Oil & Gas Authority

OGA Annual Report and Accounts 2019–20

(for the year ended 31 March 2020)

HC 434

Annual Report and Accounts of the Oil and Gas Authority 2019-20:

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

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Chairman's foreword

These are tumultuous times for the UK Continental Shelf (UKCS). The industry faces an unprecedented combination of challenges, with the energy transition, the COVID-19 pandemic and an exceptionally low oil price - only one of which was known when I challenged industry in January to rise to the energy transition challenge.

The Oil and Gas Authority (OGA) has rapidly reprioritised during this crisis and is committed to doing everything we can to assist the industry, the supply chain, government and the wider community at this extraordinarily difficult time.

Faced with the current headwinds, the Board sees a greater need than ever for industry to find systemic solutions to accelerate the energy transition, to retain skills and create a more sustainable and resilient supply chain.

Publication of the revised OGA Strategy in April was a very important milestone on this journey and provides the industry with a framework for developing some of the solutions necessary to tackle climate change. This is critical as without the oil and gas industry playing a major role it will not be possible for the UK to achieve net zero by 2050.

The OGA's staff have shown great resilience this year and I am enormously grateful to them for maintaining their very high standards of professionalism in such difficult circumstances.

I was delighted to welcome Iain Lanaghan and Sarah Deasley to the Board this year: Iain joined in April and Sarah will join in October. Iain and Sarah bring outstanding experience and the balance of skills we need to continue to support the UK's industry at this crucial time.

The Board reviewed and approved this Annual Report and Accounts on 18 June 2020.

I am confident that the oil and gas industry in the UKCS will, through innovation and adaptation, overcome the current challenges and will continue to contribute massively to the energy transition, economic growth and prosperity.

Tim Eggar
Chairman

Chief Executive's statement

2020 has brought difficult times, with the global pandemic heavily impacting our way of life and the economy. This, combined with the crash in commodity prices, has hit the UK oil and gas industry hard.

The OGA has remained firmly focused working with industry and government to safeguard the energy supply and infrastructure we know is needed for the foreseeable future and the thousands of jobs which deliver it.

We swiftly re-prioritised our work to focus on critical areas such as financial and operational resilience, critical operations, licence management and the supply chain; taking a flexible and pragmatic approach. Industry has responded well to the crisis, working to coordinate logistics, testing and maintenance and helping secure supply.

As we begin to emerge from the devastation of the pandemic, the recovery gives us a golden opportunity to help shape the future of significant parts of our economy. A future that must lead to net zero greenhouse gas emissions by 2050.

There's a misconception that we have a straight-out, binary choice between fossil fuels and renewables. Government forecasts suggest that gas will remain a vital part of the UK's energy mix as we move towards net zero.

In 2019, the UKCS supplied 46% of UK gas consumption. Imported Liquefied Natural Gas (LNG) supplied around 21% and the remaining 33% was imported via pipelines. However, while estimates predict that gas demand will decline slightly from the current level of 69 billion cubic metres (bcm) in 2019 to 60 bcm in 2035, UK gas production will fall at a faster rate from 35 bcm in 2019 to 16 bcm in 2035; increasing our reliance on imports.

Energy security implications aside, our analysis shows that the production of natural gas from the UKCS creates less than half as much greenhouse gas emissions as imported LNG, providing good reason to effectively manage UK production for as long as needed.

However we know that when we compare the carbon footprint of our own gas production to imported gas by pipeline, particularly from Norway, we find imported pipeline gas produces an even lower average of 18 kgCO2e/boe. There is good potential for the UKCS to further improve its operations and lower emissions further.

Society demands this now and it could be industry's last chance, given industry's 'social licence to operate' is in real danger of disappearing. Given that between 2018 and 2050 the UK must reduce annual greenhouse gas emissions from 451 MtCO2e to <30, the oil and gas industry must go further and faster to reduce its footprint.

We continue to be very focused on helping the UK achieving its net zero ambitions. We know that the oil and gas industry can, and should play a major role in helping this. In May 2020, we signalled our intention to refresh our core aim, including a requirement for industry to help the government achieve the net zero target.

This will provide a basis on which to transform the operational landscape. This means: reducing emissions; cleaner production; platform electrifications; partnering with renewables; supporting carbon capture and storage (CCUS); and helping to unlock hydrogen.

This new OGA Strategy forms one component of our broader net zero approach. Our study into energy integration outlines a range of opportunities in the UKCS which have the potential to make a very significant 30%+ contribution towards the UK's overall net zero target, both through carbon capture and storage (CCS) and through CCS plus hydrogen. Offshore renewables (wind, wave and tidal) could well contribute a further 30%+ to the abatement required in 2050.

We extended our benchmarking this year to include emissions data which enable operators to see how they're performing in areas such as flared gas volumes and CO2 emissions.

Using data to benchmark performance and prioritise our efforts helps drive improvements across the board. In 2019, industry successfully achieved our KPI target of 80% production efficiency; an impressive increase of 15 percentage points compared to 2014 and a 5% improvement on 2018.

This improvement also contributed to a 13% reduction in carbon emissions intensity over the same period. With production levels and unit operating costs remaining stable in 2019, this strong performance is hugely welcome and a vital bolster to industry's resilience.

The 'tripartite' approach of governments, industry and OGA working together proved successful during the last industry downturn; with the UKCS emerging out of it leaner, fitter and internationally competitive again. This tripartite collaboration is ever more vital, helping people get back to work and progressing a green recovery.

I look forward to continuing working closely with our board and team, industry and government to continue to maximise value from this sector and progress the opportunities of the energy transition.

Dr. Andy Samuel
Chief Executive

Strategic report

Governance and strategy

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

Board of Directors and Company Secretary

Chairman

Tim Eggar

Chief Executive

Dr Andy Samuel

Non-Executive Director

Frances Morris-Jones

Non-Executive Director

Robert Armour

Non-Executive Director

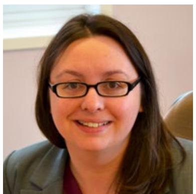
Mary Hardy

Non-Executive Director

Iain Lanaghan

Shareholder Representative Director

Emily Bourne



Chief Financial Officer

Nic Granger

Company Secretary and General Counsel

Dr Russell Richardson

Leadership Team

Chief Executive

Dr Andy Samuel

Director of Strategy

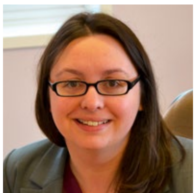
Hedvig Ljungerud

Director of Regulation

Tom Wheeler

Director of HR and Supply Chain

Stuart Payne



Chief Financial Officer

Nic Granger

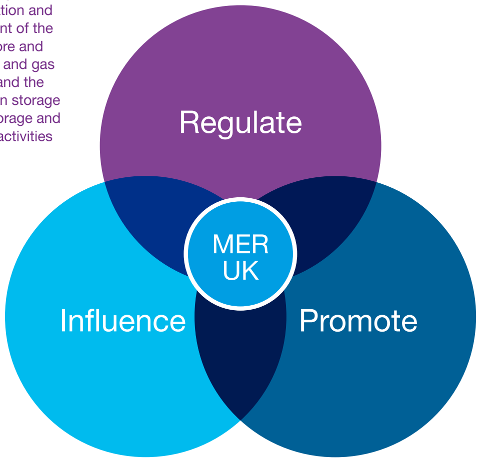
Director of Operations

Scott Robertson

The role of the OGA

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

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

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

The OGA is reviewing its Strategy in 2020. The new OGA Strategy will support and contribute to the UK's net zero ambition and will complement the OGA's existing stewardship and energy integration work.

The OGA's performance against the key performance measures in its 2019-2024 Corporate Plan is set out on page 13.

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

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

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

Regulatory framework

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

The OGA seeks to exercise its powers in a proportionate way to achieve its principal objective. It endeavours to do so in a transparent, consistent manner and works with industry to foster a culture where disputes are resolved based on our published prioritisation principles https://www. ogauthority.co.uk/regulatory-framework/guidance/

Financial overview

Revenue

The OGA raised levy for the year of £26.4M and fees and charges of £1.9M to cover the core costs of running the organisation. In addition to this, the OGA was successful in a consortium bid to the Innovate UK Pioneer Fund that brought in £573K for additional work on energy integration.

As in previous years, where levy is unspent it will be returned to licence holders. This year there will be a rebate of £389K, which will be returned to licence holders through a levy repayment and was excluded from the statement of comprehensive income.

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

Expenditure

Expenditure for the year was in line with budgets and financed significant investment in enhancing our data services - including the first year of the National Data Repository (NDR), further delivery of the digital excellence programme and regional geological mapping. In addition, the funding from the Regulators' Pioneer Fund was used on the energy integration project.

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

Viability statement

Directors have assessed the OGA's prospects by taking into account its current financial position, its historical performance, its 2019-24 Corporate Plan (https://www.ogauthority.co.uk/news-publications/publications/2019/oga-corporate-plan-2019-2024/) and the principal risks and mitigating factors described on page 7.

The Board regularly reviews the financing position of the OGA, including its project funding requirements. The OGA has a consistent track record of recording underspends and, with robust internal controls, is confident that it will continue to deliver consistent financial outcomes over the Corporate Plan period. The Leadership Team reviews the cash flow on a regular basis.

Directors have assessed the viability of the OGA over the Corporate Plan period, which represents a reasonable period given the long term strategy to achieve the government's commitment to maximise recovery of the UK's hydrocarbon resources, which the OGA has been tasked with delivering.

Whilst the principal risks all have the potential to affect future performance, none of them is considered likely to threaten the viability of the OGA over the Corporate Plan period.

Directors are satisfied that responsibility is delegated systematically in the OGA, by way of a delegation framework which is regularly reviewed by the Leadership Team.

The OGA is fully committed to enabling the achievement of the UK government's commitments to reach net zero emissions by 2050, as detailed in the Environment Report (page 8).

Directors have considered the quality of information provided to the Board and agreed that it can be clearly understood and challenged, as reported in the Director's Report (page 17) and Corporate Governance report (page 19).

Directors acknowledge that there remains uncertainty over COVID-19 and transitional arrangements following the UK's departure from the European Union. However, Directors have assessed that the impact of these risks and uncertainties is unlikely to have a negative effect on the OGA's income, as set out in note 2.4 to the financial statements (page 49).

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 Corporate Plan. Directors are not aware of any impending regulatory or legal changes which would impact the OGA's operations over the period of the Corporate Plan. Based on this review, Directors confirm that they have a reasonable expectation that the OGA will continue in operation and meet its liabilities as they fall due.

