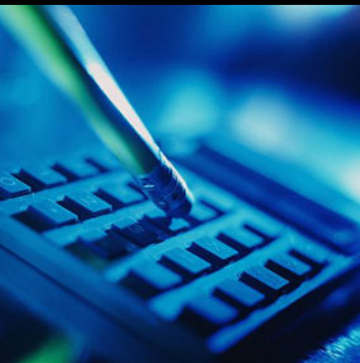




Evaluating Controls



Industry Information Session

July 12, 2010

Five key elements of EPAP

- ❑ **Declarations**
- ❑ ***Controls & Evaluation of Controls***
- ❑ **Compliance Assessment**
- ❑ **Action Items**
- ❑ **Escalation**

Outline

- ❑ **What is Evaluation of Controls**
- ❑ **Review of controls**
- ❑ **Key Concepts**
- ❑ **Planning Evaluations**
- ❑ **Executing Evaluations**
- ❑ **Concluding on Evaluations**
- ❑ **Documenting Evaluations**
- ❑ **Questions**

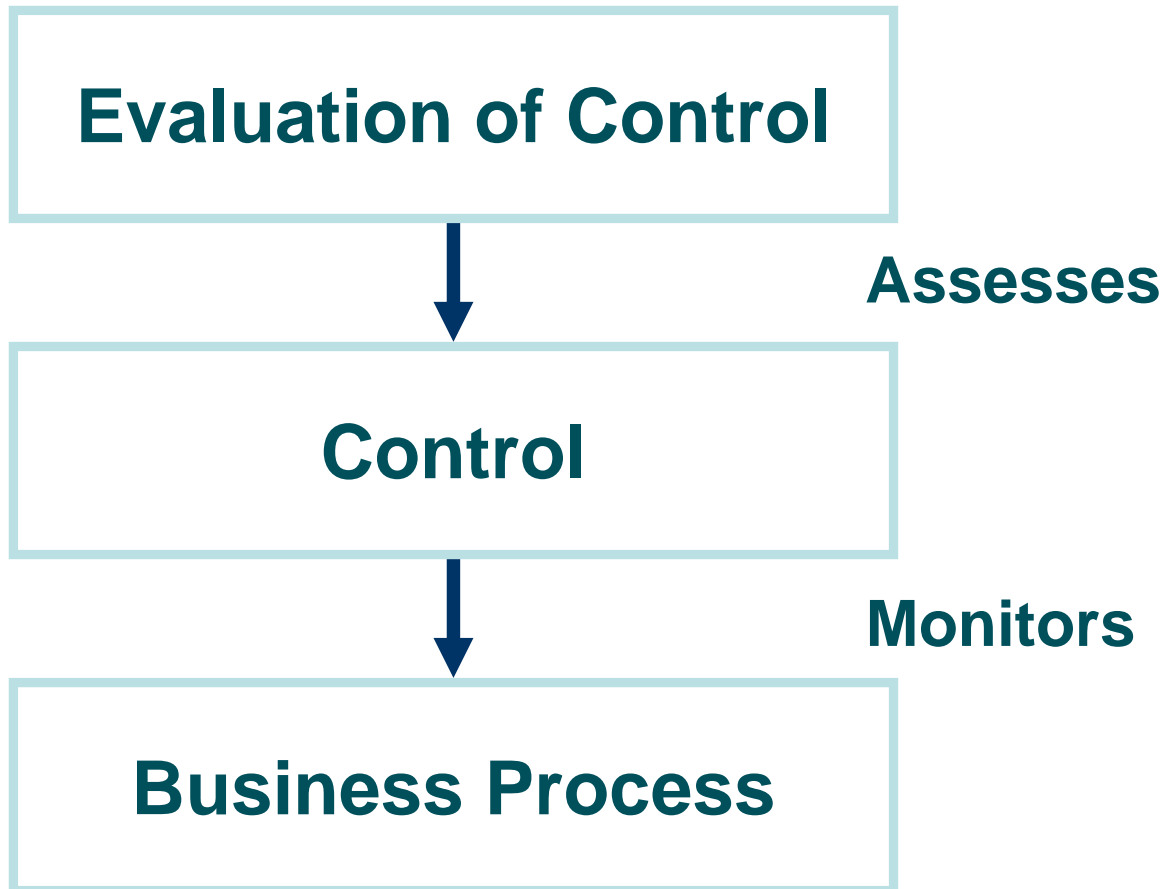
What is Evaluation of Controls?

