

ISSUING
ORG.

ACCOUNTING POLICIES & SYSTEMS DEPARTMENT

ISSUE DATE
10-09-17REPLACES
04-24-16

SUBJECT

CONTROLLABLE COST REVIEW AND APPROVALAPPROVAL
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CONTENTS: This General Instruction (GI) details the monthly Controllable Cost review and approval procedures which are applicable to all Saudi Aramco departments. Elements of Controllable Costs are defined in the Business Plan Instructions which also outlines the Company's budgeting policies. The main objective of this GI is to strengthen the control and awareness over each department's operating expenditures. The text includes:

1. References
2. Background
3. Operating Statement Dashboard (OSDB)
4. Reading the Operating Statement
5. Operating Statement Structure
6. Controllable Cost Review, Approval and Analysis

1. REFERENCES

1.1. ABBREVIATIONS & ACRONYMS

AP&SD	-	Accounting Policies and Systems Department
BISD	-	Business Intelligence Solutions Department
BPC	-	Business Planning & Consolidation System
CC	-	Cost Center
CCG	-	Cost Center Group
CE	-	Cost Element
CEG	-	Cost Element Group
FY	-	Full-Year
GI	-	General Instruction
IT	-	Information Technology
KPI	-	Key Performance Indicator
MIS	-	Management Information System
NDE	-	Net Direct Expenditure
OSDB	-	Operating Statement Dashboard
P&PMD	-	Planning & Performance Management Department
SMP	-	Supplemental Manpower
T&D	-	Training & Development
VAR	-	Variance
YE	-	Year End
YTD	-	Year-To-Date

1.2. RELATED INSTRUCTIONS

Business Plan Instructions

AI 810 - Purchased/Leased and Exported Excess Electric Power

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- GI 202.301 - Capital Assets Coding System and Depreciation
- GI 216.611 - Vehicle Usage and Cargo Services Charges to User Accounts
- GI 216.613 - Marine Department Vessel and Service Charges to User Accounts
- GI 216.616 - Industrial Equipment Usage and Service Charges to User Accounts
- GI 216.965 - Cost Distribution Rates
- GI 241.023 - Own Use Diesel Fuel
- GI 270.003 - Labor Costing & Analysis
- GI 287.005 - Capex Recoveries
- GI 1245.001 - Transportation Services

1.3. DEFINITIONS

Accountability: Ownership of the underlying costs which is accomplished through the periodic, cyclical analysis and reporting of actual vs. planned manpower and expenses.

Budget Transfer: This facilitates transfer of plan from one Organization to another to accommodate changes to business needs. Budget Transfers are achieved using "eSight Budget Transfer System".

Controllable Cost: Controllable Cost is comprised of Direct Operating Costs and Depreciation net of Recoveries to Capital and Service Income.

Corporate Account: A ten-digit number. Consists of the summation of one or more cost elements used in eSight.

Cost Center (CC): A six-digit number. The primary accumulation point of costs, basically used for administrative control and to identify costs for accountability purposes.

Cost Center Group (CCG): Cost centers within the same organization can be combined to form a CCG. CCGs form the standard and alternate hierarchies for reporting and cost data management. CCG may also be used to identify costs for accountability purposes.

Cost Element (CE): A seven-digit number that provides identification and segregation of basic elements and types of costs within cost centers. The lowest level of planning occurs at the cost center/cost element level.

Cost Element Group (CEG): Consists of the summation of one or more cost elements. Cost Element Groups are also referred as Corporate Accounts under eSight. Refer 2.2 above.

Key Performance Indicators (KPI): Indicators used by organizations to monitor their progress towards achieving strategic business objectives.

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Organizational Entity: The level at which Planning & Budgeting happens. For most organizations, planning is performed at Division level. However, for core producing organizations, cost centers within a Division are regrouped under "Facilities," which act as a fully functional producing facility, where Planning & Budgeting is performed.

Rates: These are the rates used to prepare the operating plan for a specific year. During the year, benefiting cost centers are charged the planned rate based on manpower, activities and usage. These annual rates are maintained in GI 216.965 "Cost Distribution Rates".

Recoveries to Capital: Consists of the capitalized cost of labor, material and services initially charged to expense.

SMP Labor: Consists of employees of a contractor who perform work for, and under the supervision and direction of Saudi Aramco for specified periods of more than six months under Reimbursable Rate and/or Time Unit Rate.

Support Services: Consists of Marine, Aviation, Transportation and Equipment Services, Training Costs, Mechanical Shops, Engineering Services and Surveying, among others. Support Service revenues of the service provider will be separated from Controllable Cost in order to maintain controls.

2. **BACKGROUND**

2.1. Effective January 2016 the Integrated Planning & Performance Management Framework moved accountability from NDE to Controllable Cost. Controllable Cost is comprised of:

- Direct Operating Costs
- Depreciation & Amortization
- Recoveries to Capital
- Service Income Cost Recoveries

Controllable Cost does not include general corporate overheads.

