
The Parliament of the Commonwealth of Australia

Review of Green Office Procurement Audit

Review of Audit Report No. 22, 2005-2006

Interim report – Inquiry into a Sustainability Charter

House of Representatives
Standing Committee on Environment and Heritage

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Terms of reference

Sustainability Charter inquiry

On 12 September 2005 the House of Representatives Standing Committee tabled the *Sustainable Cities* report. The committee called for the development of a Sustainability Charter based on measurable outcomes, over a certain period, with intermediate milestones.

The charter should be aspirational. It must provide targets for the Australian community to meet and, once those targets have been met they must be re-assessed so new targets can be put in place.

The Committee is now inquiring into and will report on key elements of a sustainability charter and identify the most important and achievable targets, particularly in relation to:

1. The built environment;
2. Water;
3. Energy;
4. Transport; and
5. Ecological footprint.

Review of Audit Report No. 22, 2005-2006

As part of the inquiry, the committee also resolved to inquire into the Auditor-General's report on Green Office Procurement (number 22 of 2005-2006), tabled in the House of Representatives on 7 February 2006. This resolution was made in accordance with standing order 215, which provides for a standing committee to inquire into reports of the Auditor-General presented to the House.



List of abbreviations

ANAO	Australian National Audit Office
CAC	<i>Commonwealth Authorities and Companies Act 1997</i>
CEI	Chief Executive Instructions
DEH	Department of the Environment and Heritage
EMS	Environmental Management System
ESD	Ecologically Sustainable Development
FMA	<i>Financial Management and Accountability Act 1997</i>
TBL	Triple bottom line

Background

- 1.1 As part of its *Greening of Government*¹ commitment, the Australian government aims to:
- Be at the forefront in environmental planning practice through:
 - ⇒ buying goods and services that seek to minimise possible environmental impact;
 - ⇒ working with industry to encourage continuous reduction in the adverse environmental impact of goods and services;
 - ⇒ assessing the environmental impact of goods and services against informed and internationally recognised standards; and
 - Encourage all government departments and agencies to join the Greenhouse challenge program and develop an Environmental Management System (EMS).²
- 1.2 The Australian government is not only a significant purchaser of a range of goods and services,³ its procurement activities can impact upon greenhouse gas emissions from energy consumption in buildings and vehicles, waste to landfill from paper, equipment and office refurbishments and the consumption of other scarce resources.⁴

1 For key policies in the Greening of Government policy framework see <http://www.deh.gov.au/settlements/government/purchasing/policy.html>.

2 Source: <http://www.deh.gov.au/settlements/government/purchasing/policy.html>.

3 Australian National Audit Office (ANAO), *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 39. In 2003-04 Australian government agencies spent over \$17 billion on the procurement of goods and services.

4 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 15.

- 1.3 The Australian government has acknowledged that it is important for its agencies to be leaders in developing and implementing best practice in managing environmental performance. The government also believes that good environmental practice can generate cost-savings for agencies.⁵
- 1.4 The Organisation for Economic Cooperation and Development has agreed that, given the scale of government purchasing, a focus on greener public purchasing policies could:
 - contribute to the development and diffusion of products and services which are less environmentally-damaging; and
 - result in more cost-effective procurement practices.⁶
- 1.5 The *National Strategy for Ecologically Sustainable Development*, developed in 1992, sets out a broad strategic and policy framework to guide and facilitate cooperative decision-making by governments to pursue Economically Sustainable Development⁷ (ESD) in Australia.⁸
- 1.6 Section 516A of the *Environmental Protection and Biodiversity Conservation (EPBC) Act*, requires commonwealth agencies to include their activities in support of ecologically sustainable development principles in their annual reports.
- 1.7 However, the Australian National Audit Office (ANAO) audit of Commonwealth green office procurement,⁹ tabled in the House of Representatives on 7 February 2006, found that agencies and departments appeared to lack a clear policy framework to drive better environmental outcomes in their purchasing activities.

