

MINING CERTIFICATION EVALUATION PROJECT MCEP AUDIT PROTOCOL OPTIONS REVIEW

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SUMMARY

Introduction

This options review of the MCEP Audit Protocol was drafted at the request of the MCEP Working Group to identify the options available to the Working Group to finalise the MCEP Audit Protocol, prior to the completion of the MCEP Research Project in late June 2005.

The request to conduct this review was initiated at the MCEP Working Group Meeting held in Melbourne on the 24th May 2005.

This review was also completed within seven weeks of the final MCEP Field Trial at Mineração Catalão in Brazil (hereafter 'the Catalão Field Trial'). As a result, information presented in this document considered the findings from the Brazilian trial and audit report as well as all previous MCEP Field Trials conducted in Australia and the Field Trial at Newmont Waihi Gold in New Zealand (hereafter 'the Waihi Field Trial').

Overall Summary

This review identified that essentially four options are available to the MCEP Working Group to potentially finalise the MCEP Audit Protocol. In addition to the obvious option of not modifying or updating the current version, the options available to the Working Group include:

Option A - No changes to the structure and overall content of the MCEP Audit Protocol, except minor editorial changes identified during the MCEP Waihi and Catalão Field Trials;

Option B - Incorporate an increased level of content and editorial changes to that identified in Option A, but leave the structure and format essentially the same;

Option C - Restructure the Audit Protocol in line with recommendations made at the MCEP Granny Smith, Waihi and Catalão Field Trials (i.e. separate management systems elements from performance elements and remove redundancy in the management system elements between disciplines);

Option D - Clearly separate management systems elements from performance elements, add missing elements from other certification schemes, and if suitable standards are met, allow the use of other third-party certification reports as evidence of meeting the management system requirements of the MCEP protocol.

More detail regarding the above options is provided in this report as well as some of the key potential advantages and disadvantages of each option.

It is the MCEP Working Group's responsibility to review and discuss this report and decide which option could be adopted to finalise the MCEP Audit Protocol, prior to the completion of the MCEP research project.

Option A – Minimal Editorial Changes and No Structural Changes

1. Description of the Option

The last two field trial reports from Newmont Waihi Gold in New Zealand (March 2005) and the Anglo American Mineração Catalão operation in Brazil (April 2005) identified a number of editorial changes that were suggested during the course of these field trials. These suggestions were reported to the MCEP Project Officer via:

- a) commentary contained within each of the two Findings Reports from the MCEP Field Trials;
- b) comments added to electronic copies of the MCEP Audit Protocol; and
- c) verbal or emailed comments to the MCEP Project Officer (before, during or after the audit).

This option essentially considers no “structural” changes to the protocol, only minor editorial improvements (and potentially some formatting, layout and presentation improvements to the document). This work could readily be completed by one individual based on available information.

2. Commentary

At the completion of the fourth field trial undertaken at Granny Smith, a range of editorial changes were incorporated into the MCEP Audit Protocol. Further significant changes and improvements were suggested in the reports from the both the Waihi and Catalão Field Trials. Both of these field trials identified that major structural and editorial improvements to the MCEP Audit Protocol were still needed. None of these suggestions allowed for the incorporation of these improvements as insufficient time existed to update and re-release the Audit Protocol between the Waihi and Catalão Field Trials.

Overall, both assessment teams at these field trials concluded that both significant structural and editorial changes to the Audit Protocol were required.

Subsequently, incorporating only minor editorial changes to the MCEP Audit Protocol is considered inadequate to enable the MCEP Audit Protocol to be functional and/or readily applied to MSOs at the completion of the research project.

3. Advantages

No identifiable advantages exist in simply conducting minor editorial changes to the Audit Protocol, in the absence of completing major structural changes.

4. Disadvantages

A range of disadvantages are associated with only completing minor editorial changes to the protocol and these include:

- considerable duplication between elements of the MCEP Audit Protocol;
- misalignment of elements in their logical order of sequence;
- replication with a number of ISO and other third-party certification schemes; and
- confusion and difficulty experienced by the audit team in using the existing protocol and by the MSO staff in attempting to understand what was required of them.

Option B – Increased Content and Editorial Changes, but No Structural Changes

1. Description of the Option

This option incorporates an increased level of content and editorial changes, but essentially leaves the structure and format intact. This option considers all the suggested editorial and text changes from the last two assessments completed in New Zealand and Brazil.

