



Commissioner for Environmental Sustainability
Victoria

Living well within our environment

Strategic Audit of Victorian Government Agencies' Environmental Management Systems

January 2007

Strategic Audit of Victorian Government Agencies' Environmental Management Systems, January 2007.

Published by the Commissioner for Environmental Sustainability
Melbourne Victoria, January 2007.

© The State of Victoria, Commissioner for Environmental Sustainability 2007
This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the Copyright Act 1968.

Authorised by the Victorian Government, 8 Nicholson Street, East Melbourne.

ISSN: 1832-3294

For more information contact the Office of the Commissioner for Environmental Sustainability,
phone: +61 3 9637 8173
visit: www.ces.vic.gov.au

Disclaimer

This publication may be of assistance to you but the State of Victoria and its employees do not guarantee that the publication is without flaw of any kind and is wholly appropriate for your particular purposes and therefore disclaims all liability for any error, loss or other consequence which may arise from you relying on any information in this publication.

Acknowledgements

Maunsell Australia Pty Ltd undertook the Strategic Audit of Victorian Government Agencies' Environmental Management Systems on behalf of the Commissioner for Environmental Sustainability.

MAUNSELL | AECOM

commissioner's foreword

Environmental issues have now come to the fore in the national consciousness. This is evident in rising community concerns about the current drought, bushfires in Victoria, and the urgent need to respond to climate change. In this context the Victorian Government has stressed the importance of the public sector leading on resource use efficiency, and being transparent and accountable for their performance. The introduction of the Environmental Management Systems (EMS) program to the core agencies for office based activities has been an important contribution to the achievement of this overall objective, and has led to excellent innovation and behaviour change within many agencies. From this beginning the Government has now forecast the extension of this program to a wider group of agencies, not only for environmental benefits but for real financial savings that accrue from more efficient operations.



As the Commissioner for Environmental Sustainability, I am pleased to present to the Victorian Government the third *Strategic Audit of Victorian Government Agencies Environmental Management Systems*, pursuant to Section 18 of the *Commissioner for Environmental Sustainability Act 2003*.

Much has been achieved since the Government's 2002 initiative to implement an office based EMS across the 10 major state departments, Environment Protection Authority Victoria and Sustainability Victoria. These twelve organisations, hereafter referred to as the Agencies, now have an EMS in place and are implementing a range of actions aimed at reducing their environmental impacts.

I am pleased that the EMS coordinators network and the EMS Inter-Agency Committee (IAC) continue to provide critical forums for discussion and leadership in EMS development. The enthusiasm and commitment of these individuals is to be applauded. However, I am disappointed that there was little progress on a number of whole of government initiatives in 2005-06 that I believe are integral to improving the effectiveness of the EMS program. Central leadership, support and resources will assist in this considerable organisational challenge. Agencies themselves also need to ensure sufficient resources are internally allocated to their EMS program so that the EMS can operate effectively across their organisation.

While I am encouraged by the overall EMS progress and achievements to date, I am particularly concerned that in key areas such as water, the level of use in government appears to be increasing at a time when Melbournians are being urged to reduce water usage. After three years, Agencies should be making more progress and should be looking beyond office based operations to assess and manage the environmental impacts of their broader operations and policies. While office based impacts need to be managed and provide a good place to start, these are only a small component of the breadth of operations conducted by the public sector.

The Government has recognised the need to expand the EMS program in the *Our Environment Our Future, Sustainability Action Statement*, released in 2006. It calls on government agencies to buy sustainable products and services, and to integrate the directions of the *Victorian Environmental Sustainability Framework* as part of the broader range of environmental sustainability issues in its own day-to-day operations.

The Government has also recently announced a water 'watchdog' to assist Agencies in reducing water usage and I look forward to working with that person as the role develops.

I look forward to the Government accelerating these initiatives and integrating environmental sustainability into its core operations and decision making. I also believe considerable financial benefits can be identified which will positively contribute to the efficient delivery of government services.

So, how well are the Victorian Government Agencies performing? The combination of mandatory EMSs and reporting under Financial Reporting Direction 24A provides Victorian Government Agencies with a good foundation for measuring and disclosing office based environmental performance. However, accurately measuring resource consumption and the impact made of agencies environmental initiatives remains an area requiring more progress. In terms of actual performance the Victorian Government Agencies are responding well in energy and waste but need to re-focus their attention over the full range of resource consumption areas where performance needs to be improved.

Over the three year period from 2003-04 to 2005-06 significant reductions in office based energy use and waste production have been achieved and total greenhouse gas emissions from agency vehicle fleets has also been reduced. Reducing paper and water use remains an ongoing challenge, particularly with a reported increase in consumption since 2004-05.

Strategic planning and the establishment of incremental and achievable targets, coupled with improved measurement and communication of results is necessary to ramp up the effectiveness of EMS as a tool for environmental improvement. I believe there should be further mandatory performance targets set relating to energy and greenhouse gas emissions to maintain momentum and enable improved performance and set government targets for water use, green procurement and sustainable transport.

Agency heads are responsible for their agencies performance and need to be judged against key environmental aspects such as water consumption and greenhouse gas emissions.

I look forward to supporting all government agencies in their efforts to manage their environmental impacts and measure their environmental performance.



Dr Ian McPhail

Commissioner for Environmental Sustainability

executive summary

The *Strategic Audit of the Victorian Government Agencies' Environmental Management Systems* for 2005-06 assessed the ten government departments, Environment Protection Authority Victoria (EPA) and Sustainability Victoria (SV) to determine these Agencies' combined environmental performance across the areas of energy, waste, water, paper, transport and green procurement. The implementation of Agencies' Environmental Management Systems (EMS) has matured through the three years of the Strategic Audit.

An independent EMS audit was conducted for each agency to determine the level of EMS development and implementation, and provide recommendations for improvement. The EMS audits were combined with stakeholder engagement for the Strategic Audit. The Strategic Audit findings, recommendations and audit priorities up to 2009 were derived from extensive stakeholder consultation.

Significant effort has been invested by Agencies to further develop their EMSs and improve environmental performance since the initiation of the whole of government (WofG) EMS program three years ago. The degree to which each agency has undertaken initiatives and improved performance varies between agency to agency as well as between environmental areas.

