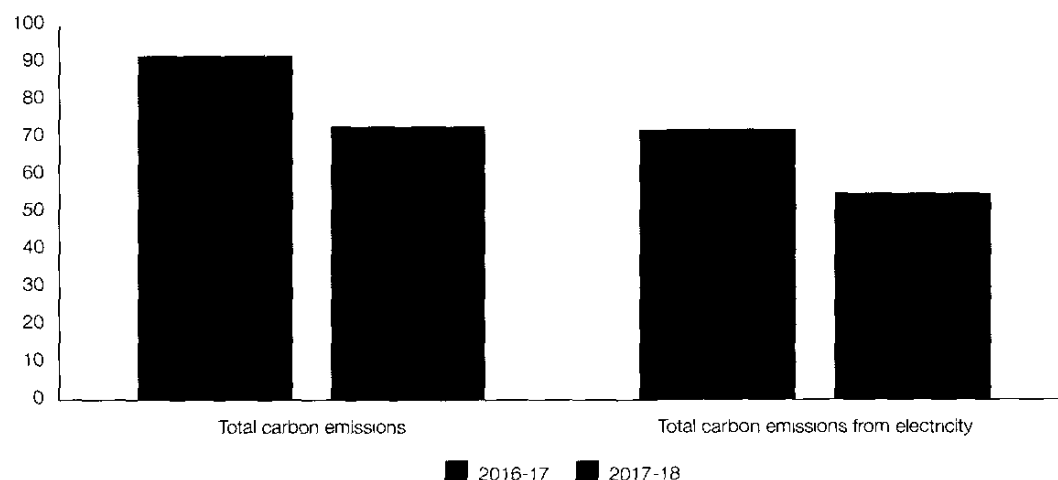
Risk	Risk description	Mitigation action
1	Political and economic uncertainty.	Maintain cross government relationships and responsive horizon scanning activity. Act on changing scenarios.
2	IT systems attacked and breached.	Cyber security strategy in place. Cyber security monitoring regime in place with regular reports to audit and risk committee. Online and physical data and IT security training has commenced.
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 and appropriate use of MER UK powers.

## Environment report

Total carbon emissions for the OGA for the period 1 April 2017 to 31 March 2018 were 73.12 tonnes of carbon dioxide equivalent (CO<sub>2</sub>e), down from 92.11 in 2016-17. The largest single source of emissions was electricity consumption, which accounted for 54.47 tonnes of CO<sub>2</sub>e (74.5% of the total), down from 71.66 tonnes in 2016-17.

### Carbon emissions – annual change

Tonnes of carbon dioxide equivalent (CO<sub>2</sub>e)



Annual greenhouse gas emissions by activity type 1 April 2017-31 March 2018

Activity	Units	(t CO <sub>2</sub> e)	% of total
<b>Total purchased electricity (kWh)</b>	<b>154,951</b>	<b>54.47</b>	<b>74.5</b>
Aberdeen	70,921		
London	84,030		
<b>Total gas (cubic metres)</b>	<b>73,044</b>	<b>16.54</b>	<b>22.6</b>
Aberdeen*	0		
London	73,044		
<b>Total water (cubic metres)</b>	<b>8,248</b>	<b>–</b>	<b>–</b>
Aberdeen**	0		
London	8,248		

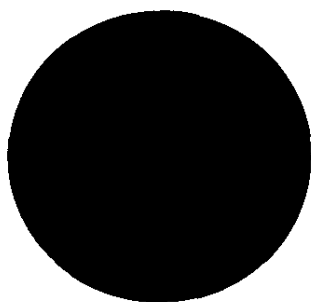
Waste streams	Kilogrammes	(t CO <sub>2</sub> e)	% of total
<b>Total general waste</b>	<b>3,977</b>	<b>1.84</b>	<b>2.5</b>
Aberdeen general waste	2,700		
London general Waste	1,277		
<b>Total recycled waste</b>	<b>4,687</b>	<b>0.23</b>	<b>0.3</b>
Aberdeen recycled waste	3,600		
London recycled waste	1,087		
<b>Total shredded paper (for recycling)</b>	<b>8,713</b>	<b>0.04</b>	<b>0.1</b>
Aberdeen shredded paper	2,489		
London shredded paper	6,224***		
		<b>73.12</b>	

\* No gas usage.

\*\* Water costs are included in business rates.

\*\*\* An archive audit resulted in a higher volume in London.

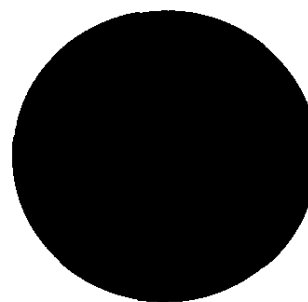
## Total Purchased Electricity (tonnes CO2e)



■ Aberdeen

■ London

## Breakdown of total CO2e footprint



■ Electricity

■ Gas

■ Recycled waste

■ Recycled shredded paper

■ Water

■ General waste

\*

\* Waste streams represent a small proportion of the total and have a negligible impact on the chart.

Total carbon emissions fell by 18.99 tonnes of CO2e compared with 2016-17 due mainly to a significant reduction in electricity usage, achieved by switching energy suppliers and installing low energy lighting.

Three principal waste streams are generated: general waste, mixed recycling and shredded paper.

All waste was either recycled or used as fuel to generate electricity. No waste is sent to landfill.

### The three waste streams are handled as follows:

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:



56.6  
trees



8.3 cubic  
metres of landfill



34,654 KWh  
of electricity



74.8 tonnes  
of CO2e

Signed for and on behalf of the board

**Dr Andy Samuel**  
Chief Executive

# Accountability report

## Performance

The OGA's ambition, purpose, priorities and values were originally articulated in its Corporate Plan 2016-2021, published in March 2016.

In March 2017, the OGA published its Activity Plan 2017 and 2018. This retains the aims, priorities and operating framework articulated in the corporate plan, updated with a set of milestones and targets for achievement over 24 months.

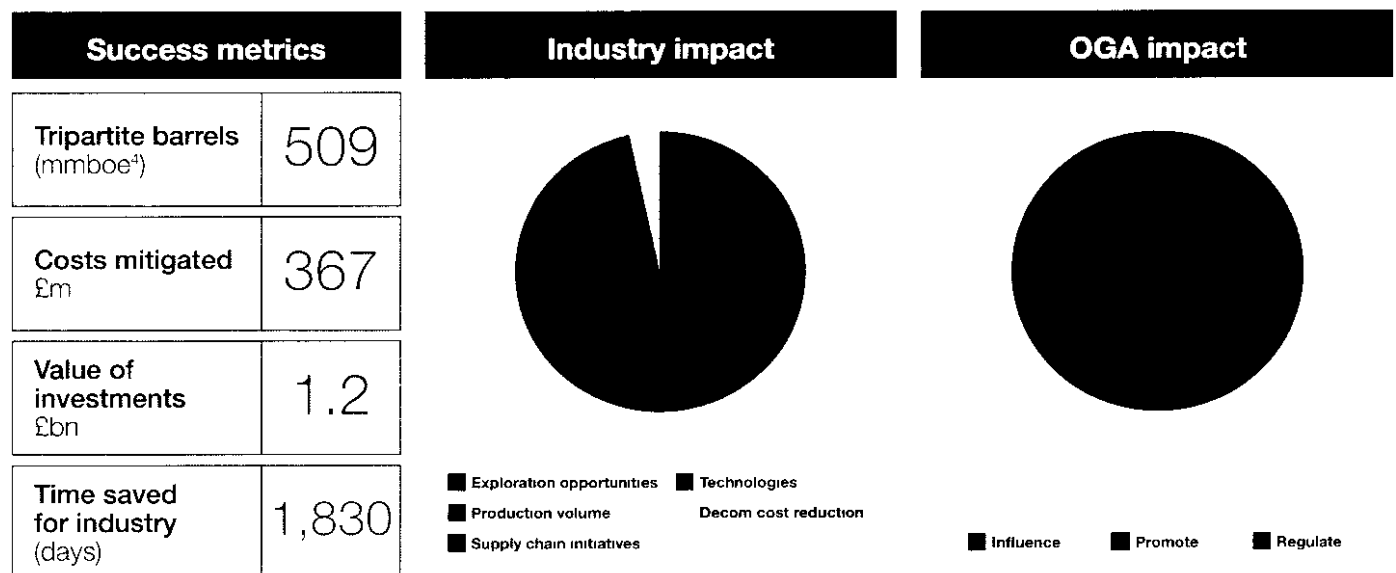
70% of Activity Plan activities have been completed, with 95% on track overall. The OGA chose to deprioritise some activities during the year to accommodate new, higher priority activities.

### Measuring Success

The OGA developed a success stories tracker in 2016 which allows the impact of the OGA to be identified and quantified using three key metrics. These metrics look at expected future volume of oil and gas production, capital expenditure committed to new projects and reduced or avoided costs through improved or accelerated outputs. In 2017 a time-saving metric was added to this tracker.

