

## Enhanced Valuation Audit Program (EVAP)

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Directive PNG075

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January 8, 2018

Version 2.0

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Governing Legislation:

Act: *The Oil and Gas Conservation Act*

Minister's Order: MRO 2/18

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**Record of Change**

| <b>Version</b> | <b>Date</b>     | <b>Author</b> | <b>Description</b>   |
|----------------|-----------------|---------------|--|
| 1.0            | May 27, 2014    | PNG           | The original version of this directive was referred to as <i>Directive R02:Enhanced Valuation Audit Program (EVAP) – Program Details and Petrinex Reporting</i>  |
| 2.0            | January 8, 2018 | PNG           | This version incorporates the requirements previously stipulated in section 106.1 of <i>The Oil and Gas Conservation Regulations, 2012</i> . (This reformatted version is authorized by Minister's Order 2-18) |

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## 1 Introduction

### 1.1 What's new

This edition includes the Enhanced Valuation Audit Program (EVAP) regulatory requirements previously contained in *The Oil and Gas Conservation Regulations, 2012* and a general restructuring of the document compared to the previous *Directive R02: Enhanced Valuation Audit Program (EVAP) - Program Details and Petrinex Reporting*.

The changes to this edition include the following:

1. Identifying risks that royalty/tax payers (RTPs) need to address using controls (as stated in section 2.5);
2. Using submission templates for better clarity of requirements; and
3. Reformatting and renumbered to align with other ECON directives.

### 1.2 Definitions

For the purpose of this directive, the following definitions are used:

**Arm's-length agreement:** An agreement between persons that are not related persons for the purposes of the sale of oil. For the purposes of this directive:

- (a) related persons, as determined in accordance with the *Income Tax Act (Canada)*, are deemed not to deal with each other at arm's-length; and
- (b) it is a question of fact whether persons not related to each other, as determined in accordance with the *Income Tax Act (Canada)*, were at a particular time dealing with each other at arm's-length.

**Arm's-length transaction:** A transaction pursuant to an arm's-length agreement.

**Business process:** A sequence of related, structured tasks that achieve a specific business goal.

**Business Associate:** The name of an RTP or operator in Petrinex.

**Control:** A process designed to provide a reasonable level of assurance that the underlying business process is operating as designed. In the EVAP context, a control ensures compliance with ECON's oil valuation requirements and addresses risks described in section 2.5.

**Control deficiency:** The state that exists when controls do not provide a reasonable level of assurance of compliance with ECON's oil valuation and reporting requirements. The reason for the deficiency can exist either in the control or in the underlying business process.

**Declaration period:** The calendar year that the declaration applies to.

**Declaration signatories:** The senior executives assigned by an RTP to sign the declaration.

**ECON:** The Saskatchewan Ministry of the Economy.

**Evaluations of controls:** The process by which an RTP evaluates the effectiveness of the design and operation of their controls in addressing the risk of noncompliance. The evaluation of controls may include assessing:

1. The effectiveness of the underlying business process.
2. Evidence of control performance.

**Organizational Environment:** The environment in the organization established by the senior executives in response to the needs of the organization in addressing ECON's requirements by:

1. Developing effective organizational structure, procedure manuals, operating instructions, job descriptions, and training materials that define authority and responsibility,
2. Communicating management's philosophy, codes of conduct, and operating style to all the employees and evidence that employees have confirmed their knowledge and understanding,
3. Enhancing integrity, ethics, and competence of all the employees,
4. Managing the internal and external influences that affect the RTP's operations, and
5. Establishing effective human resource policies and procedures for hiring and managing the employees.

**Petrinex:** The information technology system that is used by ECON to provide services that facilitate fast, standardized, safe and accurate management/exchange of key volumetric, royalty and commercial information associated with the upstream petroleum sector. Petrinex utilizes a web-based system for its automated business functions and processes as found at <http://www.petrinex.ca/>

**Point of Sale:** The point at which custody of oil is actually transferred with respect to the first arm's-length transaction that occurs for the sale of oil or for situations where there is no arm's-length transaction, the final destination of the oil prior to being refined, upgraded, processed or otherwise consumed.

**Reasonable level of assurance:** Level of assurance is the degree of confidence one has in a statement. A reasonable level of assurance does not mean absolute assurance and might not even mean a very high level of assurance, but it is enough, for all practical purposes, to make senior executives comfortable with signing the declaration. What is reasonable depends on many factors, including the executive, the organizational culture, and the resources required to increase the level of assurance.