Over the three year period from 2003-04 to 2005-06 significant reductions in energy use (per square metre of office space) and waste production (per full time equivalent (FTE) staff member) was achieved. A smaller reduction was also achieved in the area of total greenhouse gas emissions from agency vehicle fleets.¹ Paper and water consumption (both reported per FTE) show an increase.

Procurement has been a priority issue since the first Strategic Audit. However, there has been only limited action at both a WofG level and at the individual agency level to address this priority environmental aspect. Currently, the coordination, strategic leverage and application of the Victorian Government's market presence for sustainability is limited. Some action has occurred in paper purchases and office consumables. However, the overall uptake of green procurement across Agencies has been slow.

Data management, whilst improved, requires increased attention to ensure Agencies understand their own environmental profiles so that they can identify and address priorities areas. As an example, Agencies' knowledge of their own water consumption is extremely poor, resulting in very little targeted action being taken to reduce consumption.

During the year, the Government's EMS program has lacked the WofG coordination necessary to drive increased performance within Agencies. It is also needed to improve the adequacy and sophistication of the EMS model and its associated guidelines. In December 2006, DSE re-appointed a WofG EMS coordinator. Further support for the EMS program is required as government expands its deployment to statutory agencies and beyond just office-based activities. The requirement to deliver environmental sustainability across government will generate an escalation of activity supported by the government EMS. It is important that this expansion is strategically managed and appropriately resourced.

Appendix A provides an assessment of progress against the audit priorities and recommendations from previous strategic audits. Of the 24 recommendations and priority areas a significant number are still in progress. In some cases, little progress has been made. Many of these are reflected in the recommendations in this report.

Future audits will continue to focus on targets, performance and progress to embed environmental sustainability into the operations of Agencies.

¹ The above performance excludes greenhouse gas emissions relating to vehicle fleet growth within DOJ or DHS as these Agencies did not include this data within their published reports.

strategic audit recommendations summary

A summary of the strategic audit recommendations is provided below. A full description and overview of the recommendations arising from the Strategic Audit is contained within the *Strategic Audit Findings* Section 4 of this report.

Table 1: Summary of Strategic Audit Recommendations.

Focus Area	Recommendations	Lead Agency	Priority
Performance Targets	<p>1. Whole of Government Targets</p> <p>Government to establish whole of government (WofG) targets for:</p> <ul style="list-style-type: none"> • Water; • Greenhouse gas emissions associated with energy consumption; • Purchasing Green Power; • Green procurement; • Greenhouse gas emissions associated with the passenger vehicle fleet; and • Green Travel Plans. <p>Targets that specify a time limit should be set by May 2007, following Agency consultation, to allow incorporation of targets within Agencies' Environmental Management Programs for the 2007-08 period. These targets may be action-based targets.</p>	DSE	High
FRD24A	<p>2. Review of Financial Reporting Direction 24A and Guidelines</p> <p>Department of Treasury and Finance (DTF) to conduct a review of Financial Reporting Direction 24A (FRD24A) and its Guidelines, in conjunction with Department of Sustainability and Environment (DSE), the WofG Environmental Management System (EMS) Coordinator and representatives from the Inter Agency Committee (IAC) and the Agency EMS Coordinators by July 2007 and identified changes implemented in Agencies by October 2007 (to ensure data management improvements are included within 2007-08 financial year and not deferred until 2008-09). DTF needs to review FRD24A and its Guidelines specifically relating to the following:</p> <ul style="list-style-type: none"> • Link agency performance with WofG goals; • Water consumption; • Waste and recycling data; • Procurement reporting; • Transport reporting; • Financial performance; • Performance trend data; • Agency target reporting; • Global Reporting Initiative alignment; • FRD24A Guidelines review; • Coverage of FRD24A data; and • Materiality. 	DTF (Lead), DSE	High
	<p>3. Training on Implementation of FRD24A</p> <p>DTF to provide training and guidance to Agencies on implementation of FRD24A and methodologies for the appropriate capture, management, assurance and reporting of associated data. Further, the training should be extended, with support from DSE and Sustainability Victoria (SV), to cover the importance of sustainable development and what EMSs are attempting to achieve, ie. improved environmental outcomes and operating efficiencies.</p>	DTF	Medium

	<p>4. Agency Targets and Performance Trend Reporting</p> <p>Government to require performance trend reporting and disclosure of future performance targets within FRD24A data for the 2006-07 period onwards. It is suggested that a base year of 2005-06 is used, with trend reporting till at least 2009-10.</p>	DTF	Medium
	<p>5. Vehicle Greenhouse Gas Emissions Offsets</p> <p>DSE to allocate the WofG vehicle greenhouse gas emissions offsets to be purchased on behalf of government department's consumption, to Agencies for inclusion within FRD24A published performance results within Annual Reports for the 2006-2007 financial year. If reporting net emissions, the greenhouse gas emissions offsets need to be reported separately to ensure transparency.</p>	DSE	Medium
Water	<p>6. Implementing Water Efficiency</p> <p>Agencies to be required to implement actions that are effective in reducing water use, rather than just initiatives that can be monitored. Actions including implementation of water efficiency flow restrictors for all basin taps and showers should be mandatory for all agency sites.</p>	Agencies	High
	<p>7. Water Consumption Reduction Strategy</p> <p>Victorian Government Property Group (VGPG), DTF, to develop a water consumption reduction strategy for owned and leased office accommodation. Strategy to be developed by July 2007. The strategy should include a review of the adequacy of water measurement devices or negotiated provision of detailed data sets for every Agency accommodation location greater than 2,000m² with a contract life greater than 2 years by December 2008.</p>	DTF (Lead), DSE	High
Waste	<p>8. Whole of Government Waste Management Contract</p> <p>Victorian Government Property Group (VGPG), DTF to examine the potential for a WofG contract for waste and recycling management to reduce risk while streamlining the service, costs and reporting over a transition period. VGPG should develop a WofG waste contract Options Paper for waste and recycling management with presentation to and endorsement of its recommendations by the IAC.</p>	DTF	Medium
Procurement	<p>9. Procurement Profile and Targeted Actions</p> <p>To influence agency supply chains, clients and customers to improve their environmental performance, the Procurement Branch (DTF) to progress the review of the WofG spend profile (not just a profile of existing WofG contracts) and consider the inclusion of environmental impacts within the current Spend Map project. Agencies need to develop environmental procurement profiles and targeted actions by July 2007.</p>	DTF	High
	<p>10. Procurement Coordination, Support and Implementation Plan</p> <p>To support the improved uptake and performance of agency green procurement, the coordination and provision of adequate tools, training and targeted communication is required. DSE, as the lead agency responsible for the Government's EMS program and <i>Sustainability Action Statement</i> 2006, to work with the Procurement Branch (DTF), VGPG (DTF) and SV to drive the necessary collaboration to deliver an integrated implementation plan to support Agencies by March 2007.</p>	DSE (Lead), DTF, SV	High
	<p>11. Victorian Government Purchasing Board to Report on Green Procurement Progress in Annual Report</p> <p>The Minister for Finance to require the Victorian Government Purchasing Board (VGPB) to report on its progress in enabling the tangible uptake of green procurement across Agencies in its future Annual Reports.</p>	DTF	Medium
Regional Expansion	<p>12. Regional Environmental Action Plans and Regional Support</p> <p>Agencies with regional sites to establish office based regional environmental programs and action plans that are approved and resourced by agency Regional Directors or equivalent by July 2007.</p>	Agencies	Medium

