

Case Study 1 for “Guidelines for Auditing Mineral Resources” Project

1、 Name of the audit assignment :

Performance Audit Investigation upon the Control and Comprehensive Utilization of Gangue in “X” City

2、 Audit Objectives :

The audit is carried out with a view to assessing the performance of control and comprehensive utilization work for gangue in “X” city, promoting the effective implementation of national comprehensive utilization policy for gangue, boosting local governments to intensify the efforts of utilizing gangue in a comprehensive way, urging local governments to strengthen environmental protection, and advancing the sustainable development of local economy and ecosystem.

3、 Audit Criteria :

Audit Criteria adopted include “*Outline of the Eleventh-Five Year Plan for National Economic and Social Development*”, “*General Work Plan for Saving Energy and Reducing Emissions*”, “*Environmental Protection Law of the People’s Republic of China*”, “*Measures Governing the Comprehensive Utilization and Management of Gangue*”, “*Provisional Rules Governing Combined Heat and Power Facilities and Construction and*

Management of Gangue-utilized Power-generating Projects ”, and “Outline of Technology and Policies for the Comprehensive Utilization of Gangue”.

4、 Audit Methodology :

4.1. Having interviews with competent authorities in the government in order to make inquiries with relevant persons.

4.2. Reviewing documents and data collected by Bureau of Coal Industry, Environmental Protection Bureau and Land and Resources Bureau.

4.3. Making field visit to understand the situation of controlling and comprehensively utilizing gangue.

4.4. Using tables to make statistical record about data of economic benefits and environmental impacts of controlling and comprehensively utilizing gangue in “X” City.

5、 Audit Scope :

5.1. To understand the implementation of policies of “X” City with regard to controlling and comprehensively utilizing gangue. The priorities should be placed upon: understanding: 1) the implementation of national policies with regard to the comprehensive utilization of gangue by “X” City, 2) whether “X” city has put in place relevant policies or support measures for guaranteeing the implementation of policies with regard to the comprehensive utilization of gangue, 3) implementation of national policies by “Y” Coal Industry Group with regard to controlling and comprehensively utilizing gangue.

5.2. To make certain the annual volume of discharge of gangue and accumulated volume of storage by Coal Mines in “X” City, and to understand various information such as the occupancy of cultivated land, polluted water resources, spontaneous combustion by stored gangue as well as the air pollution in “X” City caused by emitted sulfur dioxide (SO₂) due to spontaneous combustion of gangue. The priorities should be placed upon the discharge and storage of gangue of “Y” Coal Industry Group as well as its influence upon the environment.

5.3. To make sure the current status and performance of controlling and comprehensively utilizing gangue in “X” City. The auditors researched upon economic benefits and social impacts before and after the gangue were controlled and utilized, made certain the number, installed power-generating capacity and handling capacity of gangue-fired power plants, investigated the quantity of gangue-utilized brick-making factories and their development, as well as the operation and performance of other enterprises using gangue. The priority should be placed upon the comprehensive utilization of gangue by “Y” Coal Industry Group.

5.4. To understand the existing difficulties and problems in controlling and comprehensively utilizing gangue. First, polices with regard to the comprehensive utilization of gangue are yet to be improved and the support

should be increased; Second, various difficulties and popping-out problems in the comprehensive utilization of gangue should be addressed.

6、 Audit Findings:

“Y” Coal Industry Group has altogether provided financial support of 84.23 million RMB for controlling gangue-piled hills ever since 2004 and made obvious effects. Up to now, there are no spontaneous combustion by gangue-piled hills of “Y” Coal Industry Group, new-generated gangue have been fully discharged according to the new discharge rules, and most of old gangue-piled hills have been rectified. Moreover gangue-fired power-generating and brick-making projects have been put into operation and initial benefits have been shown. After the rectification, “Y” Coal Industry Group has 23 sites for storing gangue with a total volume of storage as much as 62.27 million tons. Seven out of the 23 sites have been rectified and the remaining 16 sites have been undergoing rectification according to controlling rules while continuing functioning as discharge sites.

The existing problems mainly include: 1) relatively low utilization ratio, only for limited purposes and low level of comprehensive utilization; 2) wall materials are mainly composed of clay bricks which are not conducive to the effective protection of arable land, energy conservation and eco-system improvement; 3) relevant basic information is not complete, statistic data is yet to be integrated and the profundity of comprehensive utilization should be further improved.

7、 Audit Recommendations:

7.1. Clearly-defined laws, rules and standards for discharging and controlling gangue should be promulgated so that enterprises could be promoted to strictly abide by the relevant regulations for controlling the pilling of gangue and control the environmental impacts of gangue-piled hills to the maximum.

7.2. Government input for controlling the gangue-caused disaster should be increased. Otherwise the rectification of gangue-piled hills is mainly relying on the financial resources of coal industry and the relevant enterprises are heavily burdened. The increase of government input shall further mobilize the enterprises to control and comprehensively utilize gangue.

7.3. Support policies and measures should be put into place in order to solve the problems such as low level of comprehensive utilization of gangue, backward technical facilities, small-scale production, poor competitive power and limited potential for further development.

7.4. The national preferential policies should be fully implemented in order to mobilize the initiatives of various parties to control and rectify gangue-piled hills. For example, various policy limits with regard to approving and giving loans to the projects of gangue-fired power plant, giving the right to be combined to the grid, price of electricity and peak load regulating

operation should be lifted. More preferential policies should be given. Moreover, the policy support to the technology and industry in the field of cyclic operation of gangue should be increased. The development and promotion of gangue-utilization projects should be quickened.

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