The Audit

- 1.8 In January 2005, the Department of Finance and Administration released revised Commonwealth Procurement Guidelines, which reaffirmed value

5 Source: <http://www.deh.gov.au/settlements/government/purchasing/policy.html>.

6 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 43.

7 Acting in accordance with ESD principles means 'using, conserving and enhancing the community's resources so that ecological processes, on which life depends, are maintained and quality of life for both present and future generations is increased'. It requires changes in the nature of production and consumption so that human needs are satisfied but fewer raw materials are used and less waste is produced. The key to ESD is integrating environment and development considerations in decision-making.

8 Source: <http://www.deh.gov.au/esd/national/nsesd/strategy/index.html>.

9 The ANAO defines *green procurement* as procurement activity that takes into account environmental impacts.

for money as the core principle governing Commonwealth procurement practice and emphasised the need for agencies to take into account:

- costs and benefits over the whole of life cycle; and
- relevant legislation and Government policies, including measures implementing international obligations in respect of government procurement.¹⁰

1.9 In February 2006, the Australian National Audit Office released *Audit Report No. 22, 2005-06, Cross Portfolio Audit of Green Office Procurement*. The objective of the audit was to assess and report on the progress being made by agencies subject to the *Financial Management & Accountability Act 1997*(FMA), and entities subject to the *Commonwealth Authorities & Companies Act 1997* (CAC):

- in realising value for money from the procurement process with a specific focus on buildings, services and products using whole of life cycle assessments;¹¹ and
- in the consideration and management of environmental impacts in specifications and contracts.

1.10 The emphasis of the audit was on value for money in green office procurement and sustainable business practices. Areas of investigation included energy efficiency in buildings, water usage, packaging, annual reporting, vehicles, waste, Environmental Management Systems and office procurement. The audit report also provided a status report on the implementation of ESD within the office environment of the Australian Government.

1.11 The audit surveyed 71 Australian Government agencies, including materially significant agencies, a representative selection of other medium and smaller sized agencies, and 35 percent of all budget funded agencies (both CAC and FMA). In terms of purchasing power, the agencies surveyed covered over 95 per cent of the total contracts by value entered into by Australian government agencies.¹²

10 ANAO, Audit Report No. 22, 2005-2006, *Cross Portfolio Audit of Green Office Procurement*, p. 40, paragraph 1.7.

11 A whole of life cycle assessment involves a costing procedure that recognises that risks may vary over a procurement cycle. Purchasers will need to take into account not just the price of a product, but its cost in terms of resources used on its production and its environmental impact during and after its working life.

12 ANAO, Audit Report No. 22, 2005-2006, *Cross Portfolio Audit of Green Office Procurement*, p. 45. For a list of agencies surveyed see pp. 151-3.

Audit findings

- 1.12 Overall, the ANAO found significant shortcomings in the green procurement performance of Australian government agencies:
- Performance by Australian government agencies as a whole in meeting the government's expectations on office building energy efficiencies are commendable, but performance in motor vehicle emissions, reducing recycling office wastes and conserving water has been pretty variable and, in most cases, pretty poor.¹³
- 1.13 In particular, the ANAO identified 'gaps in the application of whole of life cycle costing and in the management of the environmental impacts of procurement decisions'.¹⁴
- 1.14 The ANAO, however, did identify a small number of better practice examples from agencies surveyed.¹⁵

ANAO recommendations

- 1.15 The Audit Office made 16 recommendations in relation to its audit of green office procurement policy and practices. A summary of recommendations and agency responses has been included as an Appendix to this report.
- 1.16 In particular, the Committee notes:

Recommendation No. 16

In order to strengthen the sustainability framework for Australian Government operations, the ANAO recommends that the Department of the Environment and Heritage pursue strategies to:

- (a) achieve best practice green office procurement by Australian Government agencies and entities, in energy efficiency, water conservation, waste management and in procurement practices by an appropriate date (such as 2008-09);

13 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, pp. 8-9.

