

Fixed Asset Audit Techniques in Oil and Gas Companies

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Introduction

Fixed assets are the largest item on the balance sheet of most oil and gas companies. Wells, offshore platforms, pipelines, processing plants, refineries, storage terminals and the equipment that keeps them running represent enormous capital investment, often spread across remote and hazardous locations and frequently shared between joint venture partners. Auditing these assets demands far more than a routine ledger check: it requires an understanding of how the industry capitalises exploration and development costs, how reserves drive depletion, how commodity prices trigger impairment, how drilling rigs and vessels are leased and how future decommissioning obligations are measured.

The Fixed Asset Audit Techniques in Oil and Gas Companies course gives internal auditors, joint venture auditors, capital project accountants and asset controllers a practical, risk-based methodology tailored to the sector. Participants learn to plan an audit around the real risks of capital-intensive operations, test controls over capital expenditure and work in progress, reconcile the asset register to the general ledger, verify the existence and condition of assets in the field and examine operator billings for shared facilities.

The course also covers the specialised accounting estimates that auditors must challenge, including unit-of-production depletion, component accounting, capital spares, turnaround costs, rig leases, impairment models and decommissioning provisions, and shows how data analytics can make testing faster and more complete. It closes with a full case study in which participants take an offshore asset portfolio from a risk map through control tests, verification planning and analytics.

Course Objectives

By the end of this course, participants will be able to:

- Assess the risks of material misstatement in oil and gas fixed assets using a structured risk assessment approach.
- Explain how oil and gas assets are recognised and measured under IAS 16 and IFRS 6, and how successful efforts and full cost methods affect the audit.
- Test capital expenditure classification, work in progress, capitalisation thresholds and cut-off for additions and transfers.
- Review drilling rig, vessel and equipment leases for correct treatment under IFRS 16.
- Reconcile the fixed asset register to the general ledger and verify assets physically using barcodes, RFID and remote imagery.
- Audit joint venture operator billings and shared facility capital allocations.
- Recalculate depletion against reserve reports and challenge impairment and decommissioning estimates, including discount rates.
- Apply data analytics to test full asset populations and recognise fraud red flags, capabilities and disposals.

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Course Outlines

Day 1: Risk Assessment and the Oil and Gas Fixed Asset Landscape

- Asset classes across the value chain: wells, platforms, pipelines, plants, refineries and terminals.
- Risk assessment for asset-intensive operations in line with ISA 315.
- Recognition and measurement under IAS 16, including the component approach for processing facilities.
- Exploration and evaluation assets under IFRS 6 and the transfer to development assets.
- Successful efforts and full cost approaches, including ASC 932 for US GAAP reporters.
- Case study: mapping the key fixed asset risks of an integrated energy company.

Day 2: Capital Expenditure, Work in Progress and Lease Accounting

- The capital project cycle: authorisation for expenditure, budgeting, procurement and commissioning.
- Reconciling construction and drilling work in progress and testing cut-off for additions and transfers.
- Capitalisation versus expense: thresholds, overheads, borrowing costs, repairs, turnarounds and major overhauls.
- Reviewing drilling rig, vessel and equipment contracts under IFRS 16.
- Walkthroughs and control testing over capital expenditure approval and recording.
- Workshop: testing a sample of capital project costs for correct capitalisation.

Day 3: Register Integrity, Physical Verification and Joint Venture Billing

- Reconciling the asset register, sub-ledgers and general ledger.
- Physical verification for offshore, remote and restricted-access sites using barcodes, RFID, drones and remote imagery.
- Capital spares, strategic inventory and the boundary between IAS 16 and IAS 2.
- Custody movements, inter-site transfers, disposals and abandonment of depleted wells.
- Auditing operator billings and shared facility capital allocations under joint operating agreements and COPAS-style accounting procedures.
- Exercise: planning a verification visit and evaluating the results.

Day 4: Depletion, Impairment and Decommissioning Estimates

- Unit-of-production depletion tested against reserve engineer reports and reserve re-estimations.
- Reviewing useful lives, residual values and component depreciation.
- Impairment indicators and cash-generating units under IAS 36.
- Decommissioning provisions under IAS 37 and changes in estimates under IFRIC 1.
- Auditing accounting estimates, price assumptions and discount rates in line with ISA 540.
- Exercise: recalculating depletion and challenging management assumptions in an impairment test.

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A graphic of a chessboard with several chess pieces (a king, a queen, a rook, and a pawn) positioned on it. The board is white and black, and the pieces are gold and silver.

Day 5: Data Analytics, Fraud Risk and Integrated Case Study

- Computer-assisted audit techniques for testing full asset populations.
- Analytics for duplicate capital postings, unusual depreciation, stale work in progress and orphan assets.
- Fraud red flags in capital projects, contractor billing and asset disposals.
- Continuous monitoring of fixed asset and capital project controls using ERP data extracts.
- Capstone: an offshore asset portfolio case, from risk map to control tests, verification planning and analytics.

Why Attend this Course: Wins & Losses!

- Gain an audit methodology designed specifically for oil and gas fixed assets and capital expenditure.
- Understand the sector-specific accounting estimates auditors must challenge.
- Strengthen controls over capital projects, work in progress and leases.
- Improve the accuracy and completeness of the fixed asset register.
- Audit joint venture billings with confidence.
- Use data analytics to test entire populations rather than small samples.
- Leave with risk maps, test programmes and analytics routines ready to use.

Conclusion

Fixed assets define the financial position and long-term value of every oil and gas company, and errors in capitalisation, depletion, leases, impairment or decommissioning can materially distort results. This BlackBird Training course equips auditors and finance professionals with the sector knowledge and practical techniques needed to test these balances with confidence.

Participants leave with a complete fixed asset audit toolkit, from risk maps and control tests to verification programmes and analytics routines, ready to apply immediately in their own organisations.

FAQ

Who should attend this course?

Internal auditors, joint venture auditors, financial compliance auditors, capital project and fixed asset accountants, asset verification specialists and finance professionals in oil and gas or energy companies.

Do I need a technical engineering background?

No. The course explains the operational context of oil and gas assets in plain terms and focuses on audit and accounting techniques.

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Which standards are covered?

IAS 16, IFRS 6, IFRS 16, IAS 36, IAS 37, IFRIC 1 and IAS 2, with reference to ASC 932, and the auditing standards ISA 315 and ISA 540.

Is the course practical?

Yes. Each day includes case studies, workshops or recalculation exercises, and the final day is a complete audit case covering risk assessment, control testing, verification and analytics.

A graphic of a chessboard with several chess pieces (a king, a queen, and a pawn) on it, set against a background of concentric circles.

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