

Executive Briefing Note for EPAP

The Enhanced Production Audit Program (EPAP) is a new measurement and reporting compliance assurance program that was introduced by the Alberta Energy Resources Conservation Board (ERCB) in January 2010. EPAP applies to Alberta oil & gas operators who report data to the Petroleum Registry of Alberta (PRA). It replaces the current audit program and introduces a new audit methodology for assuring compliance.

All operators are expected to submit their annual EPAP Declaration within 30 day of the end of their selected declaration month. This submission will occur for the first time during 2011.

EPAP Goal

The goal of EPAP is to reduce noncompliance associated with ERCB measurement & reporting requirements.

Operator Implications

EPAP requires operators to:

1. identify risks of noncompliance
2. ensure business processes & controls are performed to mitigate risks of noncompliance
3. evaluate the controls for effectiveness
4. remediate when controls are evaluated as deficient

Benefits to Operators

The extent to which the following benefits apply to specific operators is dependent on the size and complexity of their operations:

1. Uncover measurement & reporting gaps
2. Discover unknown revenues
3. Reduce operating costs
4. Increase volumetric data quality
5. Lower the risk of royalty overpayments
6. Mitigate the risk of ERCB noncompliance
7. Achieve higher assurance over the state of ERCB compliance

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8. Increase internal communications
9. Enhance operator reputation

Background

ERCB substantive audits, conducted over many years, suggest that the state of compliance with ERCB measurement and reporting requirements varies considerably from operator to operator and from facility to facility.

The ERCB developed EPAP to

1. raise the level of assurance over compliance with ERCB measurement and reporting requirements, and
2. raise the level of compliance with ERCB measurement and reporting requirements.

Achieving these two goals will also raise the level of assurance over accuracy and completeness of:

1. volumetric data, and
2. crown royalty invoices.

New ERCB Requirements

This section highlights new ERCB requirements from the new Directive 076: *Operator Declaration Regarding Measurement and Reporting Requirements*.

Declaration

EPAP requires that operators annually declare the state of their infrastructure designed to ensure compliance with ERCB measure and reporting requirements to a reasonable level of assurance. Operators are not asked to declare that they are fully compliant; only the extent to which they have controls in place that are intended to ensure compliance.

To support the assertions of this declaration, operators are expected to design controls, operate controls and evaluate their controls.

Evaluations of Controls

EPAP requires operators to annually conduct sufficient evaluations of their controls to continue to assure themselves, and the ERCB, that their controls are effective. Where an operator concludes that controls are deficient, the ERCB expects the operator to develop and implement an action plan to remediate the deficiencies.

Operators are expected to evaluate sufficient controls so they can declare with a reasonable level of assurance.

Compliance Assessment

Each month the ERCB distributes a Compliance Assessment Report (CAR) to all operators detailing, by facility, the issues that are of concern to the ERCB. The report does not directly identify noncompliances, but instead lists conditions in the PRA data available to the ERCB that suggest there is risk of noncompliance. Operators are encouraged to investigate.

If a noncompliance is discovered, EPAP requires operators to remediate the situation by enhancing the business process and/or the control over that process.

Recommended Operator First Steps

1. Have your Corporate Master Security Administrator (CMSA), for the Digital Data Submission system (DDS) at the ERCB website, assign the EPAP roles to your staff that will operate EPAP on the DDS menu.
2. Enter the name of your primary contact in the EPAP system that is accessible from the DDS menu at the ERCB website.
3. Select your EPAP Declaration month and communicate it to the Production Audit Team (PAT) member who has been assigned to you by the ERCB. You can find the name of the person on the EPAP system.
4. Brief your senior executives, who will be signing your EPAP Declaration.

Implementing & Operating EPAP

Operators respond to the EPAP requirements through these steps.

1. Conduct an assessment of the state of business processes and controls that affect measurement and reporting.
2. Where deficiencies were identified by the assessment, that create a risk of noncompliance with ERCB measurement and reporting requirements, operators must
 - a. strengthen business processes, and
 - b. strengthen controls.
3. Annually conduct evaluations of controls to
 - a. Identify business process deficiencies; if any.
 - b. Identify control deficiencies; if any.
 - c. Provide a reasonable level of assurance over the state of compliance.

4. Annually submit your EPAP Declaration to the ERCB through these steps:
 - a. Enter the statistical summary of your evaluations of controls as Attachment A to the declaration on the EPAP system.
 - b. Enter the reasons for no controls as Attachment B to the declaration on the EPAP system.
 - c. Print the declaration with attachments on the EPAP system and have your senior executives sign it.
 - d. Submit the declaration on the EPAP system.

At the majority of operators that report to the PRA, senior executives are likely to have personal knowledge of the state of compliance due to the small number of operated facilities. For these Operators, a less formal evaluation of controls will be sufficient and the annual effort will consist primarily of remediating deficiencies and submitting the Declaration.

For more information

At the [EPAP solutions website](#), you can download:

1. Many resources that will enhance the effectiveness of your EPAP implementation project.
2. This document.
3. The description of the EPAP implementation services that Corvelle offers.

At the [ERCB website](#) you can download the:

1. Related Bulletin 2009-17 that announced the start of EPAP.
2. EPAP Directive 076.
3. Useful EPAP-related documents and links.
4. Operator's Handbook that is designed specifically for large operators.