Summary

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

Developing our people

The OGA has policies in place which ensure its recruitment, performance management, training and reward activity together contribute to making the OGA a great place to work and ensure that the OGA can attract, develop and retain a talented and diverse workforce to deliver its objectives. The OGA embraces inclusion and diversity and ensures its promotes equality of opportunity.

The OGA's goal is to ensure that these commitments, reinforced by the OGA's values, are embedded in day-to-day working practices for all staff, our partners in government and in industry. The OGA published its first Inclusion Report in 2020, to support improving the level of inclusion and diversity within the oil and gas industry.

Principal risks

Risk	Risk description	Mitigation action
1.	Oil price volatility	OGA working closely with the BEIS Low Oil and COVID-19 Contingency (LOCC) Team. Regular OGA reprioritisation.
2.	COVID-19 impact	OGA working closely with the BEIS Low Oil and COVID-19 Contingency (LOCC) Team. OGA reviewed its business continuity planning and implemented lessons learned.
3.	Industry's social licence to operate	Review of MER UK Strategy to integrate net zero throughout. OGA has set net zero goals for industry as part of COP26 ambition. Coordination with governments. OGA communications, including podcasts.

Environment report

The OGA is fully committed to enabling the achievement of the UK government's commitments to reach net zero emissions by 2050.

The OGA is working with government and industry on the vital role that the oil and gas industry must play in the UK energy transition – in driving to net zero carbon across the UKCS as quickly as possible and also realising the abatement potential the UKCS offers. The OGA has therefore put net zero considerations at the heart of its core business, including:

- Reviewing our Strategy to integrate net zero
- Benchmarking data on emissions to drive performance improvement
- Leading a study into offshore energy integration to build closer links between oil and gas and renewables and reduce carbon emissions from oil and gas production
- As the licensing authority for carbon storage, stewarding projects through development and supporting the government's CCS deployment pathway

Benchmarking

Benchmarking industry performance continues to play a significant role in driving industry improvements, and the OGA has, from 2020, introduced benchmarking of performance to track progress towards net zero.

Net zero metrics are being used to establish performance with regard to emissions reductions, from the level of an individual asset to the UKCS as a whole, similar to existing indicators: production efficiency and unit operating costs. The net zero metrics focus on flaring and venting activity, overall emissions, and emissions intensity.

UKCS carbon emissions intensity analysis

In 2018, the most recent year for which figures are available, carbon emissions intensity dropped to 21.4 kg CO2/boe produced, down from 23.0 the previous year. This represented a 13% total reduction since 2014; achieved at the same time as production efficiency rose by 15 percentage points. More efficient production often corresponds to lower emissions intensity on production facilities.

UKCS natural gas carbon footprint analysis

The OGA published analysis in May 2020, comparing the carbon intensity of UKCS gas with imported liquified natural gas (LNG) and pipelined gas.

This analysis shows that gas extracted from the UKCS has an average emission intensity of 22 kgCO2e/boe; whereas imported LNG has a significantly higher average intensity of 59 kgCO2e/boe. The process of liquefaction, combined with the emissions produced by the transportation and regasification of the LNG once in the UK, are responsible for the considerably higher emissions intensity.

Importing gas via by pipeline, particularly from Norway, produces an even lower average of 18 kgCO2e/boe, which suggests there is still potential for the UKCS to continue to improve its operations and lower emissions further.

Offshore energy integration

Innovative partnering between oil and gas, renewables, hydrogen and carbon capture can accelerate energy transition - oil and gas infrastructure and capabilities can be leveraged for carbon capture and storage (CCS), and to support renewable energy production and hydrogen generation, transportation and storage.

The OGA has been leading a study into offshore energy integration opportunities, working with BEIS, The Crown Estate and Ofgem. The study considers options to help feed into a new strategic vision of the UKCS as an integrated energy basin and is funded by a grant from the Regulators' Pioneer Fund.

The findings outline a range of opportunities which have the potential to make a very significant 30%+ contribution towards the UK's overall net zero target, both through CCS and through CCS plus hydrogen. Offshore renewables (wind, wave and tidal) could well contribute a further 30%+ to the abatement required in 2050.

COP26

Ahead of COP26[1] in 2021, the OGA has challenged the offshore oil and gas industry to:

- Commit to clear measurable greenhouse gas targets, with real progress on methane.
- Show progress on carbon capture and storage, including work having started on major projects.
- Demonstrate measurable progress on energy integration opportunities – for example, an electrification project.
- An acceleration of the move to ensure there is a diverse array of skills and people for the long-term energy offshore and supply industry.

The OGA, in carrying out its own operations, seeks to minimise its carbon footprint wherever possible.

The OGA's carbon emissions for the period were 213.37 tonnes of carbon dioxide equivalent (CO^2e). Business travel accounts for the largest proportion of these emissions, at 163.13 tonnes of CO^2e (76.45% of the total).[2] Electricity and gas use account for 50 tonnes of CO^2e (23.30%).

1 The 26th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change.
2 The OGA is reporting its carbon emissions from travel for the first time.

Breakdown of annual greenhouse gas emissions by activity type for 2019-20

Activity	Units	(t CO2e)	% of total
Electricity			
Aberdeen	72,313 kWh	18.48	
London	77,205 kWh	19.73	
Total	**149,518 kWh**	**38.21**	**17.91%**
Gas			
Aberdeen	0	0	
London	44,999 kWh	11.50	
Total	**44,999 kWh**	**11.50**	**5.39%**
Water			
Aberdeen	0	0	
London	841 m^3	0.29	
Total	**841 m^3**	**0.29**	**0.14%**
Waste			
General Waste			
Aberdeen	1,468 kg		
London	1,144 kg		
Sub-total	2,612 kg	0.06	
Recycled Waste			
Aberdeen	1,119 kg		
London	1,728 kg		
Sub-total	2,847 kg	0.06	
Shred-it Recycling			
Aberdeen	1,296 kg		
London	4,360 kg		
Sub-total	5,566 kg	0.12	
Total	**11,115 kg**	**0.24**	**0.11%**
Travel			
Flight	780,690 miles	158.87	
Rail	61,913 miles	4.25	
Total	**842,603 miles**	**163.12**	**76.45%**
Sub-total		**213.36**	**100.00%**

* There is no gas usage in Aberdeen and water costs are included in business rates.

Carbon emissions

The OGA's total carbon emissions from electricity and gas was reduced compared with 2018-19. Electricity consumption has decreased in both offices (-4.94 tCO^2e) following the installation of more energy efficient LED lighting. Gas consumption in London, which is estimated based on floorspace in the multi-tenanted building, increased slightly compared to the previous year (+0.06 tCO^2e).[3]

The OGA's total emissions from business travel are 163.12 tonnes of CO^2e, down 26.79 tonnes of CO^2e compared to 2018-19. This is the first year the OGA has reported these data.

The OGA's total carbon emissions have fallen by 31.72 tonnes of CO^2e compared to 2018-19, primarily due to a reduction in business travel.

Year on year analysis[4]

Activity	2017-18	2018-19	2019-20
	tCO2e	tCO2e	tCO2e
Electricity (kWh)	54.47	43.15	38.21
Gas (kWh)	21.38	11.44	11.50
Water (m^3)	0.23	0.27	0.29
General waste (kg)	0.09	0.06	0.06
Recycled waste (kg)	0.11	0.06	0.06
Shred-it waste (kg)	0.22	0.19	0.12
Flights (miles)	138.85	184.41	158.87
Rail (miles)	3.38	5.50	4.25
Total	**218.53**	**245.08**	**213.36**

Water

The OGA used 841m^3 of water, equivalent to 0.29 tonnes of CO^2e, in 2019-20.[5] Water consumption at our London site is estimated based on the OGA's floorspace in a multi-tenanted building and increased by 9% year on year. Water in the Aberdeen office is not metered and is included in the annual business rates.

3 Gas consumption was erroneously reported as 72,574 kWh in 2018-19. This was due to incorrect meter readings Actual usage for 2018-19 was 40,408 kWh.
4 Corrected figures: gas and water usage in London were incorrectly reported in prior years due to incorrect meter readings.
5 The figures reported in previous years for water were incorrect, due to incorrect meter readings. Water consumption was erroneously reported as 9,457m^3 in 2018-19. Actual usage was 772m^3.

Waste

All general waste is transferred to a waste incineration plant and used as fuel for a waste to energy (electricity) plant. General waste amounted to 2.6t and 0.06 tonnes of CO^2e. Recycled waste accounted for 2.8t and 0.06 tonnes of CO^2e. General and recycled waste are estimated based on the OGA's floorspace in multi-tenanted buildings and remained at similar levels to the previous year.

Recycled paper (shred-it) amounted to 5.7t and 0.12 tonnes of CO^2e, which is a slight reduction of 0.07 tonnes of CO^2e compared to 2018-19.

Signed for and on behalf of the Board

Dr. Andy Samuel

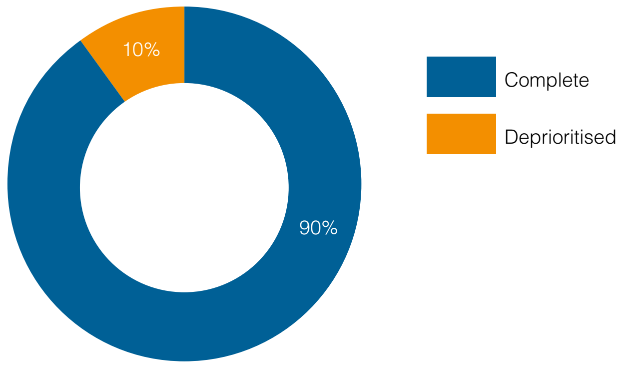
Chief Executive
18 June 2020

Accountability report

The OGA's ambition, purpose, priorities and values were articulated in the revised Corporate Plan 2019-2024, which also included an outline Activity Plan for the year 2019/20.

The OGA Activity Plan included 21 OGA project activities and 7 area plan activities. Of the 21 project activities,19 were delivered during the reporting period and 2 were deprioritised in order to enable the OGA to undertake a considerable amount of new work, including in the net zero area. Collaboration between the OGA and Operators to develop area plans in a number of key regions across the UKCS also continues to make steady progress.

OGA Activity Plan 2019 - progress



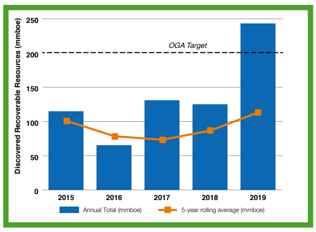
Key Performance Indicators – Corporate Plan 2019 – 2024

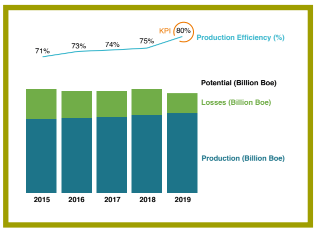
The OGA is making strong progress in attaining the Key Performance Indicators established in the OGA Corporate Plan 2019 -2024. Of particular note is industry's attainment of the 80% target for production efficiency and the continued discipline demonstrated by operators on operating costs.

