

A Case Study for “Climate Change Audit Principles”

1) Title of the Audit Program

Audit over the application, management and effects of the special funds for Coal-Burning Boilers’ alternative clean energies

2) Audit Objectives

- a) Evaluating the management and effects of the special funds and disclosing inappropriate application and management of the special funds with an aim to improving the application effects of fiscal funds;
- b) Showcasing the accomplishment of alternative clean energy policy, assessing the policy’s tangibility as well as its contribution to deduction in greenhouse gas emission, and thereby further providing the city with references for its improvement in relevant policy for greenhouse gas emission relief, and its establishment of greenhouse gas emission mechanism;
- c) Finding out audit organizations’ positive role in dealing with climate change and relieving greenhouse gas emission so as to accumulate environment audit experience.

3) Audit standards

National and local laws , administrative rules and regulations, and relevant policies as well. They consist of Preventive Laws on Air Pollution of P.R.C., A City’s Environmental Protection Regulations, Some Rules about A City’s Energy Structure Adjustment and Methods for Clean Energy Alternatives in A City.

4) Audit Methodologies

- a) Interviews. Visiting or interviewing legal department which prescribes policies for Coal-burning Boilers' alternative clean energies, environmental protection departments and other relevant entities.
- b) Examinations. Checking relevant financial documents, project documents, and conference minutes.
- c) Inspection. Selecting some projects to inspect.
- d) Quantitative Analysis. Computing carbon dioxide's amount by carbon amount in fossil fuel in accordance with the response equation of fossil fuel burning, then making comparison between the emissions of carbon dioxide before and after the adoption of alternative clean energy, concluding the reduction amount and making assessment on Coal-Burning Boilers' Alternative Clean Energy Policy's environmental effects.

5) Audit Mandate

- a) Implementation of Coal-Burning Boilers' Alternative Clean Energy Policy. Testing change in emission quantities of carbon dioxide before and after implementation of the program. Making judgment about results of the implementation of alternative clean energies. Meanwhile, sampling some enterprises and undertakings about their use of energy and the running of boilers, the above-mentioned enterprises and undertakings adopt Alternative Clean Energy program.
- b) Management of special funds for Alternative Clean Energy Program. The focus is: whether Environmental Protection Bureau's management on special funds for Coal-burning Boilers' Alternative Clean Energy is legal;

whether there exists strict examination on the Coal-burning Boilers' Alternative Clean Energy; whether the choice of beneficiaries, subsidy scope and subsidy amount comply with relevant policies; whether the quantity of purchased alternative energy is truthful; whether there exists falsified or repetitive application.

c) Management on the running of Alternative Clean Energy Programs. The focus is to examine if the environmental protection bureau has established post-monitoring mechanism for those entities which have finished the alternative clean energy programs, and understand the program's impact on the air quality in the environs.

6) Audit Findings

a) Effects of the policy. As tested, annual reduction of carbon dioxide emission by the completed and running programs reaches 130,000 tons, exemplifying the positive role of the program for greenhouse gas emission relief. Policy effects are very obvious.

b) Management of the funds. From 2005 to 2007, A City's special funds for the program add up to RMB 30 million, invoking a total investment of over RMB 100 million for environment treatment by governments at district and county levels, enterprises and undertakings. In general, the funds' application complies with related rules and regulations, however we found out in some cases the Environmental Protection Bureau did not strictly abide by relevant rules and regulations, for instance, subsidy in some programs was beyond the scope and above the standard in accordance with the policy.

c) Implementation of and supervision over the program. The audit findings indicate that most programs of Coal-burning Boilers' Alternative Clean Energy can be completed as planned and start running healthily on time, thus bringing positive environmental effects. While some problems exist in the implementation and running supervision, for example, some programs which applied for the special funds were not carried out or undertaken as planned, and some were not operated healthily.

7) Audit Recommendations

- a) Strengthening the special funds budgeting for the Alternative Clean Energy programs, establishing A City's 'Projects Center' system, ensuring the implementation of each project, and budgeting & funds for the program. Meanwhile, facilitating the examination of the projects' planned budgeting so as to guarantee the accuracy of budgeting;
- b) Standardizing funds' appropriation, strengthening supervision over the management on the special funds for the Alternative Clean Energy's Programs with an aim to ensuring the legality of the special funds and promoting the effects of fiscal funds application;
- c) Completing continuous monitoring system, inspecting the running of the projects randomly or frequently so that the clean energy's positive effects can be maximized.

(Audit Organization: Shanghai Municipal Audit Office)