


# MP-2-2 Audit Management - Mining and Extractive Sites

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## PROCEDURE

### SCOPE

1. This procedure is for management of Minerals and Extractive Operations Audits relating specifically to Parts 9 and 12 of the *Mineral Resources Sustainable Development Act 1990* (MRSDA). The scope of this procedure includes:
    - planning of the audit
    - scheduling of the audit
    - conducting the audit and follow up
    - documenting the audit and reviews
  2. This procedure is the primary responsibility of the Lead Auditor. Others have responsibility as specified within this procedure.
  3. The General Manager shall:
    - Provide overall direction of audits in any financial year such as the number of audits to be completed, nature of targeted audits, and time frame;
    - Provide access to district support and audit staff;
    - Agree to corrective/ preventive actions with the Lead Auditor, and refer actions with regulatory impacts to the relevant District Manager; and
    - Authorize audit reports of high-risk minerals (P1 sites) and extractive operations for final distribution.
-  High risk operation sites are the three La Trobe Valley Coal Mines, Anglesea Coal Mine and any other mine and quarry deemed to be of high environmental/ financial and community risk by GMMEO.
4. The Lead Auditor has the overall responsibility for supporting the management of the audits, prepare and revise audit tool, assist with audit conduct, reporting and with royalty audits.
  5. The District Manager shall:
    - Nominate tenements for inclusion in the audit schedule;
    - Plan, delegate and schedule audit;
    - Approve the audit schedule as applicable to their individual district;

- Provide access to tenement files;
- Provide audit support staff to Lead Auditor; and
- Authorizes issuing of all audit reports to tenements except those authorized by GMMEO.

6. The Inspectors undertaking the audit are responsible for conducting audits, issuing of audit report to tenement holder and following up in accordance with the requirement of this procedure.

- An Inspector who is a Lead Auditor conducts audits individually or in a team across all the districts.
- An Inspector or District Manager from a district generally conducts audit individually or in a team within their respective district.



The audit management procedure will be executed in accordance with the [Audit Process Responsibility Flow Chart](#)

## ABBREVIATIONS / DEFINITIONS

|                   |   |
|-------------------|---|
| Audit             | Systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which the audit criteria (policies, procedures or requirements) are fulfilled. |
| Auditor           | Person with the competence to conduct an audit. For the purposes of this procedure may also mean the Lead Auditor and Inspectors.   |
| Audit Team Leader | When an audit is conducted as a team comprising two or more auditors, the auditor leading the audit work is the Audit Team Leader. The person to fulfil this role will be nominated in the Audit Schedule.          |
| Compliance Audit  | Evaluation of a tenement's adherence to laws, regulations, work plans, or with specific obligations to which the tenement has committed itself.   |
| DERR              | Director Earth Resources Regulation   |
| ERR               | Earth Resources Regulation  |
| GMMEO             | General Manager Minerals and Extractive Operations  |
| Inspector         | Field staff within the Minerals and Extractive Operations Group   |
| Lead Auditor      | Develops and maintains systems, processes and tools for auditing, and conducts audits of high-risk mining and operations.   |
| MRSDA             | <i>Mineral Resources (Sustainable Development) Act 1990</i> (hyperlink)   |
| Non-Conformance   | An audit finding, substantiated by objective evidence, where there is a failure to meet the requirements of legislation or schedule of conditions or site specific conditions.                                      |
| Observation       | An audit finding that, whilst not being a non-conformance, does give cause for concern, or may result in a Non-Conformance in the future.   |
| OpenRoad          | OPENROAD MINING TENEMENTS (Previously GEDIS)  |
| Targeted Audit    | Audits at mine and quarry sites on specific high risk issues (such as water management, buffer zone, TSF management, exploration drilling etc)  |