Agency and Core Business Expansion	<p>13. Expansion of EMS Scope and Implementation Plan</p> <p>DSE to clarify the definition of Agencies within the expanded EMS scope (within its five year implementation timing), communicate this obligation and the implementation plan to applicable Agencies, clearly explaining the integration of <i>Environmental Sustainability Framework</i> decision-making with the EMS program by May 2007.</p>	DSE	Medium
Government Leadership and Agency Support	<p>14. Agency Head Leadership</p> <p>The need for strong Secretary and Agency Head leadership, to lead attitudinal and behavioural change, to ensure full implementation of resource saving programs and deliver improved environmental outcomes, should be referred to the Premier.</p>	DPC and DSE, Agencies	High
	<p>15. Whole of Government EMS Support for Agencies</p> <p>DSE to consider how best to provide resource support to cover the issues requiring resolution in advancing the performance of the EMS program, as outlined within this report and communicate the resource support to be made available to Agencies in support of the EMS program.</p>	DSE	High
	<p>16. Inter Agency Committee Secretariat Support</p> <p>DSE to ensure provision of sufficient secretariat support for the Inter Agency Committee (IAC) to coordinate and manage EMS issues, opportunities and the annual action plan for the IAC at an appropriate level.</p>	DSE	Medium
	<p>17. DSE and DTF Co-Chair of the IAC</p> <p>DSE to take a key executive leadership role as Chair of the EMS IAC and DTF take the role as Co-Chair of the IAC to ensure the strong integration and timely delivery of EMS expansion of scope (to non-office) and coverage (to outer budget agencies) and resolution of outstanding EMS issues. These appointments to occur in early 2007 to develop an annual action plan to support key actions based on an identification of priorities.</p>	DSE, DTF	High
	<p>18. IAC Annual Action Plan</p> <p>The IAC's role to be strengthened and endorsed by the Departmental Heads State Coordination and Management Committee. The IAC to be required to produce an annual action plan and report on its performance.</p>	DPC	High
	<p>19. Environmental Sustainability Education Programs for Government</p> <p>Victorian Government to propose the inclusion of environmental sustainability into the policy development curriculum of the Australian and New Zealand School of Government's (ANZSOG) education programs.</p>	DSE	Medium
EMS Improvements	<p>20. Update EMS Model Manual for Performance Focus</p> <p>DSE, in consultation with the Office of the Commissioner for Environmental Sustainability (OCES), IAC and EPA to update the EMS model manual and the model manual guidelines by July 2007 to clarify the expected level of EMS documentation development and implementation to allow for a more flexible adaptation of the standard model by Agencies. To be done in a manner that will ensure that agencies are able to reflect operational imperatives and further divert focus towards environmental performance rather than EMS documentation.</p>	DSE	High
	<p>21. Review Audit Requirements</p> <p>DSE to lead a review in consultation with the OCES and EPA regarding agency EMS audit scope, timeliness and requirements with consideration of the expansion of the EMS.</p>	DSE	High
	<p>22. Adaptation of Environmental Aspect Data Management and Reporting Tool</p> <p>DSE, in consultation with SV, to review the adaptation of Environmental Data Gathering and Reporting (EDGAR), or its replacement, or other web portal tool, in managing all required EMS environment aspects and in meeting required reporting requirements.</p>	DSE (Lead), SV	Medium

table of contents

commissioner’s foreword	3
executive summary	5
1. introduction	10
1.1 Purpose.....	10
1.2 Structure of the report	10
1.3 Objectives of the report.....	10
1.4 Background	11
1.5 Methodology	12
2. whole of government ems performance	15
2.1 Introduction	15
2.2 Environmental Aspect Performance	15
2.3 Energy Performance.....	16
2.4 Water Performance	17
2.5 Transport Performance	19
2.6 Waste Performance.....	21
2.7 Paper Performance.....	22
2.8 Green Procurement Performance	23
3. agency ems implementation	24
3.1 Monitoring and Measurement	26
3.2 Structure and Responsibility.....	27
3.3 Training.....	27
3.4 EMS Audits	27
4. strategic audit findings	28
4.1 Introduction	28
4.2 Performance Standards and Targets.....	28
4.3 Agency Reporting – Financial Reporting Direction 24A Review	31
4.4 Water Measurement and Performance	35
4.5 Whole of Government Waste Management Contract	36
4.6 Green Procurement Targets	37
4.7 EMS Expansion Planning and Implementation.....	39
4.8 Whole of Government Leadership and Agency Support	41
4.9 EMS Improvements.....	43
5. strategic audit priorities up to 2009	46
appendix a - status of audit priorities & recommendations	47
references	51
acknowledgements	52
acronyms	52

1. introduction

1.1 Purpose

In November 2003 the Victorian Government appointed the Commissioner for Environmental Sustainability (CES) as an environmental guardian for the state of Victoria. The CES is required under the *Commissioner for Environmental Sustainability Act 2003* to “Conduct annual strategic audits of, and prepare reports on, the implementation of environmental management systems by Agencies and public authorities”.²

The role of the CES’s strategic audit function is to provide the Minister for Water, Environment and Climate Change, and Parliament with a high-level, independent assessment of government’s performance in reducing the environmental impacts of its own operations through its EMS program. This audit report reviews the action taken by the Agencies in the 2005-06 financial year. It is the third strategic audit.

