

## **JOINT INTEREST AUDITOR CODE OF CONDUCT**

### **INTRODUCTION:**

Upon recommendation of the Joint Interest Audit Committee of PASC, this "Joint Interest Auditor Code of Conduct" has been developed. Key reasons for implementing this code of conduct are:

- Provide a standard document as a visible reminder of the auditor obligations in the audit process;
- Address the issues and concerns driving the request for confidentiality agreements;
- Reduce the administrative burden on all companies and auditors. Further to reducing administrative effort, the PASC website includes a registry of those auditors who have signed off on this "Joint Interest Auditor Code of Conduct" including confidentiality (see Appendix 'A').

There has been much variation in the content and form of Confidentiality Agreements being used and many do not adequately recognize the facts of the audit environment. Some Confidentiality Agreements conflict with existing agreements or modify rights and obligations under existing agreements. Through review of many samples and the related law and agreements, PASC identified several aspects that needed to be addressed or highlighted in this code of conduct.

There are already confidentiality provisions and discussion about the information accessible to Joint Operators in the governing PJVA agreements or the CAPL agreements, for example.

Proving cause and effect is very difficult and an offending party can be sued without a Confidentiality Agreement in place, so at best, the existing Confidentiality Agreements are an administrative reminder of the auditors' obligations to keep information confidential. It is preferable for this reminder to be more visible with less administrative burden; hence this PASC "Joint Interest Auditor Code of Conduct" was developed.

It is PASC's expectation that Operators will rely on this "Auditor Registry" rather than continue to create individual confidentiality agreements. This can save the Operator and their Associates and auditors considerable time and effort while still achieving the desired benefits.

The next three pages are a preliminary mock-up of the website presentation of the Joint Interest Auditor Registry and Code of Conduct, followed by additional appendices with analysis of the issues and work done on this project.

In the website mock-up (page headers with the PASC logo), the anticipated content is shown, without any repetition. Final pages and content intended would be as follows:

Webpage 1 - Disclaimer (page 2, this document) at the top, followed by the Code of Conduct (page 3, this document), with a link on the bottom of that page to the registry (page 4, this document),  
Webpage 2.

Webpage 2 - Code of Conduct is repeated at the top, followed by the list of registered auditors who have agreed to comply with the Code of Conduct. A link to register would also be on the page.

Webpage 3 - Registration page (no sample shown) – collects all of the information presented in the Registry list. Also repeats the Code of Conduct and includes active check off that the registering participant has read the code of conduct and will comply with it.

The repetition of the Code of Conduct within the webpages adds to the visibility of the expectations industry has for the auditors in all areas, including maintaining the confidentiality of ALL information encountered while conducting a Joint Interest Audit.



# JOINT INTEREST AUDITOR REGISTRY AND CODE OF CONDUCT

## DISCLAIMER

The auditors listed here and/or their organization and/or company agree to adhere to this Joint Interest Auditor Code of Conduct.

This list is simply a means for Industry Participants to easily identify auditors providing services to the Canadian Oil and Gas Industry whom have agreed to adhere to this Code of Conduct. This list of auditors is provided as a service to Industry and PASC members as an alternative to signing individual confidentiality agreements between auditors and operators for each audit.

PASC has no means to vet the qualifications and experience of the auditors who have registered and it is neither a regulatory body with rights or obligations to the auditors nor a party that utilizes audit services of this nature. PASC makes no representation to the accuracy or completeness of the information. All information is provided by the auditor or their representative during the web-based registration process and is maintained by same.

It is the responsibility of the contracting or hiring party to vet the qualifications and experience of the auditor(s) they are considering to provide services.

PASC reserves the right to remove an auditors name from this list if there is concrete evidence they have been convicted in a civil or criminal action related to conduct as a Joint Interest Auditor.



# JOINT INTEREST AUDITOR REGISTRY AND CODE OF CONDUCT

## CODE OF CONDUCT

### Confidentiality

A general principle of law states that any and all information obtained, whether related to the joint account **or not**, is confidential. This is irrespective of whether the governing agreements have confidentiality clauses or not. Any misuse of this information (any use for purposes other than the audit) may be subject to civil action. See Appendix 'A' for details on Confidentiality.

