

Setting a policy framework

- 3.1 A quarter of audit survey respondents identified a lack of clear or precise policy on what is required of each agency, as an obstacle to green procurement activities.¹

[The audit] found generally that there was a great degree of variability, both across agencies and within agencies and across all of the various areas relating to sustainable practices – energy, water, waste recycling, et cetera. So the practices themselves are variable, the agencies are variable and even within agencies there is a great degree of variability.²

Internal policy

- 3.2 Chief Executive Instructions (CEIs) or internal policies articulate the goals and policies of an agency, and can form the basis for guidelines on agency operations.
- 3.3 DEH emphasises that while the department can provide guidance and assistance, the ‘primary responsibility for performance rests with the government agencies themselves’.³
- 3.4 Audit findings suggest that many agencies (50 per cent of respondents) were operating without clear instructions or internal policies on whole of

1 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 62, paragraph 2.38.

2 Mr David Crossley, Executive Director, Performance Audit Services Group, Australian Audit Office, *Transcript of Evidence*, 30 March 2006, p. 1.

3 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 1.

life cycle costing assessments, and fewer than half identified activities undertaken to minimise environmental impacts or to comply with government policy and targets.⁴

- 3.5 The ANAO regard CEIs and internal policies as an important starting point for agencies. It recommended that 'agencies amend their CEIs or internal policies, to require purchasing officials to have regard to these matters in the future'.⁵

Environmental Management Systems

- 3.6 An Environmental Management System is a tool for managing the impacts of an organisation's activities on the environment. It provides a structured approach to planning, and implementing, environment protection measures. An EMS monitors environmental performance, compliance with regulations and integrates environmental management into an agency's daily operations, long term planning and other quality management systems.⁶

- 3.7 The EMS can be an effective tool for organisations. It requires them to take an active role in examining their practices, determining how operational impacts can be best minimised, and promotes the development of creative and relevant solutions to suit their needs and circumstances.⁷

- 3.8 Part of the Commonwealth's Greening of Government policy has been encouraging agencies to develop their own EMS, in accordance with the International Environmental Standard, ISO 14001 or an equivalent standard, by the end of 2002.⁸

- 3.9 However, the ANAO has found that:

Implementing environmental management systems has been slow, and few agencies have met the timetable originally envisaged by the government.⁹

4 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 2.

5 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 2.

6 For further information see <http://www.deh.gov.au/land/management/ems/index.html>.

7 Source: <http://www.deh.gov.au/land/management/ems/index.html>.

8 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 55, paragraph 2.16.

9 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 9.

- 3.10 The Committee notes with concern, the audit findings that revealed that only 45 per cent of agencies surveyed had an EMS of any sort in place. Only seven of those were certified to the world best practice standard, ISO 14001.¹⁰
- 3.11 In evidence to the Committee, the ANAO observed that a key issue to come out of the audit 'was that those agencies that had an environmental management system had fewer barriers to green procurement, set more environmental targets, had undertaken more energy and water-saving initiatives, had a greater knowledge of waste produced, and were more active in recycling'.¹¹
- 3.12 While the ANAO did concede that setting up and maintaining an EMS may have considerable resource implications for smaller and medium agencies,¹² it felt that the development of an EMS can go a long way towards focusing agencies' attention on their practices and encouraging a more holistic approach to green performance. The ANAO suggests that, with an EMS in place, an agency will quickly realise that an increase in costs (when purchasing recycled paper, for example) can be more than offset by savings made in other areas, such as by reducing energy consumption.¹³
- 3.13 The ANAO recommended:

Recommendation No. 3

In order to improve sustainable business practices and strengthen compliance with government policy, the ANAO recommends that FMA agencies and CAC entities (where they have not already done so) give further consideration to:

- (a) implementing an EMS based on ISO 14001 or an equivalent standard for their organisation; and accrediting at least one of their larger sites to ISO 14001 or an equivalent standard; or

10 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 3.

11 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, pp. 2-3.

12 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 56, paragraph 2.19

13 Mr David Crossley, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 10.

- (b) advising their Minister if there are particular circumstances preventing action in this area (for example, where the costs may outweigh the benefits for smaller agencies).¹⁴
- 3.14 The ANAO views the establishment of clear policy directions and requirements for departments to follow, as a crucial first step to providing Commonwealth agencies with a foundation for examining and enhancing their performance in relation to ESD principles.¹⁵
- 3.15 Similarly, the Centre for Public Agency Sustainability Reporting recommends that the Green Office procurement program be enhanced through the development of policy goals and support programs within agencies.¹⁶
- 3.16 As the lead agency, DEH, in supporting sustainable development is expected to show leadership in integrating sustainability into both their day-to-day operations and policy development and implementation.¹⁷
- 3.17 DEH considers recommendation no. 16, which calls for the department to pursue a number of strategies to strengthen the sustainability framework for Australian government operations, the most substantive of ANAO's recommendations directed at the department. In response, DEH proposes to 'develop a new policy framework for agency environmental performance in 2006, which will assist in setting priorities to future agency action'.¹⁸

This frame work will contain agreed principles, which can then inform further policy development in specific areas, such as water and waste. This further work can be a mix of updating existing policy and developing new policy in areas currently not addressed, such as water efficiency.¹⁹

14 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 57, paragraph 2.22.