1.2 Structure of the report

This report is comprised of five parts. The first presents the report’s objectives, background, methodology and scope. The second presents Agencies’ combined environmental performance across the focus areas of energy, waste, water, paper, transport and green procurement. The third presents the EMS implementation findings. The fourth presents the strategic audit findings and recommendations. The fifth presents the strategic audit priorities up to 2009. Appendix A outlines progress against the audit priorities and recommendations from previous audits.

1.3 Objectives of the report

The objectives of this strategic audit are to assess how well and to what extent the program addresses the following key objectives of the Victorian Government EMS program:

- Contributing to the achievement of environmental outcomes through minimising the release of greenhouse gases, reducing waste and conserving energy, and other resources;
- Driving cultural change across government in relation to integrating environmental considerations into daily activities;
- Demonstrating the government’s commitment to lead by example by taking action to reduce environmental impacts associated with its own operations;
- Contributing to the achievement of efficiency gains and resulting financial savings by reducing the use of resources such as water, paper, stationery, energy and transport fuels; and
- Maintaining Victoria’s leadership in transparency and openness of performance reporting by government.

The Strategic Audit also aims to:

- Review the implementation of the priority recommendations from the CES 2004-05 strategic audit; and
- Review and develop future strategic audit priorities to further develop the capabilities of government agencies to address whole of government environmental sustainability issues and to improve their environmental performance.

² Victorian State Government (2003), *Commissioner for Environmental Sustainability Act 2003*.

1.4 Background

The Victorian Government's commitment to environmental sustainability is supported by several policies including:

- *Growing Victoria Together: A Vision for Victoria to 2010 and Beyond* (Department of Premier and Cabinet (DPC), 2005);
- *Our Environment Our Future: Victoria's Environmental Sustainability Framework* (Department of Sustainability and Environment (DSE), 2005);
- *Our Environment Our Future - Sustainability Action Statement 2006* (DSE, 2006);
- *Our Water Our Future* (DSE, 2004)
- *Victorian Greenhouse Strategy* (DSE, 2005); and
- *Energy Efficient Government Buildings* (Sustainable Energy Authority Victoria (SV), 2001).

To demonstrate progress towards sustainability, the Victorian Government had set the following mandatory measurable targets for government:

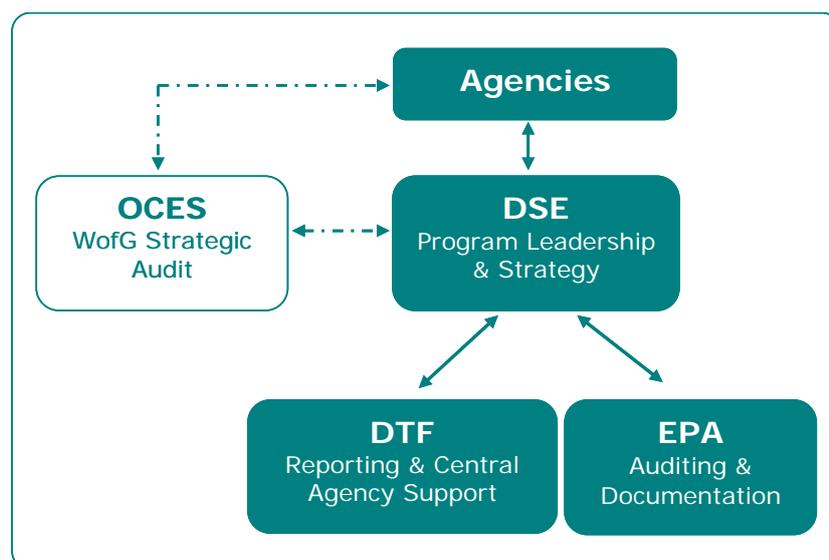
- Reduction of energy consumption in government buildings by a minimum of 15% of 1999-2000 consumption by July 2006;
- Increase in use of electricity sourced from Green Power by government to 10% of total electricity consumption by 30 June 2006; and
- Reduction of greenhouse gas emissions associated with the government's passenger vehicle fleet by a minimum of 10% of 1999-2000 consumption by July 2006.

The government has also established directions, objectives and interim targets under the *Environmental Sustainability Framework* released in April 2005.

In February 2002, Premier Bracks announced the Government's commitment to introduce best practice business tools for environmental management in government departments. This initiative led to the ten State Government Departments as well as the Environment Protection Authority Victoria (EPA) and Sustainability Victoria (SV) (collectively referred to in this report as Agencies) developing and implementing an EMS to control and reduce their office based environmental impacts. An EMS Model Manual and guidance notes, were developed to assist the Agencies with the development of their EMS. The Model Manual is based on ISO14001, the international EMS standard. From 2003-04 Agencies are required to include environmental performance data in their annual reports as per Financial Reporting Direction 24A (FRD24A).

The roles and functions of the lead and support Agencies regarding whole of government (WofG) EMS are provided in Figure 1 below.

Figure 1: Victorian Government Agencies with lead roles in EMS development, implementation and auditing.



The key roles and functions associated with the WofG EMS are outlined below in Table 2.

Table 2: Key roles and functions associated with the WofG EMS.

Group / Individual	Function
Department of Sustainability and Environment (DSE)	Responsible government agency for WofG EMS leadership, strategy and program.
Department of Treasury and Finance (DTF)	Responsible government agency for EMS reporting (Financial Reporting Direction 24A) and central agency support (procurement, office accommodation, vehicle fleet).
Environment Protection Agency (EPA)	Responsible for EMS program auditing standards and auditing assurance.
EMS Inter Agency Committee (IAC)	Provides expert leadership, guidance and direction on the practical implementation of the WofG EMS Program, in particular the effective implementation of the Commissioner for Environmental Sustainability's Strategic Audit WofG recommendations.
WofG EMS coordinators Group	Community of Practice which collaborates to deliver EMS performance outcomes for individual Agencies and to inform the further development of the WofG EMS program. This group escalates common issues to the EMS IAC.
WofG EMS coordinator (DSE)	To facilitate the implementation of WofG projects, in particular associated with EMS expansion, green procurement and specific Strategic Audit Report recommendations. Provides support to the EMS IAC and EMS coordinators group.
Commissioner for Environmental Sustainability (CES)	To perform annual EMS Strategic Audit in relation to the environmental management practices of government departments and agencies.