2.2. The Operating Statement provides full year plans and summarized information on monthly and year-to-date actual costs, planned costs and the variances for each specific Cost Center (CC) or Cost Center Group (CCG).

2.3. The Operating Statement provides the view that enables management to compare actual expenditures with the plan, review and investigate any variances, and ensure appropriate control and monitoring of the spending. The Operating Statement will report Actual vs. Plan at the Division Level and above for most organizations.

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2.4. The review and approval process of the Operating Statement is applicable to all departments at the Controllable Cost level. An automated workflow is sent monthly to each department's reviewer containing the Operating Statement information for their review and Manager's approval. Additionally, a workflow item is sent at the division level for division heads to review and acknowledge.

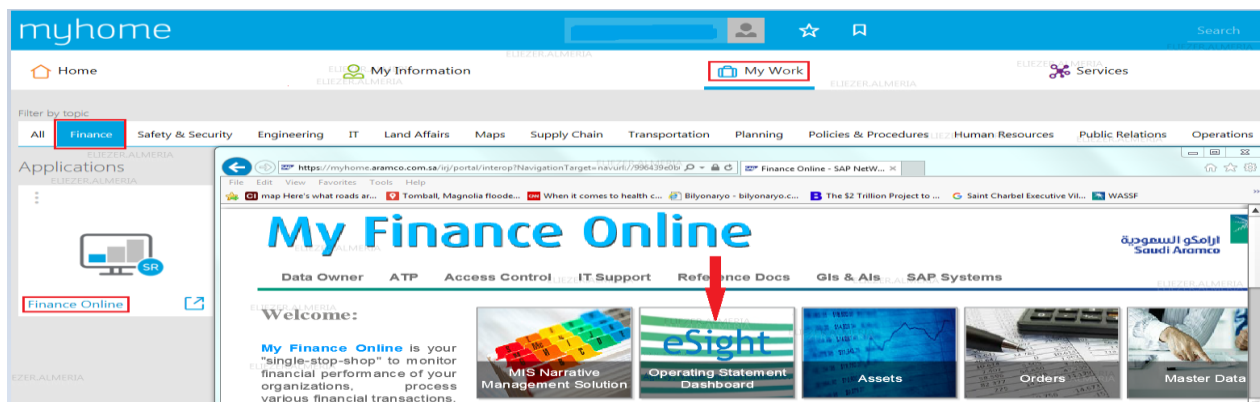
2.5. Each department is Accountable for the costs reported at the Controllable Cost level.

2.6. The basic control cycle consists of three stages:

- Preparation and receipt of approval for a detailed plan for the year.
- Monthly review of Operating Statement, i.e. comparing the actual costs incurred against the planned amounts. (Note: Actual cost may be reported at a lower level, but the budget will only be at the division or above level.)
- Requesting error corrections and explaining and reporting variances from plan (accountability reports).

3. **OPERATING STATEMENT DASHBOARD (OSDB)**

3.1. **OPERATING STATEMENT GENERATION**



3.1.1. Saudi Aramco's monthly Operating Statements can be viewed online through the Corporate Portal in the Operating Statement Dashboard within the Operating Statement Report Group.

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GI NO. **APPROVED**

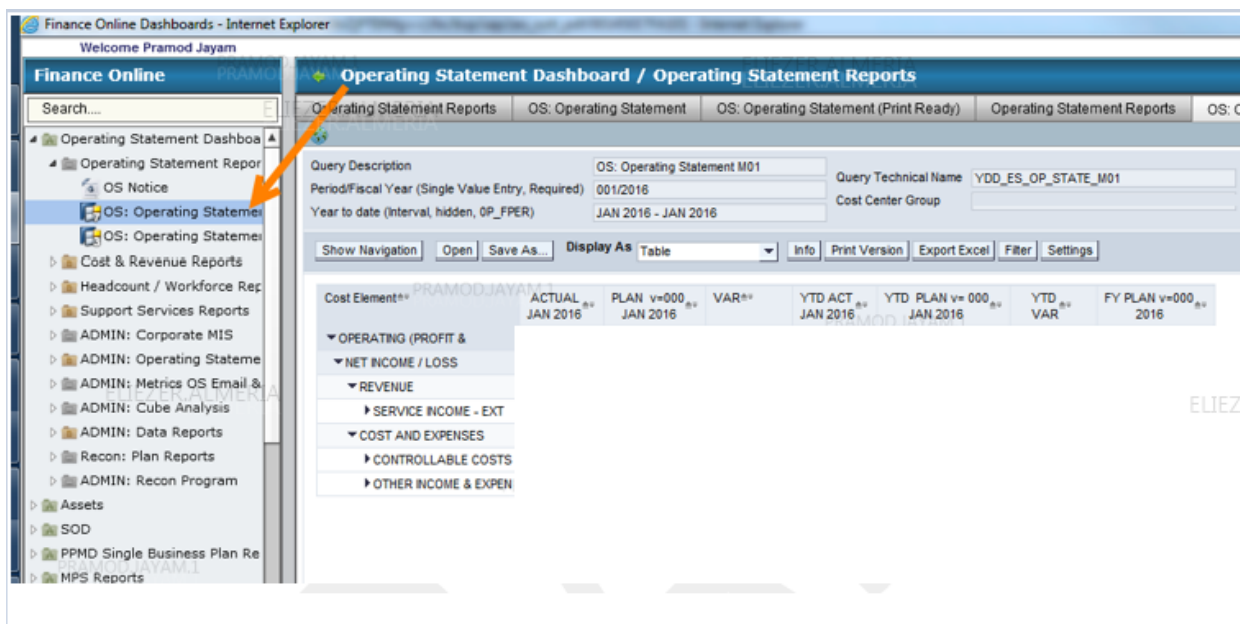
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3.1.2. For an online course on how to use the OSDB follow the link below:

<http://tdonline.aramco.com.sa/Catalog/TrainingCatalog/CoursesList.aspx?tab=CAT&page=TRNGCAT&BEG=45012580>

Path for the training via eLearning can be found as shown below:

SAUDI ARAMCO TRAINING/CERTIFICATION > TRAINING & DEVELOPMENT > COMPUTER TRAINING COURSES > SAP END-USER TRAINING > FINANCE & REPORTING > PLANNING AND PERFORMANCE MGT > PERFORMANCE MEASUREMENT AND MANAGEMENT >

3.1.3. Monthly Operating Statements are available on the third working day of the subsequent month. A workflow is sent to the authorized departmental reviewers, which are identified by the manager, immediately after the Operating Statement is released. Only one reviewer will be allowed to view the workflow content and process it to the Manager for approval once the workflow item is opened. When the first reviewer opens the workflow, it will be removed from the other reviewers' inbox. The first reviewer, however, has the option to send the workflow to other reviewers. A workflow item is also sent to the division heads for review and acknowledgement.

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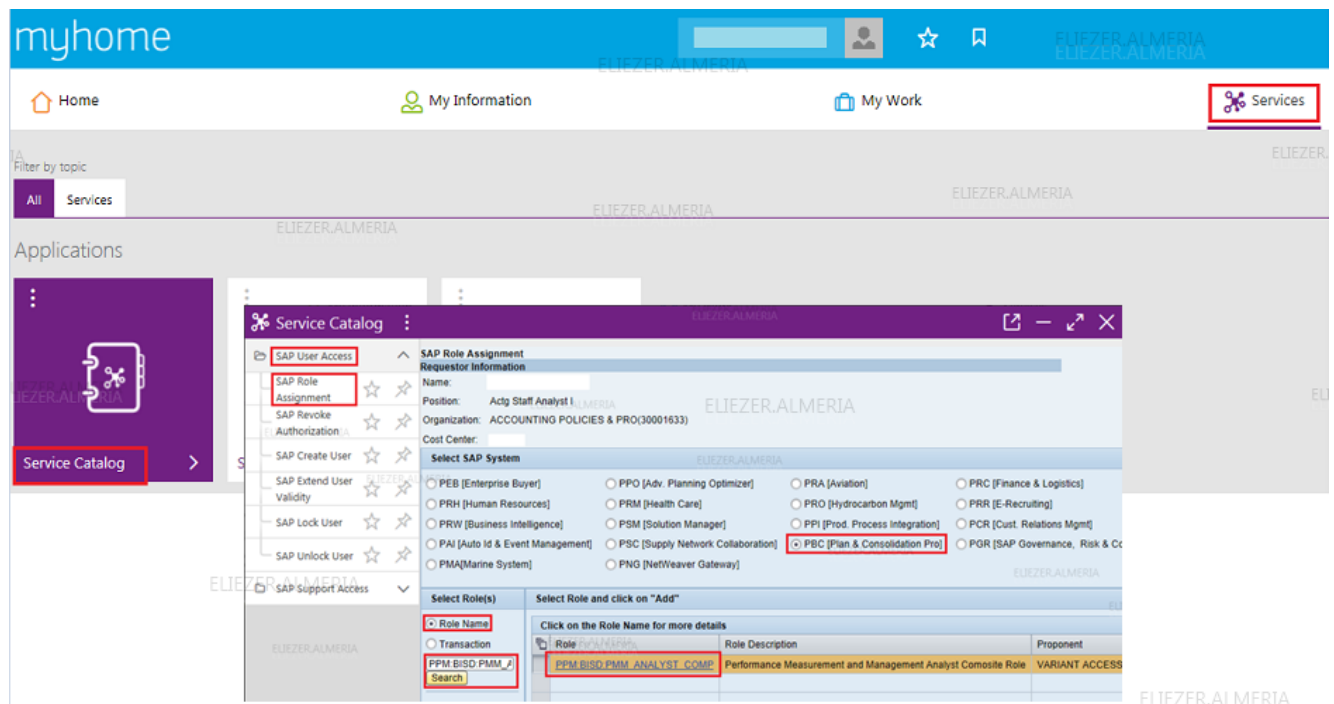
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3.2. ACCESS TO THE OPERATING STATEMENT DASHBOARD