**Remediation:** A process undertaken by an RTP's management to:

1. Correct control deficiencies identified by the RTP during the evaluation of controls; and
2. Correct deficiencies identified by ECON.

**Sales price:** The oil price reported in Petrinex for a given sale volume at a specified facility in the oil field. The sales price is either the arm's-length price received in the field related to the sale of raw crude oil or, in the case of an EVAP-related transaction, the calculated crude oil price at a given facility in the oil field. For more information on sales price, please refer to *Directive PN032: Volumetric, Valuation and Infrastructure Reporting*.

**Senior executive:** A person within the RTP's management who holds authority to direct resources to execute and measure progress of:

1. The evaluations of controls; and
2. The remediation of deficiencies related to the RTP's Saskatchewan operations.

**Trucking expense(s):** refer to definition in *Directive PNO32: Volumetric, Valuation and Infrastructure Reporting*.

### 1.3 Purpose

ECON has implemented this Directive to obtain greater assurance that crude oil royalties and taxes are calculated accurately and derived from accurate information in instances where the reported sales price cannot be validated by a third party purchaser.

EVAP requires a declaration-based self-assessment whereby a Royalty Tax Payer (RTP) submits an annual declaration through Petrinex. EVAP is intended to provide greater compliance assurance over regulatory requirements related to reporting crude oil prices that are used to determine Saskatchewan's Crown royalty and freehold production tax (royalty/tax). EVAP applies to those RTPs that meet the criteria outlined in section 1.6.

The purpose of this declaration process is to reduce the reliance on manual audit processes to validate sales prices and trucking expenses reported to ECON through Petrinex.

This directive sets out requirements for RTPs to declare the degree to which they have controls and an appropriate organizational structure in place to comply with ECON's requirements and policies with respect to the determination and reporting of the sales price and trucking expenses - for royalty and tax purposes. The relevant regulatory documents are:

- [Directive PNG032 – Volumetric, Valuation and Infrastructure Reporting in Petrinex](#)
- [The Crown Oil and Gas Royalty Regulations, 2012](#)
- [The Freehold Oil and Gas Production Tax Regulations, 2012](#)

If requirements in previously issued Ministry documents such as directives, information circulars, and guidelines conflict with the requirements in this Directive, the requirements in this Directive supersede the prior requirements.

### 1.4 Objectives

EVAP was created to achieve the following objectives:

1. Increase compliance assurance in meeting regulatory requirements where oil value cannot be validated by a third party purchaser;
2. Provide a reasonable level of assurance that the reported sales price and trucking expenses are determined in accordance with applicable Ministry requirements and policies;
3. Reduce the complexity of manual audit processes to validate sales price and trucking expenses reported to ECON through Petrinex; and
4. Ensure continuous improvement in the level of compliance with ECON's requirements and policies with respect to sales price and trucking expense determination and reporting.

**1.5 Directive organization**

Each requirement in this directive is clearly identified under a heading. The associated text provides supporting explanations and context.

Certain requirements have been highlighted by an indented box as illustrated here.

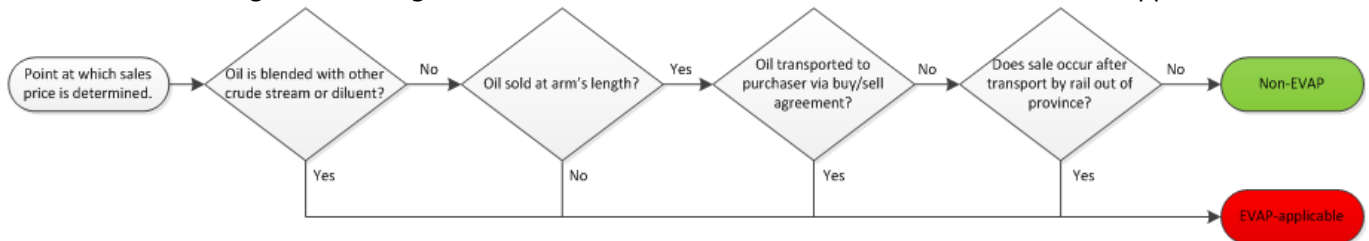
**1.6 Application – Situations requiring declaration under the Enhanced Valuation Audit Program**

The EVAP declaration process is mandatory for those RTPs that have at least one transaction during the year for which, the sales price of oil reported by the RTP cannot be directly validated by the purchaser. This includes circumstances where prior to being sold for the first time pursuant to an arm’s-length agreement:

- the oil is blended with other liquid hydrocarbons, other than oil;
- the oil is transported to the inlet of a single shipper pipeline to facilitate a buy/sell arrangement; or
- the oil is blended into a standard commodity stream within a pipeline.