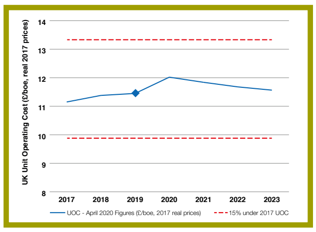
Q1 2020 Key Performance Indicators

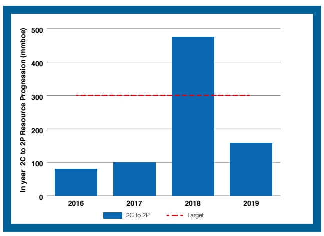
	KPI target definition	2020 update	RAG	Direction
Revitalised Exploration	The average of the total recoverable resources discovered on the UKCS for the calendar year being measured and the previous four calendar years, to be at least of 200 million boe.	2019 saw a positive year for exploration with provisional numbers of 243 mmboe discovered. Despite this however the 5 year rolling average still lags behind the 200 mmboe target at 136 mmboe. Whilst 2020 has got off to a positive start with two exploration discoveries to date, it is expected that the combined impact of the COVID-19 pandemic and current low oil price will result in a number of exploration wells planned for drilling in 2020 being deferred.	●	↗
Enhanced Asset Stewardship	Economic production efficiency (UKCS total actual wellhead production/UKCS total economic production potential) to be at least 80% by the time it is measured in 2022 from the 2021-2022 UKCS Stewardship Survey	90% of Tier 1 reviews complete	●	✓
Enhanced Asset Stewardship	For the calendar year being measured, UKCS UOC (Unit operating cost: Total UKCS OPEX/Total UKCS Production) in 2017 prices to be within 15% over or under the 2017 level of £11.6/boe. That is, between £9.9/boe and £13.3/boe (2017 prices)	In 2019, the UK unit operating cost (UOC) was £11.91 per barrel of oil equivalent (boe). In 2017 prices this equates to £11.45/boe which is within the +/-15% envelope (£9.86/boe to £13.34) of the 2017 UOC	●	✓
Regional Development	For the calendar year being measured, 300 million boe of UKCS 2C hydrocarbon contingent resources to become sanctioned and transferred to UKCS 2P hydrocarbon reserves. Aim for at least a third of this 300 million boe to come from hydrocarbon fields within area plans.	158 million barrels of oil equivalent (boe) were progressed from 2C to 2P in 2019. This was comprised of 76 million boe progressed through new field developments reflecting the smaller average size of new field approvals compared with 2018.	●	↘
Improve decommissioning efficiency	The P50 cost estimate of decommissioning the entirety of UKCS oil and gas infrastructure to be at least 35% lower (2017 price basis) than the initial P50 2017 baseline estimate of £59.7 billion.	Review 100% of Plans received	●	↗
Improve decommissioning efficiency	For 90% of all assets, an AACE class 3 estimate (or better) should be submitted to the OGA at least three years before each planned decommissioning activity.	Measured as cost class distribution for spend in the next three associated years (e.g. 2019 UKSS presents Class 1-3 costs for spend in 2020, 2021, 2022 only and 2018 UKSS presents Class 1-3 costs for spend in 2019, 2020, 2021 only). Based on this methodology, Class 1-3 distribution was 42% in 2016 UKSS, 38% in 2017 UKSS, 65% in 2018 UKSS and 68% in 2019 UKSS.	●	↗
People, Processes & Systems	Staff Engagement will improve by 5 percentage points as measured by the positive engagement score in the in the bi-annual OGA staff survey	The 2019 OGA Staff Survey showed an overall positive engagement score of 68% representing a 12% average increase across all categories.	●	✓

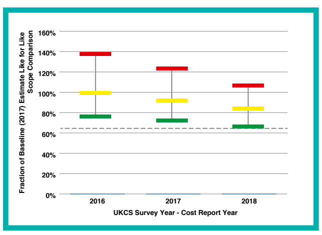
● On target +/- 10% ● Behind target 10-20% ● Behind target >20%

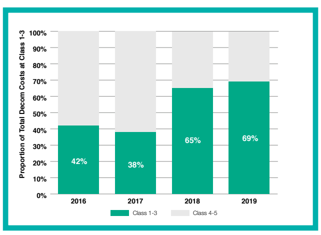


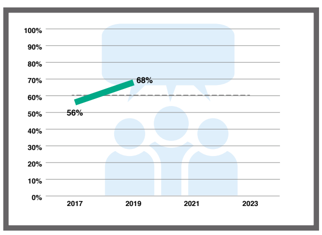












Measuring Success

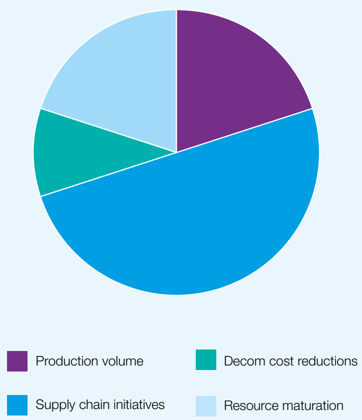
The OGA continues to measure success through the use of a success stories tracker which allows the impact of the OGA to be identified and quantified using three key metrics. These metrics look at expected future volume of oil and gas production, capital expenditure committed to new projects and reduced or avoided costs through improved or accelerated outputs. Highlights this year include facilitating an additional £1.1bn invested in the UKCS, up from 0.85bn in 2018/19, and an increasing impact on supply chain initiatives than in previous years.

42 success stories were recorded in 2019-20 across the OGA in partnership with industry and government.

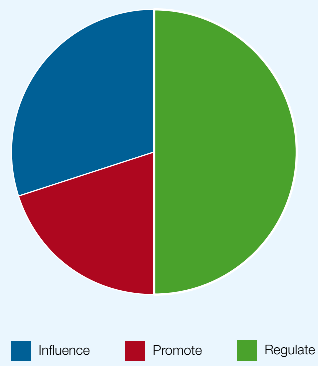
Success metrics

- **Tripartite barrels (mmboe)**: 295
  - 103 — Protect existing barrels mmboe
  - 192 — New barrels added mmboe
- **Cost mitigated £m**: 163
- **Value of investments (£bn)**: 1.1
- **Time saved to industry (fast-tracked consents)**: 249 DAYS
- **Decommissioning cost savings (£m)**: 15

Impact on Industry



Action by the OGA



The OGA has developed a success stories tracker, dashboard and methodology to allow impact to be quantified (relative to what would have happened in the absence of support or intervention using three key metrics).

Expected future volume of oil and gas production.

Capital expenditure committed to new projects.

Reduced or avoided costs through improved or accelerated outputs

Parliamentary accountability and audit report

Regularity of Expenditure (audited)

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

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

One severance payment was made in 2019-20, 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.

In line with its statutory function, the OGA does not seek to make a profit from its charges but merely to recover costs in carrying out its functions. All payers of the levy will receive a proportionate rebate of any surplus.

Remote contingent liabilities (audited)

The OGA is not exposed to any remote contingent liabilities.

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

Directors' report 2019-20

The Directors present their annual report on the company, together with the Corporate Governance Report, the Auditor's Report and the financial statements for the year from 1st April 2019 to 31st March 2020.

Directors always have regard to their duties as Directors when making decisions, including the broad duty, under Companies Act 2006 s.172, to consider the views of relevant stakeholders. The Board invites industry and regulatory experts to Board meetings and to its annual strategy meeting with the Leadership Team. The Board periodically invites staff teams to informal lunches with Directors after Board meetings.

The Board appreciates the considerable contribution of its skilled, experienced and committed staff in delivering the company's objectives and its functions and Directors take care to consider the impact on staff of the decisions it takes. The OGA is a fair and considerate employer which offers comprehensive flexible working arrangements and recognises the value of a workforce from diverse backgrounds. The OGA supports staff with training opportunities and encourages career, leadership and personal development. All applications for employment are treated equally and are fully considered. A code of conduct and related policies are in place and are available to all staff on the OGA intranet.

The company encourages open and honest communication between employees and senior management. An Employee Engagement Forum offers a structured opportunity for staff to contribute ideas and share their views and regular company briefings, spanning both offices, provide a further opportunity for staff to raise questions and concerns. The majority of Directors and staff attended the annual offsite meeting in 2019, where the very encouraging results of the bi-annual staff engagement survey were discussed. The Board is confident that the staff engagement survey is an effective barometer of staff sentiment.

The OGA supports industry by publishing a wide range of information on its website and seeks feedback on users' experience of using the website.

The OGA is committed to minimising its impact on the environment and presents its Environment Report on page 8.

During the year, the company made no direct charitable or political contributions, but staff organised a series of fund-raising activities for several charities, usually local to the Aberdeen or London offices.

Directors are satisfied that the company engages constructively with its suppliers and settles all payments in accordance with contractual provisions, subject to compliance with contractual obligations.

The company has prepared its 2019-20 financial statements in accordance with International Financial Reporting Standards (IFRS). The audited financial statements for the year ended 31 March 2020 are set out on pages 43-68.

The OGA is a not-for-profit company largely funded by fees and a levy on industry. Additional interim grant funding is provided by its shareholder. Any surplus operational levy funds are returned to levy payers. This refund is recognised in the financial statements.

The OGA had 161 employees on 31 March 2020 (including secondees and executive directors, but excluding interim contractors and non-executive directors). There were 6 interim contractors as at 31 March 2020.

The financial results for the period reflect a neutral profit position.

Directors' third-party indemnity provisions

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

Going concern statement

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

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

Directors' responsibility statement

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

In particular, directors are satisfied that:

i. the company's accounting policies are reasonable and have been applied correctly.
ii. judgements taken 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 so as to demonstrate that the financial statements comply with IFRS and Companies Act 2006 requirements, as applicable.

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

Principal risks

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

Auditor

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

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

Directors reviewed the effectiveness of the external auditor. No non-audit services were provided by the external auditor but £502k was paid to its contractor, Ernst & Young LLP (EY), for services rendered relating to the Innovate UK Energy Integration project. No Director is a related party to EY.

By order of the Board

Dr. Russell Richardson
Company Secretary
18 June 2020

Corporate Governance Report

Directors are pleased to present the company's Corporate Governance Report for the financial year ended 31st March 2020, reporting under the 2018 UK Corporate Governance Code.