Operating Statement access is obtained through the Services tab (click Service Catalog) in the Corporate Portal. An Access Request will be routed automatically to the division head and department head for approval. Role name: PPM:BISD:PMM_ANALYST_COMP in PBC system.



3.3. OPERATING STATEMENT REVIEW AND APPROVAL WORKFLOW PROCESS

- 3.3.1. The Operating Statement Review and Approval Workflow Process is intended to automate the review and approval of the Operating Statement in accordance with Section 7.
- 3.3.2. The process begins with a workflow being sent to the departmental reviewers with a summary of the department Operating Statement.
- 3.3.3. The reviewer will have twenty-one (21) days after the workflow is sent to complete the review of the Operating Statement and process it for Manager's approval. If the review was not completed and processed for approval by day 22, then the workflow is escalated to the reviewer's Department Head. A reminder

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email will be sent to the reviewer every seven (7) days until the review is complete.

- 3.3.4. The reviewer can add attachments and comments to the workflow item to support the completion of the review. Additionally, the reviewer can monitor and check from the departmental level workflow whether the division heads have reviewed their division's Operating Statement.
- 3.3.5. After the reviewer has clicked the Review button in the workflow, it will automatically be sent to the Manager for approval.
- 3.3.6. The Manager will have twenty-one (21) days to approve the Operating Statement once the review is completed.
- 3.3.7. If the Manager does not approve the reviewed Operating Statement within twenty-one (21) days, an e-mail is sent to the immediate supervisor based on the HR Organizational Hierarchy.
- 3.3.8. If the workflow is returned by the Manager, it will go back to all reviewers. This feature is available to the Manager to allow the Manager to have reviewers investigate or explain further certain variances before approving the Operating Statement.
- 3.3.9. Status reporting is available in the Operating Statement Dashboard with the Operating Statement Reports Group under the OSDB Review Tab to track and approve the Operating Statement to fulfill internal audit requirements.
- 3.3.10. Any errors identified should be noted in the remarks area and supporting documents attached if required. All error corrections do not have to be complete for Operating Statement approval to occur. However, they should be rectified in a timely manner and must be fully processed in the same year when the actual cost is charged. In cases where a prior year error has an impact on a project account, the correction can be processed but this will not result in a corresponding charge to current year materials, services or power costs.
- 3.3.11. Request can be submitted via MyHome Portal > My Work > Finance > eRequests > Error Correction to correct erroneous charges of materials, services, power and support services (particularly cost element 8000xxx such as 8000001 Airplane Services and 8000100 Vessel Services), and in cost objects such as cost center, WBS, internal order and work order. The required workflow approvers reside in AAE (Approval Authority Engine). The organization with the Operating Statement access has the authorization control to create the request. User Manual,

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eTraining and Frequently Asked Questions are available in eRequests for user guidance.

3.4. OPERATING STATEMENT LEVELS

The Operating Statement can be reviewed at the CC or CCG levels.

4. READING THE OPERATING STATEMENT

Show Navigation		Open	Save As...	Display As	Table	Info	Print Version	Export Excel	Filter	Settings	3	4	5	6	7	8	9	10
Cost Element**		1	2	3	4	5	6	7	8	9	10							
		WADIA.SALAMY	ELIEZER.ALMERIA	ELIEZER.ALMERIA	ELIEZER.ALMERIA	ELIEZER.ALMERIA	ELIEZER.ALMERIA	ELIEZER.ALMERIA	ELIEZER.ALMERIA	ELIEZER.ALMERIA	ELIEZER.ALMERIA							
▼ NET INCOME / LOSS		5050000000																
▼ REVENUE (EX HYDROCARBONS)		3000000000																
▼ SERVICE INCOME		3042000000																
• 8700802-SERV. INCOME EXT (REVENUE)		8700802																
▼ OPERATING EXPENSES		4010000000																
▼ CONTROLLABLE COSTS		4001000000																
▼ CONTROLLABLE COST BEFORE RECOVERIES		4030000000																
▼ DIRECT CONTROLLABLE COST		4030001000																
▼ LABOR		4050000000																
▼ TOTAL SAO LABOR COST		4051000000																
▼ SAUDI TOTAL LABOR COST		4051010000																
▼ SAUDI REGULAR LABOR		4051010100																
▼ SAUDI REGULAR LABOR 3-10		4051010101																
• 7200301-SA REGULAR LABOR - GC 3-10		7200301																
▶ SAUDI REGULAR LABOR 11-14		4051010102																
▶ SAUDI REGULAR LABOR 15+		4051010103																
▶ SAUDI BENEFITS		4051010300																
▶ SAUDI OVERTIME LABOR		4051010200																
▶ EXPAT TOTAL LABOR COST		4051020000																
▶ TOTAL SMP LABOR		4052000000																
▶ MATERIALS		4060000000																
▶ SERVICES		4070000000																
▶ SUPPORT SERVICES		4080000000																
▶ DEPRECIATION & AMORTIZATION		4090000000																