The above stated circumstances require all of the affected RTPs to calculate and report a sales price that cannot be validated directly by an arm’s-length purchaser.

The following decision diagram illustrates the circumstances where *Directive PNG075* applies:



An EVAP declaration will be required from an RTP if any of the criteria in section 1.6 are met. To trigger the declaration requirement in Petrinex, the applicable facility operator must submit a pipeline split in accordance with *Directive PNG032: Volumetric, Valuation and Infrastructure reporting* (formerly known as Directive R01) for which the first point of sale (POS) box is checked and:

- The RTP’s Business Associate ID (BAID) is identified as both the owner and purchaser of any volume; or
- The RTP’s BAID is identified as the owner and a related BAID is identified as the purchaser of any volume.



A monthly report is sent to the RTP using their BAID to inform them that an EVAP declaration will be required for the calendar year applicable to the month related to the data submission. Any such pipeline split submission will require an EVAP declaration. An RTP may also run this report on demand.

The details of the declaration are described in section 3.

An RTP with one or more transactions in a calendar year that meet any criteria outlined in this section, must submit a *Declaration Regarding the Ministry of the Economy Oil Valuation* to ECON for that year in accordance with this Directive, beginning with the 2017 calendar year.

### 1.7 EVAP primary submission requirements

EVAP has four primary submission requirements:

1. Business Process Flowchart Diagram: The RTP must show the business process used to calculate and enter the sales price and trucking expense in Petrinex. The diagram must also show which steps in the process are control steps.
2. Control Descriptions: The RTP is required to report on controls that mitigate risks identified by ECON.
3. An example EVAP calculation: The RTP is required to demonstrate how the RTP calculates its sales price and trucking expense submitted to Petrinex for each type of EVAP-applicable transaction that the RTP undertakes.
4. A declaration: The RTP is required to submit a declaration signed and dated by one or more senior executives certifying controls are in place to provide assurance with respect to compliance with oil valuation requirements.

### 1.8 Compliance

ECON's requirements are those rules that an RTP is required to follow. The term "must" indicates a requirement, while the term "may" indicates an acceptable practice.

ECON requires all RTPs to proactively monitor their compliance with ECON's requirements and to make amendments and adjustments to processes, controls, evaluations, and data submissions where necessary.

Noncompliance with any requirement may result in the RTP receiving a response from ECON in accordance with section 9 of this Directive.

The RTP must implement changes to improve processes, controls, evaluations, or data submissions when directed by ECON.

## 2 Enhanced Valuation Audit Program

### 2.1 Declaration

EVAP requires that one or more senior executives of each RTP sign, date and submit an annual declaration that provides attestations related to controls, evaluations of controls, control deficiencies, remediation of controls, and other commitments related to ECON's requirements and policies for sales price and trucking expense determination and reporting.

The major components of EVAP, for which related requirements are described in this directive, include:

1. Declarations;
2. Controls;
3. Evaluation of controls;
4. Remediation arising from evaluations of controls;
5. Sample calculations;
6. Enforcement actions.

The declaration submission includes:

- Signed and dated declaration
- Business Processes describing the steps taken that lead to calculation and reporting sales price and trucking expenses in Petrinex
- EVAP Template:
  - Tab A – Controls and Evaluations;
  - Tab B – Remediation of Control Deficiencies;
  - Tab C – sales price calculations and trucking expense Calculations;
  - Supporting documentation for example calculations of sales price and trucking expenses;

### 2.2 EVAP Implementation

ECON:

1. Administers EVAP and this directive;
2. Monitors and analyzes data submitted to Petrinex or directly to ECON;
3. Provides information when appropriate to RTPs in support of continuous improvement of their ability to maintain or improve compliance with regulatory requirements;
4. Escalates outstanding issues with respect to reported oil valuation; and
5. Conducts controls-based or substantive audits when circumstances warrant.