14 ANAO, Audit Report No. 22, 2005-2006, *Cross Portfolio Audit of Green Office Procurement*, p. 128, paragraph 7.6.

15 ANAO, Audit Report No. 22, 2005-2006, *Cross Portfolio Audit of Green Office Procurement*, p. 127, paragraph 7.1.

- (b) update current policies and targets and introduce additional required targets to reflect the commitments in each of the areas identified above;
- (c) develop a comprehensive website and communications program to advise Australian Government agencies and entities on the requirements and mechanisms to achieve the targets;
- (d) regularly measure performance against the targets and monitor and review the targets and policies in terms of their alignment with better practice; and
- (e) require reporting on progress towards sustainability targets.¹⁶

1.17 The Department of the Environment and Heritage (DEH), as the lead agency responsible for green office procurement policy, has commended the ANAO for its work on this audit. DEH has indicated that the report and the documented case studies of savings and other performance benefits, will assist their work in encouraging agencies to improve their environmental performance.¹⁷

The Committee's review

- 1.18 On 9 February 2006, the Committee agreed to inquire into the Auditor-General's *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, tabled in the House of Representatives on 7 February 2006.
- 1.19 This review was undertaken as part of the Committee's inquiry into a sustainability charter.¹⁸ The Committee considers this audit to be a valuable snapshot assessing the action being taken by Australian government agencies to minimise the negative impact of their operations on the environment and enhance operations in keeping with ecologically sustainable development principles. The environmental impact of government activities would be a significant consideration in the development and application of any national sustainability charter.

16 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 129, paragraph 7.11.

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

18 The terms of reference and background information on the Sustainability Charter are available at: <http://www.aph.gov.au/house/committee/environ/charter/index.htm>.

- 1.20 The Committee held two public hearings in Canberra:
- 30 March 2006 – Australian National Audit Office
 - 1 June 2006 – Department of Environment and Heritage.
- 1.21 The Committee received evidence from the ANAO on some of the key findings emerging from the audit and DEH provided evidence on aspects of the audit findings, and action taken by the Department in response to relevant ANAO recommendations.
- 1.22 In its review of the Green Office Procurement audit report, the Committee has focused on some significant shortcomings in agencies' performances, which were identified by the Audit Office. It is the view of the Committee that these shortcomings highlight the need for a Sustainability Charter that provides comprehensive policy, targets and practical guidelines, if agencies are to improve their environmental performance.

Barriers to green procurement

Cost

- 2.1 The ANAO found that cost was an issue for agencies when it came to purchasing products, for example recycled paper.¹ While the Audit Office acknowledges that this could be a significant issue, particularly for smaller agencies, it remained concerned that:
- ... budget constraints or processes do not allow green office procurement, even though this might produce longer term financial savings. That has a lot to do with the allocations of capital and recurrent expenditures within agencies. We did suggest that agencies look at that ... because it is clearly better for the longer term if we can produce savings rather than just look at the short term.²
- 2.2 The Committee is encouraged by the ANAO's conclusion that, overall, the implementation of strategies to minimise environmental impact can result in positive environmental outcomes and financial benefits for agencies.³
- 2.3 The issue of financial incentives to facilitate green procurement also arose in the course of the audit. The ANAO observed that thirty-one per cent of agencies had noted the lack of financial incentives.⁴

1 Mr Cameron Mathie, Performance Auditor, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 3.

2 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 8.

3 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 43, paragraph 1.10; Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, pp. 3 and 11.

4 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 61, paragraph 2.36.

Committee comment

- 2.4 The Committee considers that financial considerations necessarily play a crucial part in influencing government procurement activities. It recognises that issues, such as overcoming short-term cost impediments, actualising potential financial benefits, and examining the feasibility of incentives to encourage green procurement, will need to be considered in the process of developing and implementing a national sustainability charter.

Record-keeping

- 2.5 Shortcomings in record-keeping were also revealed by the audit. In particular, the Committee notes with concern, the audit finding that, in some cases, the monitoring of office procurement was not sufficiently precise to allow meaningful assessment of an agency's performance on green office procurement.⁵
- 2.6 This raises questions for the Committee about the ability of these agencies to meet their reporting requirements under the EPBC Act. If an agency's records cannot provide it with a basis for assessing its green office procurement performance, it cannot be effectively participating in the act, review and improve cycle outlined in section 516A of the Act.

