

Environmental Performance Audit on Air Pollution Control project in Shanxi Province

PART 1. BACKGROUD

a) Background of Air Pollution control Project in Shanxi Province:

Located in the middle of China, Shanxi province has an area of about 0.15 million square kilometers, taking about 1.6% of the total land area of the country. Meanwhile, it has a population of 33 million, 2.4% of the whole population in China. Energy industry is its pillar industry. Due to some technical and cost reasons, a number of small-scale and low-tech energy manufacturing factories in this area could not meet the standards for waste discharge required by laws, which has resulted in serious air pollution in Shanxi Province. Statistically, the emission of dust, smoke dust and sulfur dioxide in Shanxi Province ranks first among the provinces of the whole country.

To control the air pollution in this area, with a total investment of 7.5 billion RMBs (about 0.9 billion US dollars), the local government stipulated the 10th Five-Year (2001-2005) Plan for Environmental Protection in Shanxi Province, including 61 air pollution control projects. According to the plan, Shanxi Province will restructure its industrial framework, coalesce electricity factories with power stations, provide central heating, taking off sulfur dioxide, prevent and treat pollution in smoke-forbidden area, purify the coal gas in the charred factories and treat the industrial dust in architectural materials. By doing so can the total amount of the air pollution emission be controlled.

b) Background of the Audit Project

Identification of this topic is based on the following two points. Firstly, Shanxi Province is one of the national key areas for air pollution control in China. Through auditing we hope to promote the environmental protection practice in those national key areas in China. Secondly, through the environment audit over this project of regional air pollution treatment and prevention can the environment audit mode be explored, which fits the conditions of china environment protection practice.

PART 2. AUDIT OBJECTIVE AND SCOPE

a) Audit objective

To review if the stage objectives set in the 10th Five-Year Plan (2001-2005) for air pollution control in Shanxi Province were achieved by the end of 2003.

b) Audit scope

To examine whether the responsible entities related to environment (local governments at different levels and related enterprises) fulfilled their responsibility in air pollution prevention and treatment, in particular, how they performed in controlling the total amount of air pollutant.

PART 3. AUDITEES

The auditees include local governments at different levels and their environmental and fiscal departments. Besides, related enterprises are also audited.

PART 4. AUDIT STANDARD

The Audit Standards consist of relevant laws and regulations, environment standards and other standards.

a) Laws and Regulations

Environmental Protection Law of the P.R.C., Air Pollution Control Law of the P.R.C., Accounting Law of the P.R.C. and other related laws.

b) Environmental Standards

General Air Quality Environmental Standard, National Air Pollutant Discharge Standard and so on.

c) Other standards

The 10th Five-Year (2001-2005) Plan for Environmental Protection in Shanxi Province, Environmental Gazette, and the Evaluative Reports on the Projects'

Environmental Impact and so on.

PART 5. AUDIT PROJECT ORGANIZATION

a) Organization Methodology

The organization methodology of this audit project is the combination of concurrent audit and joint audit. That's to say, we adopted joint audit on pilot audit and concurrent audit in formal audit.

In pilot audit, an audit team, composed of auditors from the Audit Department of Agriculture, Resources and Environmental Protection of China National Audit Office (CNAO), Shanxi Provincial Audit Office and other Municipal Audit Offices in Shanxi Province, audited over the City of Changzhi.

In formal audit, the Audit Division of Agriculture and Environmental Protection of Shanxi' Provincial Audit Office was in charge of the organization. Auditors from the Audit Department of Agriculture, Resources and Environmental Protection of CNAO, such local audit offices as the Municipal Audit Offices of Taiyuan and Yangquan formed 8 audit teams. Those 8 audit teams carried out audit respectively in 8 cities, including Jinzhong and Yangquan.