Through EVAP, ECON will reduce its reliance on substantive audits in favour of relying on the effectiveness of every RTP's controls to improve compliance with ECON's sales price and trucking expense determination and reporting requirements.

RTPs are expected to:

1. Design, operate, and evaluate controls to ensure compliance with ECON's requirements and policies related to sales price and trucking expense determination and reporting; and
2. Maintain sufficient documentation to support their design of controls and evaluation of controls.

### 2.3 Declaration submission

#### Period and due date:

An RTP's declaration must cover 12 months of a calendar year and the RTP must submit its declaration in Petrinex no later than the last day of February of the following calendar year. The RTP must submit a copy of the signed declaration, including all attachments, to ECON using the EVAP functionality in Petrinex.

#### Form of declaration:

The declaration generated by Petrinex must be submitted by an RTP and must include its relevant business processes, completed EVAP template and attachments, electronically using the EVAP functionality in Petrinex. A declaration in any other form is not considered a valid declaration.

#### Signatories:

An RTP must submit its annual declaration on behalf of, and in the name of, the active senior executives selected in Petrinex.

The declaration must be reviewed and signed by at least one senior executive for the RTP who has the appropriate authority for EVAP-applicable matters in Saskatchewan.

#### Scope:

An RTP must ensure that the signed and dated declaration applies to all Saskatchewan oil valuation transactions that the RTP has undertaken in the calendar year.

**Related BAs:**

Any transaction in Petrinex with a related BA is a non-arm's length transaction. A related BA is a related person as mentioned in the definition of arm's length agreement in section 1.2.

An RTP must provide and maintain a list of related BAs in Petrinex as a means for identifying applicable EVAP scenarios.

**2.4 EVAP template**

ECON has developed a template to streamline the way in which the RTP can document its compliance. See section 3.3 for a full description of the template.

Every EVAP-applicable RTP must use the EVAP template for their submission.

**2.5 Identified risks**

EVAP is designed using a risk-based framework, which requires RTPs to implement and maintain reasonable controls that mitigate identified risks directly or indirectly. In instances where existing procedures partially-mitigate or fully-mitigate identified risks, ECON does not require duplication or redundant controls if these existing procedures are adequate.

In instances where there are existing controls, the RTP is required to submit the same documentation that is described in section 4.3. If there are risks identified by ECON that are not addressed, ECON may require the RTP to develop and implement additional controls to mitigate the risks.

The following are the primary risks identified by ECON which the RTP internal controls must address in order to be compliant with this directive:

| Identified Risks:   |   |  |  |   |
|---|---|--|--|---|
| <b>Arm's-length point of sale or deemed point of sale (POS)</b> | <b>Cost components between sales price point (SPP) and the point of sale (POS)</b>                      | <b>Sales price (submitted in Petrinex)</b>                     | <b>Trucking expense: transportation cost components</b>  | <b>Trucking expense (submitted in Petrinex)</b>                               |
| Risk 1.1: The RTP inaccurately determines where the POS is      | Risk 2.1: Individual cost components between the SPP and the POS are calculated incorrectly by the RTP  | Risk 3.1: The sales price is calculated incorrectly by the RTP | Risk 4.1: Individual cost components within the trucking expense are calculated incorrectly by the RTP | Risk 5.1: The aggregate trucking expense is calculated incorrectly by the RTP |
| Risk 1.2: The RTP uses an inappropriate POS                     | Risk 2.2: Individual cost components between the SPP and the POS are recorded incorrectly by the RTP    | Risk 3.2: The sales price is reported incorrectly by the RTP   | Risk 4.2: Individual cost components within the trucking expense are recorded incorrectly by the RTP   | Risk 5.2: The trucking expense is reported incorrectly by the RTP             |
| Risk 1.3: The RTP records the POS incorrectly                   | Risk 2.3: The RTP includes inappropriate cost components in the calculation between the SPP and the POS |  | Risk 4.3: Inappropriate cost components are included in the trucking expense by the RTP                |   |

## 2.6 Operator-specific risks

Identified risks may vary due to differing business practices. Should a need arise to address a new or specific material operational risk, ECON may employ appropriate measures on a case-by-case basis.