### Use of Operator's Systems and Property

To the extent that information to be reviewed by the Auditor in connection with the audit is located on the Operator's computer systems, the Auditor agrees as follows:

- to comply with the Operator's procedures for accessing and using these systems, including complying with the Operator's standards for use of anti-virus programs, and that the Auditor is liable for any damage resulting from the intentional introduction of malicious code into the Operator computer system,
- permission to access the accounting and other system(s), and any related user id or password, entitles the Auditor to access only approved applications as directed by the Operator, for the information associated with the books and records under audit, and that the Auditor will be personally accountable for all activity performed under his/her ID,
- unauthorized use of applications in the Operator computer system(s), including the violation of any law, or Joint Operations or other business information of the Operator will be considered a breach of confidentiality, and the Operator may ask the Auditor to leave, and/or may bar the Auditor from conducting future audits at Operator locations and/or may take other appropriate action,
- that the original records, files, documents, invoices, and systems made available to the Auditor are Operator property and that under no circumstances shall any original documents be removed from the Operator's premises.

### Professionalism

Auditors are expected, at all times, to remain professional during the course of their audit. Auditors should conduct themselves with integrity, objectivity, courtesy and consideration. An audit must at all times be conducted in a proficient and competent manner.

### Harassment

Any harassment, whether considered unlawful or not will not be tolerated. Such harassment can include, but is not limited to harassment based on; sex, race, color, religion, creed, nationality, marital status, or sexual orientation.

### Declare Conflict

An auditor shall not, directly or indirectly undertake, engage in or maintain any relationship, business or activity, or make or maintain any investment adversely affecting or reasonably expected to adversely affect the independence or quality of any services the auditor is engaged or employed to provide.

An auditor shall not accept any employment or engagement when there is a conflict or potential conflict between the auditor and those they are representing or auditing unless the parties relevant to the conflict consents to it and it is reasonable to believe that it is in those parties best interest that the auditor accepts.

### Gifts and Entertainment

The exchange of gifts or entertainment cannot compromise, or even appear to compromise, an auditor's ability to make objective and fair business decisions. Acceptance of gifts, hospitality, or entertainment is acceptable provided that they are of nominal value and/or are reciprocal.

### Disclosure

Identify issues whether they would result in a charge or credit.

### Removal From Registry

I acknowledge that should I breach this conduct in a manner that results in conviction in either a civil or criminal action, PASC has the right to remove me from the Auditor Registry.



# JOINT INTEREST AUDITOR REGISTRY AND CODE OF CONDUCT

## AUDITOR REGISTRY

[Add/Edit my information](#)

Auditing Company Representative	Auditing Company Name	Individual Auditor Name	Last Updated	Phone	Email	PASC member	
Joe Ketchum	Ketchum JV Auditing Inc	Joe Ketchum	1/23/2009	403-555-8753	<a href="mailto:ketchum@it.ca">ketchum@it.ca</a>	N	
Sue Tass	Tass Recovery Specialties	Sue Tass	6/12/2009	403-269-9632	<a href="mailto:suetass@court.ca">suetass@court.ca</a>	Y	
Mee Manager	Oil & Gas Co	Odd 1	5/2/2009	403-222-8711	<a href="mailto:odd1@ogc">odd1@ogc</a>	Y	
Mee Manager	Oil & Gas Co	Aud 1	5/2/2009	403-222-8711	<a href="mailto:aud1@ogc">aud1@ogc</a>	N	

## **JOINT INTEREST AUDITOR CODE OF CONDUCT**

### **Appendix A:**

#### **CONFIDENTIALITY:**

It is PASC's intent that Operators will rely on this "Auditor Registry" rather than continue to create individual confidentiality agreements for joint interest audit situations. This can save all parties considerable time and effort while still achieving the desired benefits.

#### **General Principles:**

The courts have expressed a general expectation that all participants in a joint operation will keep confidential all activities or results of the joint operation until such time as it is public knowledge. This is irrespective of whether the governing agreements have confidentiality clauses or not. Some joint interest agreements have a paragraph on confidentiality, while the underlying land or exploration agreements (typically the CAPL operating procedure) have more extensive confidentiality provisions.

#### **Past use of Confidentiality Agreements:**

Given the principles above, then why do we need confidentiality agreements and standards of behavior for joint interest auditors that includes confidentiality requirements?

1. joint interest auditors can be exposed to an Operator's Confidential Information that is unrelated to the joint operation being audited.
2. contracted joint interest auditors (as opposed to staff auditors) are not participants nor signatories to the joint interest agreements so are not directly bound by their terms. They are not participants; they are third party contractors.
3. reminder of their existing legal and professional obligations lest they inadvertently or purposely disclose information that should have been kept confidential;
4. the advent of electronic audits whereby the auditor is logged directly onto the Operator's systems or has received an electronic dump of all applicable joint interest transactions or documents from the Operator.