The anticipated resources to complete this option would be a team of two or three discipline-specific professionals for a 3-5 day period.

2. Commentary

The work involved with implementing this option would involve collating all commentary, identified editorial changes and working copies from the last two field trials and incorporating the improvements to the text as defined by the Team Leaders and discipline-specific team members.

This option would improve the contextualisation and comprehensibility of specific questions in the Audit Protocol, remove some redundant questions, add some additional content etc. as a means of improving the current protocol. It would also improve the wider application of the MCEP Audit Protocol outside of Australia, as the context-specific learnings from the two final overseas assessments would be incorporated into the protocol.

A small team of discipline-specific specialists would need to be commissioned to complete the work, in order for the context of suggested improvements to be properly understood and their interpretation and incorporation into the MCEP Audit Protocol to be correctly completed.

3. Advantages

The key advantages in incorporating these improvements would be an improved application of the MCEP Audit Protocol, using the structure applied at the last two field trials.

Given the resources and effort required to complete this option, potentially only a minor increase in work and resources would be required to incorporate these improvements into a reformatted structure (eg. as discussed in Option C in this report).

A final advantage would be that the Audit Protocol will remain as used at the two final MCEP Field Trials (rather than attempting to design and develop a final MCEP Audit Protocol that has not been comprehensively tested in the field).

4. Disadvantages

In the event that this option is incorporated, improvements to the MCEP Audit Protocol would still essentially be limited to editorial and content changes. Some redundancy and repetition would be removed from the content of the document, but significant redundancy would remain. These could be eliminated through the completion of structural changes identified in Option C including 1) separating management system elements from performance elements and 2) presenting the management system elements so that they are audited only once across all disciplines.

Option C – Restructure the MCEP Audit Protocol (separating management systems and removing redundancy)

1. Description of the Option

This option involves a major restructuring of the Audit Protocol in line with a number of key recommendations made at both the MCEP Waihi and Catalão Field Trials and by social auditors before the Granny Smith trial.

It essentially involves:

- 1) separating the “management system” elements from the “performance” elements;
- 2) removing duplication of the management system elements, which currently appear in each section of the Audit Protocol (Environmental Management, OH&S, etc.), so that they are audited only once for all disciplines; and
- 3) adding management system elements that are in other third-party audit schemes but lacking in MCEP.

The anticipated resources to complete this option would be a team of two or three discipline-specific professionals for a 5 day period.

2. Commentary

The primary reason for separating the “management system” elements and “performance” elements is the fundamental difference in the intent and focus of each of these two areas. Collectively, the protocol’s “management system” elements are used to assess the effectiveness of an MSO’s management systems and processes. These systems and processes are used to manage areas of an MSO’s performance (i.e. Protection of Significant Sites, Waste Management etc.), which in turn are assessed by using the “performance” elements in the Audit Protocol.

At the same time, this option would remove all the current duplication in management system elements across the disciplines of OH&S, Environmental Management, Employee Relations, Community Relations and Corporate Governance. Since many elements of a management system apply to all areas of performance, the relevant questions could be asked once for all sections of the protocol. Some examples would include training, risk assessment, and emergency response.

Editorial and content improvements identified during the last three field trials could be readily incorporated at the same time as these structural changes.

3. Advantages

Considerable advantages exist in progressing this option. These include the ability of the MCEP auditor to more easily use the MCEP Audit Protocol (including increased understanding by the MSO) and the capacity to more readily audit the MSO’s management systems (which might be a single Integrated Management System incorporating all disciplines or, alternatively, a set of management systems, one for each specific discipline).

This option is expected to better align the MCEP Audit Protocol with the structure and practice (or proposed direction) of a number of MSOs, in their approach and methodology to implementing and maintaining management systems and managing areas of risk.

4. Disadvantages

Few disadvantages exist in progressing this option, as the majority of the key improvements identified in the last three field trials would be incorporated.

With the use of an experienced team to complete the work, reduced risk would exist in modifying the MCEP Audit Protocol into a format that has not been comprehensively tested in the field.