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1. CE/Description: Related cost elements are collected into sub-groups. The sub-groups are called "Corporate Accounts" in the eSight Planning system in SAP BPC. In turn, these sub-groups are totaled into expenditure-type groups.
2. Represents the "Corporate Accounts".
3. Actual: Actual cost for the current month.
4. Plan: The planned amount of the cost for the current month.
5. Var (\$): Equal to the month actuals less the month plan.

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6. YTD Actual: This column provides the total actual cost incurred from the beginning of the current calendar year including the current month.
7. YTD Plan: Is the total planned amount of the cost from the beginning of the current calendar year including the current month.
8. YTD Var: Is the variance amount which equals the YTD Actual minus the YTD Plan amounts.
9. Var (%): Is the YTD variance percent which equals YTD Variance divided by YTD Plan. The variance % is color coded as follows:

For expense items: ("Less is better")

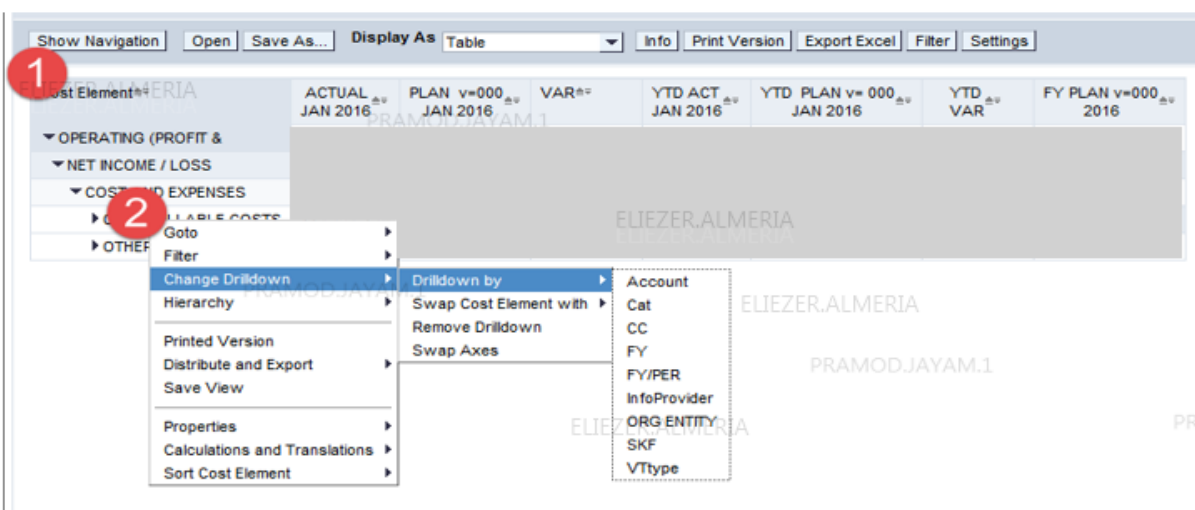
- ☐ Up to 3% : Green
- ☐ Over 3% and below 7% : Orange
- ☐ Over 7% : Red

For Revenue items: ("More is better")

- ☐ Up to -3% : Green
- ☐ From -7% to -3% : Orange
- ☐ Less than -7% : Red

10. FY Plan: Is the approved plan for the current calendar year. Note that this Plan is after the Budget Transfers are applied.

Note: There are several interactive Operating Statement Analytics reports made available in the OSDB for further analysis.



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1. Show Navigation button provides ability for users to add or change attributes in the report.
2. Right-clicking on cost categories on the Operating Statement reports enables drill-down to line item details.

5. OPERATING STATEMENT STRUCTURE

5.1. REVENUE (EX HYDROCARBONS)

5.1.1. Support Service Revenues

Support services revenues appear on the Saudi Aramco Operating Statement and the Operating Statement of the service provider and consist of the activity charged to user organizations within Saudi Aramco and not for services charged to third parties (refer to 6.1.2 below).