The success stories which were recorded by the OGA in 2017-18 are shown in the figure below.

#### 121 success stories between April 2017 and March 2018



Separately, the OGA has published selected case studies of industry examples of MER UK in action  
<https://www.ogauthority.co.uk/about-us/performance/case-studies-of-mer-uk-in-action/>

The OGA also records cases resolved, at least in part, through OGA intervention in its Case Register  
<https://www.ogauthority.co.uk/regulatory-framework/powers-sanctions-guidance/exercise-of-the-ogas-powers/>

## Key Performance Indicators

The OGA monitors a number of leading and lagging Key Performance Indicators (KPIs) as identified in the Activity Plan 2017 and 2018. Each of the KPIs is associated with one of the OGA's top 10 priorities for 2017 and 2018.

Each of the KPIs is detailed below, together with the current OGA assessment of attainment (rated red, amber, green).

### OGA Key Performance Indicators – Leading

KPI	Area	KPI Measure	KPI Target	RAG
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 and 2018	●
4	Improve Decommissioning efficiency	Number of Decommissioning Plans reviewed to improve cost and efficiency	Review 100% of Plans received	●
5	Delivery of Information Management 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	Update not required		
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	●

## OGA Key Performance Indicators – Lagging

KPI	Area	KPI Measure	KPI Target	RAG
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 80% by end 2018	●
		Recovery Factor	Increase average RF % by end 2020	○
3	Improve Decommissioning efficiency	Decommissioning costs	Reduce ABEX <sup>5</sup> by 35% from 2016 baseline estimate	○
4	Delivery of Technology Plans	Technology Plan (well costs)	10% reduction in cost of well drilling and construction	○

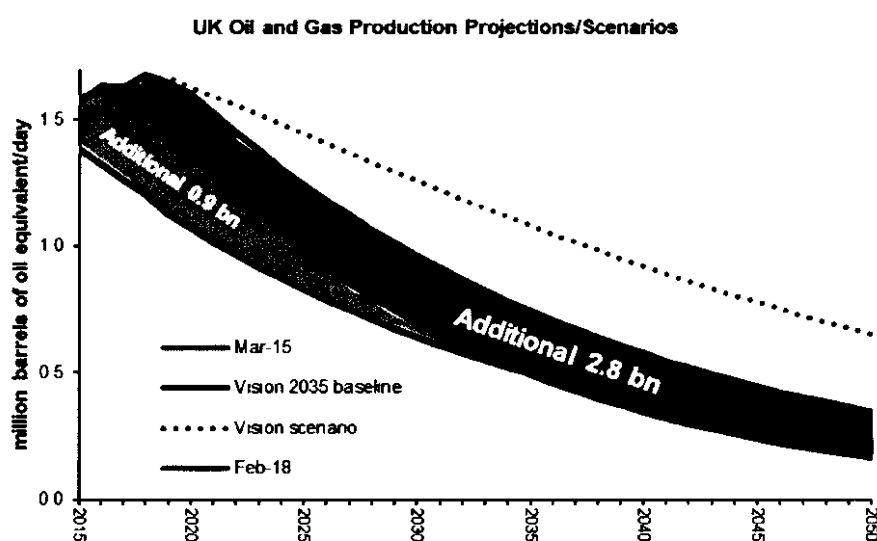
● "On Target" +/-10%    ● Behind Target 10-20%    ● Behind Target >20%    ○ Too early to assess

## MER UK Progress

The OGA has continued to work with the industry, governments and others to communicate Vision 2035; a single, compelling vision for the UK oil and gas industry to increase its value by half again by 2035.

Based on OGA projections (March 2018), cumulative production from 2016 to 2050 is now forecast to be 3.7 billion barrels of oil equivalent (boe) more than the equivalent 2015 projection by the Department of Energy and Climate Change. This is represented in the chart below.

## UK Oil and Gas Production Projections/Scenarios



The OGA is committed to working with industry to attain these projections and to fully exploit the potential offered by area plans, increasing recovery factor and new licensing and exploration opportunities

<sup>5</sup> Abandonment expenditure



# Parliamentary accountability and audit report

## **Regularity of Expenditure [audited]**

No losses have been incurred in excess of £300,000<sup>6</sup>.

No special payments have been made which exceed £300,000<sup>6</sup>.

No material gifts have been made by the OGA.

Three severance payments were made in 2017-18, 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 2017-18. 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.

<sup>6</sup>The Managing Public Money threshold mandated for financial statements prepared under the government financial reporting manual


# Board and leadership

## Board of Directors and Company Secretary




Chair

Frances Morris-Jones




Chief Executive

Dr Andy Samuel



Chief Financial Officer

Nic Granger



Shareholder Representative Director

Emily Bourne




Non-Executive Director

Robert Armour



Non-Executive Director


Mary Hardy



Company Secretary and General Counsel


Dr Russell Richardson

## Leadership Team




Chief Executive

Dr Andy Samuel



Chief Financial Officer

Nic Granger




Director of Operations

Gunther Newcombe




Director of Strategy

Hedvig Ljungerud



Director of HR and Supply Chain

Stuart Payne



Director of Regulation

Tom Wheeler

# Directors' report

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The directors present their annual report on the company, together with the financial statements and auditor's report, for the period from 1 April 2017 to 31 March 2018.

The company's financial statements cover a full financial year for the first time. In 2016-17 the OGA operated for six months as an Executive Agency and six months as a government company and produced a twelve-month set of accounts for each entity, with six months of transactions in each.

A report on corporate governance matters is included separately below.

The OGA is a fair and considerate employer which values diversity and treats staff with respect. 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 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 in both locations and an employee engagement forum is in place for staff to express their views and share ideas.

The OGA had 143 (2016-17: 137) employees as at 31 March 2018 (including secondees and executive directors, but excluding interim contractors and non-executive directors). There were three (2016-17: 25) interim contractors as at 31 March 2018.

The OGA takes its environmental responsibilities seriously. Details are set out on in the Environment Report on pages 12-14.

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 2017-18 financial statements in accordance with International Financial Reporting Standards (IFRS). The audited financial statements for the year ended 31 March 2018 are set out on pages 39-74. The OGA is a not-for-profit company largely funded by fees and a levy on industry. Additional grant funding is provided by its shareholder. Any surplus operational funding 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 break-even position.

## Directors' third party indemnity provisions

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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

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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 2.5 to the financial statements.

The directors have assessed the company's prospects and are satisfied that the 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.

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## 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 period.

### 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.

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## 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 12 above.

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## Auditor

Directors have taken all necessary steps to make themselves aware of any relevant audit information and do not know of any such information which was unknown to the auditor 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 and agreed they were content with the service provided. No non-audit services were provided by the external auditor.

By order of the board



### Dr Russell Richardson

Company Secretary  
16 July 2018

# Corporate Governance statement

The Oil and Gas Authority Limited was incorporated on 1 July 2015, remaining dormant until 30 September 2016. The company number is 09666504.

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

The OGA is a government company whose sole shareholder is the Secretary of State for Business Energy and Industrial Strategy (BEIS).

Between 1 April 2015 and 30 September 2016, the OGA was an Executive Agency of BEIS (and previously DECC).

The board was established in April 2015. 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.

Sir Patrick Brown's three-year tenure as Chairman ended on 16 March 2018.

On 1 April 2018, the shareholder appointed Frances Morris-Jones as Chair for 12 months, whilst a competition is run to recruit Sir Patrick's successor.

At the end of the period, the company had six directors. Mary Hardy, Robert Armour and Frances Morris-Jones were deemed by the board to be independent.

Emily Bourne was appointed as the Shareholder Representative Director on 21 March 2018, replacing Rebecca Vallance.

In addition to being a director of the company, the Chief Executive is the OGA's Accounting Officer, as delegated by its Principal Accounting Officer, 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') (company). 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, which set out the OGA's financial and performance accountabilities to Parliament and to its shareholder.

The board met on 11 occasions in 2017-18 and has 10 meetings scheduled for 2018-19. Meetings are normally held at its Aberdeen headquarters.

The chairman holds meetings with the non-executive directors without the executives being present.

The board held a separate meeting in September 2017, with the leadership team, to discuss strategy.

## Delegated powers

The OGA has set out clearly 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.

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## Induction of directors

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Directors receive a structured induction to the OGA and its broader context, including a programme of meetings with key stakeholders, to enhance and support their understanding of issues brought to the board. Directors are briefed on their own roles, including on matters of propriety, such as their duties under the Companies Act 2006, the UK Corporate Governance Code and the Code of Conduct for Board Members of Public Bodies.

## Board sub-committees

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### The board has three sub-committees:

Audit and risk

Remuneration

Nomination

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### Audit and risk committee

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The audit and risk committee is chaired by Mary Hardy and met on three occasions in 2017-18. 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; and data protection law compliance.

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### Nomination committee

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The nomination committee met twice in 2017-18. Mary Hardy, Robert Armour and Frances Morris-Jones are committee members.