On reporting stage, each audit team submitted their audit reports to the Audit Division of Agriculture, Resources and Environmental Protection. After consolidating those reports, the Audit Division in charge submitted the Environmental Performance Audit Report on Air Pollution Control Projects in Shanxi Province to the head of audit institution. With the approval of the head of audit institution, the audit findings were reported to the government at the same level.

b) Audit Cycle

This audit project lasted for 7 months, from May to November, 2004. The audit cycle includes:

- i. **Pilot Audit Stage.** From May to June of 2004, all participating audit departments attended the pilot audit in Changzhi City.

- ii. **Work Plan Drafting Stage.** In July, 2004, Shanxi Provincial Audit Office was responsible for work plan drafting according to pilot audit result.
- iii. **Formal Audit Stage.** From August to September, 2004, 8 audit teams, consisting of auditors from the Audit Department of Agriculture, Resources and Environmental Protection of CNAO, Shanxi Provincial Audit Office, and such local audit offices of Taiyuan and Yangquan Municipal Audit Offices, carried out audit in 8 cities, including Jinzhong and Linfen, carried out audit respectively according to the work plan.
- iv. **Team Report Stage.** In October 2004, each audit team wrote and submitted audit reports.
- v. **Report Finalizing Stage.** In November 2004, the Audit Division of Agriculture, Resources and Environmental Protection was in charge of the consolidation of the audit reports.

PART 6. AUDIT CONTENTS

We mainly focus on whether those relevant responsible bodies (local government at each level and related enterprises) have fulfilled their responsibility in air pollution control. In particular, how they controlled the total amount of air pollutant emission. The specifics are as below:

- a) Reviewing if provincial government examined and stipulated the projects for air pollution control in time, and if the provincial government appropriated the investment in time.
- b) Reviewing if local governments at municipal and county levels collected project capital in time, checking if the progress of the projects met the requirement, examining the implementation of the control over the total amount of air pollutants, and finding out if the funds were applied legally, truthfully and effectively.
- c) Examining if the enterprises met the standards for air pollutants emission and if they made investment for pollution control in accordance with the “the polluters pay” principle.

PART 7. AUDIT FINDINGS

a) Achievement in Air Pollution Prevention and Treatment

- i. The plan has achieved positive effect. Most industrial contaminating sources control projects have been set and are being implemented. Some projects were already complete and were put into use, bringing about their environmental value.
- ii. Local governments actively restructured their industries, closed some small energy manufacturing enterprises that caused serious pollution and could not meet the emission standards stably, the local governments also promoted cleaner production techniques. And new construction projects are required to make environmental impact evaluations.
- iii. The management of waste discharge was gradually standardized. More waste discharge fees were used for air pollution control.

b) Main Problems

- i. Some index of air pollutant emission in some areas is still high. By the end of 2003, the cut amount of the emission of sulfur dioxide in Taiyuan City was 30.7 thousand tons, reaching 23.01% of the set goal in the tenth five-year plan. The amount of the pollutant emission in some enterprises did not decrease, but was on the rise instead.
- ii. The construction process of some projects for environmental protection and clean production was slow. And the construction of some projects for sulfur dioxide taking off progressed slowly too. Sulfur dioxide, dust, smoke dust emitted into the air directly, affecting the treatment effect.
- iii. The collection of waste discharge fee can't meet the demand by environmental pollution treatment. There exists a huge gap between the collected money and the actual demand. Meanwhile, the expenditure structure is irrational. Some cities and counties only spent 28.60% of the total expenditure on the treatment of pollution source, while used 71.40% of the total expenditure for their organizational administration.
- iv. Some local governments' incapacity in monitoring environment. Some grass roots environment monitoring institutions have few related technicians or monitoring equipment. The monitoring method is backward, which is incompatible with the economic development.

PART 8 AUDIT RECOMMENDATIONS

a) Local governments shall adopt various financing methods to facilitate the construction of air pollution control projects, cleaner production projects and other projects for the taking off of sulfur dioxide.

b) Enhance the collection of waste discharge fees and ensure the collected waste discharge fees be applied for pollution prevention and improve the value of funds.

c) Strengthen the environmental monitoring capacity, carry out online monitoring over the major enterprises that cause pollution and improve the frequency of monitoring over these enterprises.