### 3 EVAP declaration components

#### 3.1 EVAP declaration text

EVAP declarations are made through the EVAP functionality in Petrinex. The EVAP functionality will generate the appropriate words for the declaration and the three attachments, described in the following subsections. The sample declaration shown below indicates two declaration signatories. The number of signature blocks will vary based on the number of active declaration signatories selected in Petrinex by the RTP.

#### **Declaration Regarding the Saskatchewan Ministry of the Economy Oil Valuation**

I/We, <Name >, the <title> and <Name >, the <title> on behalf of <Royalty & Tax Payer Name> (the "Payer"), declare the following:

1. This declaration covers the 12 calendar month period ending <declaration Day, Month and Year>.
2. I am a/We are senior executive(s) of the Payer with responsibility that includes all of the Payer's oil operations that fall within the jurisdiction of the Saskatchewan Ministry of the Economy (ECON) and with the authority to direct resources with respect to those operations.
3. I/We directly or through those I/we supervise have a competent understanding of the Saskatchewan regulatory requirements and policies related to reporting and determination of sales price and trucking expenses.
4. I/we recognize my/our responsibility for ensuring compliance with the requirements mentioned in 3. above; and I/we recognize the authority of ECON to make such requirements and enforce compliance with them.
5. The information entered into Petrinex for the purpose of determining the sales price and trucking expenses of oil has been:
  - a. determined in accordance with ECON's oil valuation requirements.
  - b. reported in accordance with ECON's oil valuation requirements.
6. Using the required template, I/We have supplied example calculations of the oil price that accurately demonstrates the process used for the calculation in accordance with ECON's oil valuation requirements and that can be validated by information submitted to Petrinex during the year.
7. I/We have supplied a business process flowchart diagram which accurately depicts the steps taken to determine and enter sales price and trucking expense into Petrinex.
8. The sample calculation(s) that is/are provided as part of this declaration are reasonably representative of any similar calculation we undertake.
9. I/We have ensured that all related Business Associates have been accurately entered into Petrinex for the purpose of identifying oil sales situations that are subject to the Enhanced Valuation Audit Program.

10. I/We have ensured that there are controls within the Payer's business processes that ensure a high level of compliance, subject to 12 and 13, with ECON's oil valuation requirements. All controls have been listed and described within the EVAP submission template. These controls appropriately address risks mentioned in section 2.5 of *Directive PNG075*.
11. I/We follow a process within our organization to evaluate the effectiveness of controls. The conclusions of the evaluations conducted during this declaration period are fairly portrayed in Appendix A.
12. Where our evaluations have identified deficiencies in our controls, including scope and number, as documented in EVAP submission template, I/we have prepared and are implementing improvements to remediate those deficiencies as described in Appendix B.
13. Where the control evaluation process used during the declaration period is not sufficient to provide a high level of assurance over the effectiveness of our controls, I/we have prepared and are implementing improvements to our evaluation process as described in Appendix C.
14. I/We commit that appropriate resourcing will be provided to execute and measure progress of any improvements described in Appendix A, B and C.

For further information or clarification, please contact **<Name of Industry Primary Contact>** at **<Email Address of Industry Primary Contact>** or **<Phone Number of Industry Primary Contact>**.

The last date for submission of this declaration is the last day of **<Due Date Month and Year>**.

<Signature>

**<Name> <Title>**

Date signed:

<Signature>

**<Name> <Title>**

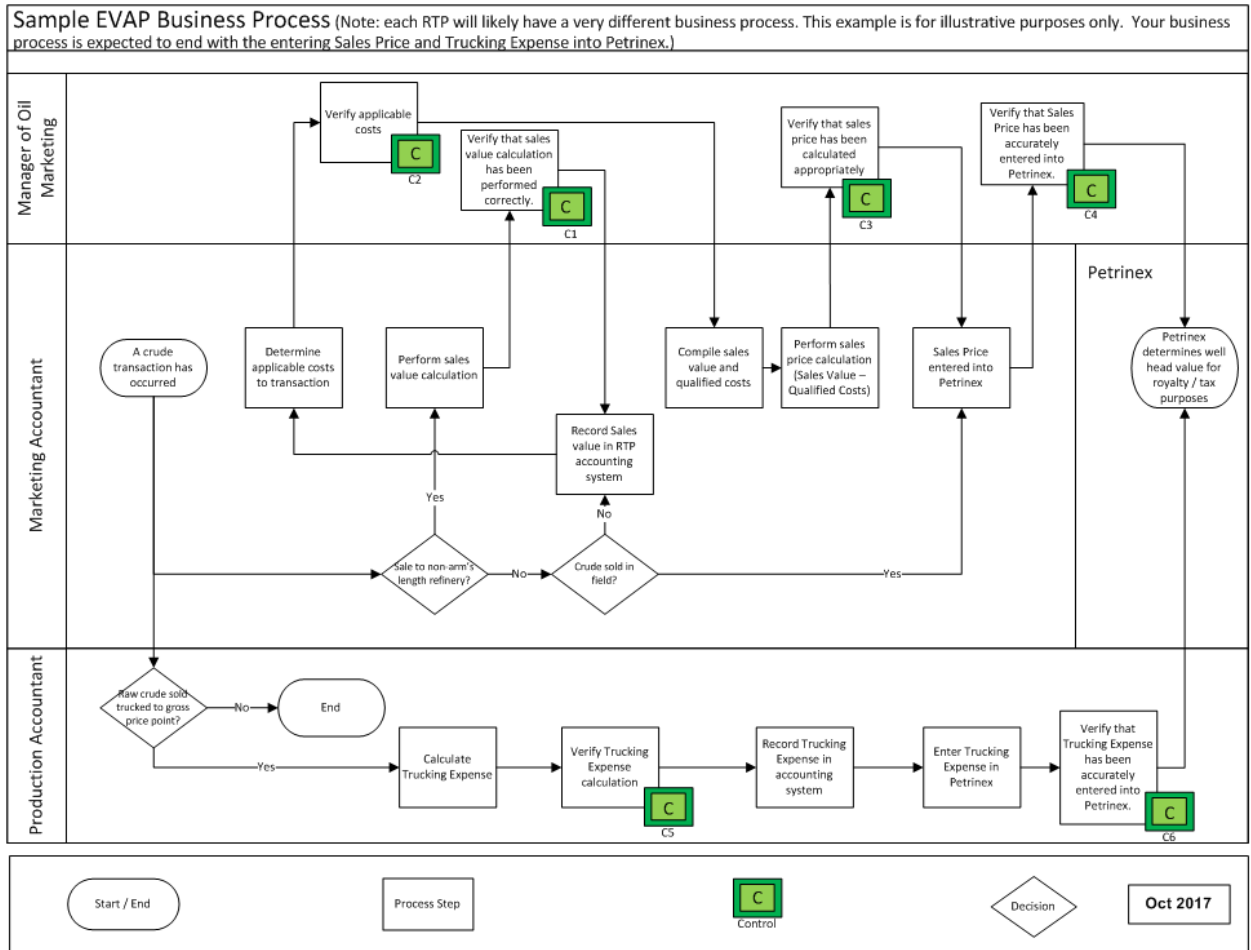
Date signed:

Printed: <Date>

### 3.2 Business process flowchart

Each EVAP-applicable RTP must submit a business process flowchart showing the steps leading up to entering the sales price and trucking expenses in Petrinex. The business process must indicate which steps are control steps. Further information on the control steps must be provided in the EVAP submission template.

An example of a business process flowchart is as follows:



### 3.3 EVAP template

ECON has developed a Microsoft-Excel-based template to clarify submission requirements. As such, the following is a description of the tabs in the spreadsheet template:





Tab C also requires documentation that shows the origin of each value used in the calculation. It appears as follows:

| Sample Oil Price Calculation                |                  |                       |       |          |                    |
|---|------------------|-----------------------|-------|----------|--------------------|
| Month of this sample calculation:           |                  |                       |       |          |                    |
| Location of Oil's origin:                   |                  |                       |       |          |                    |
| Location of Sale point:                     |                  |                       |       |          |                    |
| Volume:                                     |                  |                       |       |          |                    |
| Type of calculation                         |                  |                       |       |          |                    |
| Sale to non-arm's length refinery/upgrader? | Yes or no?       |                       |       |          |                    |
| Blending or Upgrading?                      | Yes or no?       |                       |       |          |                    |
| Blending with other stream in transport?    | Yes or no?       |                       |       |          |                    |
| Selling to pipeline and buying back?        | Yes or no?       |                       |       |          |                    |
| Step  | Calculation Term | Calculation (CDNS/M3) | Total | Comments | Attached Reference |
| 1   |                  |                       |       |          |                    |
| 2   |                  |                       |       |          |                    |
| 3   |                  |                       |       |          |                    |
| 4   |                  |                       |       |          |                    |
| 5   |                  |                       |       |          |                    |
| 6   |                  |                       |       |          |                    |
| 7   |                  |                       |       |          |                    |
| 8   |                  |                       |       |          |                    |
| 9   |                  |                       |       |          |                    |
| 10  |                  |                       |       |          |                    |
| 11  |                  |                       |       |          |                    |
| 12  |                  |                       |       |          |                    |
| 13  |                  |                       |       |          |                    |
| 14  |                  |                       |       |          |                    |
| 15  |                  |                       |       |          |                    |
| 16  |                  |                       |       |          |                    |
| 17  |                  |                       |       |          |                    |
| 18  |                  |                       |       |          |                    |
| 19  |                  |                       |       |          |                    |
| 20  |                  |                       |       |          |                    |

#### 4 Controls

##### 4.1 Design

An RTP must design and execute controls or identify existing functioning controls that mitigate the risks outlined in section 2.5.

This Directive does not prescribe specific controls or their degree of complexity. RTPs are to design reasonable controls using judgement, giving consideration to various factors specific to the RTP, including size and complexity of operations.

ECON considers controls to be appropriate if they are:

1. Designed to mitigate an identified risk or multiple identified risks;
2. Operate at a defined frequency, either a designated interval or an ad-hoc occurrence based on a designated event;
3. Able to monitor and track the effectiveness of the control; and
4. Designed so that an auditor or audit process can verify the control's operation and effectiveness.

##### 4.2 Operation and effectiveness

An RTP must operate and maintain controls to ensure compliance with ECON's oil valuation and reporting requirements.  
 An RTP must maintain sufficient evidence of the operation of controls to ensure that the evaluation of controls can arrive at a reasonable conclusion about their effectiveness.

### 4.3 Documentation and disclosure

As part of the annual declaration, each RTP must complete and submit a relevant business process flowchart and the following in each Tab of the EVAP submission template:

- Tab A, list and describe the controls that the RTP operates and maintains.
- Tab B, list and describe any control deficiencies as well as proposed remediation.

An RTP must maintain up-to-date documentation on controls which must be provided to ECON upon request.

The documentation is evidence of the completeness of the RTP's control environment as asserted in the EVAP declaration. Control documentation is typically a part of business process documentation. The documentation will be used to:

1. Understand controls and identify deficiencies that require strengthening with respect to the application of controls; and
2. Plan changes to the design of controls in response to changes in Ministry requirements and business processes.

## 5 Evaluation of controls

### 5.1 Conducting evaluations of controls

Each calendar year, an RTP must conduct reasonable and adequate evaluations of controls with respect to this Directive to determine control effectiveness.

While the scope of evaluations may vary depending on RTP size and complexity, a reasonable effort is required each year. This Directive does not specify how the effectiveness of controls is to be evaluated.

### 5.2 Disclosure regarding evaluations of controls

RTPs are to provide ECON with a reasonable level of assurance that they are conducting adequate evaluations of controls. ECON does not normally need to know the details of the results obtained every year, but ECON is to be informed that evaluations of controls are being conducted and that the results are being assessed through the assertions in the declaration.

### 5.3 Retention and provision of evaluation of controls results

An RTP must prepare and retain documentation on the processes followed and the results obtained for each instance of evaluation of controls for a minimum of five years. The RTP must disclose any documentation on their evaluations of controls as requested by ECON.

The documentation is evidence that the evaluations of controls were conducted by the RTP as asserted in the EVAP declaration. The documentation is useful to plan:

1. Remediation as described in section 6; and
2. Evaluations of controls for subsequent years.

## 6 Remediation arising from evaluations of controls

### 6.1 Remediation of control deficiencies

If an RTP's evaluations of controls concludes that a control is deficient, the RTP must prepare a reasonable remediation plan to address the control deficiencies within a reasonable time period. The RTP must document the remediation plan within Tab B of the EVAP Template.

Reasonable remediation may consist of one or more of the following elements:

1. Strengthening the existing control so it can mitigate the risk of noncompliance;
2. Introducing a new control; or
3. Correcting a weakness in the underlying business process.