Company constitution

Date of incorporation: 1st July 2015.
Company number: 09666504.

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

On 1st October 2016, the company was vested with its powers under the Energy Act 2016 and became operational as the Oil and Gas Authority. The company has one shareholder, the Secretary of State for Business Energy and Industrial Strategy (BEIS), as a Corporation Sole. The Chief Executive is the OGA's Accounting Officer, accountable to Parliament. This role has been delegated to him by the Principal Accounting Officer of BEIS, the BEIS Permanent Secretary.

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

Directors are collectively responsible for the overall strategic direction of the company and for monitoring its performance. Strategic discussions form a significant part of every Board meeting and the Board sets aside a day every year to meet offsite with the Leadership Team to review the strategic direction of the OGA.

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.

Review of the OGA

BEIS conducted the first three-year review of the OGA in 2019. The review report was published on 20th January 2020.

Director independence

The Board considers Tim Eggar, Mary Hardy, Robert Armour, Frances Morris-Jones and Iain Lanaghan (appointed on 20th April 2020) to be independent. Frances Morris-Jones is the Senior Independent Director.

Reserved and delegated powers

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

Matters reserved to the Board are:

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

The powers delegated to management are detailed on a Delegation Framework, which is available to all staff on the OGA's intranet and is updated at least once annually.

Induction of directors

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

Due to Government restrictions imposed in response to the Covid-19 pandemic, Iain Lanaghan's initial meetings with internal and external stakeholders were held by videoconference.

Meeting schedule

The Board met on nine occasions in 2019-20 and has seven meetings scheduled for 2020-21. The majority of Board meetings are held at the OGA's Aberdeen headquarters.

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

During the year, the Board discussed the regularity and length of board meetings and agreed some adjustments to the schedule.

Board committees

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

Audit and Risk Committee

The Audit and Risk Committee reviews and monitors the company's financial accounting and reporting processes and the integrity of financial statements. It reviews the company's system of internal control, including its internal audit function and the independence and effectiveness of the external auditor.

The Audit and Risk Committee is chaired by Mary Hardy and met on three occasions in 2019-2020. Robert Armour and Frances Morris-Jones were Committee members during the financial year. Iain Lanaghan was elected to the committee in May 2020.

The Committee reviewed the year-end accounting and external audit timetable and the annual internal audit plan and report. It took assurance on the OGA's management of strategic risks, information security and data protection law compliance.

Nomination Committee

The Nomination Committee reviews the size, composition and effectiveness of the Board and its Committees. It oversees succession planning and makes recommendations to the Board for the appointment of new Directors, having due regard to talent and diversity,

The Nomination Committee is chaired by Tim Eggar. Mary Hardy, Robert Armour and Frances Morris-Jones were Committee members during the financial year. Iain Lanaghan was elected to the committee in May 2020.

The Nomination Committee met twice in 2019-20. It recommended the appointment of two Non-Executive Directors: one additional Director to join in spring 2020, and one to succeed Robert Armour, who will retire from the Board at the end of September 2020. The Committee recommended the re-appointment of the Chief Executive for a further two years.

Remuneration Committee

The Remuneration Committee reviews and recommends to the Board the framework and policy for remuneration of Executive Directors and senior management, and for implementing the Directors' Remuneration policy.

The Remuneration Committee is chaired by Tim Eggar. Mary Hardy, Robert Armour and Frances Morris-Jones were Committee members. during the financial year. Iain Lanaghan was elected to the committee in May 2020.

The Remuneration Committee met twice in 2019-20 to review 2019-20 performance management outcomes and approve annual bonuses, and to review and approve 2020-21 pay awards and 2020-21 objectives setting.

Board evaluation

Directors review their effectiveness as a Board on an annual basis, including an assessment of Board Committees. The 2019-20 internal review was conducted in the first quarter of 2020, with all Directors and the Company Secretary completing a board evaluation questionnaire. The Chairman met individual Directors to discuss the anonymised questionnaire responses prior to a general Board discussion in March 2020.

Directors feel that debate at meetings is of good quality and like the focus on strategy and external contributions, including during Board dinner discussions. Board discussions are open and constructive, with everyone's views properly heard and respected, and the conclusions reached feel balanced. There could sometimes be more challenge and Directors were encouraged to contribute outside their comfort zone.

All Directors thought the Board was given sufficient - and high quality - information to take sound decisions, and could request additional information if necessary. Non-Executive Directors felt that on occasion they were not fully aware of emerging issues between Board meetings.

Following the internal evaluation, the Board agreed to schedule a stakeholder visit in late 2020 and a corporate governance refresher session in the autumn. The Chairman and Chief Executive will ensure that the Board is kept informed of emerging issues between meetings.

The Senior Independent Director led a review of the Chairman's performance in February 2020, taking views from all Directors. The Board concluded that Tim Eggar has brought great energy, focus and crucial political insight to the role.

The 2020-21 Board evaluation will be led by an external evaluator.

Declaration of Directors' financial interests

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

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

Member	Date advised board secretary	Nature of interest	Total current value
Tim Eggar	6 March 2019	140,511 equity shares MyCelx Technologies Corporation	£61,825
		Family member holdings: 4,099 BP ordinary shares	£14,108
		1,875 Shell ordinary shares	£26,606
Robert Armour	21 March 2017	Family member holdings: 8,807 BP ordinary shares	£30,313
		1,702 Shell ordinary shares	£24,151
Frances Morris-Jones	19 October 2015	17,691 BP ordinary shares	£60,892
		3,715 ConocoPhillips ordinary shares	£82,499
		1,857 Philips 66 ordinary shares	£71,879
Iain Lanaghan	21 April 2020	1,017 BP ordinary shares	£3,500
		358 Shell ordinary shares	£5,080

Frances Morris-Jones sold 21,327 BP shares in two tranches during 2019-20, having given the Board advance notice. The sales are recorded in the Board minutes.

Dr Andy Samuel placed his oil and gas interests in a blind trust prior to joining the OGA.

Mary Hardy and Nic Granger submitted nil returns. Emily Bourne submitted a nil return to BEIS.

Directors - other directorships and offices

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

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Iain Lanaghan	Non-Executive Board Member and Audit Committee Member, Scottish Water (owned by the Scottish Government) and subsidiaries Non-Executive Director and Audit Committee Chairman of UK Government Defence Equipment and Support Agency (DE&S), an Arms' Length Body of the Ministry of Defence Non-executive Director of Movell - The Bus Company Limited and subsidiary Occasional consultancy as Iain M Lanaghan		Institute of Chartered Accountants of Scotland

*Also sits on certain subsidiary companies of Albion Capital Group or Albion Community Power Ltd., which hold solar or hydro-electric assets. These are:- Avesi Limited,

Regenerco Renewable Energy Ltd, The Street by Street Solar Programme Ltd, Green Highland Renewables (Lock Arkaig) Ltd, Chonais River Hydro Ltd, Chaorach Holdings Ltd, Chaorach Hydro Ltd, Bruachaig Hydro Ltd, Liatrie Burn Hydro Ltd, Gharagain River Hydro Ltd.

Mary Hardy, Frances Morris-Jones, Robert Armour, Dr Andy Samuel, Emily Bourne, Nic Granger and Iain Lanaghan were members of the National Trust or the National Trust of Scotland during the year.

Directors - dates of appointment

At the end of the reporting year the company had seven Directors.

The company now has eight Directors, following Iain Lanaghan's appointment on 20th April 2020.

Name	Date of appointment (Executive Agency board member)	Date of appointment (Director)	Re-appointed
Tim Eggar	-	6 March 2019	-
Emily Bourne	-	21 March 2018	
Nic Granger	2 November 2016	2 November 2016	
Dr Andy Samuel	1 January 2015	27 September 2016	
Robert Armour	19 October 2015	27 September 2016	1 October 2017
Frances Morris-Jones	19 October 2015	27 September 2016	1 October 2018
Mary Hardy	1 November 2015	27 September 2016	1 October 2019
Iain Lanaghan	-	20th April 2020	

Directors - attendance at meetings and committees

	Board of directors	Audit and Risk Committee	Nomination Committee	Remuneration Committee
MEETINGS HELD 2019-20	9	3	2	2
Tim Eggar	9	2(3)	2	2
Frances Morris-Jones	9	3	2	2
Mary Hardy	7(9)	2(3)	2	2
Robert Armour	9	3	2	2
Dr Andy Samuel	9	2(3)	2	2
Nic Granger	9	3	-	-
Emily Bourne	6(9)	0(3)	-	2

A BEIS official represented Emily Bourne at three Board meetings and at all Audit and Risk Committee meetings.

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

Implementation of staff policies

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

Quality assurance of analytical models

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

Declaration of staff financial interests

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

Fraud and whistleblowing

The OGA's Security Operations Centre monitors information security and fraud threats. The Chief Digital Officer chairs the OGA's Security Advisory Board and produces dashboard reports for the Audit and Risk Committee. Staff undertake mandatory, online fraud prevention training.

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

Data protection

The OGA's Data Protection Officer monitors the OGA's compliance with data protection law. The OGA asks staff to undertake annual Responsible for Information training online.

Risk management

Directors have delegated regular review of management's assessment and handling of the company's strategic risks to the Audit and Risk Committee. The OGA maintains a strategic risk heat map which identifies its top internal and external risks, 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 heat map have a named leadership team risk owner. All risks have mitigation measures in place to reduce the potential impact to an acceptable level, wherever possible. Material changes to the risks, including any new or escalated risks, are reviewed quarterly by the leadership team and three times a year by the Audit and Risk Committee. The full Board reviews strategic risks, from a clean sheet perspective, once a year.

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

By order of the Board

Signed

Dr. Andy Samuel
Chief Executive
18 June 2020

Internal Auditor's statement

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

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

Overall, the HIA offered a 'moderate' assurance, and noted that there are no significant issues within the OGA surrounding the governance, risk management and control environment, from internal audit work completed.

Remuneration and staff report

Remuneration policy

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

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

Performance and reward

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

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

Recruitment policy

OGA recruitment is underpinned by the company's values:

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

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

As we make clear in our job application process, candidates with a disability who apply for a post in the OGA (under the Guaranteed Interview Scheme) automatically go forward to the interview stage, provided they satisfy the minimum criteria.

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 2022. Early termination of any appointment other than for misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Payments to Directors (audited)

The salary and pension entitlements of executive directors were:

Member	Salary (actual and full year/time equivalent) (£'000)	Bonus Payment 2019-20* (£'000)	Pension Benefits 2019-20 (£'000)	Total 2019-20 (£'000)	Accrued pension at pension age at 31/3/20 (£'000)	Real increase in pension and related lump sum at pension age to 31/3/20 (£'000)	CETV at 31/3/20 (£'000)	CETV at 31/3/19 (£'000)	Real increase in CETV (£'000)
Dr Andy Samuel	285-290	45-50	-	335-340	-	-	-	-	-
Nic Granger	145-150	5-10	50	205-210	10-15	2.5 - 5	94	64	18

*2019-20 bonus to be paid in 2020-21 financial year, subject to Remuneration Committee approval.

