



Production Audit Enhanced Production Audit Program

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June 1, 2016

AGENDA

- 》 Overview
 - Production Audit function
 - Enhanced Production Audit Program (EPAP)
- 》 Origins of EPAP
- 》 Components of the EPAP
- 》 Noncompliance - Directive 076, 017, 007
- 》 EPAP System on Petrinex-Demo

- » Production Audit function
 - Focus on industry achieving compliance with volumetric measurement and reporting requirements
 - Department of Energy (DOE) uses this volumetric data to determine the royalties payable to the Crown.

- » Production Audit Team (PAT) activities
 - Special projects & referrals
 - initiated by AER management
 - referrals from other groups
 - EPAP
 - the production audit function is primarily driven by the EPAP
 - industry operators are responsible for evaluating their production measurement and reporting controls

ORIGINS OF
EPAP

- » Created in response to increased demands on the production audit function:
 - time-consuming substantive audits difficult to provide audit coverage
- » Office of the Auditor General
 - concerns regarding accuracy of volumetric data used for royalty calculations
- » Launched on January 4, 2010

» Two Main Goals

- Raise level of assurance over compliance with AER measurement and reporting requirements
- Raise level of compliance with AER measurement and reporting requirements

EPAP
COMPONENTS

- » 5 Major Components
- Declarations
 - Controls & Evaluation of Controls
 - Compliance Assessment
 - Action Items
 - Escalation

» Declarations

- Contain assertions about the state of compliance
- Results of evaluation of controls reported at a facility-level for reporting themes
- Designed to involve senior executives
- Created through the EPAP on Petrinex System

» Declaration Report sample

- » Declaration Reporting Themes
 - Operators develop controls to ensure compliance with themes (14)
 - Non-compliance events are mapped to themes
- » Theme Examples:
 - Proration Testing - Gas Well
 - Facility Master Data Set Up
 - Sampling & Analysis
 - Trucked Volumes

- » Controls & Evaluation of Controls
 - Business Processes
 - Controls
 - Evaluation of Controls

» What is a Business Process?

The work being done on a daily basis

- Calibrating a meter
- Calculating estimated production

» What is a Control?