Committee comment

- 2.7 The Committee feels that, given the Greening of Government commitment, provision should be made at agency operational level, to facilitate the pursuit of commonwealth green procurement objectives and the monitoring of progress.

Access to information

- 2.8 While the audit indicated that many agencies are doing well in providing material to improve staff awareness of green practices, the ANAO observed that specific training on green office procurement was minimal.⁶
- 2.9 The ANAO found that the majority of agencies considered the Greening of Government website and other DEH information to be useful guides to green office procurement, however, agencies experienced some difficulty

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

6 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 60.

in accessing the information.⁷ The ANAO commented that some agencies also identified the lack of consolidated information, such as product and supplier listings, as a barrier to improving their environmental performance.⁸

- 2.10 The Department has acknowledged the need for improvement in this area. In response to ANAO recommendations 2, 6 and 16, part c, DEH has commenced development of a new website, to act as a portal for information on sustainability in government. This portal will be a key mechanism for communicating with agencies and other stakeholders. It will include case studies and an email discussion forum, for staff of different agencies to share ideas and experiences as a network.⁹

Positive examples

- 2.11 Many of the ANAO findings on commonwealth agencies' environmental performance and procurement practices were discouraging. In the area of commonwealth fleet vehicles for instance, despite existing policies, the ANAO found that rather than meeting targets, overall the percentage of fuel efficient vehicles in the Australian Government fleet is actually decreasing.¹⁰
- 2.12 However, the Australian Tax Office, for example, has made a conscious decision to move towards greener vehicles and is making progress in this area.¹¹
- 2.13 DEH, as a lead agency, informed the committee that it has been able to decrease its energy usage (which includes all of its operations across Australia and in Antarctica) and now sits at 52 per cent below the government benchmark for energy use in government buildings.¹²

7 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 52, paras 2.6-2.7.

8 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, pp. 7 and 9.

9 ANAO, *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, p. 35; Mr Mark Tucker, First Assistant Secretary, Policy Coordination Division, Department of the Environment and Heritage, *Transcript of Evidence*, 1 June 2006, pp. 2 and 6.

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

11 Mr Cameron Mathie, Performance Auditor, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 4.

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

- 2.14 DEH also provided the committee with the innovative example of their approach to office waste management. Waste bins are no longer kept at desks, instead staff are required to take rubbish to their kitchen areas which act as separation points, with separate bins for green waste, recyclables and paper of a non-confidential nature. The green waste is taken out to worm farms and the recyclable waste collected by private contractors for recycling.¹³
- 2.15 Providing examples of how environmentally responsible business operations are beneficial is critical. The department indicated that the development of the new website was, in part, to provide a portal for access to these case studies.¹⁴

Committee comment

- 2.16 The Committee believes it is important for examples of progress to be recognised and made available to other agencies. The Committee welcomes the design of a sustainability website by DEH to include green procurement advice, checklists and case studies on best practice, and looks forward to the launch of www.sustainability.gov.au in October 2006.¹⁵

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

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

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

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.

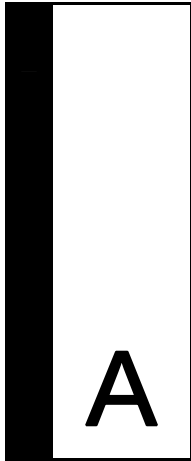
55 Mr Peter McVay, Senior Director, Australian National Audit Office, *Transcript of Evidence*, 30 March 2006, p. 9.

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

Dr Mal Washer

Committee Chair

August 2006



Appendix – ANAO recommendations

The ANAO's recommendations and a brief summary of agency responses are listed below.¹

Recommendation

No. 1

Para 2.4

In order to ensure that environmental considerations are integrated into procurement decisions the ANAO recommends that FMA agencies and CAC entities (where they have not already done so), amend their Chief Executive Instructions or internal policies as appropriate to require purchasing officials to have regard to whole of life cycle assessment and the Environmental Purchasing Guide in their purchasing decisions.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation.