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

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

* Pro-rata at year end.
** Frances Morris-Jones returned to her role as a Non-executive Director on 1 April 2019.

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

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

The banded remuneration of the highest paid director for the OGA in the financial year 2019-20 was £335,000 to £340,000 (2018-19: £330,000-£335,000). This was 5.4 times (2018-19: 4.7 times) the median remuneration of the workforce, which was £62,498 (2018-19: £70,079). In 2019- 20, no employees (2018-19: nil) received remuneration in excess of the banded remuneration of the highest-paid director. Remuneration ranged from £23,834 to £340,000 (2018-19: £23,000-£335,000).

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

No senior management or non-executive directors were in receipt of benefits in kind for the financial year 2019-20.

No senior managers have received compensation for loss of office in the financial year 2019-20.

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	11,012	768	11,780
Social security costs	1,317	0	1,317
Pension costs	2,660	0	2,660
Sub total	**14,989**	**768**	**15,757**
Other staff costs	0	0	0
Less recoveries in respect of outward secondments	0	0	0
Total	**14,989**	**768**	**15,757**

*Others include contractor costs for the financial year ending 31 March 2020.

Average number of people employed

	Number
Permanent staff	158
Others	6
Total	**164**

The Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

Pension arrangements

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

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha

– as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha

– as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Inclusion and diversity report

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

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

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

The OGA has a clear inclusion and diversity action plan covering 2020, which includes new elements which seek to support both line managers and staff. All staff are required to undertake training in diversity and inclusion and unconscious bias.

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

%	Males	Females
Gender	52	48

%	Full Time	Part Time
Working Pattern	94	6

%	Not Disabled	Declared Disabled	Unknown	Prefer Not to Say
Disability	66	1	27	6

%	White	Non-White	Unknown	Prefer Not to Say
Ethnicity	64	12	18	6

%	Below 20	21-30	31-40	41-50	51-60	61 and over
Age	0	14	28	28	24	6

%	Heterosexual/ Straight	LGBT	Unknown	Prefer Not to Say
Sexual orientation	76	1	15	8

%	No Religion	Christian	Other	Unknown	Prefer Not to Say
Religion and Belief	35	33	10	14	8

Sickness Absence data

The OGA is committed to supporting the physical and mental health of its people and fostering employee wellbeing is a key element of our focus. The company has a comprehensive attendance management policy and provides access to occupational health provision and employee assistance to offer additional support to our people. Where staff are identified as needing reasonable adjustments, these will be provided. The average number of days lost due to sickness absence was 1.5 days for 2019-20 (1.4 days for 2018-19).

Consultancy and temporary staff

Spend on consultancy and temporary staff:

	£'000
Consultancy	0
Temporary staff	885*
Total	885

* Temporary staff cost of £768k included in other staff costs and £117k in project delivery costs.

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 2019-20 the OGA undertook a risk-based, in-depth review of tax assurance for all contractors, as required under IR35 legislation.

Off-payroll engagements

The number of off-payroll engagements (for more than £245 per day and lasting for longer than six months) as at 31 March 2020 was:

Total number of existing engagements as of 31 March	7
Of which:	
Number that have existed for less than one year's duration at the time of reporting	5
Number that have existed for between one to two year's duration	1
Number that have existed for between two to three year's duration	1
Number that have existed for between three to four years duration	0
Number that have existed for between four or more year's duration	0

The number of new off-payroll engagements or those that reached six months in duration between 1 April 2019 and 31 March 2020 (for more than £245 per day and that last for longer than six months) was:

Number new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	3
Of which;	
Number assessed as caught by IR35	0
Number assessed as not caught by IR35	3
Number engaged directly (via PSC contracted to company) and are on the company payroll	0
Number of engagements reassessed for consistency/assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

There were no off-payroll engagements of directors and/or senior officials with significant financial responsibility between 1 April 2019 and 31 March 2020.

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 2020:

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

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

Signed on behalf of the Board

Dr. Andy Samuel
Chief Executive
18 June 2020

Accounting Officer statement

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

During 2019-20, the Oil and Gas Authority undertook the following work:

- Reviewed its strategic risks on a quarterly basis and provided assurance on mitigation actions to the audit and risk committee.
- Worked closely with the Government Internal Audit Agency on the 2019-20 internal audit and the 2020-21 internal audit plan.
- Worked collaboratively with the National Audit Office on the 2019-20 audit.
- Renewed all statutory and other appropriate insurance cover.
- Ensured the OGA was compliant with data protection law.
- Ensured the OGA monitored all IT activity in line with National Cyber Security Centre guidance.

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.

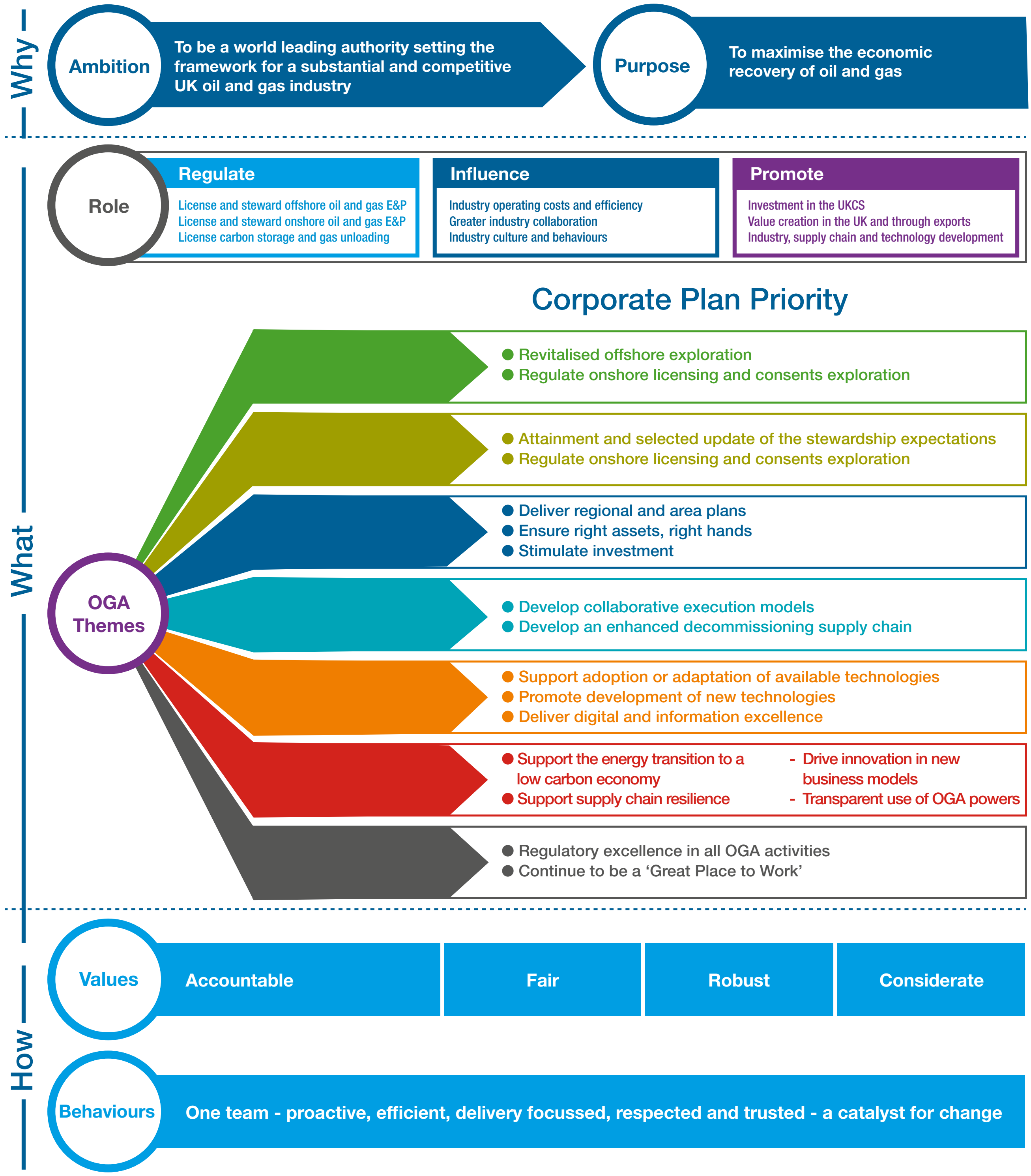
I take personal responsibility for the annual report and financial statements and the judgments required for determining that it is fair, balanced and understandable.

Dr Andy Samuel
Accounting Officer
18 June 2020

Future developments

Corporate Plan 2019-24

The Corporate Plan 2019-24 articulates the OGA's aims and priorities over five years.



The Corporate Plan 2019-2024 identifies the OGA's key performance indicators (KPIs). These were developed in collaboration with industry and measure the impact of both OGA and industry activity.

Performance to date against these KPIs is reported in the Accountability Report on page 14.

Summary of OGA KPIs 2019-2024

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

Company

Financial Statements

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

Opinion on financial statements

I have audited the financial statements of the Oil and Gas Authority ("the company") for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration and Staff Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of 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.

Conclusions relating to principal risks, going concern and viability statement

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

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

Basis of opinions

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

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

Regularity Framework	
Authorising legislation	• Infrastructure Act 2015 • Energy Act 2016
Parliamentary authorities	• The Oil and Gas Authority (Levy) and Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2019
Shareholder, HM Treasury and related authorities	• Articles of Association • Framework document between the Secretary of State and the company • HM Treasury and related authorities to the extent they are applicable to the company.

Overview of my audit approach

Key audit matters

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

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

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 £605,000, 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 £12,000 as well as differences below this threshold that in my view warranted reporting on qualitative grounds.

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Audit scope

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

Other Information

Directors are responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the 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 company Audit and Risk Committee does not appropriately address matters communicated by me to the Audit and Risk Committee.

I also have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act

Directors' remuneration

In my opinion the part of the 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 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.

- rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees have been complied with.

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

Matters on which I report by exception

Adequacy of accounting records information and explanations received

I report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff;
- 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.