#### **Other factors:**

If payroll or other private information is provided to a Joint Interest Auditor, then that Auditor & their organization &/or client have the obligation to treat this private information in a manner that meets or exceeds the requirements of the applicable Privacy Act or this confidentiality agreement or the joint venture agreements (whichever is the more stringent).

Be cautious regarding "Public Information", as a general guideline, Joint Interest Auditors should still keep information confidential because we are not public relations professionals and could still cause a misinterpretation of the information if we purposely or inadvertently disclose it.

#### **Concerns with varying Confidentiality Agreements:**

The preceding explains why so many Operators adopted a requirement for joint interest auditors to sign confidentiality agreements before allowing the audit to proceed. Unfortunately, this has led to several concerns:

1. Any separate confidentiality agreement should not unilaterally override the rights and obligations of the existing joint venture agreements. For example, existing audit rights or confidentiality requirements under the governing agreements should not be reduced or limited by these separate confidentiality agreements.
2. If any conflict exists between the separate confidentiality agreement and the existing joint venture agreements, then the existing agreements should take precedent. Unfortunately, this kind of statement is usually not included and as such, creates a legal quagmire which could negate the benefits of a separate confidentiality agreement.

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3. Some separate confidentiality agreements are excessively harsh, restrictive or overly lengthy with considerable legal language that requires an undue effort to review (and likely negotiate revisions) before it can be executed. This can delay the start of the audit. So this adds administrative time and cost to prepare for an audit for both the Operator and auditor. Not to mention, the logistical problems if timing needs to be adjusted and either the Operators or auditor's availability is tight.
4. Confidentiality Agreements seem to be requested for each audit and sometimes more than one Confidentiality Agreement to conduct a single audit. This ties up the time of auditors; audit administrators / leads / coordinators / management or clients; joint venture representatives; lawyers; etc. in the negotiation and execution of individual confidentiality agreements or the resolution of conflicts between different agreements. This is simply not effective use of our industry's limited time and resources.

Clauses dealing with access to information and confidentiality in the 1990 CAPL are 305, 307 and 1801. Similar clauses exist in both the 1981 and 2007 CAPL, although clause numbers may vary. Many of these clauses are where conflicts have arisen between the governing agreements and subsequently requested confidentiality agreements.

- There are no restrictions on keeping copies of records and in fact, clause 305 explicitly allows copies and extracts with no qualification as to the format (paper, electronic, manual summarization, et cetera)
- Clause 1801 specifically includes disclosure to consultants who require such information to provide their services to the Joint Operator(s) and that none of the Parties or representatives may disclose to any third party other than those involved in the provision of those services.

All Joint Account information is confidential information of the parties that own a piece of the Joint Account and its net assets. A portion of the Joint Account information being in the public domain only means that particular information is public and not confidential.

### **Appendix B:**

#### **PROCEDURES:**

There will be an annual sign-off in conjunction with annual dues process. Non-members will sign-up at the same annual time. This will be a web based on-line process.

The intent with the annual sign-off is two-fold. It gets another reminder in front of the auditors about the code of conduct, including any updates that might be made. It also self-regulates the list. The list will expire on a specified date each year. If you don't intentionally go in to sign-off that you are/will be complying with the Code of Conduct, your name will not automatically re-appear on the list. This helps to maintain a current, workable list for industry in that any individuals who retire or change careers do not remain on the list.

Individuals or organizations can sign-off on behalf of their staff auditors.

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#### **THE REST OF THIS APPENDIX IS STILL TO BE BUILT: sample content and considerations are shown.**

Sample content and considerations are discussed here but the actual processes are somewhat dependent on the final web design for the Registry within the PASC website. As the primary intent is to provide a more effective way of dealing with confidentiality requirements and auditor behavior in general, and reduce administration, we don't want to create a different layer of administration within PASC.

The website is intended to be self-maintained by the registering auditors, with assistance and linkage to the expiry date and PASC membership information, where applicable. Some considerations may be:

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1. Individual auditors can sign and/or companies can sign on behalf of their employees.
  - a. For example, an Audit Dept. Manager or Joint Venture Manager can sign stating that the following list of auditors are going to adhere to this Code of Conduct
  - b. For sign off by whole organizations or companies, then there should be assurances that the individual auditors have, at least, read this Code of Conduct:
2. Administratively how do auditors or companies provide this sign-off
  - a. Prefer a web based, on-line sign off to minimize PASC costs to administer this process
  - b. Makes the auditors and/or companies responsible to keep this info up to date. E.g. deleting one staff auditor and adding their replacement
3. How do we get the PASC website updated with this info?
  - a. Likely this will be by logging onto the PASC website and filling out an on-line form with self-maintenance by the registering auditor or auditing company.