❑ Basic definition

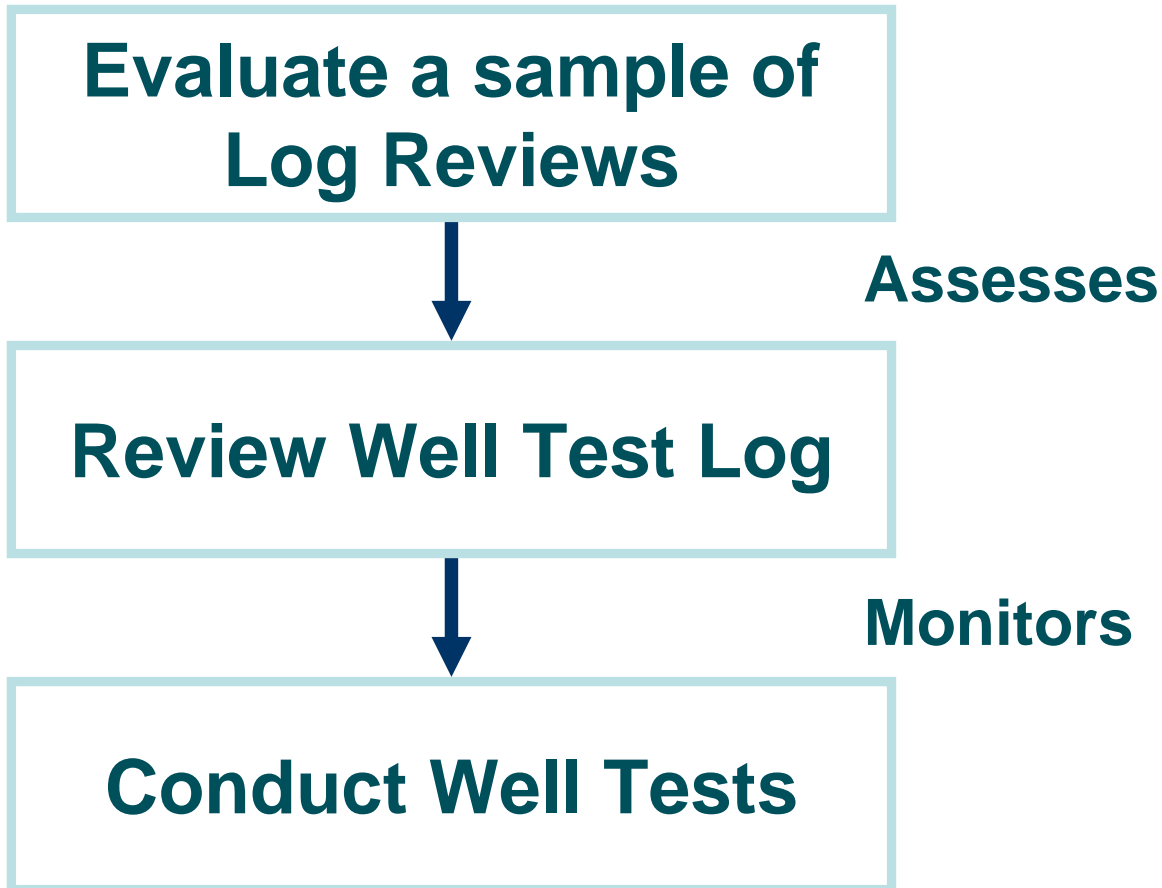
- Control evaluation is a process by which an Operator evaluates the design of the control and its operating effectiveness, in monitoring the underlying business process, and ensuring its compliance.