15 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 9.

16 Centre for Public Agency Sustainability Reporting, *Submission No. 45*, p. 5.

17 Department of the Environment and Heritage, *Triple Bottom Line Summary Report 2004-05*, p. 3.

18 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 2.

19 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 130, paragraph 7.12.

- 3.18 DEH has indicated that this new policy framework will build on present encouragement for agencies to develop an EMS. The department anticipates the release of a draft framework for consultation in the latter half of 2006.²⁰

Targets

- 3.19 Some environmental targets and reporting requirements set by government are mandatory, some voluntary and in other cases, for example water, no requirements exist.²¹ It is a matter of concern that while all reported that they had mandatory whole-of-government energy targets in place,²² almost half of respondents (49 per cent), did not indicate having any other environmental targets in place.²³

- 3.20 The ANAO commented:

One area we thought was important was that there be some sort of target for improving performance. Half the agencies did not have any environmental performance targets at all, and we felt that it was very important in the areas of water, energy, waste and vehicles in particular.²⁴

- 3.21 The ANAO maintains that the absence of targets makes it difficult to assess progress and identify areas in need of improvement.²⁵ In the case of water consumption, the Audit Office observed:

We felt that because of the drought situation and the water shortage across Australia it was important, even though there is no policy in the area.²⁶

20 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 2.

21 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 2.

22 The *Measures for Improving Energy Efficiency in Commonwealth Operations* is an Australian Government policy which requires an annual whole-of-government report on the total energy use and estimated greenhouse gas emissions of Australian Government departments and agencies. Source: www.greenhouse.gov.au/government/energyuse/index.html, accessed 6 June 2006.

23 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 57, paragraph 2.25.

24 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 2.

25 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 57, paragraph 2.24.

26 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 2.

- 3.22 The fact that agencies complying with the policy requirements have significantly improved their energy consumption,²⁷ certainly suggests that there is a role for policy and defined targets when seeking to monitor and improve environmental performance.
- 3.23 In the case of the Australian government vehicle fleet, however, despite a drop in the number of vehicles, the proportion of vehicles in the fleet meeting green vehicle guide (GVG) targets has actually deteriorated since the introduction of the voluntary target.²⁸
- 3.24 The ANAO suggests that realistic performance targets are an integral part of an EMS.²⁹ Therefore the slow performance by agencies towards implementing an EMS has hampered the ability of many agencies to develop and work towards specific targets.³⁰ The ANAO's Recommendation no. 4, encourages the development and implementation of 'challenging but realistic targets' in the areas of water, energy, waste and vehicles.³¹
- 3.25 DEH views targets and goal setting as very important,³² but emphasises that it is important to be careful about targets.³³ In evidence to the Committee, DEH commented that establishing mandatory requirements for agencies may not be the most effective approach. It indicated that the emphasis needs to be on 'how you make people enthusiastic about it and actually want to do it'.³⁴

27 ANAO, *Exhibit No. 1*, p. 20.

28 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, pp. 77-78.

29 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 57, paragraph 2.24

30 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, pp. 2-3.

31 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 27.

32 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 6.

33 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 13.

34 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, pp. 4-5.

Committee comment

- 3.26 The Committee is pleased to note the ANAO's finding that a number of agencies have implemented targets over and above mandatory policy requirements.³⁵
- 3.27 However, the Committee feels that the absence of requirements in areas such as water policy is a matter of concern, and notes with interest the Institute for Sustainable Futures' suggestion that there is potential to reduce up to 80 or 90 per cent of water consumption in an office environment.³⁶
- 3.28 Overall, the Committee shares the ANAO's concerns regarding the significant gaps that exist in the policy framework and internal policy arrangements in relation to green office procurement in Australian government agencies.
- 3.29 The Committee also agrees that action is needed by agencies (that have not already done so) to develop and implement Environmental Management Systems.

Reporting requirements

- 3.30 Under section 516A of the *Environmental Protection and Biodiversity Conservation Act*, FMA, CAC and other commonwealth agencies are required to include in their annual report information on their activities in relation to ESD principles. This must include outlining activities on the environment, actions taken to minimise the impact of agency operations on the environment, any reviews undertaken to gauge the effectiveness of measures and any subsequent action taken to increase the effectiveness of these measures.
- 3.31 Despite this reporting requirement, the Audit Office found that fewer than half of the respondents reported that they had documented the effect of their procurement action on the environment, and included information

35 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 58, paragraph 2.26.

