



Auditing Extractive Industries in China: Overview, Priorities and Responses

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Part I

Brief introduction to CNAO's audit of extractive industries

CNAO's Organization of EI audits

- A combination of three categories of audits

Audit of public finance



collection, management and use of funds relating to mineral resources

Audit of SOEs



SOEs engaged in extraction of minerals, e.g. fossil oil and natural gas

Environmental Audit



extraction and utilization of mineral resources

CNAO's EI audits 2013-2015 focusing on extraction and utilization of mineral resources

- Audit objective: to identify outstanding problems in extractive industries (ferrous metal mines and non-ferrous metal mines), and crack down on violations of laws and disciplines
- Audited entities: government departments responsible for administration of mineral resources, local governments where the mines locate, mining rights owners and geological survey institutes



CNAO's EI audits 2013-2015 focusing on extraction and utilization of mineral resources

- Subject matter: the fulfillment of duties in administering mineral resources by local governments and competent authorities, the extraction and use of mineral resources, the transfer of mining rights, environmental protection in mine communities.
- Auditors paid special attention to the significant price change of the mining rights before or after transfer to tell whether there are such problems as manipulation, misconduct or neglect of duty, buying high and selling low, and economic losses and market disruption thereof.



Part II

Priorities in CNAO's audits of extractive industries

Priorities in audits of extractive industries

- On construction or mining
- On energy saving, emission reduction and safety management
- On transfer of mining rights
- On wholesale business of mineral resources



On construction or mining

- Whether the construction has been approved by competent authorities
- Whether the mining has obtained proper licenses and permits
- Whether the mining scale is in compliance
- Land use

On energy saving, emission reduction and safety management

- Whether measures of energy-saving and emission reduction are implemented
- Whether the policy of cutting overcapacity is implemented
- Whether safety production requirements are implemented



On transfer of mining rights

- Whether the transfer is approved beforehand
- Any irregularity in evaluating mining rights
- Whether the transfer of SOE's mining rights is in compliance with relevant procedures



On wholesale business of mineral resources

- Whether sales enterprises have relevant permits or licenses
- Whether sales enterprises violate the price regulations
- Operating efficiency



Part III

Responses to challenges in audit of extractive industries

Responses to challenges in audit of extractive industries



- Careful preparation before audits
- Well-balanced audit team
- Innovative audit methods and new technologies

- As the Secretary General of ASOSAI and Chair of ASOSAI WGEA, CNAO wish to work with Asian colleagues in WGEI, to promote the development of EI audit in Asia, and launch relevant initiatives in ASOSAI at an appropriate time, and to better protect the resources that the world depends on for survival and development.



THANK YOU!