In September 2017, the committee was chaired by Sir Patrick Brown and recommended the re-appointment of Robert Armour as a director.

In March 2018, the committee was chaired by Frances Morris-Jones and considered the balance of skills and experience on the board and the induction process for new directors.

Robert Armour chaired an item proposing the re-appointment of Frances Morris-Jones, which the committee agreed to recommend to the board.

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## Remuneration committee

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The remuneration committee met twice in 2017-18. Mary Hardy, Robert Armour and Frances Morris-Jones are committee members.

In May 2017 Sir Patrick Brown chaired the committee, which reviewed performance management outcomes and approved annual bonuses.

In March 2018, Frances Morris-Jones chaired the committee, which reviewed proposals for 2017-18 bonus setting, proposed 2018-19 pay awards and discussed pay equality.

In a departure from the UK Corporate Governance Code, both committees were chaired by the OGA Chair. This ensured the committee continued to benefit from Sir Patrick's long experience as a non-executive director and, following his departure, to provide continuity during the period when the board had nominated Frances Morris-Jones as Chair.

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## Board evaluation

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In November 2017, the board commissioned Fidelio Partners to conduct an evaluation of its effectiveness. All directors and the company secretary completed a bespoke questionnaire and attended an interview with Fidelio Partners. In December 2017, Fidelio Partners observed a board meeting in Aberdeen.

Fidelio Partners presented a report to the board in February 2018, commending the board as a very strong one, with directors demonstrating good knowledge of their duties, strong commitment to their roles and a real appetite for learning. The board has developed well since its inception, is well administered, and is well positioned to develop its regulatory role.

The report recommended that the board review its skills mix following the Chair succession. It found induction of directors to the board to be technically good but underlined the importance of tailoring induction to individual needs.

The nomination committee agreed in March 2018 that any training and development needs identified by directors, informed by a skills matrix and an induction and training record, would be addressed and built into both the board forward programme and the events and conferences planner. The nomination committee will review the induction and training record once a year.

### 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 new members, updating the record accordingly. Where a board member 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 Frances Morris-Jones and Robert Armour to be sufficiently significant to impair their independent judgement in board discussions. Their interests being in major oil companies, 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
Robert Armour	21 March 2017		£41,723
			£38,270
Frances Morris-Jones	19 October 2015		£167,408
			£146,814
			£127,977

\* 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.

## Directors – other directorships and offices

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
<b>Sir Patrick Brown</b>	Non-executive director, Camelot		
<b>Frances Morris-Jones</b>	Non-executive, Standards Policy and Strategy Committee of the board of BSI Group		Association of International Petroleum Negotiators Chatham House Women on Boards POWERful Women
<b>Mary Hardy</b>	Non-executive director and audit committee chair, Royal Navy board Non-executive member of Ministry of Defence audit committee 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
<b>Robert Armour</b>	Non-executive director of Albion Community Power plc <sup>7</sup> Non-executive director of the Nuclear Liabilities Fund Chair of UK Nuclear Practice, Gowlings WLG Solicitors Director of Eneus Energy Ltd Director of Dalnada Energy Ltd Non-executive director of Boat Rocker Rights UK Ltd		Law Society of Scotland Society of Writers to HM Signet Institute of Energy, Nuclear Institute Fellow, Institute of Chartered Secretaries and Administrators
<b>Andy Samuel</b>			Petroleum Exploration Society of Great Britain Geological Society
<b>Nic Granger</b>			Institute of Chartered Accountants in England and Wales The Chartered Institute of Public Finance and Accountancy Institute of Directors
<b>Emily Bourne</b>			
<b>Rebecca Vallance</b>			

The following directors were members of the National Trust or the National Trust of Scotland during the period: Sir Patrick Brown, Mary Hardy, Frances Morris-Jones, Robert Armour, Andy Samuel and Emily Bourne

<sup>7</sup> Including its subsidiary companies

The Street by Street Solar Programme Ltd, Regenerco Renewable Energy Ltd, Aresi Ltd, Gharagain River Hydro Ltd and Chonais River Hydro Ltd



#### Board members – dates of appointment

Name	Date of appointment (Executive Agency board member)	Date of appointment (Director)*	Re-appointed
<b>Sir Patrick Brown</b>	16 March 2015	27 September 2016 (resigned** 16 March 2018)	
<b>Robert Armour</b>	19 October 2015	27 September 2016	1 October 2017
<b>Frances Morris-Jones</b>	19 October 2015	27 September 2016	
<b>Mary Hardy</b>	1 November 2015	27 September 2016	
<b>Andy Samuel</b>	1 January 2015	27 September 2016	
<b>Nic Granger</b>	–	2 November 2016	
<b>Rebecca Vallance</b>	–	8 December 2016 (resigned 20 March 2018)	
<b>Emily Bourne</b>	–	21 March 2018	

\* The non-executive directors appointed on 27 September 2016 were appointed on staggered contract terms

\*\* Completed term of office

#### Board members – attendance at meetings and committees

	Board of directors	Audit and risk committee	Nomination committee	Remuneration committee
<b>Total number of meetings: 1 April 2017-31 March 2018</b>	11	3	2	2
<b>Sir Patrick Brown</b>	11	N/A	2	2
<b>Frances Morris-Jones</b>	11	3	2	2
<b>Mary Hardy</b>	11	3	2	2
<b>Robert Armour</b>	11	3	2	2
<b>Andy Samuel</b>	11	3	2	2
<b>Nic Granger</b>	11	3	N/A	N/A
<b>Rebecca Vallance*</b>	9 (11)	3	N/A	1 (2)
<b>Emily Bourne**</b>	N/A	N/A	N/A	N/A

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

\* A delegate represented Rebecca Vallance at the audit and risk committee  
Emily Bourne attended the March 2018 remuneration committee, as a guest

\*\* Emily Bourne was formally appointed as a director after the March board meeting.  
She attended the February and March board meetings (when Rebecca Vallance was absent), as a guest.

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## Implementation of staff policies

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The OGA periodically reviews its code of conduct, which sets out the obligations and responsibilities of staff and board members, including under statute. The OGA reviewed its data protection policy and implemented a revised policy prior to the General Data Protection Regulation becoming effective.

## Quality assurance of analytical models

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During the reporting period, the OGA took significant steps to develop its analytical modelling capacity and capability. The OGA continues to develop and implement a quality assurance framework, 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

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In March 2018, following an annual review of staff and board member financial interests, the OGA identified no new material conflicts.

## Fraud and whistleblowing

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During 2017-18 the OGA appointed an Information Security Manager who monitors cyber security threats to the organisation, including to its financial approvals processes. Staff have been reminded of the threat of 'phishing' attacks and the procedure to follow in the event of an attack. No fraudulent activity resulted from any phishing attempt.

The Information Security Manager provides regular reports to the OGA's Security Advisory Board and the Audit and Risk Committee.

Management has not detected any attempt by staff to commit fraudulent activity.

During the period, one member of staff raised a concern under the raising concerns at work (whistleblowing) policy.

## Data protection

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The OGA has appointed a Data Protection Officer.

No personal data incidents were reported to the Information Commissioner's Office (ICO) during 2017-18.

## Risk management

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Directors reviewed the strategic and operational risks facing the company on a quarterly basis. 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 the audit and risk committee, and at least annually by the full board.

The Chief Executive and the leadership team continue to embed a strong culture of risk awareness and risk management in the organisation. The principal risks identified by the OGA are detailed on page 12.

Signed for and on behalf of the board



**Dr Andy Samuel**  
Accounting Officer  
16 July 2018

## 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 change and internal audit work had focused heavily on this, as well as operational areas and key elements of the OGA Corporate Plan 2016-21 and Activity Plan 2017 and 2018. Proportionate controls over these have been effective overall. No recommendations from internal audit reviews were classed as high priority, and 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 project management within the OGA.

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# Remuneration and staff report

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## Remuneration policy

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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

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The OGA has in place, under the governance of the Remuneration Committee, a policy and procedure for managing the performance of all staff. This process is centred around driving performance across the organisation, and rewarding delivery against clearly articulated goals.

Staff performance is reviewed during the year and a final assessment of 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

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OGA recruitment is underpinned by our values, and appointments are made on this basis of those 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.

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 Board members were:

Member	Salary (actual and full year/ time equivalent) (£'000)		Bonus Payment (full year)* (£'000)		Pension Benefits (actual and full year/ time equivalent) (to £1,000)		Total (£'000)		Accrued pension at pension age at 31/03/2018 (£'000)	Real increase in pension and related lump sum at pension age to 31/03/2018 (£'000)	CETV at 31/03/2018 (£'000)	CETV at 31/03/2017 (£'000)	Real increase in CETV (£'000)
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17					
Dr Andy Samuel	280-285	280-285	45-50	60-65	-	-	330-335	335-340	-	-	-	-	-
Nicola Granger	125-130	70-75 (FYE 125-130)	0-5	-	50	20	175-180	70-75 (FYE 125-130)	0-5	2.5 - 5	32	9	13
Phillip Lloyd**	-	150-160 (FYE 265-270)	-	-	-	-	-	150-160 (FYE 265-270)	-	-	-	-	-
John Ogden	-	15-20 (FYE 80-85)	-	-	-	6	-	20-25	-	-	-	-	-

\* 2017-18 bonus to be paid in 2018 subject to remuneration committee approval.