1.5 Methodology

A project flow diagram is provided in Figure 2 to highlight the conceptual flow of the process undertaken to complete the Strategic Audit. A brief description of each methodology element is also provided.

Audits

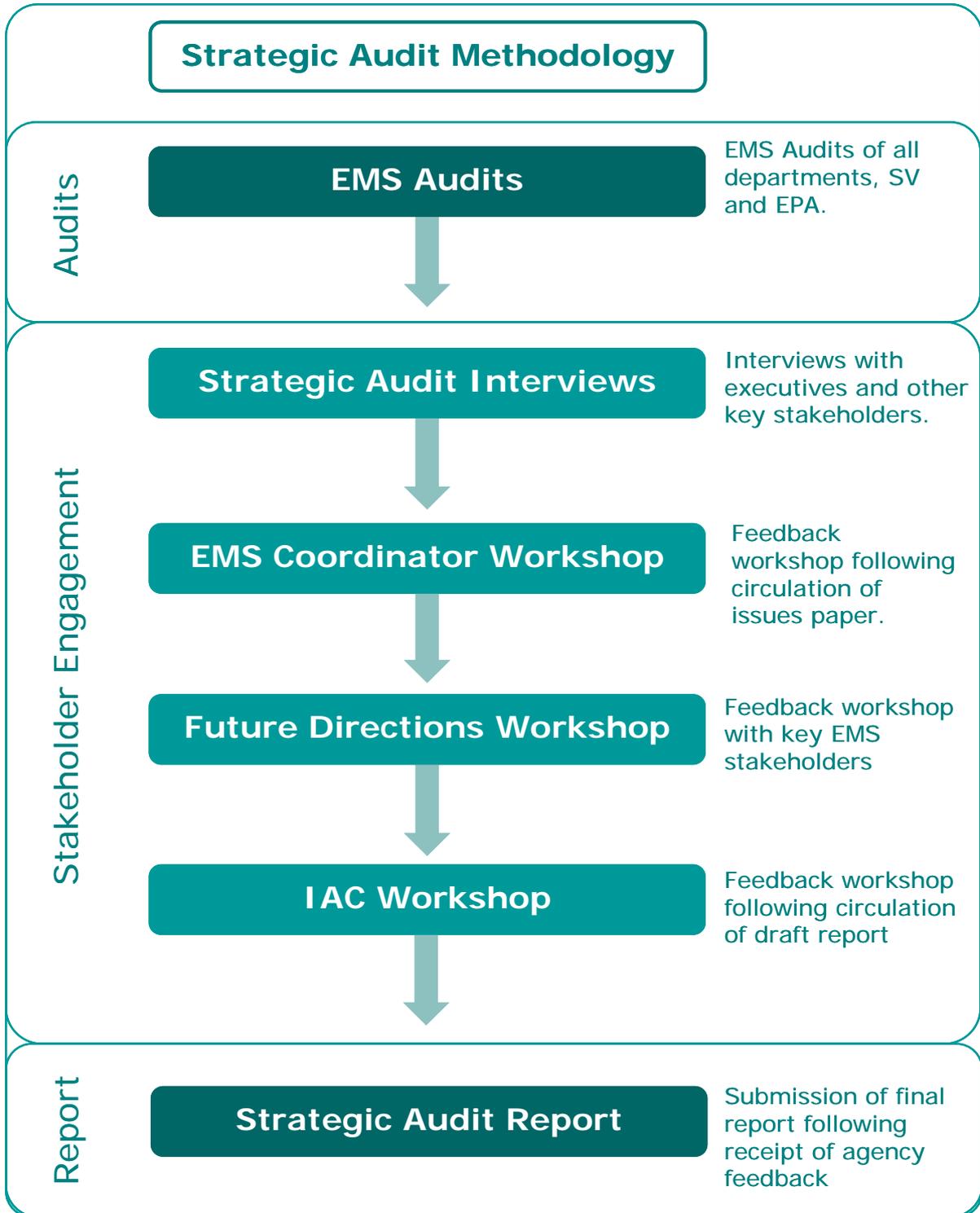
An audit template and scoring criteria was used to conduct Environmental Management System (EMS) audits of the following Agencies:

- Department of Education and Training (DE&T);
- Department of Human Services (DHS);
- Department of Infrastructure (DOI);
- Department of Innovation, Industry and Regional Development (DIIRD);
- Department of Justice (DOJ);
- Department of Sustainability and Environment (DSE);
- Department of Premier and Cabinet (DPC);
- Department of Treasury and Finance (DTF);
- Department of Primary Industries (DPI);
- Department for Victorian Communities (DVC);
- Environment Protection Authority (Victoria) (EPA); and
- Sustainability Victoria (SV).

The EMS audits were coordinated in a manner which delivered a consistent approach to audit findings and recommendations. They were quality assured by EPA auditors. Each Agency's key EMS elements were scored

on a scale of 1-5, according to their level of documentation and degree of implementation. These scores and key audit findings are provided in the Agency EMS Implementation Section of this report.

Figure 2: Strategic Audit Project Flow Diagram.



Stakeholder Engagement

Through several stages of interviews, workshops and written correspondence the Agencies were engaged at an executive level and EMS coordinator level to provide input to this report. Several other key stakeholders were also involved including:

- Commissioner for Environmental Sustainability's Reference Group;
- EMS Inter Agency Committee (IAC);
- Resources and Infrastructure Policy Branch (DPC);
- Centre for Public Agency Sustainability Reporting (CPASR);
- Sustainability Victoria (SV);
- Victorian Government Property Group (DTF); and
- Government Agencies subject to this Report.

Key themes that emerged from stakeholder consultation during the development of this report included:

- In principle support for the general direction and recommendations in this report to assist Agencies in achieving improved environmental outcomes and operational efficiency;
- Resources need to be committed to the Agencies EMS to meet specified timelines and to continually improve EMS performance;
- Greater commitment and leadership needs to be demonstrated by central and lead environmental Agencies to embed environmental sustainability into core business operations and policy decision making;
- A better understanding of investment opportunities and potential savings would assist Agencies in securing resources for environmental sustainability initiatives; and
- Most Agencies support in principle the establishment of whole of government (WofG) targets provided a managed consultation process is put in place, so that they are realistic and achievable, and the achievement of targets has some strategic development support at a central level.