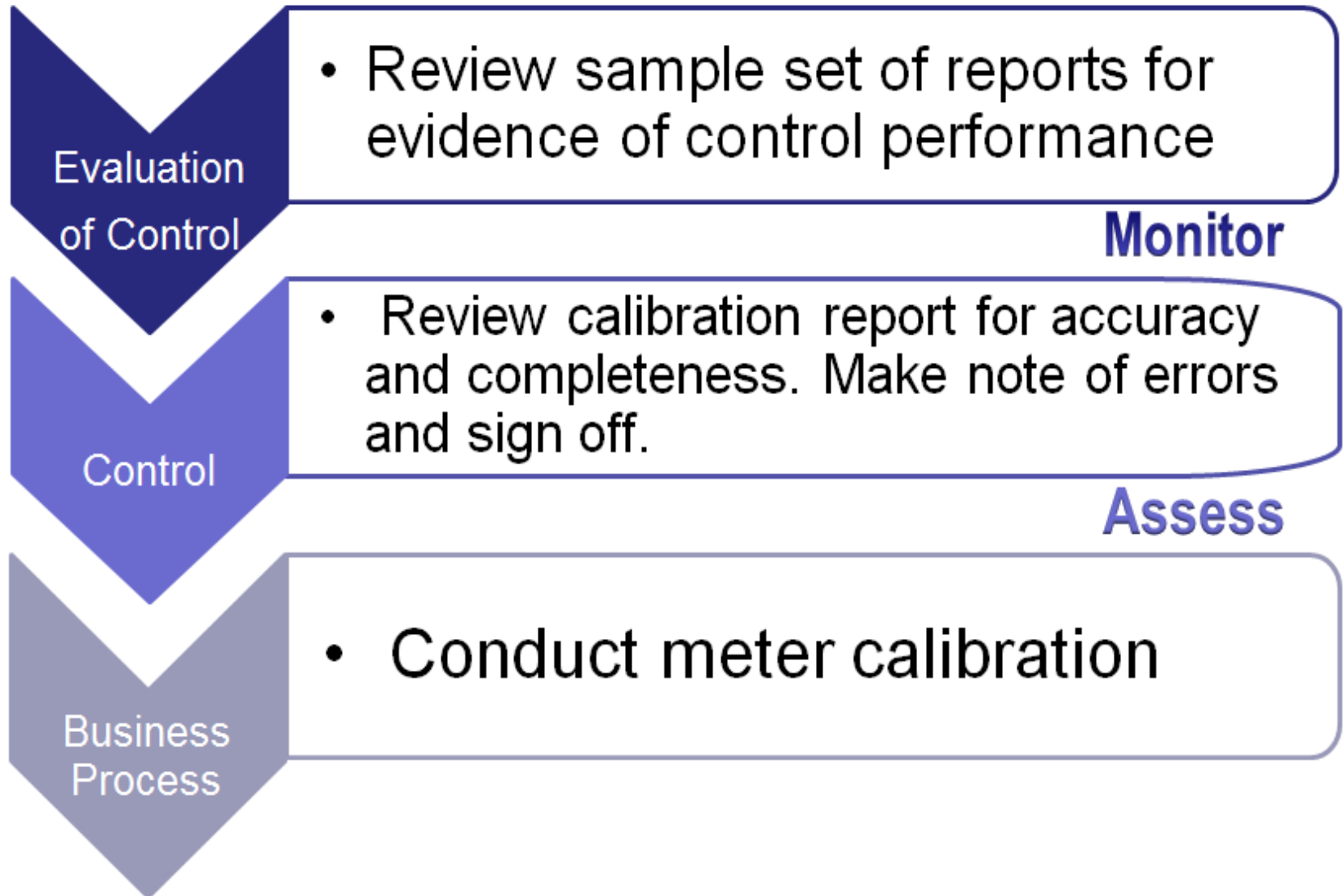
Ensures the job is done correctly and objectives are achieved

- Reviewing the meter calibration report
- Reviewing and signing off on the estimated production worksheet

» What is a Control Evaluation?

Monitors the effectiveness of both the design and operation of a control in addressing the risk of noncompliance

Overview of Relationship



» Controls & Evaluations of Controls

- Every well-managed business operates controls
- EPAP expects operators to evaluate their controls
- Proactive instead of reactive approach

》 Compliance Assessment

- Based on Compliance Assessment Report
 - Submitted volumetric data is analyzed
 - Currently 56 compliance assessment indicators (CAIs)
 - Produced monthly for each operator
 - Operators are encouraged to investigate CAIs
- Indicators are not noncompliance events

» Action Items

- Some reviews may result in action items workflows
- EPAP System provides support
 - Documents discussion and actions
 - Communicates to Operator
 - Provides basis for follow-up

» Escalation

- Action Items
- More information requested on:
 - Controls
 - Evaluation procedures
 - Evaluation results
- Control-based audit
- Substantive audit

- » Compliance Assurance Activities
 - The PAT is also involved in the administration, issuance and follow-up of compliance assurance actions when necessary
 - Changing compliance assurance landscape at AER

》 Related AER requirements

- *Directive 007: Volumetric and Infrastructure Requirements*
- *Directive 017: Measurement Requirements for Upstream Oil and Gas Operations*
- *Directive 076: Operator Declaration Regarding Measurement and Reporting Requirements*
- *Manual 011: How to Submit Volumetric Data to the AER*

**EPAP ON
PETRINEX
SYSTEM**

» **System Demo**

- Dashboard
- Declaration
- CAIs
- Workflows

AER

QUESTIONS

AER

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