## REFERENCES

### General

| Name  | Description   |
|---|---|
| <a href="#">Audit Process Management Flow Chart</a>     | A flow chart of this procedure  |
| <a href="#">Audit Process Responsibility Flow Chart</a> | A flow chart showing the responsibility relationship for this procedure |

|   |   |
|---|---|
| <a href="#">Audit Process Risk Screening Priorities Matrix</a>                                | A risk ranking matrix to be used when assessing mining and extractive industry sites for the purposes of scheduling audits and inspections.   |
| <a href="#">Code of Practice for Mineral Exploration</a>                                      | Applicable code to all Crown and Private land where exploration activities are permitted under exploration and mining licences.   |
| <a href="#">Code of Practice for Small Quarries</a>   | Small quarries are required to comply with this code made under sections 89A-89H of the MRSDA.  |
| <a href="#">F-4-3 Royalty Audit - Minerals (non-coal)</a>                                     | Procedure describing the auditing of royalty payments made by the holder of Work Authority and Mining Licenses under the MRSDA for all minerals excluding brown coal.                                       |
| <a href="#">Format of Inspector Notebook</a>  | ERR specified Inspector Notebook record.  |
| <a href="#">MP-2-3 Risk Management</a>  | A framework for the management of operational, business, environmental and compliance risk within ERR. ( <a href="#">hyperlink</a> )  |
| <a href="#">MP-2-5 Work Scheduling Assessment (need renaming) (<a href="#">hyperlink</a>)</a> | Provides a procedure on application of risk screening matrix to identify tenements that can be ranked according to overall perceived risk, allowing regulatory attention (such as audit) to be prioritized. |
| <a href="#">MP-3-4 Reportable Events</a>  | Procedure describing how to the administration of a Reportable Event Notification to be performed (under preparation)   |
| <a href="#">MP-4-1 Issuing of Infringement Notices</a>  | Procedure describing how to issue infringement notice.  |
| <a href="#">MP-4-2-1 Serving a Section 110 Notice under MRSDA</a>                             | Procedure describing how to serve a Notice under Section 110 of the MRSDA 1990.   |
| <a href="#">MP-5-1 Field Entry Reports</a>  | Procedure describing issuing, use, recording and storing of Field Entry Reports.  |
| <a href="#">MP-5-2 Inspector Notebooks and Register</a>                                       | Procedure describing issuing, use and storing of Inspector Notebooks.   |
| <a href="#">OpenRoad Sig Event Audit Codes</a>  | This is a list of significant event codes in Open Road Tenements associated with Audit work.  |
| <a href="#">Part 9 and Part 12 of MRSDA</a>   | Relevant legislative provisions for Inspectors and Enforcement under the MRSDA.   |

## Records

| Number   | File Name                               | Brief Description of Document  |
|----------|---|--|
| MP-5-1R1 | <a href="#">FLDENTREPORT</a>            | ERR specified site visit report record.  |
| MP-2-1R1 | <a href="#">AUDITSCHEDULE</a>           | This is a schedule prepared at the beginning of each financial year to plan audits as per ERR business plan, district's priority site list and direction from GMMEO. |
| MP-2-1R2 | <a href="#">AUDITREPORTGENERICTYPE1</a> | This is a template to be used by the Audit Team Leader for compiling audit report for issuing when audit is conducted as a team.                                     |
|          | <a href="#">OPWPC</a>                   | This is an audit tool for work plan compliance.  |
|          | <a href="#">OPTM</a>                    | This is an audit tool for Traffic Management and Mobile Plant.   |
|          | <a href="#">OPDUS</a>                   | This is an audit tool for dust and noise issues from a site operation.   |
|          | <a href="#">OPPR</a>                    | This is an audit tool for the rehabilitation progress of a site.   |
|          | <a href="#">OPTSF</a>                   | This is an audit tool for tailing storage facilities.  |
|          | <a href="#">OPHS</a>                    | This is an audit tool for the environmental aspect of hydrocarbon storage.   |
|          | <a href="#">OPED</a>                    | This is an audit tool for environmental aspect of exploration drilling.  |