\*\* Phillip Lloyd left on 02 December 2016

Fees paid to non-executive members of the Board during the year:

Non-executive members	Expiry date of current contract	Fees 2017-18 (£)	Fees 2016-17 (£)
<b>Sir Patrick Brown</b> Non-executive director and Chair of board of directors (up to 15 March 2018)	15 March 2018	76,600	100,000
<b>Mary Hardy</b> Independent non-executive director and Chairman of audit and risk committee	01 October 2019	25,100	25,000
<b>Frances Morris-Jones</b> Independent non-executive director and senior independent director	19 October 2018	20,100	20,000
<b>Robert Armour</b> Independent non-executive director	30 September 2020	20,100	20,000

No benefits in kind were paid to non-executive directors in 2017-18. Benefits in kind in 2016-17 were incorrectly stated

The above relates only to board members, non-executive 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 in the OGA in the financial year 2017-18 was £325,000 to £335,000 (2016-17, £335,000-£345,000). This was 5.1 times (2016-17, 6.1 times) the median remuneration of the workforce, which was £65,626 (2016-17, £56,368). The change is due to the timing of the highest paid director's bonus in the prior year and the direct employment of a number of senior roles previously filled by interim contractors. In 2017-18, no (2016-17, nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £23,000 to £332,000 (2016-17 £20,000 to £342,500). 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 (audited)

No senior management or non-executive board members were in receipt of benefits in kind for the financial year 2017-18.

No senior managers have received compensation for loss of office in the financial year 2017-18.

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	9,551	1,521	11,072
Social security costs	1,188	–	1,188
Pension costs	1,796	–	1,796
<b>Sub total</b>	<b>12,535</b>	<b>1,521</b>	<b>14,056</b>
Other staff costs	–	–	–
Less recoveries in respect of outward secondments	–	–	–
<b>Total</b>	<b>12,535</b>	<b>1,521</b>	<b>14,056</b>

\* Other staff costs include contractor costs for the financial year ending 31 March 2018

## Average number of people employed

	Number
Permanent staff	139.5
Others	8.5
<b>Total</b>	<b>148.0</b>

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### **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.

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### **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](http://www.civilservicepensionscheme.org.uk)



## Diversity report

The OGA is committed to promoting equality and values diversity. The table below shows the current available data, as recorded from staff declarations. The OGA encourages staff to complete all categories.

%	Males	Females
Gender	58	42

%	Full Time	Part Time
Working Pattern	95	5

%	Not Disabled	Declared Disabled	Not disclosed	Prefer Not to Say
Disability	59	1.5	38	1.5

%	White	Non-White	Not disclosed	Prefer Not to Say
Ethnicity	41	4	55	0

%	Below 20	21-30	31-40	41-50	51-60	61 and over
Age	1	11	28	27	25	8

%	Heterosexual/ Straight	Gay Man	Gay Woman/ lesbian	Bisexual	Not disclosed	Prefer Not to Say
Sexual Orientation	56	2	1	0	36	5

%	No Religion	Buddhist	Christian	Hindu	Muslim	Sikh	Other	Not disclosed	Prefer Not to Say
Religion and Belief	24	0	32	2	2	0	2	34	4

### Sickness Absence data

The OGA is committed to supporting the physical and mental health of its people. There is a comprehensive attendance management policy in place. We also have an occupational health provision and employee assistance provider in place. The average number of days lost due to sickness absence was 2.5 days for 2017-18.

## Consultancy and temporary staff

Spend on consultancy and temporary staff:

	£'000
Consultancy	114
Temporary staff	1,521
<b>Total</b>	<b>1,635</b>

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 2017-18 we undertook a risk-based, in-depth review of tax assurance for all contractors as required under the IR35 legislation.

## Off-payroll engagements

Off-payroll engagements (for more than £220 per day and lasting for longer than six months) as at 31 March 2018 were:

<b>Total existing engagements</b>	<b>2</b>
Engagements of less than one year duration	1
Engagements of one to two years duration	1
Engagements of two to three years duration	–
Engagements of three to four years duration	–
Engagements of four or more years duration	–

Off-payroll engagements or those of up to six months in duration between 1 April 2017 and 31 March 2018 (for more than £220 per day and that last for longer than six months) were:

New engagements at more than £220 per day lasting longer than six months, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	11
Those which include contractual clauses in the relevant CCS Framework which give the Shareholder the right to request assurance in relation to income tax and National Insurance obligations	11
Those for whom assurance has been requested	11
Those for whom assurance has been received to date	11
Those for whom assurance has not been received (response pending)	–
Those which have been terminated as a result of assurance not having been provided	–

There were no off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2017 and 31 March 2018.

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 2018.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< 10,000	-	-	-
£10,001 – £25,000	-	1	1
£25,001 – £50,000	-	2	2
£50,001 – £100,000	-	-	-
£100,001 – £150,000	-	-	-
£150,001 – £200,000	-	-	-
<b>Total number of exit packages</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>Total cost (£000)</b>	<b>-</b>	<b>100-105</b>	<b>100-105</b>

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 for and on behalf of the board



**Dr Andy Samuel**  
Accounting Officer  
16 July 2018

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# Accounting Officer statement

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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 2017-18, 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.*

*Renewed all statutory and other appropriate insurance cover.*

*Introduced a new IT system and the Windows365 operating system.*

*Appointed a Data Protection Officer.*

*Worked closely with the Government Internal Audit Agency on the 2017-18 audit and the 2018-19 audit plan.*


*Worked collaboratively with the National Audit Office on the 2017-18 audit.*

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  
16 July 2018

# Future developments

Priorities for 2018 and 2019

The OGA will continue to regulate, influence and promote the UK oil and gas industry in a way that seeks to create the right conditions for operators, service companies and investors to maximise economic recovery from the UKCS.

It will maintain a strong focus on prioritised stewardship and set clear expectations of industry, to sustain the production improvements seen in 2017 and 2018.

The OGA will support the good collaborative work of the MER UK Steering Group on culture change and Vision 2035 opportunities.

It will use its powers in a proportionate and appropriate way.

# Company

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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 Oil and Gas Authority for the year ended 31 March 2018 which 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 company's affairs as at 31 March 2018 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 expenditure and income 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 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 Oil and Gas Authority 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 that has been applied is the Framework Document between the Secretary of State and the Company; relevant authorising legislation including the Infrastructure Act 2015 and the Energy Act 2016; and 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 consider the following areas of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls on the grounds that my work has not identified any matters to report. The areas of focus were discussed with the Audit and Risk Committee.

## Key audit matter

### Implementation of a new accounting system

I did not consider the implementation of a new accounting system to present a significant risk of material misstatement to the financial statements. I conducted enhanced risk assessment procedures to support this judgment. The potential risks arising from a new system implementation could have a pervasive impact on the audit as it affects all areas of the financial statements.

The Oil and Gas Authority implemented a new accounting system as of 1 April 2017. Any transition from an old system to a new one carries with it inherent risks to the audit, including the risk of failures during transition leading to data loss, creating issues around opening balances and historic balances being brought forward, and that the new system will create an issue upon transition in terms of its functionality and usability. The implementation of a new system does not impact on a specific area of the financial statements, but rather on the overall integrity of all the underlying data used to prepare the financial statements.

In managing the implementation risks, the Oil and Gas Authority ensured that the new system was available for use by finance in time for the start of the financial year, with all testing concluding by the 18th of April. As a result, they were able to run parallel accounting systems ensuring that the final information for the year would be complete and accurate without any transitional arrangements. The final testing was completed with no major issues arising. The new software is an established accounting package with limited customization which adds to the reliability of the system and ensures that the implementation risks were minimised.



#### How the scope of my audit responded to the risk

Given the nature of the financial statements, my approach to gaining assurance was largely substantive and was not reliant on general IT controls. However, I performed enhanced risk assessment procedures to confirm that there was not a significant risk of misstatement in the financial statements arising from the new system implementation. I have documented my understanding of the new system and associated controls. In addition, I have completed testing of the current logical access and change management processes, noting the way new users are added to the system, and how the system access is monitored, as well as what access controls are in place.

I ensured the integrity of the data in the new system by:

- reconciling the closing balances from the 31 March 2017 audit to the opening balances in the new system, to ensure that the balances were correctly brought forward; and
- I have reconciled the full general ledger to the closing trial balance and performed substantive testing of transactions include within the general ledger.

#### Key observations

I am satisfied that my testing confirmed that there is not a significant risk of misstatement arising from the new systems implementation.