Gareth Davies
Comptroller and Auditor General
8 July 2020

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

Statement of Comprehensive Income for the year ended 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Income			
Income from sale of goods and services	3	1,886	1,804
Other income	3	28,440	28,592
Total operating income		**30,326**	**30,396**
Expenditure			
Staff costs	4	(15,757)	(14,014)
Other operating costs	5.1	(13,099)	(15,632)
Depreciation and amortisation charges	5.2	(1,292)	(711)
Provision expense	5.3	(121)	-
Finance cost	5.4	(57)	(39)
Total operating expenditure		**(30,326)**	**(30,396)**
Total net income		**-**	**-**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

The notes on pages 47 to 68 form part of these financial statements.

Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Property, plant and equipment	6	1,164	1,567
Right-of-use assets	7	2,183	-
Intangible assets	8	161	374
Total non-current assets		**3,508**	**1,941**
Current assets			
Cash and cash equivalents	9	1,991	5,647
Trade and other receivables	10	980	1,767
Total current assets		**2,971**	**7,414**
Total assets		**6,479**	**9,355**
Current liabilities			
Trade and other payables	11	(3,149)	(7,794)
Lease liabilities	12	(646)	-
Total current liabilities		**(3,795)**	**(7,794)**
Total assets less current liabilities		**2,684**	**1,561**
Non-current liabilities			
Trade and other payables	11	(628)	(1,455)
Lease liabilities	12	(1,822)	-
Provisions	13	(234)	(106)
Total non-current liabilities		**(2,684)**	**(1,561)**
Total liabilities		**(6,479)**	**(9,355)**
Net assets		**-**	**-**
Shareholders' equity and other reserves			
Share capital	14	-	-
Retained earnings		-	-
Total equity		**-**	**-**

The notes on pages 47 to 68 form part of these financial statements.

The financial statements were approved by the Board of Directors on 18 June 2020 and signed on its behalf on 18 June 2020 by

Dr Andy Samuel
Director
Company registered number: 09666504

Statement of Cash Flows for the year ended 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Cash flows from operating activities			
Comprehensive income for the year		-	-
Adjustments to reconcile comprehensive income to net cash flows:			
Depreciation of property, plant and equipment	5.2	503	513
Depreciation of right-of-use assets	5.2	549	-
Amortisation of intangible assets	5.2	240	198
Interest paid	5.4	57	-
Working capital adjustments:			
Decrease in trade and other receivables	10	787	541
(Decrease)/increase in trade and other payables excluding capital funding from government grant: current year	11	(5,642)	2,362
IFRS 16 adjustment not passing through the Statement of Comprehensive Income		542	-
Use of provisions	13	128	23
Net cash inflow from operating activities		**(2,836)**	**3,637**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(100)	(31)
Purchase of intangible assets	8	(27)	(18)
Net cash outflow from investing activities		**(127)**	**(49)**
Cash flows from financing activities			
Capital funding from BEIS: current year	11	170	169
Repayment of lease liabilities		(863)	-
Net cash (outflow)/inflow from financing activities		**(693)**	**169**
Net increase/(decrease) in cash and cash equivalents in the year		(3,656)	3,757
Cash and cash equivalents at the beginning of the year	9	5,647	1,890
Cash and cash equivalents at the end of the year	9	**1,991**	**5,647**

The notes on pages 47 to 68 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2018	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2019	**-**	**-**	**-**
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2020	**-**	**-**	**-**

The notes on pages 47 to 68 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.

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

2. Accounting policies

2.1 Basis of preparation

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

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

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

2.2 New or amended accounting standards and interpretations

The OGA has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the year ended 31 March 2020 to determine the impact on the company's financial statements.

The following new standards, amendments and interpretations are effective for the first time in these financial statements. These have had no material effect on the company with the exception of IFRS 16.

IFRS	IASB Effective Date	EU Endorsement status
Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	Endorsed
IFRS 16 Leases	1 January 2019	Endorsed
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	Endorsed
Amendments to IAS 19 Employee Benefits	1 January 2019	Endorsed
Amendments to IFRS 9	1 January 2019	Endorsed

2.2.1 Changes in accounting policies and disclosures

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term and low value assets leases. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

The company has implemented IFRS 16 with effect from 1 April 2019 and has elected to apply the modified retrospective approach, which does not require restatement of comparative figures. This approach recognises a lease liability at the date of initial application for leases previously recognised as operating leases under IAS 17. The lease liability is calculated by discounting the future payments due under the terms of the lease. The incremental borrowing rate used to discount the lease for IFRS 16 purposes is 1.99% as published by HM Treasury on the assumption that OGA's borrowing rate would be in line with central government borrowing rate. At the date of implementation, the OGA has accounted for right-of-use assets of £2,732k and related lease liabilities of £3,274k in respect of both the London and the Aberdeen offices. The right-of-use assets comprised the lease liability of £3,274k adjusted for lease accruals of £13k and lease incentive of £529k. Charges for depreciation of £549k and interest expense of £57k in relation to these assets and liabilities are included in the financial statements where appropriate.

Transition disclosures

The standard requires a reconciliation to explain the movements from operating lease commitments disclosed at 31 March 2019 (applying IAS 17) to the liabilities under IFRS 16 as at 1 April 2019, which is as follows:

	Note	**2019-20 Total £000**
Operating lease commitments reported 31 March 2019		3,444
Commitments relating to leases of low-value assets	16	(28)
Discounting of future cash flows		(142)
Lease liabilities recognised at the date of initial application		**3,274**

2.3 New or amended accounting standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations that are issued, but not yet effective for the year ended 31 March 2020, and accordingly have not been applied in preparing these financial statements are detailed below. The company has not sought early adoption of any standards or amendments.

IFRS 17 Insurance Contracts

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contracts, a comprehensive accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies. This standard is not applicable to the OGA.

Amendments to IAS 1 and IAS 8-Definition of material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the company's financial statements.

Amendments to IFRS 3-Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the company will not be affected by these amendments.

2.4 Going concern

In accordance with the Energy Act 2016, the OGA has been established as a government company. The legislative powers enable the OGA to impose a levy on persons holding licences for the exploitation of petroleum, providing funding to deliver operations. The day to day operational costs of the company are funded by the oil and gas industry levy and the licensing fees and charges income received through the assignment and relinquishment of petroleum licences. The industry levy is set by new regulations made each year. The directors note the low risk that annual regulations may not be made until after the commencement of the relevant financial year (which could result in the company experiencing a timing mismatch in its funding requirements). The directors are of the view that there is no reason to believe that future regulations will not be forthcoming. The 2020-21 levy regulations were laid before parliament on 4 March 2020, guaranteeing the OGA's ability to charge the levy for the coming year.

During the course of a year, the company may, where it identifies that there is likely to be a 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 2020 shows net current assets/liabilities of nil.

The directors acknowledge that there remains uncertainty over COVID-19 and transitional arrangements following the UK's departure from the EU. However, the directors assessed that the impact of these risks and uncertainties are unlikely to have a negative effect on the OGA's income. As at 31 May 2020, 85% of 2020-21 levy has been collected and the OGA received the full funding of £2m from BEIS. There is therefore no indication that the OGA will be adversely affected by default of invoices.

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 15.

2.5 Income

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

(i) Industry Levy
The OGA is primarily funded by an industry levy. The legal basis for the OGA to charge a levy was introduced by the Infrastructure Act 2015, which states that regulations must be brought forward every year to set the levy rate. The Oil and Gas Authority (Levy) and Pollution Prevention and Control (Fees) (Amendment) Regulations 2019 were laid in Parliament to set the levy charges rate for the year from 1 April 2019 to 31 March 2020. Levy income is recognised in the Statement of Comprehensive Income to match expenditure not funded from elsewhere. The regulations state that any surplus at the end of the financial year must be reimbursed to levy payers. Therefore, any excess collected is not recognised in the Statement of Comprehensive Income and is shown as a payable due to industry on the Statement of Financial Position.

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

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

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

(iv) HM Treasury grant
In the 2018-19 year, the OGA was awarded an additional £5m of funding, of which £4.7m was spent to promote and support exploration activity across the UK continental shelf. There was no such funding in 2019-20.

(v) Other income
The company received funding of £573k (2018-19: £350k) from Innovate UK and £25k (2018-19: £nil) from The Scottish Environment Protection Agency (SEPA) for the Regulators' Pioneer Fund which is a project to encourage cross-sector integration on the UK Continental Shelf to support the UK's energy transition.

2.6 Research and development

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

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

These include all of the following:

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

2.7 Property, plant and equipment

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

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

2.8 Intangible assets

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

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

2.9 Depreciation and amortisation

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

Depreciation	
Furniture and fittings	5 - 10 years
Information technology	3 - 4 years
Right-of-use assets (leased office in London)	3 - 4 years
Right-of-use assets (leased office in Aberdeen)	6 - 7 years

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

2.10 Impairment

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

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

2.11Financial 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 at fair value and upon recognition, a loss allowance is recognised for an amount equal to the lifetime expected credit losses. Trade and other payables are recognised at fair value

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2.13 Receivables

A receivable is recognised if an amount of consideration that is unconditional is due from a customer, that is, only the passage of time is required before payment of the consideration is expected.

2.14 Leases

Determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases as lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets
Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised adjusted for lease accruals and lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term and the estimated useful lives of the assets. The right-of-use asset is also subject to impairment. Refer to note 15.1.1.

(ii) Lease Liabilities
The lease liability is initially measured at the present value of future lease payments, discounted at the rate of 1.99% (being the published rate by HMT). The Company's management agreed to use the rate published by HMT, due to no interest rate implicit in the lease in addition to not having a readily available alternative corporate borrowing rate. The lease payments include fixed payments. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

(iii) Short-term leases and leases of low-value assets
The company applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expenses on a straight-line basis over the lease term.

2.15 Employee benefits

Under IAS19 Employee Benefits, 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, which is recognised as an accrual.

2.16 Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in the Remuneration Report. The OGA is unable to identify its share of liabilities in these multi-employer schemes so accounts for its expenses as if the schemes were on a defined contribution basis, as required by IAS19. Expenditure accrues to the extent contributions are payable by the OGA as employer. The employer contribution rates payable by the OGA for employees covered by the PCSPS in 2020-21 are expected to be in a range of 26.6% - 30.3% (2019-20 26.6% - 30.3%)

2.17 Corporation tax

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

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

2.18 Value Added Tax (VAT)

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

2.19 Provisions

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

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

The company has a dilapidations provision in respect of the company's leased premises at 48 Huntly Street, Aberdeen and the 4th Floor, 21 Bloomsbury Street, London. An additional provision of £98k was provided at year end, following a dilapidation assessment report from the landlord on the building in London. The provisions represent the directors' best estimate of the expenditure required to settle the obligation, often with the benefit of technical advice.