|  |  |   |
|--|--|---|
|  | OPBWD  | This is an audit tool for weeds and pests.                                      |
|  | OPTSS  | This is an audit tool for Site Security and Buffer Zone.                        |
|  | OPBL   | This is an audit tool for impacts of blasting.                                  |
|  | OPGEO  | This is an audit tool to audit geotechnical risk management (non-brown coal).   |
|  | Audit - Compliance<br>(Geotechnical) (RRAM)  | This is an audit tool to audit geotechnical risk management (brown coal)        |
|  | OPWAT  | This is an audit tool to audit groundwater and surface water management issues. |
|  | Audit - Imported Materials<br>Targeted Audit | This is an audit tool to audit Imported Materials                               |

## BACKGROUND

### General

1. All mining and extractive industries tenements are subject to an audit and review process as part of the monitoring of a licence or work authority, work plan conditions, operational activities and all statutory requirements under the MRSDA.
2. It should be noted that the audit process does not require the level of resources required for an external audit even though the basic process steps are the same. Generally, an audit team shall consist of one to three people depending on the complexity of the site or the audit topic, carrying out a sample-based audit over one or two days. Ad-hoc audits, where specific issues are being addressed in detail may require more time.
3. Priority risk ratings (P1, P2, P3, P4 and P5) of the tenements will be in accordance with procedure MP-2-2 Mining and Extractive Industry Scheduling Assessments.
4. The overall objective of the audit plan shall be to ensure that each priority 1 and priority 2 (P1 and P2) tenement shall be subject to an internal audit or a DPI audit at least once in any 24 month period.
5. As a general rule compliance audits and/or targeted audits will be undertaken at tenements with priority risk ratings of P3, P4 and P5 where audits were not undertaken for more than two years. Targeted audits can and are undertaken at P1 and P2 sites.
6. The Minerals and Extractive Operations Group will take a risk management approach and will undertake an ongoing review of tenement activities so that new audit tools are developed and existing tools are improved.
7. Audits shall be conducted by an individual Auditor or a team of Auditors led by an Audit Team Leader. In all cases audit work should follow the steps in this procedure as applicable.

### Unplanned Audits

1. The GMMEO may authorize an unplanned audit in the following cases:
  - Where a complaint or incident requires an audit to be performed;
  - Where a trend in non-conformances has been identified that warrants an audit;
  - Where the GMMEO requires an investigation into a failure or a specific event.




Unplanned audits may be based on suggestions from GMMEO, DERR, Deputy Secretary and/or Minister. Unplanned audits can also result from District based decisions (such as due to an incident, complaint or reportable event)


2. In all cases, the audit shall be conducted in accordance with this procedure.

## STEPS

### Audit Planning : Lead Auditor

1. Before the start of each financial year, initiate discussion with GMMEO and District Managers to identify the:
  - priority sites,
  - number of audits to be completed,
  - types of audit,
  - nature of any targeted audits,
  - requirements for new audit tools,
  - review/improvement of existing audit tools, and
  - need for any new audit tools.
  
2. Prepare an Audit Schedule (using MP-2-1R1 [AUDITSCHEDULE](#)) for the audit period (financial year) for approval by GMMEO. The schedule will include:
  - Scope and purpose of audits;
  - Tenements to be audited;
  - Nature of the Audits (Audit tool to be used);
  - Requirement of estimated resources;
  - An audit program stating month/ date for which each audit is planned;
  - Names of audit team members, and the Audit Team Leader (where appropriate);
  - Delegation of responsibility such as contact with tenements, field visits, audit tool completion, report writing etc.
  - Completion and issuing of Audit Report timeframe.
  
3. Distribute the approved Audit Schedule to the District Managers.


 Changes with respect to the approved Audit Schedule and associated justification shall be reported to GMMEO as soon as possible.