5.1.2. Service Income (External/Internal)

Service income external represents charges to third parties for materials and services provided by the organization. Service income internal represents charges to employees and non-employees for housing rent, furniture rent, lost IDs, etc.

5.2. CONTROLLABLE COSTS

5.2.1. Direct Controllable Cost

5.2.1.1. Labor

This Operating Statement section provides information about:

- Labor costs charged to a particular CC including: the badge number and name for each employee and labor cost posted.
- Benefit costs charged to a particular CC including: the badge number and name of each employee and benefit cost posted. The benefit cost represents employee benefit packages for each payroll group which are charged to the CC.
- Total labor charges for all employees, by 2 categories: Saudi and Expat and grade codes 3-10, 11-14 and 15+ within each category.

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- Scheduled and un-scheduled overtime labor charged to the CC for all employees by nationality and grade codes within each category.
- SMP labor charges for all supplemental employees, by 2 categories: Saudi and Expat and grade codes 3-10 and 11+ per category. Cost is automatically calculated from SMP head count changes (only if not directly budgeted to Capital).
- Refer to GI 270.003 for details on Labor Costing & Analysis.

5.2.1.2. Materials

The Materials section provides a detailed listing by cost element of material charges for the selected period by cost center.

- Materials Issued from Stock (CE 7205001) – items issued from a Company plant and priced at the Moving Average Unit Price.
- Direct Charge (D/C) Materials Purchase (CE 7205010) – materials purchased at proponent's request by Procurement & Supply Chain Management, either in-Kingdom or out-of-Kingdom.
- Material cost report based on commodity type (e.g. machinery equipment, drilling, electrical and IT equipment) is provided in this section.

▼ MATERIALS	4060000000
▼ MATERIAL COMMODITIES	4060010000
• 7205001-MATERIALS ISSUED FROM STOCK	7205001
• 7205010-DIRECT CHARGE MATERIALS PURCHASE	7205010
• 7205011-MATERIALS TRANSFER CHARGES	7205011
► CHEMICALS	4062010100
• MACHINERY EQUIPMENT	4062010200
• STATIC EQUIPMENT	4062010300
• DRILLING	4062010400
• ELECTRICAL & INSTRUMENTATION	4062010500
• IT EQUIPMENT	4062010600
• SAFETY SECURITY HEALTH & ENVIRONME	4062010700
► COMMUNITY OFFICE SUPPLIES & OTHERS	4062010800
• OWN CONSUMPTION (CRUDE OIL & LOCALLY	4062010900

5.2.1.3. Services

The Services section provides a list of invoice costs by CC showing reference information such as CE number and name, document numbers, posting date, reference document number, offsetting account name and number, purchasing document and value amounts. There is sufficient reference provided to locate the source document, if needed.

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The total of all contractor or non-material vendor invoices affecting direct operating expenses is grouped into 3 cost element groups, as follows:

- Services Labor – Includes consulting services and other contracted labor (non SMP labor) where labor represents at least 80% of the total invoice cost.
- Services Core – Includes invoice costs relevant to the core business and includes; Rig Leases, Marine charters, Maintenance, Purchased Medical Services where neither labor nor materials are 80% of the total invoice cost.
- Services Other – Includes leases, rents and other miscellaneous purchases.

5.2.1.4. Power

Saudi Aramco purchased power costs are allocated to users' cost centers based on actual consumption. Power Systems prepares a monthly schedule on Purchased Power Actual Cost Allocation. The costs to be allocated are the net of the actual invoices received, invoice accrual for the month and reversal of the prior month's accrual. Refer to AI 810.

5.2.1.5. Support Services

Support Services represent corporate wide services provided by various organizations specifically designated to provide such services. The initial cost of such services is budgeted and accounted for by the organization providing the service (first spent money); however, as these costs are incurred specifically for the benefit of user organizations and to ensure efficient usage/ accountability for such services, the costs are transferred as support services cost (second spent money) to the user accounts. Support Services costs are planned and accounted for jointly by the service provider and the user organizations. These costs are charged to user organizations based on the activity Rate for the service provided. These Rates are updated annually and published in the Business Plan Instructions and in GI 216.965.