2.20 Financial risk identification and management

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

The company is not exposed to significant interest rate, credit or cash risks. The trade receivables are reviewed at year end and where it is considered there is a risk in relation to recoverability of these monies, an impairment provision is included within the financial statements. In the current year, a £5k (2018-19: £16k) trade receivables expected credit losses provision has been raised against outstanding funds.

Under IFRS 9, financial assets are required to be assessed for impairment based on expected credit losses. The Government Financial Reporting Manual (FReM) 2019-20 states that balances with core central government departments are excluded from recognising impairments under IFRS 9; while the OGA is a non-FReM body, receivables from BEIS have been excluded from this assessment as the OGA considers there to be no recoverability risk. The company has experienced no historical credit losses with regards to trade receivables, therefore a review of outstanding balances at 31 March 2020 was carried out to establish a 'loss rate' to apply. The company will continue to reflect identified losses using the calculated loss rate methodology on an ongoing basis.

2.21 Critical accounting judgements, estimates and assumptions

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

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

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

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

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

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 2019-20 the OGA received income from fees and charges; a levy on industry; a grant from BEIS to assist with the company's activities; and funding from Innovate UK. The tables below detail the breakdown of income received for the year to 31 March 2020.

	2019-20 £'000	2018-19 £'000
a) Income		
Income from fees and charges	1,886	1,804
Income from the industry levy	26,010	21,795
Income from other government grant	1,830	1,701
Income from HM Treasury grant	-	4,746
Other income	600	350
Total income	**30,326**	**30,396**
b) Reconciliation of levy collected and levy income recognised		
Industry levy collected	26,399	22,860
Income from the industry levy (matched by expenditure funded by the industry levy)	(26,010)	(21,795)
Underspent levy refundable to industry	**389**	**1,065**

4. Staff costs

Staff costs comprise:	Permanently employed staff £'000	All other staff £'000	2019-20 Total £'000	2018-19 Total £'000
Wages and salaries	11,012	768	11,780	10,749
Social security costs	1,317	-	1,317	1,257
Other pension costs	2,660	-	2,660	2,008
Total net costs	**14,989**	**768**	**15,757**	**14,014**

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

	2019-20 FTE	2018-19 FTE
Permanent staff	158	151
Agency and contracted staff	6	7
Total	**164**	**158**

Key management personnel include executive directors and their compensation is disclosed in the Remuneration Report on pages 27 to 33.

5. Other Expenditure

	SoCI Reference	2019-20 £'000	2018-19 £'000
Legal, professional and consultancy		121	380
Project delivery costs		7,467	10,613
IT outsourcing		1,537	1,138
Accommodation		577	1,088
Travel and subsistence		564	501
IT expenditure		1,148	593
Training		420	277
Personnel related		308	208
Office services		187	189
Subscriptions		147	134
Auditors' remuneration and expenses - National Audit Office		38	38
Other		585	473
	5.1	**13,099**	**15,632**
Non-cash items			
Depreciation of property, plant and equipment assets		503	513
Depreciation of right-of-use assets		549	-
Amortisation of intangible assets		240	198
	5.2	**1,292**	**711**
Provision expense			
Provision provided in year	5.3	121	39
Finance costs			
Interest expense on lease liabilities	5.4	57	-
Total		**14,569**	**16,382**

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

Accommodation costs includes rates, service charges and short term operating lease rentals. The operating lease rental of £786k included in accommodation costs in 2018-19 is now recognised in the Statement of Financial Position following the adoption of IFRS 16.

Project delivery costs have been disaggregated from Legal, professional and consultancy costs to improve disclosure and transparency. Project delivery costs include £3.1m (2018-19: £1.4m) in relation to the National Data Repository Services. In 2018-19, there was also £4.7m of expenditure incurred in relation to funding received from HM Treasury for exploration activities.

6. Property, plant and equipment

	IT equipment £'000	Furniture and fittings £'000	Assets under construction £'000	2019-20 Total £'000
Cost or valuation				
At 1 April 2019	1,668	1,304	-	2,972
Additions	71	29	-	100
Reclassifications	-	-	-	-
Disposals	-	-	-	-
At 31 March 2020	**1,739**	**1,333**	**-**	**3,072**
Depreciation				
At 1 April 2019	938	467	-	1,405
Charged in year	362	141	-	503
Disposals	-	-	-	-
At 31 March 2020	**1,300**	**608**	**-**	**1,908**
Net book value at 31 March 2020	**439**	**725**	**-**	**1,164**
Asset financing:				
Owned	439	725	-	1,164
Net book value at 31 March 2020	**439**	**725**	**-**	**1,164**

	IT equipment £'000	Furniture and fittings £'000	Assets under construction £'000	2018-19 Total £'000
Cost or valuation				
At 1 April 2018	1,637	1,304	-	2,941
Additions	31	-	-	31
Reclassifications	-	-	-	-
Disposals	-	-	-	-
At 31 March 2019	**1,668**	**1,304**	**-**	**2,972**
Depreciation				
At 1 April 2018	564	328	-	892
Charged in year	374	139	-	513
Disposals	-	-	-	-
At 31 March 2019	**938**	**467**	**-**	**1,405**
Net book value at 31 March 2019	**730**	**837**	**-**	**1,567**
Asset financing:				
Owned	730	837	-	1,567
Net book value at 31 March 2019	**730**	**837**	**-**	**1,567**

7. Right-of-use assets

	Buildings £'000	2019-20 Total £'000
Cost or valuation		
At 1 April 2019	-	-
Additions	2,732	2,732
Reclassifications	-	-
Disposals	-	-
At 31 March 2020	**2,732**	**2,732**
Depreciation		
At 1 April 2019	-	-
Charged in year	549	549
Disposals	-	-
At 31 March 2020	**549**	**549**
Net book value at 31 March 2020	**2,183**	**2,183**
Asset financing:		
Leased	2,183	2,183
Net book value at 31 March 2020	**2,183**	**2,183**

Amounts recognised in Statement of Comprehensive Income

	2019-20 Total
Depreciation expense on right-of-use assets	549
Interest expense on lease liabilities	57
Expenses relating to short term leases	21
Expenses relating to leases of low-value assets	8

None of the OGA's property leases contain variable payment terms. The total cash outflow relating to leases in the period amounted to £892k.

8. Tangible fixed assets

	Finance and HR software £'000	Software licences £'000	Website £'000	Assets under construction £'000	2019-20 Total £'000
Cost					
At 1 April 2019	385	404	104	-	893
Additions	-	-	-	27	27
Reclassifications	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2020	**385**	**404**	**104**	**27**	**920**
Amortisation					
At 1 April 2019	154	313	52	-	519
Charged in year	157	62	21	-	240
Disposals	-	-	-	-	-
At 31 March 2020	**311**	**375**	**73**	**-**	**759**
Net book value at 31 March 2020	**74**	**29**	**31**	**27**	**161**
Asset financing:					
Owned	74	29	31	27	161
Net book value at 31 March 2020	**74**	**29**	**31**	**27**	**161**

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

Software licences at 31 March 2020 include the following: (i) Spatial ETL software with a net book value of £2k and a remaining useful life of 2 months; (ii) Energy portal enhancements with a combined net book value of £17k and an average remaining useful life of 5 months; and (iii) Dependency mapping tool software with a net book value of £10k and a remaining useful life of 11 months.

9. Cash and cash equivalents

	2019-20 £'000	2018-19 £'000
Balance at 1 April	5,647	1,890
Net change in cash and cash equivalent balances	(3,656)	3,757
Closing balance	**1,991**	**5,647**
The following balances were held at:		
Government Banking Service	1,991	5,647
Balance at 31 March	**1,991**	**5,647**

10. Trade and other receivables

	2019-20 £'000	2018-19 £'000
Amounts falling due within one year		
Trade receivables	141	308
Trade receivables - expected credit losses	(5)	(16)
Other receivables	38	40
Prepayments	664	411
Deferred expense	-	306
Innovate UK receivable	103	350
BEIS receivable	39	368
Total trade and other receivables at 31 March	**980**	**1,767**

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

11. Trade and other payables

	Note	2019-20 £'000	2018-19 £'000
Amounts falling due within one year			
Trade payables		88	1,485
Other payables		14	108
19-20 levy underspend - refundable to industry	3	389	-
Prior years' levy underspend - refundable to industry *		5	1,071
VAT payable		58	56
Taxation and social security		668	592
Accruals		1,350	3,822
Contract liability		-	25
BEIS payable		-	79
BEIS capital loan **		577	556
Total current payables		**3,149**	**7,794**
Amounts falling due after more than one year			
Other payables		-	421
BEIS capital loan **		628	1,034
Total non-current payables		**628**	**1,455**
Total trade and other payable		**3,777**	**9,249**

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

*£5k of the 2016-17, 2017-18 and 2018-19 levy underspend is still due to levy payers at 31 March 2020. The OGA are actively liaising with levy payers to ensure this is paid.

** The BEIS capital loan includes current year funding of £170k to purchase assets.

12. Lease liabilities

	2019-20 £'000	2018-19 £'000
Amounts falling due within one year		
Current lease liability	646	-
Amounts falling due after more than one year		
Non-current lease liability	1,822	-
Total lease liabilities	**2,468**	**-**

Maturity analysis		
Not later than 1 year	646	-
Later than 1 year and not later than 5 years	1,458	-
Later than 5 years	364	-
	2,468	**-**

13. Provisions

	Dilapidations £'000	2019-20 Total £'000
Opening balance as at 1 April 2019	106	106
Provided in the year	128	128
At 31 March 2020	**234**	**234**
Analysis of expected timing of discounted flows:		
Later than 1 year and not later than 5 years	147	147
Later than five years	87	87
	234	**234**

	Dilapidations £'000	2018-19 Total £'000
Opening balance as at 1 April 2018	83	83
Provided in the year	30	30
Unwinding of discount	(7)	(7)
At 31 March 2019	**106**	**106**
Analysis of expected timing of discounted flows:		
Later than 1 year and not later than 5 years	37	37
Later than five years	69	69
	106	**106**

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. An additional provision of £98k was provided at year end, following a dilapidation assessment report from the landlord on the building in London. The provision represents the best estimate of the expenditure required to settle that obligation, with the benefit of technical advice.

14. Share capital

	Number
Authorised shares	
1 Ordinary share of £1 each	1

Ordinary share capital issued £1 each and fully paid.

15. 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.

15.1 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.

	2019-20 £'000	2018-19 £'000
Ageing of financial assets		
Neither past due nor impaired	75	164
Past due 1-30 days	18	18
Past due 30-60 days	8	20
Past due 61-90 days	1	-
Past due > 90 days	77	146
Total at 31 March	**179**	**348**

15.1.1 Impairment of financial assets

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

15.2 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 16, 17, and 18, can be met under the short and long term funding structure currently in place.