#### 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 £475,000, 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 reported 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 £10,000, 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.
- 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 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 applicable law and International Standards on Auditing (ISAs) (UK).

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's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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's ability to continue as a going concern. 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.
- 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.

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. It was designed to address the key risks and took account of materiality as set out above. I have obtained assurance primarily through a substantive testing approach to income, staff costs and invoiced expenditure.

## Other Information

Directors are responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Remuneration and Staff 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 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 Remuneration and Staff 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 group and 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.

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;
- the financial statements and the part of the Remuneration and Staff 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;
- 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.

Conclusions relating to principal risks, going concern and audit statement

Under International Standards on Auditing (UK), I am required to report to you if I have anything material to add, or to draw attention to, in relation to the directors' disclosures in the annual report and financial statements:

- confirming that they have carried out a robust assessment of principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- describing those risks and explaining how they are being managed or mitigated;
- on whether they considered it appropriate to adopt the going concern basis, and their identification of any material uncertainties to the entity's ability to continue over a period of at least twelve months from the date of approval of the financial statements; and
- explaining 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.

I have nothing material to add, or to draw attention to, on these matters.

**Sir Amyas C E Morse**

Comptroller and Auditor General  
18 July 2018

National Audit Office  
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London  
SW1W 9SP

Statement of Comprehensive Income  
for the year ended 31 March 2018

		31 March 2018	31 March 2017
	Note	£'000	£'000
<b>Income</b>			
Income from sale of goods and services	3	1,738	785
Other income	3	22,008	23,607
<b>Total operating income</b>		<b>23,746</b>	<b>24,392</b>
<b>Expenditure</b>			
Staff costs	4	(14,056)	(7,070)
Seismic costs	1	—	(10,199)
Other operating costs	5, 2	(8,805)	(6,945)
Depreciation and amortisation charges	6, 3	(835)	(202)
Loss on disposal of fixed assets	7, 4	(17)	—
Provision expense	5, 3	(33)	24
<b>Total operating expenditure</b>		<b>(23,746)</b>	<b>(24,392)</b>
<b>Total net income</b>		<b>—</b>	<b>—</b>
Other comprehensive income for the year		—	—
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>—</b>

These financial statements reflect the year from 1 April 2017 to 31 March 2018. The prior year figures reflect the year 1 April 2016 to 31 March 2017 and include the six months from 1 April to 30 September 2016 in which the company was not operating. Further detail on the accounting period is included in note 1.

The notes on pages 50-74 form part of these financial statements.

# Statement of Financial Position as at 31 March 2018

		31 March 2018	31 March 2017
	Note	£ 000	£ 000
<b>Non-current assets</b>			
Property, plant and equipment	7	2,049	2,340
Intangible assets	8	554	640
<b>Total non-current assets</b>		<b>2,603</b>	<b>2,980</b>
<b>Current assets</b>			
Cash and cash equivalents	9	1,890	–
Trade and other receivables	10	2,308	7,145
<b>Total current assets</b>		<b>4,198</b>	<b>7,145</b>
<b>Total assets</b>		<b>6,801</b>	<b>10,125</b>
<b>Current liabilities</b>			
Trade and other payables	11	(4,753)	(9,438)
<b>Total current liabilities</b>		<b>(4,753)</b>	<b>(9,438)</b>
<b>Total assets less current liabilities</b>		<b>2,048</b>	<b>687</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	(1,965)	(637)
Provisions	12	(83)	(50)
<b>Total non-current liabilities</b>		<b>(2,048)</b>	<b>(687)</b>
<b>Total liabilities</b>		<b>(6,801)</b>	<b>(10,125)</b>
<b>Net assets</b>		<b>–</b>	<b>–</b>
<b>Shareholders' equity and other reserves</b>			
Share capital	13	–	–
Retained earnings		–	–
<b>Total equity</b>		<b>–</b>	<b>–</b>

The notes on pages 50-74 form part of these financial statements

The financial statements were approved by the Board of Directors on 9 July 2018 and signed on its behalf on 16 July 2018 by



**Dr Andy Samuel**

Director

Company registered number: 09666504

Statement of Cash Flows  
for the year ended 31 March 2018

		31 March 2018	31 March 2017
	Note	£ 000	£ 000
<b>Cash flows from operating activities</b>			
Comprehensive income for the year		–	–
Adjustments to reconcile comprehensive income to net cash flows:			
Depreciation of property, plant and equipment	5.3	627	155
Amortisation of intangible assets	5.3	208	47
Loss on disposal of fixed assets	5.4	17	–
Working capital adjustments:			
Decrease/(increase) in trade and other receivables	10	4,837	(7,145)
Movements in receivables relating to items not passing through the Statement of Comprehensive Income		–	21,154
(Decrease)/increase in trade and other payables excluding capital funding from government grant: current year	11	(3,857)	10,075
Movements in payables relating to items not passing through the Statement of Comprehensive Income		–	(23,957)
Use of provisions	12	33	(24)
<b>Net cash inflow from operating activities</b>		<b>1,865</b>	<b>305</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(375)	(157)
Purchase of intangible assets	8	(122)	(148)
Proceeds from the sale of IT equipment assets		22	–
<b>Net cash outflow from investing activities</b>		<b>(475)</b>	<b>(305)</b>
<b>Cash flows from financing activities</b>			
Capital funding from BEIS: current year	11	500	–
<b>Net financing</b>		<b>500</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>1,890</b>	<b>–</b>
<b>Cash and cash equivalents at the beginning of the year</b>	9	<b>–</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the year</b>	9	<b>1,890</b>	<b>–</b>

The notes on pages 50-74 form part of these financial statements.

Statement of Changes in Equity  
for the year ended 31 March 2018

	Share capital	Retained earnings	Total equity
	£ 000	£ 000	£ 000
<b>As at 1 April 2016</b>			
Share capital issued	—	—	—
Total comprehensive income for the period	—	—	—
<b>Balance as at 31 March 2017</b>	<b>—</b>	<b>—</b>	<b>—</b>
Total comprehensive income for the year	—	—	—
<b>Balance as at 31 March 2018</b>	<b>—</b>	<b>—</b>	<b>—</b>

The notes on pages 50-74 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 United Kingdom (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 comparative information included in these financial statements includes six months from 1 April to 30 September 2016 in which the company was not operating. The year covered in these financial statements is 1 April 2017 to 31 March 2018.

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.

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## 2. Accounting policies

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### 2.1 Basis of preparation

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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 Prior year comparatives

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*The prior year comparatives include the opening balances transferred to the company as at 1 October 2016 from the OGA executive agency. The comparatives include six months where the company was not operating from 1 April to 30 September 2016 and six months of operations from 1 October 2016 to 31 March 2017.*

The annual report and accounts of the OGA executive agency and company's prior year activities can be found at <https://www.ogauthority.co.uk/news-publications/publications/2017/oga-annual-report-and-accounts-2016-17/>

### 2.3 New or amended accounting standards and interpretations

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The OGA has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the year ended 31 March 2018 to determine the impact on the company's financial statements. There are no new standards, amendments or interpretations of standards that have had a material impact on the company's financial statements.

### 2.4 New or amended accounting standards and interpretations not yet adopted

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A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018, and accordingly have not been applied in preparing these financial statements. These standards include: IFRS9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases. The company has not sought early adoption of any standards or amendments, none of these standards are expected to have a significant effect on the financial statements of the company.

IFRS 9 Financial Instruments, which will replace 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. According to the International Accounting Standards Board (IASB), application of this standard is required for reporting periods beginning on or after 1 January 2018, though earlier application is permitted under IFRS.

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 new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018, though earlier application is permitted under IFRS.

IFRS 16 Leases was issued in January 2016 and will be effective for annual periods beginning on or after 1 January 2019, though earlier application is permitted under IFRS. It establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. As the OGA currently occupies administrative properties under operating leases, this is likely to have an effect on the Statement of Financial Position, and a limited effect on the recognition of expenditure. In line with managing public money, the levy will collect the amounts released to the Statement of Comprehensive Income.

## 2.5 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.

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 2018 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 14.

## 2.6 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) Regulations 2017 were laid in Parliament to set the levy charges rate for the year from 1 April 2017 to 31 March 2018. 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) Seismic**

In the 2016-17 financial year, the OGA received £20 million of funding for seismic acquisition on the UK continental shelf. This funding was provided by HM Treasury to the OGA as seismic expenditure was incurred and funding receipts were credited to the Statement of Comprehensive Income. The OGA did not receive funding of this nature during the 2017-18 financial year.

### **(iv) 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. Capital costs incurred by the OGA are not recoverable through the levy or other income, and are funded through the capital loan from BEIS.

## **2.7 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.

## **2.8 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.

## 2.9 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.

## 2.10 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 equipment	4 to 5 years

### Amortisation

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

## 2.11 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.

## 2.12 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 10 and 11. 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 initially at fair value and a provision is created for impairment when there is evidence that the company will be unable to collect the amount due in accordance with the agreed terms. Trade and other payables are recognised initially at fair value net of transaction costs.