Report

Information and findings contained within the strategic audit report were compiled from the previous project stages and agencies were consulted before finalising.

2. whole of government ems performance

2.1 Introduction

Over the three years since the initiation of the WofG EMS program significant effort has been invested by all Agencies to further develop their EMS and improve environmental performance. The degree to which each agency has undertaken initiatives and improved performance varies between Agencies as well as between environmental focus areas.

Since 2003-04, the twelve Agencies have been required to include office based environmental performance in their annual reports. Over the three year period from 2003-04 to 2005-06 significant reductions in energy use per square metre of office space and waste production per FTE were achieved. A smaller reduction was also achieved in the area of total greenhouse gas emissions from agency vehicle fleets.³ Paper and water consumption (both reported per FTE) show an increase.

The scope of the Agencies' EMS are limited to office based activities, plus transport. As a result the environmental performance data reported by the Agencies is limited to the office based activities and transport. For this reason the performance data presented in this section can not be directly compared to the mandatory WofG targets, as these targets relate to the total production and consumption activities of a broader government entity grouping. Operations and activities that would be included in the mandatory target, but excluded from the EMS performance reporting include statutory authorities and operational activities including prisons, hospitals and schools.

The Government Sustainable Energy Targets (GSET) program included a 15% energy efficiency and 10% Green Power target for facilities managed by 22 major government agencies, including current EMS Agencies. Since the conclusion of the target period, SV has been collating performance projections from Agencies which indicate that government as a whole will meet these targets.

In addition to the financial and environmental benefits produced by the GSETs, the program has developed ongoing energy management expertise and systems within Agencies. This increased capacity now supports a range of ongoing energy management programs.



Solar hot water heating

In relation to Green Power, eleven of the twelve Agencies purchased 10% or more of their electricity from Green Power in 2005-06, with one agency purchasing 100% Green Power (SV) and one agency being within 0.5% of the target (DPI). When the volume (gigajoules) of Green Power purchased by each agency is averaged out for the WofG, it is estimated that in 2005-06, 12% of the WofG electricity consumption was sourced from Green Power.

Vicfleet (DTF) is reviewing government's performance against its mandatory greenhouse gas emission reduction target associated with its passenger vehicle fleet (to be achieved by the end of June 2006) and will report in early 2007 on this progress.

2.2 Environmental Aspect Performance

The following sections provide two and three year trends, 2005-06 performance and case studies for energy, water, transport, waste and paper. Procurement is described in the absence of trend or performance data. The three year trends were developed using published environmental performance data for the 2003-04, 2004-05 and 2005-06 financial years. This data has several inconsistencies due to changes in departmental and agency activities, improvements and adjustments in performance monitoring. These inconsistencies and changes make trend reporting difficult. However, the three year trend provides a valuable indication of performance and the

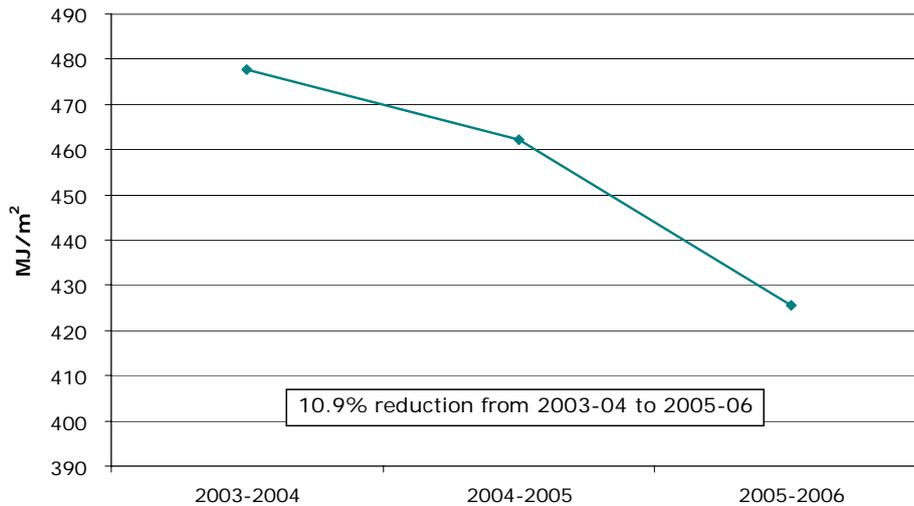
³ The above performance excludes greenhouse gas emissions relating to vehicle fleet growth within DOJ or DHS as these Agencies do not include this data within their published reports.

emphasis is on the trendline. Some good performance (not necessarily best practice) examples have been included to help government understand its performance and to assist in the process of setting targets.

2.3 Energy Performance

Over the three years from 2003-04 to 2005-06, a 10.9% reduction in energy consumption was achieved (as presented in Figure 3). In 2005-06 the WofG energy consumption was 425.61 megajoules per square meter of office space (MJ/m²).

Figure 3: WofG Energy Consumption 3 Year Trend.



The WofG energy performance is to be celebrated as an achievement in demonstrating leadership in reducing greenhouse emissions associated with energy consumption. This environmental aspect was a priority for Agencies due to WofG energy targets and the potential financial savings from implementation of solutions. The wide spread activity across Agencies to reduce energy has increased capabilities of key agency staff to identify, assess and deliver environmental solutions to improve WofG performance.