15.3 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.

15.3.1 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.

15.3.2 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.

15.3.3 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.

	2019-20 £'000	**2018-19** £'000
Carrying amounts and fair values		
Trade and other receivables	980	1,767
Trade and other payables	(3,777)	(9,249)
Total at 31 March	**(2,797)**	**(7,482)**

16. Commitments under operating leases

At the reporting date, the OGA had outstanding commitments for future minimum lease payments under non-cancellable operating leases for low value items which fall due as follows (comparative information is in respect of all leases in place at 31 March 2019 prior to implementation of IFRS 16):

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

		2019-20 £'000	2018-19 £'000
Not later than one year	8	8	
Later than one year and not later than five years		12	20
Total commitments under operating leases		**20**	**28**

17. Losses and special payments

Losses statement

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

			2019-20	2018-19
Number of cases			1	1
£'000	4	25		

18. Capital commitments

The company does not have any capital commitments.

19. 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).

20. Contingent assets and liabilities

The company does not have any contingent assets and liabilities.

21. Related party transactions

BEIS publishes a consolidated Annual Report and Accounts for the core department each year. The OGA is classified within the BEIS consolidation boundary; therefore, any transaction that the company carries out within the group is considered a related party transaction. During the period, the company received grant in aid of £1.83m (2018-19: £1.7m) and a capital loan of £170k (2018-19: £169k) from BEIS. In the year 2018-19, the company received funding from HM Treasury of £4.745m to survey under-explored areas of the UK Continental Shelf to find potential new deposits, no such funding was received in 2019-20. The company also received funding of £573k (2018-19: £350k) from Innovate UK for the Regulators' Pioneer Fund which is a project to realise cross-sector integration on the UK Continental Shelf to support the UK's energy transition.

At the balance sheet date, the company has a balance of £39k included in trade and other receivables, which is due from BEIS (2018-19: net balance of £289k). The company has a capital loan of £1,205k (2018-19: £1,591k) included in trade and other payables which is due to BEIS and will be repaid through the annual depreciation which is funded by the levy.

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

22. Events after the reporting period

In accordance with the requirements of IAS 10, Events after the Reporting Period, events are considered up to the date on which the financial statements are authorised for issue, which is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. On 23rd March 2020, the Prime Minister announced that, to limit the spread of the worldwide coronavirus pandemic, he would be asking people to stay at home and where possible work from home, with only essential journeys being made. The OGA has managed to carry on operating with all staff working from home. The OGA is closely monitoring its operations, liquidity, and capital resources and is actively working to minimise the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, there has been no financial impact on the company's financial statements.

Trust Statement

Financial Statements

Accounting Officer's Foreword to the Trust Statement

Scope

The Oil and Gas Authority (OGA) is responsible for the collection and allocation of receipts from the Petroleum Licensing Regime. The Petroleum Licence fees collected by the OGA and paid over to the Consolidated Fund are included in this Trust Statement, along with

the revenues, expenditure, assets and liabilities relating to the receipts of Petroleum Licences under The Petroleum Act 1998 for the financial year 2019-20.

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

Background

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

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

Licences are awarded in periodic "rounds" subject to a requirement that the holder will make annual payments (known as 'Licence Rental Fees') to the OGA, which remits them, via Department of Business, Energy and Industrial Stategy (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 32nd Offshore Licensing Round closed for applications on 12th November 2019. The OGA received 104 applications covering 245 blocks in the main producing (Mature) areas of the UK Continental Shelf (UKCS). The OGA has commenced its technical evaluation of applications, and intends to offer awards to successful applicants as early as possible during Q2 2020.

Following the considerable interest generated by the 32nd Round and having listened to feedback from industry, the OGA have decided to temporarily pause future Licensing Round activities. Consequently it is planned to launch the 33rd Offshore Licensing Round in 2021-22.

Financial Review

Fees received in respect of Petroleum licences amounted to £60.5m for the year to 31 March 2020 (£67.2m in 2018-19). These included nearly £410k in payments for over 31 new licences awarded in the 31st UKCS Offshore Licensing Round. Under Section 2 of the Miscellaneous Financial Provisions Act 1968, the Northern Ireland Government is entitled to a share of the proceeds received under the regime. The Northern Ireland Government payment for the 2019-20 year has been calculated at £2.0m (£1.7m in 2018-19) and will be paid in the 2020-21 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 73 to 75. The auditor's notional remuneration of £8k is included within the BEIS accounts. There were no fees in respect of non-audit work.

Basis for preparation

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

Accounting judgements

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

Events after the reporting period

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

MA Samuel

Dr Andy Samuel
Chief Executive and Accounting Officer
18 June 2020

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

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

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

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

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

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

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

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

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

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

Governance Statement

The OGA's Governance Statement, covering both the Accounts and the Trust Statement, is included in Governance section of this report on page 19.

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 2020 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 2020 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Oil and Gas Authority Trust Statement's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Oil and Gas Authority Trust Statement have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Oil and Gas Authority Trust Statement's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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;

- 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;

- conclude on the appropriateness of the Oil and Gas Authority Trust Statement'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 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 report. However, future events or conditions may cause the Oil and Gas Authority Trust Statement to cease to continue as a going concern.

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

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Gareth Davies
Comptroller and Auditor General
8 July 2020

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 2020

	Note	2019-20 £'000	2018-19 £'000
Revenue			
Licence fees and taxes			
Petroleum licences	2	60,521	67,168
Total licence fees and taxes		**60,521**	**67,168**
Total revenue and other income		**60,521**	**67,168**
Expenditure			
Disbursements	3	(1,984)	(2,213)
Total disbursements		**(1,984)**	**(2,213)**
Total expenditure and disbursements		**(1,984)**	**(2,213)**
Net revenue for the Consolidated Fund		**58,537**	**64,955**

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

The notes on pages 79 to 82 form part of this statement.

Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Current assets			
Receivables	4	5,165	7,492
Cash and cash equivalents	5	25,551	27,559
Total current assets		**30,716**	**35,051**
Current liabilities			
Payables	6	(2,179)	(1,695)
Total current liabilities		**(2,179)**	**(1,695)**
Net current assets		28,537	33,356
Total net assets		**28,537**	**33,356**
Represented by:			
Balance on Consolidated Fund Account	7	**28,537**	**33,356**

The notes on pages 79 to 82 form part of this statement.

Dr Andy Samuel

Chief Executive Officer
18 June 2020

Statement of Cash Flows for the year ended 31 March 2020

	Note	2019-2020 £'000	2018-2019 £'000
Net cash flows from operating activities		61,348	71,229
Cash paid to the Consolidated Fund	7	(63,356)	(103,248)
Decrease in cash in this year		**(2,008)**	**(32,019)**

Notes to the Statement of Cash Flows

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

	Note	2019-2020 £'000	2018-2019 £'000
Net revenue for the Consolidated Fund		58,537	64,955
Decrease in receivables and accrued fees	4	2,327	5,814
Increase in payables	6	484	460
Net cash flows from operating activities		**61,348**	**71,229**

B: Analysis in changes in Net Funds

	Note	2019-2020 £'000	2018-2019 £'000
Decrease in cash in this year		(2,008)	(32,019)
Net Funds as at 1 April (net cash at bank)	5	27,559	59,578
Net Funds as at 31 March (closing balance)	5	**25,551**	**27,559**

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

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

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

1.4 Financial instruments

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

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

1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2. Revenue

Petroleum licence income

	2019-2020 £'000	2018-2019 £'000
Fees receivable	60,521	67,168
Total	**60,521**	**67,168**

The responsibility for the collection of petroleum licences is with the company. The licence fees are net of repayments for surrendered licences. During the 2019-20 year, HM Treasury approved the waiver of £248k petroleum licence fees (2018-19: £622k).

3. Expenditure and disbursements

Disbursements

	2019-2020 £'000	2018-2019 £'000
Payments to Northern Ireland Government	1,984	2,213
Total	**1,984**	**2,213**

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

	2019-2020 £'000	2018-2019 £'000
Petroleum licence fees receivable	5,138	7,492
Accrued petroleum licences receivable	27	-
Total	**5,165**	**7,492**

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.

5. Cash and cash equivalents

	2019-2020 £'000	2018-2019 £'000
Balance as at 1 April	27,559	59,578
Net change in cash and cash equivalent balances	(2,008)	(32,019)
Balance at 31 March	**25,551**	**27,559**
The following balances were held at:		
Government Banking Service	25,551	27,559
Total	**25,551**	**27,559**

6. Payables

	2019-2020 £'000	2018-2019 £'000
Northern Ireland Government	1,984	1,690
Other payables	195	5
Total	**2,179**	**1,695**

Other payables represents monies owed to the Welsh Government and the OGA.

7. Balance on the Consolidated Fund Account

	2019-2020 £'000	2018-2019 £'000
Balance on the Consolidated Fund as at 1 April	33,356	71,649
Net revenue for the Consolidated Fund	58,537	64,955
Less amounts paid to the Consolidated Fund	(63,356)	(103,248)
Balance on the Consolidated Fund as at 31 March	**28,537**	**33,356**

8. Financial instruments

8.1 Classification and categorisation of financial instruments

	2019-2020 £'000	2018-2019 £'000
Financial assets:		
Cash and cash equivalents	25,551	27,559
Petroleum licence fees receivable	5,138	7,492
Accrued petroleum licence fees receivable	27	-
Total cash and receivables	**30,716**	**35,051**
Financial liabilities:		
Northern Ireland Government payables	(1,984)	(1,690)
Other payables	(195)	(5)
Total other financial liabilities	**(2,179)**	**(1,695)**

8.2 Risk exposure to financial instruments

The fees receivable under the Petroleum Licensing Regime are subject to credit risk. Management has assessed this risk to be minimal, demonstrated by there being no bad debts incurred. There were no write offs in 2019-20 (2018-19: no write offs). There is no foreign exchange risk as all the fees under this regime are receivable in Sterling. The market risk is limited due to there being a constant demand for licences.

9. Events after the reporting period

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

There have been no events since 31 March 2020 that would have a material impact on the Trust Statement.

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

Annex D

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

1. This direction applies to the Oil and Gas Authority (OGA), a government company (and previously an executive agency) of the Department for Business, Energy and Industrial Strategy.

2. The OGA shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2020 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 2019-20.

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 so as 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 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Vicky Rock
Director, Public Spending
Her Majesty's Treasury
19 December 2019

Oil & Gas Authority

Oil and Gas Authority is a limited company registered in England and Wales
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