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.

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## 2.13 Cash and cash equivalents

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Cash and cash equivalents comprise cash held in the bank.

## 2.14 Receivables

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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. There were some cash transactions settled by BEIS on behalf of the OGA in the first few months of the year and the company has recorded these in the financial statements through other receivables and/or payables. These transactions have been included in the financial statements at 31 March 2018.

## 2.15 Leases

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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 2018, 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.

## 2.16 Employee benefits

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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.

## 2.17 Pensions

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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.

## 2.18 Corporation tax

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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.

## 2.19 Value Added Tax (VAT)

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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.

## **2.20 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.

## **2.21 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, no trade receivables impairment provision has been raised against outstanding funds, as these are considered to be fully recoverable.

## **2.22 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.

### **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 2017-18 the OGA received income from fees and charges; a levy on industry; and a grant from BEIS to assist with the company's activities. The tables below detail the breakdown of income received for the year to 31 March 2018 (prior year consists of the six month period from 1 October 2016 to 31 March 2017), as well as the expenditure funded by the levy on industry.

	2017-18	2016-17
	£ 000	£ 000
<b>a) Income</b>		
Income from fees and charges	1,738	785
Income from the industry levy	19,503	12,971
Income from seismic grant	—	10,307
Income from other government grant	2,500	315
Other	5	14
<b>Total income</b>	<b>23,746</b>	<b>24,392</b>
<b>b) Reconciliation of levy collected and levy income recognised</b>		
Industry levy collected	20,331	10,663
Income from the industry levy (matched by expenditure funded by the industry levy)	(19,503)	(12,971)
<b>Underspent levy refundable to industry</b>	<b>828</b>	<b>(2,308)*</b>

\* Note: the total underspent levy refundable to industry for the 2016-17 year was £78,000. This is the net of a £2,308,000 refund shown in table b) above from the last six months of the 2016-17 financial year (when the OGA started operating as a company); and a £2,386,000 under recovery from the first six months of the 2016-17 financial year (when the OGA operated as an executive agency).



## 4. Staff costs

### Staff costs comprise:

	2017-18			2016-17
	Permanently employed staff	All other staff	Total	Total
	£ 000	£ 000	£ 000	£ 000
Wages and salaries	9,551	1,521	11,072	5,823
Social security costs	1,188	–	1,188	528
Other pension costs	1,796	–	1,796	814
<b>Sub total</b>	<b>12,535</b>	<b>1,521</b>	<b>14,056</b>	<b>7,165</b>
Less recoveries in respect of outward secondments	–	–	–	(95)
<b>Total net costs</b>	<b>12,535</b>	<b>1,521</b>	<b>14,056</b>	<b>7,070</b>

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

	2017-18 FTE	2016-17 FTE
Permanent staff	139	67
BEIS secondees	–	1
Agency and contracted staff	11	11
<b>Total</b>	<b>150</b>	<b>79*</b>

\* The average of 79 FTEs (full time equivalent) does not include the first six months of the financial year when the company was not operating. For comparative purposes, the OGA company and executive agency's combined average FTE in the 2016-17 year was 153.

The FTE staff employed by the company on 31 March 2018 (prior year at 31 March 2017) were:

	2018 FTE	2017 FTE
Permanent staff	143	135
Agency and contracted staff	3	25
<b>Total</b>	<b>146</b>	<b>160</b>

The remuneration of directors and the disclosure of the highest paid director are included in the Remuneration Report

#### 4.1 Reporting of exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	–	–	–
£10,000 - £25,000	–	1	1
£25,000 - £50,000	–	2	2
£50,000 - £100,000	–	–	–
£100,000 - £150,000	–	–	–
£100,000 - £150,000	–	–	–
£150,000 - £200,000	–	–	–
<b>Total number of exit packages</b>	<b>–</b>	<b>3</b>	<b>3</b>
<b>Total cost £'000</b>	<b>–</b>	<b>103</b>	<b>103</b>

## 5. Other expenditure

		2017-18	2016-17
	SoCI Reference	£ 000	£ 000
Seismic	5.1	–	10,199*
Legal, professional and consultancy		4,114	3,203
IT outsourcing		1,384	1,849
Accommodation		1,117	600
Travel and subsistence		398	497
IT expenditure		351	129
Training		232	185
Personnel related		218	75
Office services		175	66
Subscriptions		160	33
Auditors' remuneration and expenses – National Audit Office		37	35
Other		619	273
	5.2	<b>8,805</b>	<b>6,945</b>
<b>Non-cash items</b>			
Depreciation		627	155
Amortisation		208	47
	5.3	<b>835</b>	<b>202</b>
<b>Loss on disposal of fixed assets</b>			
Loss on disposal of fixed assets		17	–
	5.4	<b>17</b>	<b>–</b>
<b>Provision expense</b>			
Provision provided in year		30	15
Provision write back		–	(40)
Unwinding of discount		3	1
	5.5	<b>33</b>	<b>(24)</b>
<b>Total</b>		<b>9,690</b>	<b>17,322</b>

\* The seismic costs relate to seismic exploration in respect of the grant funding received from HM Treasury. Total seismic costs for the period 1 October 2016 to 31 March 2017 were £10,307k which includes £10,199k in other expenditure and £108k in staff costs – all other staff.

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

Accommodation costs include operating lease rental expenses of £793k for the year to 31 March 2018 (£292k for the six month period to 31 March 2017)

## 6. Income and expenditure comparison to 31 March

	Company	Agency	Company	Agency and Company
	2017-18	Period 1 April 2016 to 30 September 2016	Period 1 October 2016 to 31 March 2017	2016-17 Full Year
	£ 000	£ 000	£ 000	£ 000
<b>Income</b>				
Industry levy	19,503	8,283	12,971	21,254
Fees and charges	1,738	589	785	1,374
Seismic grant	–	9,570	10,307	19,877
Government grant	2,500	1,228	315	1,543
Other	5	–	14	14
	<b>23,746</b>	<b>19,670</b>	<b>24,392</b>	<b>44,062</b>
<b>Expenditure</b>				
Staff costs	(14,056)	(6,287)	(7,070)	(13,357)
Seismic	–	(9,404)	(10,199)	(19,603)
Legal, professional and consultancy	(4,114)	(1,638)	(3,203)	(4,841)
Accommodation	(1,117)	(577)	(600)	(1,177)
IT outsourcing	(1,384)	(850)	(1,849)	(2,699)
Personnel related	(218)	(35)	(75)	(110)
Travel and subsistence	(398)	(226)	(497)	(723)
Office services	(175)	(52)	(66)	(118)
Training	(232)	(90)	(185)	(275)
Subscriptions	(160)	(49)	(33)	(82)
IT expenditure	(351)	(95)	(129)	(224)
Auditors' remuneration and expenses				
– National Audit Office	(37)	(28)	(35)	(63)
Other	(619)	(44)	(273)	(317)
Depreciation	(627)	(144)	(155)	(299)
Amortisation	(208)	(37)	(47)	(84)
Loss on disposal of fixed assets	(17)	–	–	–
Notional overheads	–	(115)	–	(115)
Provision expense	(33)	1	24	25
	<b>(23,746)</b>	<b>(19,670)</b>	<b>(24,392)</b>	<b>(44,062)</b>
<b>Net comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## 7. Property, plant and equipment

	IT equipment	Furniture and fittings	Assets under construction	2017-18 Total
	£ 000	£ 000	£ 000	£ 000
<b>Cost or valuation</b>				
At 1 April 2017	766	1,304	781	2,851
Additions	375	–	–	375
Reclassifications	781	–	(781)	–
Disposals	(285)	–	–	(285)
<b>At 31 March 2018</b>	<b>1,637</b>	<b>1,304</b>	<b>–</b>	<b>2,941</b>
<b>Depreciation</b>				
At 1 April 2017	322	189	–	511
Charged in year	488	139	–	627
Disposals	(246)	–	–	(246)
<b>At 31 March 2018</b>	<b>564</b>	<b>328</b>	<b>–</b>	<b>892</b>
<b>Net book value at 31 March 2018</b>	<b>1,073</b>	<b>976</b>	<b>–</b>	<b>2,049</b>
<b>Asset financing</b>				
Owned	1,073	976	–	2,049
<b>Net book value at 31 March 2018</b>	<b>1,073</b>	<b>976</b>	<b>–</b>	<b>2,049</b>

	IT equipment	Furniture and fittings	Assets under construction	2016-17 Total
	£ 000	£ 000	£ 000	£ 000
<b>Cost or valuation</b>				
Balance transferred in 1 October 2016	610	1,304	–	1,914
Transfer from BEIS	32	–	–	32
Additions	124	–	781	905
<b>At 31 March 2017</b>	<b>766</b>	<b>1,304</b>	<b>781</b>	<b>2,851</b>
<b>Depreciation</b>				
Balance transferred in 1 October 2016	214	119	–	333
Transfers from BEIS	23	–	–	23
Charged in year	85	70	–	155
<b>At 31 March 2017</b>	<b>322</b>	<b>189</b>	<b>–</b>	<b>511</b>
<b>Net book value at 31 March 2017</b>	<b>444</b>	<b>1,115</b>	<b>781</b>	<b>2,340</b>
<b>Asset financing</b>				
Owned	444	1,115	781	2,340
<b>Net book value at 31 March 2017</b>	<b>444</b>	<b>1,115</b>	<b>781</b>	<b>2,340</b>

The OGA's laptops, installation software, servers and firewalls came in to use in September 2017 when the OGA's new IT system went live.