 Where audit planning is undertaken at district level (not requiring assistance from Lead Auditor), the District Manager shall follow the above planning process, starting from step 2.

### **Auditor / Audit Team Leader: Audit Preparation for P1 / P2 audits or audits led by Lead Auditor**


1. For each audit, verify the availability of the audit team identified in the schedule with the relevant District Manager.
  
2. At least one month before the intended audit:
  - Review the intended scope of the audit with the GMMEO to ensure that it is consistent with the objectives of the audit programme;
  - Review with the audit team the audit scope and identify all actions necessary to properly prepare for the audit, including preparation or revision of checklists;
  - Arrange the date of the audit with the manager of the tenement to be audited;
  - Review with the manager of the tenement to be audited, the scope of the audit, the planned activities and the provision of documents required.
  
3. At least one week prior to the audit, confirm with the GMMEO and the relevant District manager that the preparations for the audit are completed and also agree with the manager of the tenement to be audited the date, time and scope of the audit.
  
4. Audits may be delayed or rescheduled with the agreement of GMMEO and the manager of the tenement to be audited. If the audit is delayed more than two weeks beyond the planned date, inform the GMMEO and provide the reasons for the delay.

### **Auditor / Audit Team Leader: Pre-Audit Meeting / Discussion / Training**

 Pre-audit team meeting is recommended where audit is conducted as a team.


1. Where an audit is undertaken at a site with complex issues or a new audit tool is being used for the first time the following actions will be undertaken:
  - For a site with complex issues, discuss particular site issues, audit scope with the Audit Team and/or District Manager;

- For a new audit tool, undertake a trial of the tool at selected sites in attendance with relevant district staff. After the trial the Lead Auditor shall amend the tool if necessary and then provide training to the Inspectors on the appropriate use of the tool before the Inspectors undertake audits independently using the new audit tool;
- For a new audit tool it may be necessary to provide a copy of the tool to the tenement manager prior to the site visit so that the relevant audit information may be made available.


 Inspectors are encouraged to provide feedback on existing and new audit tools so that the audit tools are continuously improved and to identify requirements for new audit tools.

## Auditor / Audit Team Leader : Audit Conduct


1. Chair an opening meeting with the audit team and the management of the tenement being audited. At this meeting:
  - Review the scope of the audit;
  - Describe the planned activities and schedule;
  - Identify and agree to any modification or revisions to planned activities.
2. During the audit, use the relevant audit tools to assist in confirming compliance and identifying areas to be improved.
3. Document all findings and non-compliances identified in the course of the audit. Observations or non-conformances detected during the Audit shall be documented in the relevant auditor's audit notes as they are detected. Obtain confirmation from the individuals being audited of any non-compliance.
4. As a minimum, the following documents should be completed as part of the audit conduct:
  - A field report and notes shall be completed in accordance with procedures [MP-5-1 Field Entry Reports](#) and [MP-5-2 Inspector Notebooks and Register](#);
  - Relevant audit tool; and
  - Photos.
5. The audit, and all associated findings, shall be based upon the interview of relevant tenement staff and the review of documentary evidence of conformance or otherwise to the process under consideration. All such documentary evidence shall be noted by the audit team member and passed to the Audit Team Leader.

 The lack of required documentary evidence shall, in itself, form a non-conformance.

## Auditor / Audit Team Leader : Post-Audit Closing Meeting / Discussion

 Post-audit team meeting is recommended where audit is conducted as a team.

1. After the completion of site audit meeting, chair a closing meeting with the audit team, the manager of the tenement being audited and, if desired, the members of the tenement audited. At the closing meeting, the Audit Team Leader shall:
  - Review all findings of the audit;
  - Review all observations, non-conformances and recommendations for corrective/ preventive action from the audit;
  - Correct any inaccurate information resulting from the audit;
  - Obtain concurrence from the manager of the tenement being audited with the factual information documented in the audit records;

 A debrief meeting/discussion of the audit team is necessary to close out the audit. However, a closing meeting with the tenement manager and members of the tenement audited will depend on the outcome of the audit and complexity of the site and audit issues.