Recommendation

No. 2

Para 2.11

In order to enhance the accessibility and quality of guidance on green procurement, the ANAO recommends that the Department of the Environment and Heritage, in consultation with the Department of Finance and Administration and other agencies as appropriate:

- (a) enhance the accessibility of information on green procurement;
- (b) include examples of 'whole of life cycle' assessment as an integral part of procurement; and

¹ ANAO, Audit Report No. 22, 2005-2006, *Cross Portfolio Audit of Green Office Procurement*, pp. 26-35. For more detailed responses from key agencies see pp. 133-150.

- (c) ensure that all information is regularly updated and supported with better practice examples where practicable.

Agencies Response:

The Department of the Environment and Heritage agreed with this recommendation.

Recommendation

No. 3

Para 2.22

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
- (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).

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation, however one entity qualified their agreement.

Recommendation

No. 4

Para 2.30

In order to improve the quality and consistency of sustainable practices, the ANAO recommends that FMA agencies and CAC entities (where they have not already done so), consider implementing challenging but realistic targets in water, energy, waste, and vehicles as part of the design and implementation of their Environmental Management Systems.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation.

- Recommendation No. 5**
- In order to improve the value for money from common office goods and services and the consistency of sustainable practices, the ANAO recommends that:
- Para 3.12**
- (a) the Department of the Environment and Heritage in consultation with relevant agencies, investigate the scope for benchmarking the environmental attributes and indicative value for money of common office goods and services across agencies; and
 - (b) FMA agencies and CAC entities consider the opportunities for group purchasing clusters for the procurement of common office goods where appropriate.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation, however, two of these agencies qualified their agreement.

- Recommendation No. 6**
- In order to improve the impact of the energy requirement in office equipment purchases and the management of electronic waste, the ANAO recommends that:
- Para 3.30**
- (a) the Department of the Environment and Heritage and the Department of Finance and Administration include, as part of their agency guidance, good practice principles in relation to managing surplus or obsolete computer and ICT equipment (including appropriate stewardship clauses in ICT contracts); and
 - (b) FMA agencies and CAC entities (where they have not already done so), ensure that, in line with current government policy, all new appliance purchases include a provision for a 4- star or better energy rating under the Appliance Energy Efficiency Rating Label Scheme, where available and fit for purpose.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation, however, three of these agencies qualified their agreement.

Recommendation**No. 7****Para 3.61**

In order to reduce emissions from the Australian Government's vehicle fleet, the ANAO recommends that the Department of the Environment and Heritage in consultation with the Fleet Monitoring Body in the Department of Finance and Administration and other agencies, consider, as a priority within the planned review of the policy:

- (a) measures to encourage greater energy efficiency in future vehicle leasing arrangements or purchases within the Australian Government fleet; and
- (b) setting appropriate individual fleet energy efficiency targets for agencies (including for the Department of Defence fleets), in consultation with agencies, so that each agency is clear on what is required.

Agencies Response:

The Department of the Environment and Heritage agreed with this recommendation.

Recommendation**No. 8****Para 3.68**

In order to improve the environmental performance of the Australian Government fleet, the ANAO recommends that FMA agencies and CAC entities (where they have not already done so), consider, where practicable and consistent with current Government policy, options to reduce greenhouse gas emissions.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation, however, two of these agencies qualified their agreement.

Recommendation**No. 9****Para 4.11**

In order to improve the quality and consistency of more sustainable water management practices, the ANAO recommends that:

- (a) the Department of the Environment and Heritage provide better practice guidance to agencies and entities on the costs, benefits and indicative payback periods from the adoption of water conservation practices; and
- (b) FMA agencies and CAC entities (where they have not already done so), consider appropriate targets and cost effective measures to reduce water consumption.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation, however, one entity qualified their agreement.

**Recommendation
No. 10****Para 4.24**

In order to improve sustainable practices in office refurbishments or fit-outs, the ANAO recommends that FMA agencies and CAC entities (where they have not already done so):

- (a) ensure that whole of life cycle assessments for building construction, office refurbishments and fit-outs explicitly include environmental impacts with the aim of achieving reductions in waste to landfill and improving value for money over the longer term; and
- (b) consider measuring and reporting on the environmental management of major refurbishments as part of reporting on sustainability in their annual report.