### 6.2 Retention and provision of remediation documentation

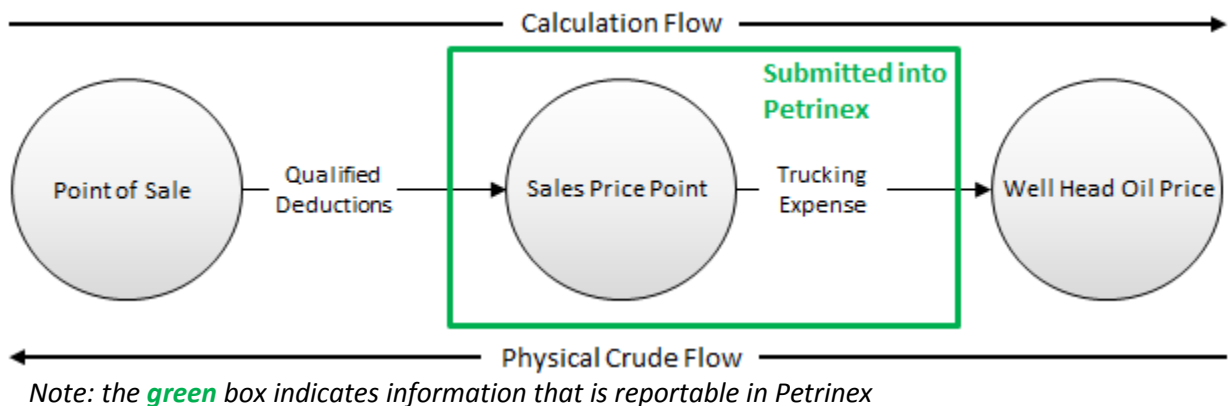
An RTP must prepare and retain documentation on the remediation plan for a minimum of 5 years and the improvements being made which must be provided to ECON upon request.

The documentation is evidence that remediation activities are being performed by the RTP as asserted in the EVAP declaration. The documentation assists with:

1. Planning future remediation activities; and
2. Verifying remediation activities are adequate.

## 7 Sample calculations

EVAP requires each RTP to demonstrate their understanding of the sales price calculation. The following is an illustration of the major price points and components of a typical sales price calculation for operations that are subject to EVAP:



Although the sales price and trucking expenses are reported in Petrinex, the various components used to derive the sales price and individual components, if any, that make up the trucking expense, are not.

Each RTP must maintain adequate official documentation to support the various price components of each calculation and, where necessary, present it to ECON.

The Sample Calculation is based on a random month chosen by the RTP. In the event that there were no EVAP qualified transactions for the chosen month, a different month that is applicable would be selected.

For additional information with respect to the determination of sales price, see *Directive PN032: Volumetric, Valuation and Infrastructure Reporting*.

An RTP must submit sample calculations using the EVAP template (described in section 3.3) for each different marketing scenario for which the RTP's EVAP declaration would be triggered. Supporting documentation for the example calculation(s) must be provided and clearly labelled to indicate what each value represents. Formulas that are used in the calculation must be shown in the necessary cells in the submission template.

ECON will provide a sample calculation template to the RTP.

## **8 Communications**

All ECON-initiated written communications will be made via email through the most recent RTP contact that is responsible for EVAP. Notice is considered to be served in accordance with section 53.01 of *The Oil and Gas Conservation Act*.

## **9 Compliance assurance process**

This section describes the compliance assurance process introduced in section 1.8.

ECON will invoke the compliance assurance process in the event ECON is not satisfied with the RTP response to Ministry inquiries.

### **9.1 Ministry expectation**

ECON expects that active monitoring sales price and trucking expense mitigates the risk of noncompliance and thereby reduces the need for Ministry-initiated enforcement action.

Every RTP must submit any reports, statements, documents, records, notifications or other information that ECON may require to validate EVAP submissions.

## **9.2 RTP response to ministry queries**

The RTP must respond by the specified due date to a Ministry initiated contact with a conclusion about whether or not a noncompliance exists.  
In the event of a noncompliance, the RTP must prepare a reasonable remediation plan for consideration by ECON.

In rare cases, the RTP may choose to respond with a challenge to the accuracy of the assertions described to ECON. ECON may accept a challenge it deems reasonable.

## **9.3 Remediation**

RTPs must execute the remedial filings and amendments within a reasonable period as stated in ECON accepted remediation plan.