The IT equipment disposals relate to laptops sold to BEIS when the OGA's new IT system went live in September 2017 and monitors which are no longer in use.

## 8. Intangible fixed assets

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

The OGA's finance and human resources systems went live on 1 April 2017 and software to improve the functionality of interactive maps on the OGA's website went live on 1 June 2017.

Software licences at 31 March 2018 include the following: (i) Desktop software with a net book value of £22k and a remaining useful life of 7 months; (ii) SAP licences for business objects with a net book value of £24k and a remaining useful life of 8 months; (iii) Spatial ETL software with a net book value of £36k and a remaining useful life of 26 months, and (iv) Energy portal enhancements with a combined net book value of £83k and an average remaining useful life of 29 months.

The £6k assets under construction consists of an information technology project which will not be completed until the 2018-19 year.

	Software licences	Website	Assets under construction	2016-17 Total
	£ 000	£'000	£ 000	£ 000
<b>Cost</b>				
Balance transferred in 1 October 2016	225	–	248	473
Additions	–	–	280	280
Reclassifications	–	104	(104)	–
<b>As at 31 March 2017</b>	<b>225</b>	<b>104</b>	<b>424</b>	<b>753</b>
<b>Amortisation</b>				
Balance transferred in 1 October 2016	66	–	–	66
Charged in year	37	10	–	47
<b>As at 31 March 2017</b>	<b>103</b>	<b>10</b>	<b>–</b>	<b>113</b>
<b>Net book value as at 31 March 2017</b>	<b>122</b>	<b>94</b>	<b>424</b>	<b>640</b>
<b>Asset financing</b>				
Owned	122	94	424	640
<b>Net book value as at 31 March 2017</b>	<b>122</b>	<b>94</b>	<b>424</b>	<b>640</b>



## 9. Cash and cash equivalents

	2017-18	2016-17
	£ 000	£ 000
Balance at 1 April	—	—
Net change in cash and cash equivalent balances	1,890	—
<b>Balance at 31 March</b>	<b>1,890</b>	<b>—</b>

### The following balances were held at:

Government Banking Service	1,890	—
<b>Balance at 31 March</b>	<b>1,890</b>	<b>—*</b>

\* The OGA did not operate its own bank account for the year to 31 March 2017 and the company's cash transactions passed through the BEIS bank account

## 10. Trade and other receivables

	2017-18	2016-17
	£ 000	£ 000
<b>Amounts falling due within one year</b>		
Trade receivables	233	14
Other Receivables	141	13
Prepayments	691	855
Accrued income	15	90
BEIS receivable	1,228	6,173*
<b>Total trade and other receivables at 31 March</b>	<b>2,308</b>	<b>7,145</b>

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

\* The OGA did not operate its own bank account for the year to 31 March 2017 and the company's cash transactions passed through the BEIS bank account. As a result the OGA was owed £6,173k from BEIS at 31 March 2017. At 31 March 2018, the BEIS receivable of £1,228k primarily consists of invoiced energy portal recharges to BEIS that have not yet been received.

## 11. Trade and other payables

		2017-18	2016-17
	Note	£ 000	£ 000
<b>Amounts falling due within one year</b>			
Trade payables		347	1,644
Other payables		132	85
17-18 Levy underspend – refundable to industry	3	828	–
16-17 Levy underspend – refundable to industry		78	78*
15-16 Levy underspend – refundable to industry		2	300*
VAT payable		60	–
Taxation and social security		557	484
Accruals		1,166	5,390
Deferred income		135	–**
BEIS payable****		949	–
BEIS capital loan***		499	22**
<b>Total current payables at 31 March</b>		<b>4,753</b>	<b>8,003</b>
<b>Amounts falling due after more than one year</b>			
Other payables		529	637
BEIS capital loan****		1,436	1,435**
<b>Total non-current payables at 31 March</b>		<b>1,965</b>	<b>2,072</b>
<b>Total trade and other payables at 31 March</b>		<b>6,718</b>	<b>10,075</b>

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

\* £2k of the 2015-16 levy underspend and £78k of the 2016-17 levy underspend is still due to levy payers at 31 March 2018. The OGA are actively liaising with levy payers to ensure this is paid.

\*\* Deferred income of £1,457k in the 2016-17 year has been reclassified as a BEIS capital loan in the current year. This loan has been split between current and non-current payables in the 2016-17 comparatives for consistency with the current year.

\*\*\* At 31 March 2018, the BEIS payable of £949k consists of IT and insurance recharges that BEIS have not yet invoiced to the OGA.

\*\*\*\* The BEIS capital loan includes current year funding of £500k to purchase assets.

## 12. Provisions

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

### Analysis of expected timing of discounted flows:

Later than five years	83	83
	<b>83</b>	<b>83</b>

	Dilapidations	2016-17 Total
	£ 000	£ 000
Balance transferred in 1 October 2016	74	74
Provided in the year	15	15
Provisions not required written back	(40)	(40)
Unwinding of discount	1	1
<b>At 31 March 2017</b>	<b>50</b>	<b>50</b>

### Analysis of expected timing of discounted flows:

Later than five years	50	50
	<b>50</b>	<b>50</b>

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

### 13. Share capital

	Number
<b>Authorised shares</b>	
1 Ordinary share of £1 each	1
<b>Ordinary share capital issued £1 each and fully paid</b>	
As at 1 April 2016	1
Share capital issued during the year	-
<b>At 31 March 2017</b>	<b>1</b>
Share capital issued during the year	-
<b>At 31 March 2018</b>	<b>1</b>

## 14. 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.

### 14.1 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.

	2017-18	2016-17
	£ 000	£ 000
<b>Ageing of financial assets</b>		
Neither past due nor impaired	242	15
Past due 1-30 days	78	8
Past due 30-60 days	27	1
Past due 61-90 days	3	1
Past due > 90 days	24	2
<b>At 31 March</b>	<b>374</b>	<b>27</b>

#### 14.1.1 Impairment of financial assets

The company assesses at each year end whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the year end date, and that loss event or events has had an impact on the estimated future cash flows of the financial asset. 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.

## 14.2 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 15, 16, and 17, can be met under the short and long term funding structure currently in place.

## 14.3 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.

### 14.3.1 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.

### 14.3.2 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.

### 14.3.3 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.

	2017-18	2016-17
	₹ (000)	₹ (000)
<b>Carrying amounts and fair values</b>		
Trade and other receivables	2,308	7,145
Trade and other payables	(6,718)	(10,075)
<b>Total at 31 March</b>	<b>(4,410)</b>	<b>(2,930)</b>

## 15. Commitments under operating leases

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

	2017-18	2016-17
	£'000	£'000
<b>Buildings and printers</b>		
Not later than one year	806	752
Later than one year and not later than five years	3,010	3,008
Later than five years	816	1,421
<b>Total commitments under operating leases</b>	<b>4,632</b>	<b>5,181</b>

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 2018 totalled £803k (£292k for the six month period to 31 March 2017).

## 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

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The OGA was an executive agency of BEIS until 30 September 2016. BEIS published a consolidated Annual Report and Accounts for the core department for the year to 31 March 2017. These accounts incorporate executive agencies, including the OGA executive agency, which are classified within its consolidation boundary. Any transactions that the company carries out within the BEIS consolidation boundary are considered a related party transaction. The company received grant in aid of £2.5m (2016-17: £1.5m) and a capital loan of £0.5m (2016-17: £1.5m) during the year from BEIS.

The company did not receive seismic funding (2016-17: £10.3m) during the year from HM Treasury, which would have passed to the company through BEIS. The company has a net £279k (2016-17: £6.17m), included in trade and other receivables (£1,228k) and trade and other payables (£949k), which is due from BEIS as at 31 March 2018. The company has a capital loan of £1.9m (2016-17: £1.5m) included in trade and other payables which is due to BEIS as at 31 March 2018 and will be repaid through the annual depreciation which is funded by the levy.

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

## 20. Compensation of key management personnel of the company

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Key management personnel include executive directors and their compensation is disclosed in the Remuneration Report on pages 29-36.

## 21. Events after the reporting period

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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 2018 that would have a material impact on the company's financial statements.

# Trust Statement

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Financial statements

# Accounting Officer's foreword to the Trust Statement

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## 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 then 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 2017-18.