Option D – Acknowledge Other Certification Schemes

1. Description of the Option

This final option involves the separation of management systems elements from performance elements (as discussed in Option C), the addition of missing elements from other certification schemes, and if suitable standards are met, the use of other third-party certification reports as evidence of meeting the management system requirements of the MCEP protocol.

The option would require any MSO seeking “MCEP” certification:

- a) to hold existing third-party certification under these schemes, to the satisfaction of the MCEP auditor(s);
- b) if third-party certified, but not to the satisfaction of the MCEP auditors, to be recertified under those schemes; or
- c) if not certified under those schemes, to become third-party certified to the satisfaction of the MCEP auditors.

The anticipated resources to complete this option would be a team of two or three discipline-specific professionals for a 5 day period.

2. Commentary

First, the only viable and practical method of applying the MCEP Audit Protocol in conjunction with full consideration of the MSO’s other external certification achievements (if secured) is to ensure that the MCEP protocol is initially and fully restructured as discussed in Option C.

Many of these other external certification schemes examine management systems rather than performance. Therefore, separating management systems elements from performance elements, within the MCEP Audit Protocol, will enable evidence from the other certification assessment processes, reports etc. to be used in the MCEP audit.

Additionally, the MCEP Audit Protocol Criteria that surpass other existing third-party certification schemes will also be tested. These would include performance elements relating to OH&S and Environmental Management as well as the sections of the Audit Protocol dealing with Community Relations and Corporate Governance, which currently are not covered under any independent certification scheme.

This option would allow the MCEP auditor to recognize the maintenance, by the MSO, of third-party certification under other schemes. If the quality of this other certification is verified during the MCEP assessment, and the additional requirements of the MCEP Audit Protocol are met, then the MSO should be eligible for certification under MCEP.

However, the quality of the other certification audit reports might be deemed unsatisfactory by the MCEP auditor or certification body. In this case, the MCEP auditor would use the revised MCEP Audit Protocol (with segregated and improved management system elements and performance elements) to assess compliance with the MCEP Criteria.

Revising the MCEP Audit Protocol in this manner would require the revision team to have a comprehensive understanding of third-party certification requirements.

This option will require all future MCEP auditors to be trained in understanding the accepted standards of third-party certification (i.e. as enforced by JAS-ANZ in Australia). Currently, it is the opinion of the authors that variability exists between auditors and certification bodies within Australia in enforcing the required standards of the governing body (i.e. JAS-ANZ) on their clients. This variability will require the MCEP governing body to establish, and train MCEP auditors to distinguish, what would constitute satisfactory certification under those other schemes.

3. Advantages

One main advantage of this option would be a significant reduction in the overall audit time experienced by the MSO. Instead of duplicating other audit schemes, the MCEP Audit Protocol could build on these schemes and focus on ways to expand and improve mine site certification, such as through a more intensive evaluation of performance. This might encourage MSOs that were already certified under other schemes to seek MCEP certification.

If the MSO has secured certification under other schemes, normally a direct assessment of parallel aspects of the MCEP Audit Protocol will not be required, as certification assessment and surveillance reports will be available. The exception would be if the MCEP auditor deems this certification not to meet the standard set by MCEP.

If the certification standard meets MCEP requirements, the effectiveness of the management system will still be tested indirectly by the MCEP auditor when assessing the “performance” elements of the MCEP Audit Protocol. These would demonstrate whether the management system is clearly improving “on-ground” performance.

Another advantage of this option is that, potentially, auditors who were accredited under other third-party certification schemes could offer a “package deal” whereby the MSO could be certified under a number of different schemes, including MCEP, in a single audit.

The fundamental decision that is required by the MCEP Working Group is whether other third-party certification achievements will be acknowledged and accepted. This will depend on whether the Working Group deems that a high standard of management systems and/or performance can be demonstrated by these other certification reports, which would allow the MCEP auditor to avoid assessing those areas.

4. Disadvantages

Few disadvantages exist, as this option encompasses a restructured MCEP Audit Protocol (as identified in Option C) which also enables third-party certification achievements to be acknowledged outright as meeting the requirements of MCEP. In addition, at the MCEP auditor’s discretion, this option allows the MSO’s management system to be easily tested to verify that MCEP requirements are being fully met.

This option requires MCEP auditors to be fully trained in understanding the accepted standard of third-party certification (which could be achieved in collaboration with JAS-ANZ).