Agencies Response:

41 agencies and entities agreed with or were supportive of this recommendation, however, one agency qualified their agreement. The Department of Health and Aging and the Department of Defence disagreed because of their need for further guidance in relation to part (b).

**Recommendation
No. 11****Para 4.35**

In order to improve the quality and consistency of sustainable practices, the ANAO recommends that FMA agencies and CAC entities (where they have not already done so), consider the introduction of cost effective:

- (a) commingled and organic waste recycling schemes for office waste management; and
- (b) clauses in purchasing contracts to minimise packaging waste.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation, however, one agency qualified their agreement.

Recommendation No. 12
Para 5.30

In order to improve the quality and consistency of reporting on Energy Use in Australian Government Operations, the ANAO recommends that the Department of the Environment and Heritage focus reporting on changes in energy intensity in future reports and include appropriate caveats on any reported changes in total energy consumption.

Agencies Response:

The Department of the Environment and Heritage agreed with this recommendation.

Recommendation No. 13
Para 6.20

In order to reduce energy consumption in Australian Government operations and improve compliance with Government policy, the ANAO recommends that FMA agencies and CAC entities (where they have not already done so):

- (a) consider introducing energy management plans that take into account operational and property management requirements across the portfolio;
- (b) conduct energy audits, where appropriate, to determine high priority energy savings that can be made across the organisation;
- (c) ensure that separate digital metering for tenant light and power and for central services is standard practice at all major sites with ongoing leases; and
- (d) implement all energy conservation initiatives that are cost effective within remaining lease periods.

Agencies Response:

42 agencies and entities agreed with or were supportive of this recommendation, however, three of these agencies qualified their agreement. The Department of Defence disagreed with part (d) of the recommendation on the basis that funding decisions for energy initiatives are considered on their merits within overall facility funding.

- Recommendation No. 14**
Para 6.37
- In order to improve the sustainability and leadership role of the Australian Government in good building design the ANAO recommends that FMA agencies and CAC entities (where they have not already done so):
- (a) consider an appropriate energy rating scheme for their existing property portfolio such as the Australian Building Greenhouse Rating; and
 - (b) develop an efficiency target for portfolio tenancies and buildings using this energy rating scheme.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation, however one agency qualified their agreement. The Department of Health and Aging disagreed with part (a) of the recommendation. Health commented that 'while the Department agrees with an energy-rating scheme for new properties, they do not support it for existing properties. The Department considers that like many agencies housed in older stock, the exercise of evaluation is not regarded as cost effective given the remaining lease period.

- Recommendation No. 15**
Para 6.45
- In order to improve compliance with government policy and strengthen sustainable business practices, the ANAO recommends that FMA agencies and CAC entities (where they have not already done so) consider joining the Greenhouse Challenge Plus program.

Agencies Response:

43 agencies and entities agreed with or were supportive of this recommendation, however, five of these agencies qualified their agreement.

Recommendation**No. 16****Para 7.11**

In order to strengthen the sustainability framework for Australian Government operations, the ANAO recommends that the Department of the Environment and Heritage pursue strategies to:

- (a) achieve best practice green office procurement by Australian Government agencies and entities, in energy efficiency, water conservation, waste management and in procurement practices by an appropriate date (such as 2008-09);
- (b) update current policies and targets and introduce additional required targets to reflect the commitments in each of the areas identified above;
- (c) develop a comprehensive website and communications program to advise Australian Government agencies and entities on the requirements and mechanisms to achieve the targets; and
- (d) regularly measure performance against the targets and monitor and review the targets and policies in terms of their alignment with better practice; and
- (e) require reporting on progress towards sustainability targets.

Agency Response:

The Department supported this recommendation in general, but noted that there are limitations on what strategic actions they can pursue across a range of issues at once. The Department proposes to develop a strategic framework for public sector environmental performance (no such framework currently exists). This framework 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.