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** In 2017, IT, Office Services and Own Use Diesel Fuel are introduced as Support Services. Further, the 2018-2020 Business Plan Instruction introduced the inclusion of Temporary Accommodation, Staffing Services, Management & Professional Training Programs and Bus Services. The following are Support Services costs as defined:

- Leased and Industrial (Owned) Vehicles – Industrial (Owned) and leased vehicles' costs are billed to customer organizations based on the budgeted Rates multiplied by usage. Refer to GI 216.611.
- Cargo Services - Monthly cargo services, sulfur hauling services and contractor cargo costs are billed to customer organizations based on budgeted Rates multiplied by usage. Refer to GI 216.611.
- Marine Services - Monthly vessel services, diving services, pollution services and marine inspection services costs are billed to customer organizations based on budgeted Rates multiplied by usage. Refer to GI 216.613.
- Aviation Services - Monthly airplane services and helicopter services costs are billed to customer organizations based on budgeted Rates multiplied by usage.
- Heavy Equipment Services - Monthly heavy equipment services costs are billed to customer organizations based on budgeted Rates multiplied by usage. Refer to GI 216.616.
- Surveying Services (Geomatics Services) - Monthly surveying services costs are billed to customer organizations based on budgeted Rates multiplied by usage.
- Training & Development Services - SAP system tracks each employee in the T&D classes and this data is used to bill the cost back to employee's home cost centers at a budgeted Rate.
- Mechanical Shops Services - Monthly costs are allocated to customer organizations based on the SAP work order system's tracking of jobs multiplied by a budgeted Rate.
- Engineering Services - Monthly costs of the Engineering Services Admin Area are charged to customer organization's CC based on a budgeted Rate multiplied by usage. Engineering Services include

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the following activity charges: Facilities Planning, Consulting Services, Process & Control Systems and Inspection.

- ** IT – IT services costs are billed to customer organizations based on budgeted rates multiplied by unit (e.g. workstation, laptop, printer, radio). Refer to GI 216.965.
- ** Office Services – Monthly costs are billed to customer organizations based on budgeted rate according to building type multiplied by assigned area in square meter. Refer to GI 216.965.
- ** Own Use Diesel Fuel – Company supplied diesel fuel are billed based on standard price multiplied by usage in barrel. Refer to GIs 216.965 and 241.023.
- ** Temporary Accommodation – These costs apply to remote accommodation and transient housing. Remote service is charged in units of assigned square feet and the corresponding rate is based on the type of unit the user occupies. Transient service is charged in number of nights booked and the corresponding rate is based on the type of unit the user occupies.
- ** Staffing Services – These costs are based on hiring levels and charged to organizations accordingly. There are three service rates to be used, namely: Saudi, Expat and non-employees.
- ** Management & Professional Training Programs – The costs of leadership and management & professional training programs are calculated for each organization based initially on prior year's usage. For Management programs, the volume is based on the number of participants. For all other programs, the volume is based in hours.
- ** Bus Services – These costs are charged to organizations based on service rate per kilometer for each dedicated route. Only organizations that have a dedicated bus route are charged.

5.2.2. Depreciation and Amortization

Depreciation and amortization expense is calculated at applicable depreciation and amortization rates (GI 202.301) applicable to the assets in an organizations cost centers.

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5.2.3. Recoveries to Capex

The Recoveries to Capex section consists of the cost of employees performing work on capital projects as well as other direct costs (materials, invoices and support services) incurred in Controllable cost that are directly attributable to Capital Projects. Refer to GI 287.005.

5.2.4. Service Income Cost Recovery

The Service Income Cost Recovery section consists of the cost of employees performing work for third parties as well as other direct costs (materials, invoices and support services).

6. CONTROLLABLE COST REVIEW, APPROVAL AND ANALYSIS

6.1. GENERAL REVIEW AND APPROVAL

- 6.1.1. The review and approval function is the verification of charges appearing on the organization's Operating Statement and the approval by the department head that adequate review has been done to ensure that the department cost is accurately reported. Charges appearing on the Operating Statement not belonging to your organization should be investigated and corrected immediately.
- 6.1.2. Each department head shall formalize the review according to his requirements. The review should highlight exceptions (variances or incorrect charges) within the major categories of Controllable Costs.
- 6.1.3. While department heads have overall responsibility for the review and approval of their department's Operating Statement, the plan coordinator or a designated staff member should perform the monthly analysis by breaking down the cost categories and ensuring the existence of supporting documents.
- 6.1.4. The department head (being the plan controller) should verify that Operating Statement review has been performed satisfactorily and is required to approve the reviewed Operating Statement.
- 6.1.5. The approved Operating Statement, with all its supports, should be retained in the department for reference and audit purposes for a minimum period of two years. Approvals and supporting documentation that is included as part of the Operating Statement Workflow will be accessible in the OSDB to satisfy this requirement. No paper copies are necessary if adequate supporting documentation is included with the workflow, as determined by each department manager.

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6.2. GENERAL ANALYSIS

6.2.1. In accordance with the Saudi Arabian Oil Company System of Management Control, analysis of the Controllable Cost variance is required for all departments.

6.2.2. The Operating Statement is analyzed when producing the monthly MIS report as follows:

6.2.2.1. Compiling the Controllable Cost Variance Analysis Summary Report.

6.2.2.2. Preparing detailed supporting variance reports for the Summary Report in 7.2.2.1 for the various cost categories.

