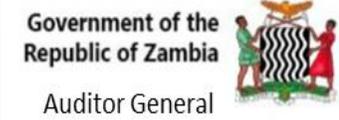




27/04/2021

*To promote the audit of extractive industries*



# Overview of audit work on environmental liabilities

*OLACEFs Coordinated Audit on Governance Structures for the Comprehensive Management of Mining Environmental Liabilities*

Presented by: **Grace Chanda**  
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Office of the Auditor General Zambia

# Presentation

# Outline

1

**Objectives**

2

**Characteristics of Extractive Industries (EIs) and Background of WGEI**

3

**WGEI Work Focusing on Environmental Liabilities of EI**

4

**Extractive Industries - Vision 2030**

5

**Challenges of Auditing Environmental Liabilities**

6

**Conclusion**

# OBJECTIVES

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- Participants to comprehend the defining parameters, main characteristics of EI's as well as how the WGEI was established.
- Participants to appreciate the work of WGEI, especially around the audit of Environmental Liabilities.

## OBJECTIVES

- Participants to appreciate the SDG's from the Extractive Industries perspective
- Participants to realize potential challenges in audit of Environmental Liabilities in Extractive Industries.

# Characteristics of Extractive Industries (EI)

## Defining EI's

- Any process that involves the extraction of non-renewal resources.
- EI consist of any operations that remove oil, gas, metals, minerals and aggregates from the earth and/ or sea.

*Source: INTOSAI – Donor Cooperation (2013)*

## Characteristics of EI

- Long and costly exploration and development
- Geological Risk
- Substantial rents (Super profit)
- Exhaustibility of natural resources
- Volatile/ Uncertain prices
- Significant environmental impacts
- Significant social impacts

# BACKGROUND

## Brief History of WGEI

- WGEI was established in 2013 under INTOSAI goal 3, knowledge sharing.
- OAG Uganda is the current chair and reports to the WGEI steering committee of the INTOSAI
- Purpose – to enhance the knowledge of SAI's in the audit of Extractive Industries (EI's).
- Membership: comprises 42 members – 2 member SAI's of OLACEF - Argentina and Ecuador
- The scope of the working group includes oil and gas and solid minerals.

## WGEI Work plan

### Work done by WGEI in its first six years include:

- Implementation of 2 work plans
- The third work plan for period 2020 -22 was approved in the all members meeting in Manila, Philippines