❑ Definition Explained

Overview of Relationship



Oil and Gas Example



Why Evaluate Controls?

- ❑ **No other way to tell whether Controls are:**
 - **Well designed**
 - **Working well**

Operator's Role

- **Planning Evaluations**
 - **Identifying if Controls exist**
 - **If so, identifying the who, when, and how to conduct Evaluations**
 - **Creating templates**

Operator's Role

- ❑ **Executing Evaluations**
 - **Selecting facilities, sample sizes, etc.**
 - **Conducting the Evaluations**

- ❑ **Concluding Evaluations and Documenting Results**
 - **Drawing conclusions**
 - **Documenting results**

Planning Evaluations – Who?

- ❑ **Should be someone other than Control performer**
- ❑ **Should be qualified, competent**

Planning Evaluations – When?

- ❑ **Entirely up to the Operator**

- ❑ **Variables:**
 - **Control frequency**
 - **When other relevant assessments (ie SOX, audits) are being performed**
 - **Risk Associated with Control**
 - **Resource availability**

Planning Evaluations – Creating Templates

- ❑ **Include all information necessary for the Evaluator to do the job**
- ❑ **Ensure easy “translation” to Declaration tab in EPAP System**

Executing Evaluations

- ❑ **Sampling**
 - Which facilities
 - How many Controls

- ❑ **Evaluating Control design**

- ❑ **Evaluating Control operating effectiveness**

Executing Evaluations – Sampling

- ❑ **Why sample?**

- ❑ **What to sample?**
 - **Facilities**
 - **Controls**

Executing Evaluations - Evaluating Control Design

- Who is performing the Control?
- Manual/Automated?
- Prevent/Detect?
- Does the Control exist at the right level?

Executing Evaluations - Evaluating Control Design

- ❑ Does the frequency make sense?
- ❑ What is being reviewed?
- ❑ Are there any Compensating Controls?

Execution Evaluations - Evaluating Control Operating Effectiveness

- ❑ **Is the Control being executed at all?**
 - **Evidence of Control performance?**

- ❑ **If so, then executed as designed?**

Execution Evaluations - Evaluating Control Operating Effectiveness

- ❑ Evidence of some action taken as a result of control execution?
- ❑ Indications as to improving compliance levels in subject area?

Concluding on Evaluations

- ❑ Judgment is Paramount
- ❑ Remediation Required?

Documenting Evaluation Results – Desirable Features

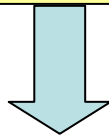
- ❑ **Consistency**
- ❑ **Clarity**
- ❑ **Completeness**
- ❑ **Designed for easy summarization**

Documenting - Flowchart

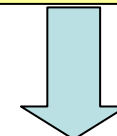
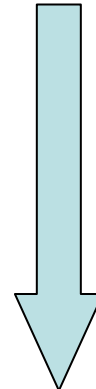
Operator of the facility conducts well tests and records data in Well Test Log



Field Operations Supervisor reviews Well Test Log to assess accuracy and compliance with regulations



If deficiencies noted, remediation initiated and implementation confirmed



If deficiencies not noted, Control performance concluded

Measurement Coordinator evaluates a sample of Well Test Logs to assess design and operating effectiveness

Documenting – Control Matrix

Control Description	Field Operations Supervisor reviews Well Test Log to assess accuracy and compliance with regulations
Associated Noncompliance Event	Inaccurate proration testing procedures
Control Objective	To ensure ERCB proration testing requirements are being met
Control Performer	Field Operations Supervisor
Frequency	Monthly
Company Level (C) or Facility Level (F)	Facility Level
Preventive (P) and/or Detective (D)	Detective
Automated (A) and / or Manual (M)	Manual



Questions ???