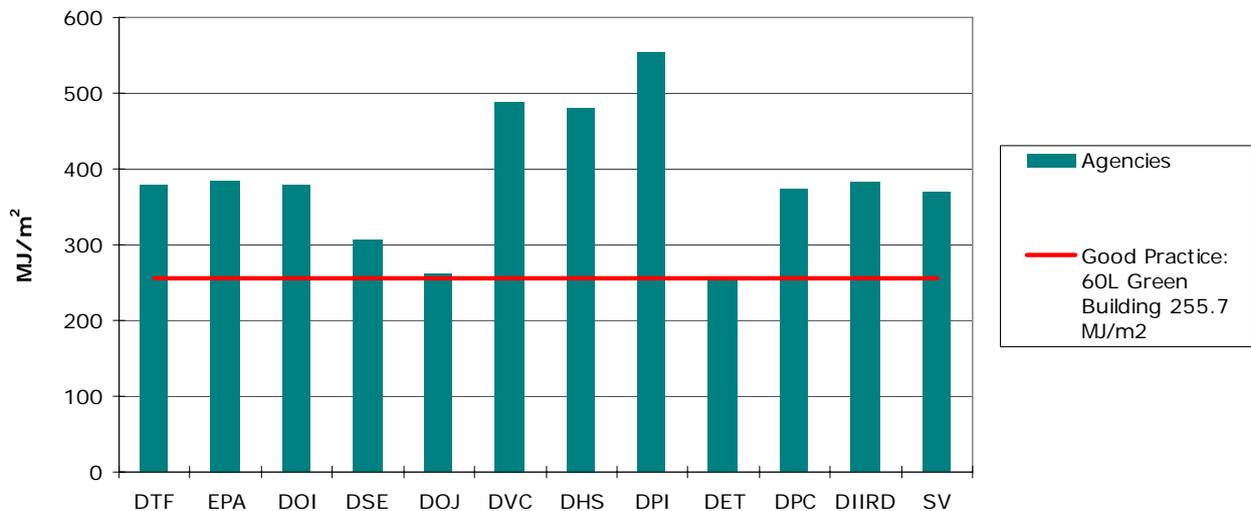
Over the three year period from 2003-04 to 2005-06 ten of the twelve Agencies reduced their energy consumption. The Agencies that achieved reductions reported drops in energy use per square meter of between 2.4% to 61%, whilst increases varied from 19.5% to 32.1%. The 2005-06 energy consumption of all twelve Agencies is compared in Figure 4. Over the past year (July 2005 to June 2006), seven of the twelve Agencies reduced their energy usage, including DOI, DSE, DOJ, DHS, DE&T, DPC and DIIRD.

Switch Off – Energy Reduction Campaign (DIIRD)

The Switch Off Program and Campaign was designed and implemented by the 60 Environment and Projects Coordinator and a project team of Environment Champions Program delivery was supported by DIIRD Bulletin Articles, *From the Secretary* emails and prompter stickers.

Following the week long implementation, a post program assessment was conducted of energy usage. Substantial energy reductions were achieved as a result of the campaign, including floor based reductions of 6.3%, 5.5% and 5.2%. The total energy saved at DIIRD during Switch Off week was enough to power 19 two bedroom homes for the entire week!

Figure 4: 2005-06 Agency Energy Consumption.⁴



Southern Cross Building (DOJ and DIIRD)

Relocation of 2000 DOJ staff from eight central business district sites to the Southern Cross Building, 121 Exhibition Street. DIIRD and the State Revenue Office have also relocated to 121 Exhibition Street.

The Southern Cross building has been designed to achieve an exemplary environmental performance and has a host of Ecologically Sustainable Development features including: energy efficient design and equipment; improved thermal comfort, day-lighting, acoustic performance; efficient use and re-use of water such as recycling of grey water (i.e. from hand basins, sinks and showers, rainwater from roof) which is treated on site, stored in tanks and used for toilet flushing; the building materials were selected to minimise ecosystem damage, toxic emissions, energy use and possible impacts on human health; and effective waste minimisation systems were established in the building.



2.4 Water Performance

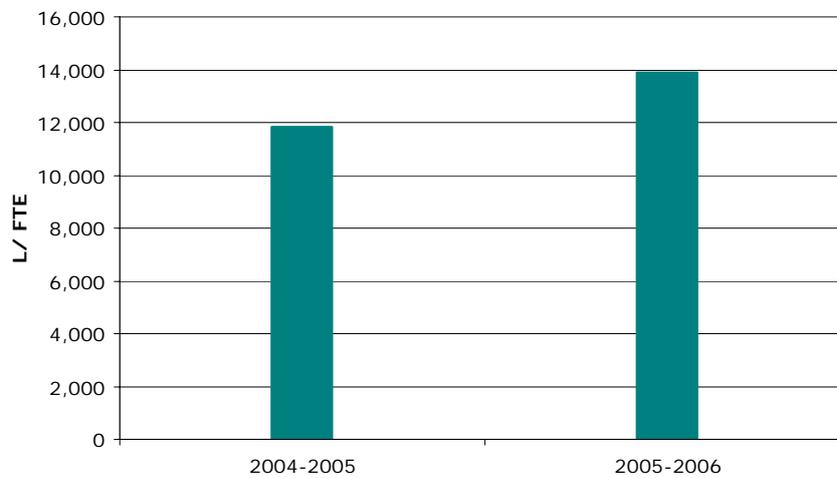
Difficulties exist in the monitoring of water consumption. For more detail on this issue refer to section 4.4 on Water Measurement and Performance. As a result SV, DTF, DPC and DPI were excluded in calculating the WofG water consumption presented in Figure 5. The reported data shows an increase of 17.3%, from 11,835 litres per full time equivalent (L/FTE) in 2004-05 up to 13,882 L/FTE in 2005-06. Last year's Strategic EMS Audit reported a reduction in water use of 18% between 2003-04 and 2004-05. However, the 2003-04 data has been excluded from this report due to data inconsistencies that now make it difficult to draw a meaningful comparison with 2004-05 and 2005-06 data.

The current drought situation demands the need for strong government leadership. At a time when there are strong expectations in the wider community to make substantial water savings, it is essential that Agencies achieve a net water consumption reduction. The WofG needs to do more in this area and actions to improve performance need to be a high priority.

⁴ Good Practice is sourced from 60L Green Building. For more information please visit www.60Lgreenbuilding.com.

Figure 5: WofG Water Consumption.

NOTE: These figures exclude SV, DTF and DPC for whom two year sets of water consumption data were not available, and DPI whose data included irrigation water consumption. The excluded Agencies represent approximately 16.6% of WofG FTE.



In 2005-06 eight Agencies reported their water consumption as presented in Figure 6. The main reason for Agencies unable to provide water consumption data was due to metering issues. A ninth agency (DPI) did report its water consumption, but this figure, included irrigation water use so was excluded due to non-comparable data sets. This is the third year that DPI has not separated its office based water use with its irrigation use, as required by the Financial Reporting Direction 24A (FRD24A). Although DPI advised that this is due to the expense involved in sourcing such data through additional metering and measurement, this and the need for all agencies to report their water consumption needs to be resolved as soon as possible.