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 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 30th Offshore Licensing Round closed for applications on 21 November 2017. The OGA offered for award 123 licences over 229 blocks or part-blocks to 61 companies on the 23 May 2018. In response to strong interest, the OGA has made available significant areas of acreage; a total of 26,659 km<sup>2</sup> has been offered for award and if the offers are taken up, the additional area under licence will be an increase of 50% on existing acreage held.

The upcoming 31st Round will focus on frontier areas of the UK Continental Shelf (UKCS).

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## Financial Review

Fees received in respect of Petroleum licences amounted to £67.9m in 2017-18 (£66.7m in 2016-17). The fees received in the current year include £1.2m of income related to 4th round licences which were extended in March 2018. The majority of licences issued as part of the 4th offshore licensing round came to the end of their original terms in March 2018 and decisions had to be made by licensees and the OGA as to which parts of the acreages within the licences would be prolonged. As a result of this process, 47 licences were extended which resulted in £1.3m of income being recognised in the financial statements for the year. 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 2017-18 year has been calculated at £1.2m (2016-17, £1.7m) and will be paid in the 2018-19 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 79-80. The auditor's notional remuneration of £8k is included within the Department of Business, Energy and Industrial Strategy's (BEIS) Accounts. There were no fees in respect of non-audit work.

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## 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.

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## 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.

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## 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  
16 July 2018

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# Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement

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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 or she 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.

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## Governance Statement

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

# 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 2018 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 2018 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.

## 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.
- 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. 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.
- 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.

**Sir Amyas C E Morse**

Comptroller and Auditor General  
18 July 2018

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 2018

		2017-18	2016-17
	Note	£ 000	£ 000
<b>Revenue</b>			
<b>Licence fees and taxes</b>			
Petroleum licences	2	67,900	66,678
<b>Total licence fees and taxes</b>		<b>67,900</b>	<b>66,678</b>
<b>Total revenue and other income</b>		<b>67,900</b>	<b>66,678</b>
<b>Expenditure</b>			
Disbursements	3	(1,236)	(1,738)
<b>Total disbursements</b>		<b>(1,236)</b>	<b>(1,738)</b>
<b>Total expenditure and disbursements</b>		<b>(1,236)</b>	<b>(1,738)</b>
<b>Net revenue for the Consolidated Fund</b>		<b>66,664</b>	<b>64,940</b>

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

The notes on pages 84-89 form part of this statement



Statement of Financial Position  
as at 31 March 2018

		31 March 2018	31 March 2017
	Note	£ 000	£ 000
<b>Current assets</b>			
Receivables and accrued fees	4	13,306	6,605
Cash and cash equivalents	5	59,578	22,525
<b>Total current assets</b>		<b>72,884</b>	<b>29,130</b>
<b>Current liabilities</b>			
Payables	6	(1,235)	(1,620)
<b>Total current liabilities</b>		<b>(1,235)</b>	<b>(1,620)</b>
<b>Net current assets</b>		<b>71,649</b>	<b>27,510</b>
<b>Total net assets</b>		<b>71,649</b>	<b>27,510</b>
Represented by:			
<b>Balance on Consolidated Fund Account</b>	7	<b>71,649</b>	<b>27,510</b>

The notes on pages 84-89 form part of this statement.



**Dr Andy Samuel**  
Chief Executive Officer  
16 July 2018

Statement of Cash Flows  
for the year ended 31 March 2018

		2017-18	2016-17
	Note	£ 000	£ 000
<b>Net cash flows from operating activities</b>		<b>59,578</b>	<b>63,994</b>
Cash paid to the Consolidated Fund	7	(22,525)	(56,646)
<b>Increase/(decrease) in cash in this year</b>		<b>37,053</b>	<b>7,348</b>

Notes to the Statement of Cash Flows

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

Net Revenue for the Consolidated Fund		66,664	64,940
(Increase)/decrease in receivables and accrued fees	4	(6,701)	2,504
(Decrease) in payables	6	(385)	(3,450)
<b>Net cash flows from operating activities</b>		<b>59,578</b>	<b>63,994</b>

**B: Analysis in changes in Net Funds**

Increase/(decrease) in cash in this year		37,053	7,348
Net Funds as at 1 April (net cash at bank)	5	22,525	15,177
<b>Net Funds as at 31 March (closing balance)</b>	<b>5</b>	<b>59,578</b>	<b>22,525</b>

The notes on pages 84-89 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. The Trust Statement 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 measured in accordance with IAS 18. 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 Receivables

Receivables are shown net of impairments in accordance with the requirements of IAS 39.

### 1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the company becomes a party to the contractual provisions of an instrument.

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## 1.6 Financial assets

**The company classifies financial assets into the following categories:**

- Loans and receivables; and
- Cash and cash equivalents.

Loans and receivables comprise petroleum licence fees where the amounts due from companies for the licence fees invoiced have not been received at the financial year end, together with accrued amounts receivable which have not been invoiced at the financial year end. The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents comprises current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

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## 1.7 Financial liabilities

**The company classifies financial liabilities into the following two categories:**

- Financial liabilities at fair value through profit or loss; and
- Other financial liabilities.

The categorisation depends on the purpose for which the financial liability is held or acquired. Management determines the categorisation of financial liabilities at initial recognition and re-evaluates this designation at each reporting date.

For the purposes of this Trust Statement the company holds financial liabilities in the other financial liabilities category.

Other financial liabilities comprise:

- Payables in the Statement of Financial Position. Payables are amounts established as due at the reporting date, but where payment is made subsequently; and
- Deferred revenue which represents petroleum licence income invoiced and received in advance that relates to a future financial year.

Since these balances are expected to be settled within twelve months of the reporting date, there is no material difference between fair value, amortised cost and historical cost.

## 2. Revenue

### *Petroleum licence income*

	2017-18	2016-17
	£ 000	£ 000
Fees receivable	67,900	66,678
<b>Total</b>	<b>67,900</b>	<b>66,678</b>

The responsibility for the collection of petroleum licences is with the company. The licence fees are net of repayments for surrendered licences. During the 2017-18 year, HM Treasury approved the waiver of £525,790 petroleum licence fees.

## 3. Expenditure and disbursements

### *Disbursements*

	2017-18	2016-17
	£ 000	£ 000
Payments to Northern Ireland Government	1,235	1,738
Bank charges	1	—
<b>Total</b>	<b>1,236</b>	<b>1,738</b>

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.

## 4. Receivables and accrued fees

	2017-18	2016-17
	£ 000	£ 000
Petroleum licence fees receivable	12,675	5,957
Accrued petroleum licences receivable	605	648
BEIS receivable	4	–
Other receivables	22	–
<b>Total</b>	<b>13,306</b>	<b>6,605</b>

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. These have been transferred to the trust bank account in April 2018.

## 5. Cash and cash equivalents

	2017-18	2016-17
	£ 000	£ 000
Balance as at 1 April	22,525	15,177
Net change in cash and cash equivalent balances	37,053	7,348
<b>Balance at 31 March</b>	<b>59,578</b>	<b>22,525</b>
The following balances at 31 March were held at:		
Government Banking Service	15,547	22,525
BEIS bank account	44,031	–
<b>Total</b>	<b>59,578</b>	<b>22,525</b>

## 6. Payables

	2017-18	2016-17
	£ 000	£ 000
Northern Ireland Government	1,235	1,620
<b>Total</b>	<b>1,235</b>	<b>1,620</b>

## 7. Balance on the Consolidated Fund Account

	2017-18	2016-17
	£ 000	£ 000
Balance on the Consolidated Fund as at 1 April	27,510	19,216
Net revenue for the Consolidated Fund	66,664	64,940
Less amounts paid to the Consolidated Fund	(22,525)	(56,646)
<b>Balance on the Consolidated Fund as at 31 March</b>	<b>71,649</b>	<b>27,510</b>

## 8. Financial instruments

### 8.1 Classification and categorisation of financial instruments

	2017-18	2016-17
	£ 000	£ 000
<b>Financial assets:</b>		
Cash and cash equivalents	59,578	22,525
Petroleum licence fees receivable	12,675	5,957
Accrued petroleum licence fees receivable	605	648
BEIS receivable	4	–
OGA receivable	22	–
<b>Total cash and receivables</b>	<b>72,884</b>	<b>29,130</b>
<b>Financial liabilities:</b>		
Northern Ireland Government payable	(1,235)	(1,620)
<b>Total other financial liabilities</b>	<b>(1,235)</b>	<b>(1,620)</b>

### 8.2 Risk exposure to financial instruments

The fees receivable under the Petroleum Licensing Scheme 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 2017-18 (2016-17: no write offs). There is no foreign exchange risk as all the fees under this scheme 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 2018 that would have a material impact on the company's 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 2018 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 2017-18.
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 7(2) 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.

**Ian Bulmer**

Deputy Director, Government Financial Reporting  
Her Majesty's Treasury  
19 December 2017



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