2. Where it is not possible to identify all appropriate corrective/preventive actions immediately, the relevant District Manager and the manager of the tenement being audited shall agree to a plan of activities to define the necessary corrective/preventive actions. In all cases, the corrective / preventive actions shall be defined and agreed within two weeks, or as soon as practicable, after the closing meeting of the audit.

## Auditor / Audit Team Leader: Documentation of Audit Results

1. After returning from the audit site meeting, enter the correct significant event code on [OpenRoad Tenement](#); and ensure that the field report and Inspectors notebook are complete.
2. Following the audit each member of the audit team shall provide, to the Audit Team Leader within three working days of the field audit conduct, or as soon as practical, an individual Audit Report. Individual team member's Audit Report shall include a relevant audit tool checklist and field entry report.
3. Upon receipt of all team reports the Audit Team Leader shall prepare an Audit Report using MP-2-1R2 [AUDITREPORTGENERICTYPE1](#).



Where only one auditor undertakes the audit, a completed relevant audit tool checklist, a field entry report, and associated photos will constitute an Audit Report unless otherwise directed.

## Auditor / Audit Team Leader: Issuing Audit Report

1. Ensure that all Audit Reports are numbered sequentially.
2. Review the Audit Report in consultation with the relevant District Manager and seek approval within seven working days of audit conduct, for distribution of the draft audit report to the tenement manager.
3. Forward a draft audit report to the manager of the audited tenement within ten working days of the audit conduct for comment to be returned within two days of the receipt of draft audit report.
4. Upon receipt of the comment from tenement manager, finalise the audit report to ensure it is correct and complete, and then distribute the Audit Report to GMMEO and Tenement Manager.
5. Forward a copy of the final Audit Report to the relevant District Manager to be placed on the Tenement File.



Where an internal review of the field report and Audit Report is not required, the field report and the Audit Report must be issued to the tenement on the day of the audit conduct or within 3 working days of the audit conduct, or as soon as practicable.

## Audit Timetable (where audit report requires internal review)

| Activity   | Timeline                           |
|--|------------------------------------|
| Audit Conduct  | Day 0                              |
| Documentation of Audit Result  | 3 working days from audit conduct  |
| Distribute Draft Audit Report to District Manager for Review                                     | 5 working days from audit conduct  |
| District Manager and GMMEO (if required) to provide review comments                              | 7 working days from audit conduct  |
| District Manager and GMMEO (if required) approve distribution of Audit Report to Tenement holder | 7 working days from audit conduct  |
| Finalise and Issue Draft Audit Report to Tenement for comment                                    | 10 working days from audit conduct |
| Tenement provide review comments to DPI  | 12 working days from audit conduct |
| Issue Final Audit Report to Tenement Holder  | 15 working days from audit conduct |

## Audit Follow-up and Closure


1. The relevant District Manager for the audited tenement shall ensure that the agreed corrective/preventive actions are implemented as


planned.

2. All audit follow up inspections should be undertaken by the District Staff where corrective actions are recommended as part of audit conduct.
3. Audit follow up inspection will include completion of a field entry report, and entry of significant event code OPINS into Open Road with appropriate comments.

## Audit Record Keeping

1. A number of records are collected in relation to an audit. Some of these are, but not limited to, field entry report, audit tool checklist, photos, tenement records, audit report, notices issued etc. Copies of the records are to be kept in the tenement file and electronic copies to be saved in tenement folder.

 All paper records should be scanned and saved electronically. All paper documents should be filed in the tenement file via the District Manager or District Staff.

 Wherever possible, the Lead Auditor shall handover all collected documents, reports and records of the audit to the relevant District Manager.

## LEARNINGS

There are no learnings at present