*Source: WGEI Website*

# Environmental Liabilities

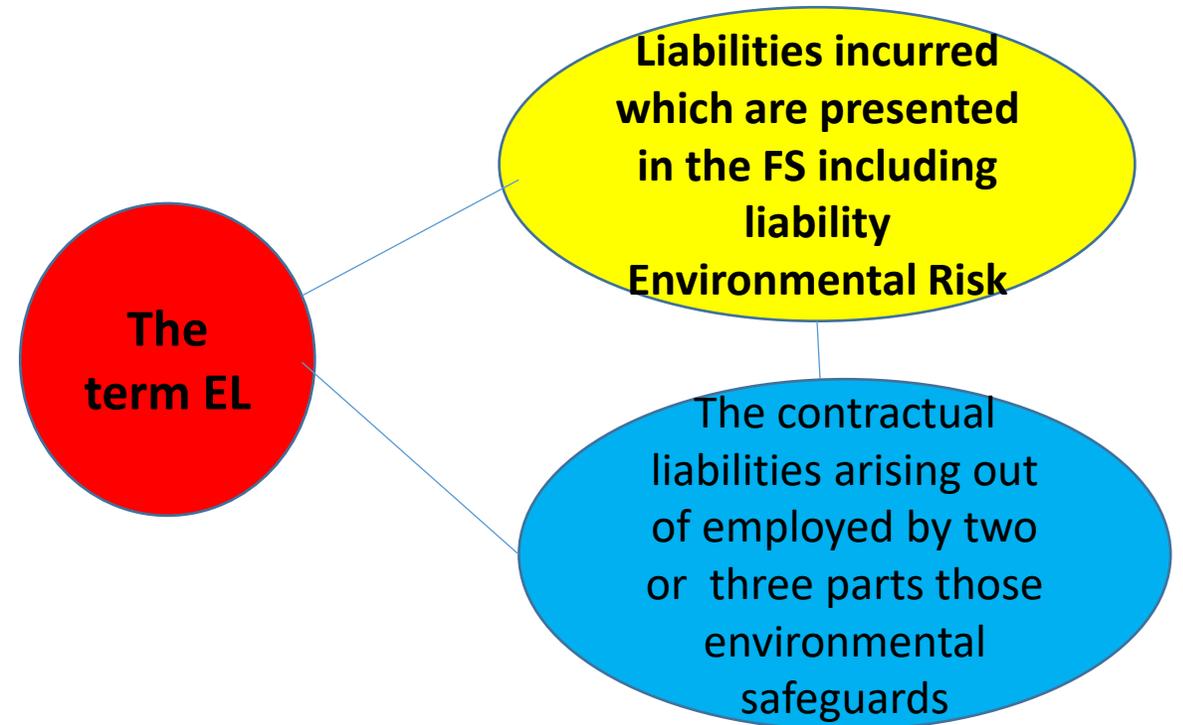
## Environmental Liabilities defined

Environmental liability is defined as an obligation which may result in future payments for the enterprise, due to past events or to compensate a third party harmed by environmental damage by the company.

*(Federal Accounting Advisory Board (FASAB)) and Nuta F. M (2012)*

The term environmental liabilities can be divided into two categories.

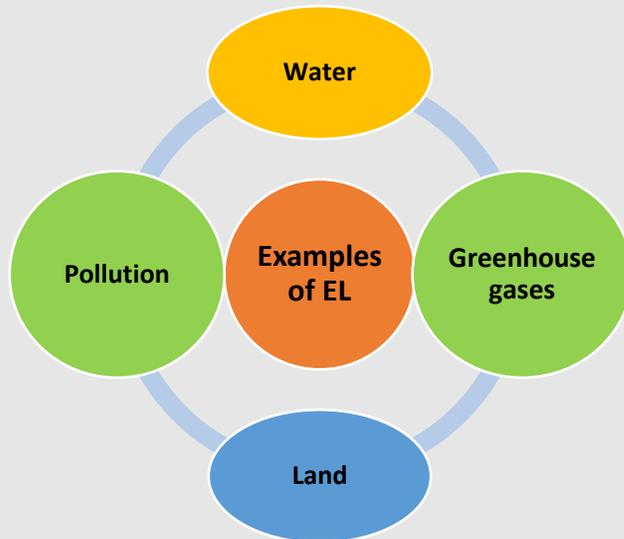
## Environmental liabilities defined



# WGEI Work - Focusing on Environmental Liabilities

## What is EL Audit

- liabilities arising from any hazardous materials, environment law, contract, agreement relating to environmental health or safety. Examples are:



- Recent focus has been on EL that is natural assets that do not provide resource input but which provide equal system services such as health values.

## Environmental Liabilities audit is an audit which reviews:



- Current operations and practices objectively from an environmental perspective
- used to measure alterations in EL performance that could result in misstatement on F/statement
- Identify potential hazardous or situations before they become
- Assist evaluate risk and liability associated with on going operations and facilities

# Work done by WGEI – Focusing on EL

## Work done



## Examples of work done by Sais

### SAI India

- Report No. 12 of 2019 Assessment of Environmental Impact due to mining activities and its Mitigation in Coal Ltd
- Report No. 9 of 2011 – 2012 Performance Audit of Coal India Ltd - Corporate Social Responsibility

### GAO

- Hardrock Mining Audit with focus on Environmental Stewardship/Environmental Liabilities (2005)
- Environmental Liabilities – EPA should do more to ensure that Liable Parties meet their clean up obligations. (2006)
- Hardrock Mining Cleanup obligations (2006)

# Work done by WGEI – Focusing on EL Cont....

## Examples of work done.....

### GAO

- Hardrock Mining Information on Abandoned Mines and value and coverage of Financial Assurances on BIM Ltd (2008)

### Uganda

- Regulation and Monitoring of Drilling Waste Management in the Albertine Graben By Nema Environmental Performance Audit (2014)