6.2.2.3. Recording clear explanations and comments of variances.

6.2.2.4. Calculation of the financial KPIs for MIS reports should be based on total Controllable Costs.

6.2.2.5. Department level Operating Statements are consolidated at the Admin Area level and further consolidated at Business Line level. The corporate Operating Statement is consolidated by P&PMD as part of the corporate MIS Report to Management Committee, monthly.

6.3. REVIEW OF CONTROLLABLE COSTS

6.3.1. Labor

6.3.1.1. Review the Labor section of the Operating Statement to verify that the charges shown are accurately reflected in the Operating Statement under the various labor cost element categories.

6.3.1.2. Unplanned and Planned Overtime, if any, should agree to the charges using the OSDB.

6.3.1.3. Charges are recorded based on the estimated monthly rates published in GI 216.965 "Cost Distribution Rates" and not the actual pay. Therefore, attention should be paid to the number of employees, their categories and their movements in and out of the organization rather than the actual salary.

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6.3.1.4. Right-click on a labor cost listing in the OSDB Operating Statement and choose "Goto > Cost Analyzer" to view labor details. You may also choose "Goto > Overtime Analyzer" to view Overtime Labor details.

6.3.2. Materials

6.3.2.1. Review the Materials section of the Operating Statement to verify that the charges shown are accurately reflected in the Operating Statement under the various materials cost elements.

6.3.2.2. The supporting documentation (copy of purchase order, delivery note, etc.) for all materials ordered, delivered and received should be available in the department for verification purposes, if not uploaded in the system.

6.3.2.3. Right-click on a material cost listing in the OSDB Operating Statement and choose "Goto > Cost Analyzer" to view materials' details.

6.3.3. Services

6.3.3.1. These expenditures may contain labor, material or service charges by outside parties.

6.3.3.2. Review the Services section of the Operating Statement Report to verify that the charges shown accurately reflect the costs under the various invoice categories.

6.3.3.3. The supporting documentation for all of the items (copies of contractor invoices, copies of expense reports, etc.) should be available in the department for verification purposes.

6.3.3.4. The reviewer should ensure that expenditure bookings have been made to the correct cost element as planned for.

6.3.3.5. Right-click on a Services cost listing in the OSDB Operating Statement and choose "Goto > Cost Analyzer" to view details.

6.3.4. Power

6.3.4.1. These expenditures should be reviewed to ensure that the charges accurately reflect the usage.

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6.3.4.2. Right-click on a Power cost line in the OSDB Operating Statement and choose "Goto > Cost Analyzer" to view details.

6.3.5. Support Services Cost

6.3.5.1. These expenditures should be reviewed to ensure that the charges shown in the report are accurately reflected in the Operating Statement.

6.3.5.2. Right-click on a support service cost listing in the OSDB Operating Statement and choose "Goto > Support Service Analyzer" to view details.

6.3.6. Depreciation and Amortization

6.3.6.1. Depreciation and amortization should be reviewed to ensure that the depreciation and amortization charges related to the assets under the custody of the organization.

6.3.6.2. Right-click on the depreciation and amortization cost listing in the OSDB Operating Statement and choose "Goto > Cost Analyzer" to show details.

6.3.7. Service Income Cost Recoveries

6.3.7.1. Service Income Cost Recoveries should be reviewed to ensure that third party service billings are accurately reflected in the Operating Statement.

6.3.7.2. Right-click on the Service Income Recoveries in the OSDB Operating Statement and choose "Goto > Cost Analyzer" to show details.

6.4. OTHER GENERAL REVIEW PROCEDURES

Other than those review procedures mentioned above, certain general procedures that can be applied by reviewers are as follows:

6.4.1. Review the YTD VAR column, mentioned in Section 3, and investigate any variance to determine the reason for it, for example, late charges, increased or reduced activity etc. Record and explain the reason for the variance and any appropriate action.

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* CHANGE

** ADDITION

NEW INSTRUCTION



COMPLETE REVISION ☐

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6.4.2. At the beginning of the financial year only (i.e. when January Operating Statement is produced), check the YE PLAN column and ensure that all the department's Operating Plan amounts are shown, and they agree with the approved Operating Plan.

6.4.3. Every month (except in January and February) compare the actual amounts shown in the LATEST THREE MONTHS columns to ensure that major fluctuations are noted and the reason for these fluctuations are investigated and recorded. To view the LATEST THREE MONTHS you can access the "Classical Operating Statement" under the Cost & Revenue Reports folder in the OSDB.

6.5. OPERATING STATEMENT RELATED QUESTIONS AND INQUIRIES

Contact BISD, eSight Reporting Support via email to ESIGHT.

APPROVED: _____

Abdulaziz A. Al-Ruwaii, Manager
Accounting Policies & Systems Department

EFA/WS