

## Appendix 2: About the audit

### Audit objective

This audit assessed whether the Department maintains adequate security deposits to cover the liabilities associated with mine closures including rehabilitation.

### Audit criteria

The audit objective will be addressed with the following criteria:

1. The Department has a clear understanding of closure and rehabilitation outcomes for each mine site.
2. The Department undertakes ongoing reviews of the extent of disturbance and rehabilitation at each mine site.
3. The Department maintains reasonable estimates of closure and rehabilitation costs including contingencies.
4. The Department can access adequate security deposits to cover the costs of closure and rehabilitation when needed.

### Audit scope and focus

The audit focused on large coal and metalliferous mining operations, as they account for the majority of the mining-related disturbance across NSW. We reviewed 13 mines comprising a mix of underground and open-cut sites, spread across three regions. Eight sites were operational, three sites had ceased operations and were being rehabilitated, and two sites were in 'care and maintenance'.

The scope included:

- larger mineral mines including open cut and underground metalliferous and coal mines
- review of the Department's tool for calculating rehabilitation costs
- inspection and audit programs undertaken by the Department
- policies relating to closure criteria, and calculating and accessing security deposits.
- the role of relevant agencies in the closure planning process
- the relinquishment and sign-off process including residual risk determinations
- whether the security deposit system is providing incentive for good rehabilitation outcomes.

The scope excluded:

- the appropriateness of the rehabilitation standards set out in planning consents, and the processes leading to these standards, although we did comment on how the standards have evolved over time
- mineral exploration, and petroleum and coal seam gas (CSG) mining
- mine inspection and audit programs conducted by Department of Planning and Environment (prior to 1 April 2017) and the Environment Protection Authority
- the derelict mines program
- small mines with limited community and environmental impact.

### Audit approach

The approach included:

- review of documents such as policies, methodologies, guidelines, procedures, better practice
- review of department files and practices to assess adherence to policies and procedures

- analysis of financial information/analysis on security deposits and the cost of rehabilitation
- interviews with key departmental personnel
- advice from an external expert consultant.

The audit team acquired subject matter expertise through conducting research, attending a mine rehabilitation conference and consulting interviews with a range of stakeholders to gain their input and views on the audit topic.

We engaged Corinne Unger from the Sustainable Minerals Institute at the University of Queensland as an expert consultant for this audit.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

### **Audit methodology**

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

### **Acknowledgements**

We gratefully acknowledge the co-operation and assistance provided by the Department. In particular we wish to thank our liaison officers who participated in interviews and provided material relevant to the audit.

We would also like to thank our consultant and the stakeholders that took the time to spoke to us and provided material during the audit.

### **Audit team**

The audit was conducted by Neil Avery, Huntley Evans and Francois Chee. Oversight and quality assurance was provided by Rod Longford and Kathrina Lo.

### **Audit cost**

Including staff costs, travel and overheads, the estimated cost of the audit is \$368,989.