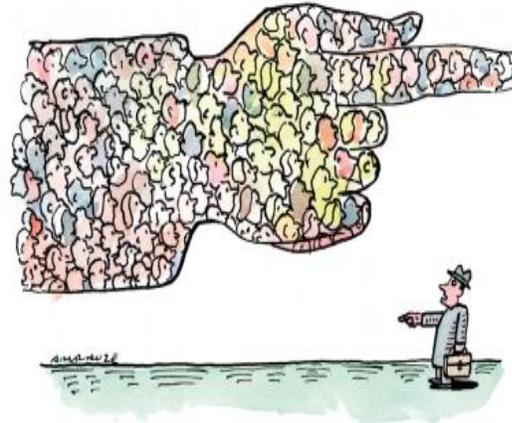
### Zambia

- Financial and Compliance Audit of Environmental and Liabilities Protection Fund (2010-2019)

### Fiji

- Compliance Audit in EI tabled in Parliament in December 2020
- On going Performance Audit to be tabled in April 2021

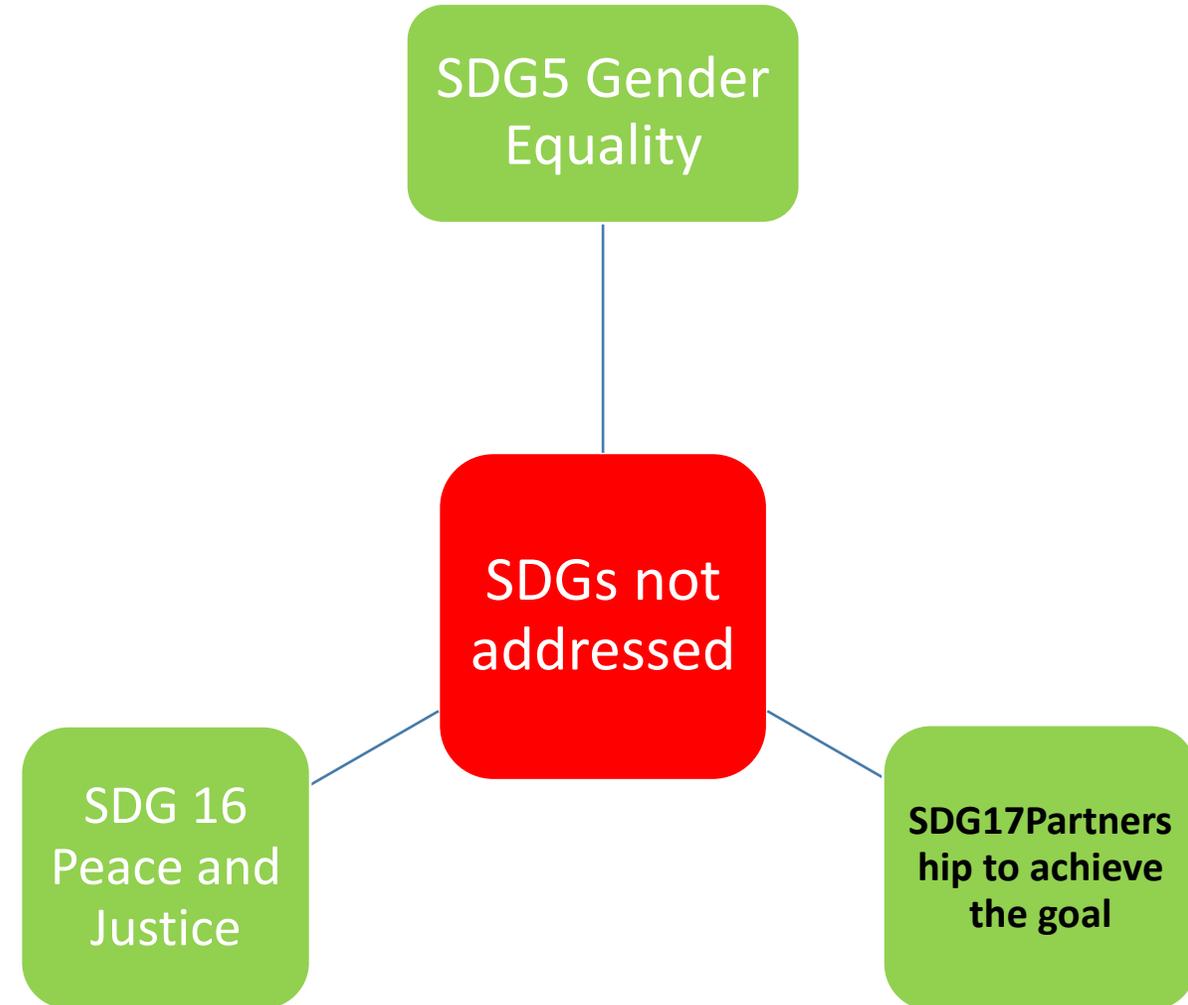
## Examples Cont..