36 Mr Cameron Mathie, Performance Auditor, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 5.

on compliance with government policies and targets in their annual report.³⁷

- 3.32 However, while adherence to reporting requirements may be in question, in practice the audit showed that 80 per cent of surveyed agencies were able to identify actions taken to minimise the impact of their activities on the environment.³⁸

Triple bottom line³⁹

- 3.33 Triple bottom line (TBL) reporting is the publication of 'economic, environmental and social information in an integrated manner that reflects activities and outcomes across these three dimensions of a company's performance'.⁴⁰

- 3.34 The ANAO informed the Committee that:

... one of the more positive outcomes was that 11 agencies were now considering triple bottom line reports ... over the next three years to give parliament a more comprehensive view on how they are going and what impact they are having in their operations.⁴¹

- 3.35 The Department of Family and Community Services (FaCS)⁴² and DEH⁴³ are the first Australian government agencies to implement TBL reporting, releasing their first reports in 2003 and 2004 respectively. These reports are based on environmental indicators developed by DEH and 2002 Global Reporting Initiative (GRI) guidelines.⁴⁴

37 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 2; ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 62, paragraph 2.39.

38 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 62, paragraph 2.39.

39 For information on triple bottom line decision-making and reporting see http://www.partnerships.gov.au/links/links_triple.shtml.

40 Source: http://www.group100.com.au/publications/G100_guide-tbl-reporting2003.pdf.

41 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 3.

42 See <http://www.facs.gov.au/internet/facsinternet.nsf/aboutfacs/triplebottomline.htm>.

43 See <http://www.deh.gov.au/about/publications/index.html>.

44 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 64, paragraph 2.41. For information on GRI see <http://www.globalreporting.org/about/brief.asp>.

- 3.36 The ANAO acknowledged that TBL reporting would involve additional costs to agencies in measuring and reporting their performance, and that if this reporting becomes more commonly utilised by agencies, there will be implications for considering the comparability and consistency of reporting and the extent of assurance provided.⁴⁵ The Centre for Public Agency Sustainability Reporting has suggested that the ANAO could play a significant role in developing public sector expertise in assurance and verification processes.⁴⁶
- 3.37 The Audit Office concedes that there is no 'right way' to measure and report on non-financial inputs, outputs or outcomes,⁴⁷ and that the practical application of TBL is still, in some respects, in the early stages of development. However, it sees this form of reporting as providing agencies with the opportunity to 'emulate good practice and enhance the accountability and transparency of their business operations'.⁴⁸
- 3.38 DEH stressed the enormous number of environmental benefits and the improvement in the financial management of an organisation generated when operating with a triple bottom line focus.⁴⁹ The department also emphasised that it was more than 'the next green fad' and can actually improve business performance and the operational bottom line.⁵⁰
- 3.39 DEH recognises that TBL reporting is voluntary. While agencies are being encouraged to adopt this form of reporting, many agencies are still taking a different approach. DEH also noted that many big companies around Australia have adopted practices such as TBL reporting.⁵¹ The department feels that it is worthwhile having 'something that makes you re-examine what you are doing and look at ways you can improve your performance'.⁵² DEH envisages that, over time, agencies reporting

45 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 65, paragraph 2.45.

46 Centre for Public Agency Sustainability Reporting, *Submission No. 45*, p. 6.

47 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 64, paragraph 2.43.

48 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 64, paragraph 2.42.

49 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 3.

50 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 4.

51 In 2004-05, 119 of the top 500 big Australian companies had produced environmental or sustainability reports. Department of Environment and Heritage, *Triple Bottom Line Summary Report 2004-05*, p. 2.

52 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 4.

approaches will evolve to encompass more than the business bottom line.⁵³

Sustainability Charter

3.40 In relation to the development of an Australian Sustainability Charter, ANAO observed:

- The audit identified an absence of specific requirements in waste management and water and identified shortcomings in meeting the government's stated objectives – to wit, the forefront of environmental purchasing practices. Sustainable development has not as yet been fully integrated into Australian government operations.⁵⁴
- The final recommendation [no. 16] nests quite nicely with the concept of a sustainability charter. We cover the issue of setting targets, monitoring progress and reporting to parliament on what progress is being made.⁵⁵

Conclusion

- 3.41 The Committee notes that positive examples came out of the audit and commends these agencies for their successful initiatives in green office procurement. There is considerable scope for these case studies to be utilised in a cohesive best practice guide to green office procurement for agencies.
- 3.42 However, it is the view of the Committee that the significant shortcomings identified by the Audit Office in its review of green office procurement, highlight the need for comprehensive policy, targets and practical guidelines, if agencies are to improve their environmental performance.
- 3.43 The Committee believes that many of these shortcomings are issues that can be addressed within the context of developing a Sustainability Charter

53 Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, p. 3; See also Department of the Environment and Heritage, *Triple Bottom Line Summary Report 2004-05*, p. 3.

54 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 9.

55 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 9.

for Australia. These matters are being considered by the Committee in its inquiry into a national Sustainability Charter.

Dr Mal Washer

Committee Chair

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