# Under 2030 Umbrella-WGEI Work Done

Since its inception WGEI has done the following;

- attached great importance to the SDGs
- has managed to map to the SDGs all the reports done on audits along EI value Chain including EL recoveries.
- The gap was identified regarding SDGs not addressed.
- Sais have been encouraged via training, workshops to use the identified SDGs as key performance indication



## Under 2030 Umbrella-WGEI -Results active

It provides critical economic development opportunities

Provides major opportunities to align sector policies and practices with national development priorities

Incorporating SDGs can mean greater efficiency and cost saving. E.g. local content, energy efficiency and more peaceful societies.

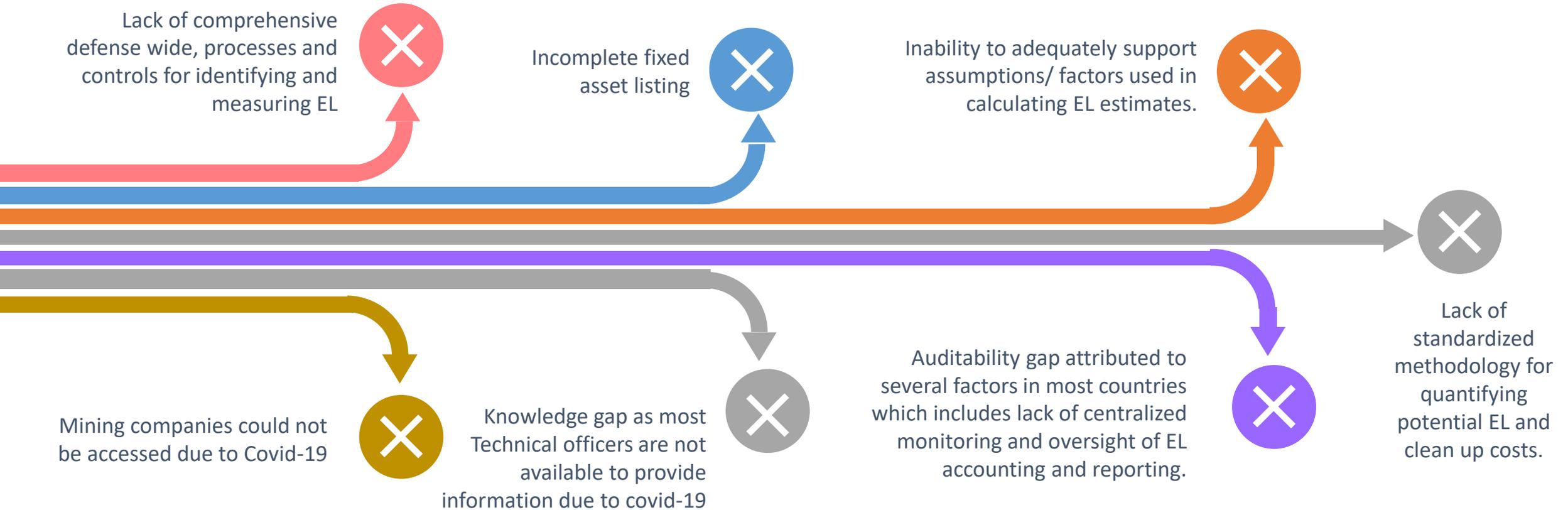
## EI can have major impact on the SDGs



Public creation of revenues for sustainable development in particular developing countries

Goals and targets will be incorporated in nation plans, regulations and policies

## Under 2030 Umbrella-mining EL in covid -19



## CONCLUSION

- As can be seen from the work done by some SAIs in the region, the WGEI is achieving its mandate in the knowledge sharing which is INTOSAI goal 3.
- The rapid and depth of Covid-19 related economic slowdown is unprecedented. Although mines are being considered essential and are generally staying open during the crisis, production is likely to be less than prior to the onset of the COVID 19 pandemic.
- Mines also face logistical challenges such as transportation of concentrates to smelters, decrease in metal prices and so on.

# GET IN TOUCH



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