Over the two year period from 2004-05 to 2005-06, three of the eight Agencies (DOI, DSE and DOJ) recorded a reduction in their water consumption per full time equivalent (FTE). These Agencies achieved reductions in water use per FTE ranging from 10% to 12.5% (1700 L/FTE to 2091 L/FTE), whilst increases varied from 2.6% to 72.4% (376 L/FTE to 5479 L/FTE).

Flow Restrictors and Water Efficient Urinals (DSE)

Flow restrictors were fitted to faucets on all hand basins in toilets throughout the 17 floors of DSE's 8 Nicholson St Head Office. It is estimated that this project will result in water savings of approximately 1,500 kilolitres per year, equivalent to \$2,700 in savings with a one off cost for parts and installation of \$3,000.

Water efficient urinals were also retrofitted to all male toilets in the building. The system flushes four times per day using automatic controls. Bio-enzymes in replaceable cartridge ensure no blockages or unpleasant odours. This initiative will deliver estimated water savings of up to 3,000 kilolitres per year, equivalent to approximately \$6,000 per year.



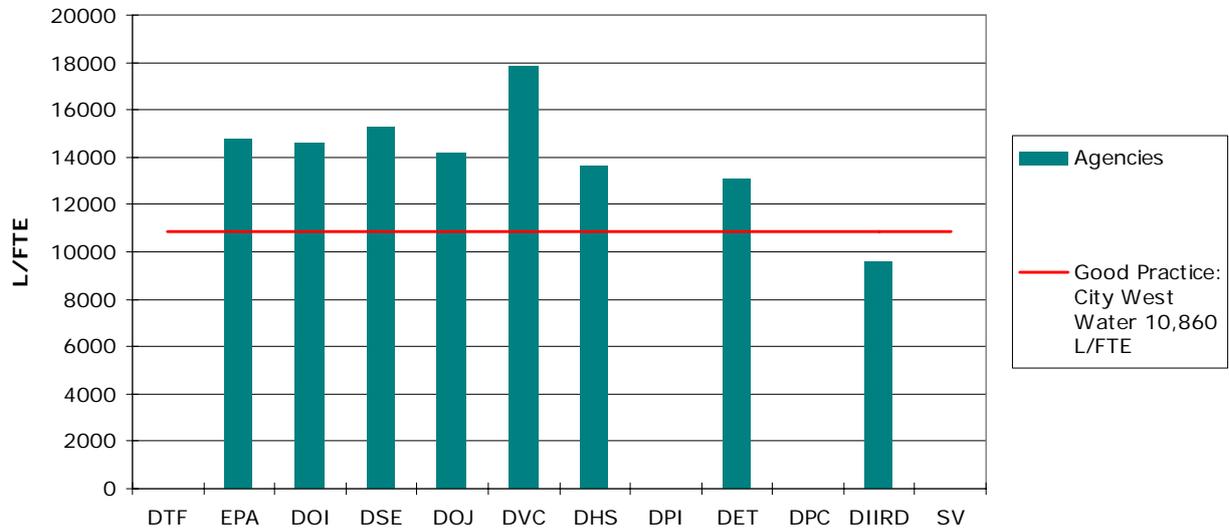
Rainwater Capture and Reuse (DPI)

DPI's state-wide sustainable corporate real estate program, incorporated innovative design for water efficiency and water pollution risk reduction at the following establishments:

- Ellinbank collects all rainwater and stores it in tanks and an overflow dam. Water from the dam and nearby creek is used for pre-cooling for the air conditioning;
- Queenscliff installed a 175,000 litre tank to catch water for firefighting and irrigation purposes, and any excess run-off is directed to a specially designed two stage wetlands zone, which naturally filters the water as it seeps back into Swan Bay; and
- Horsham constructed a large wetland on the property to collect all non-sewer run-off and is used for the irrigation of the native gardens around the site.

Figure 6: 2005-06 Agency Water Consumption.⁵

NOTE: These figures exclude DTF, DPC and SV for which 2005-06 water consumption data was not available. DPI has also been excluded due to the fact that its reported 2005-06 water consumption (168,920 L/FTE) included irrigation. The excluded Agencies represent approximately 16.6% of WofG FTE.

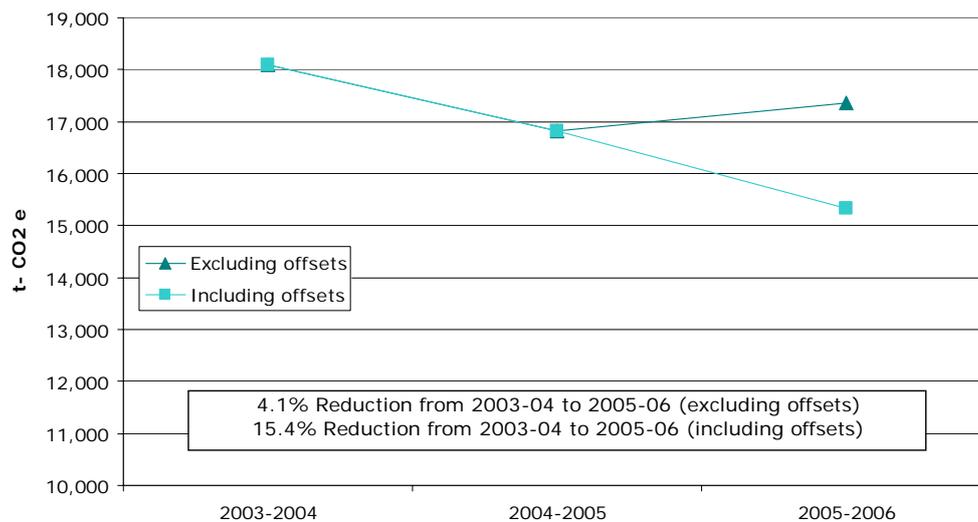


2.5 Transport Performance

The WofG three year trend for vehicle fleet greenhouse gas emissions is encouraging, with a 4.1% reduction achieved excluding offsets. This trend is illustrated in Figure 7.

Figure 7: WofG Transport Fuel Greenhouse Gas Emissions 3 Year Trend.

NOTE: These figures exclude DSE and DPI for which 3 years of comparable data was not available. The excluded Agencies represent approximately 19.5% of WofG FTE. In 2005-06 DHS and SV reported purchasing vehicle fleet emission offsets.



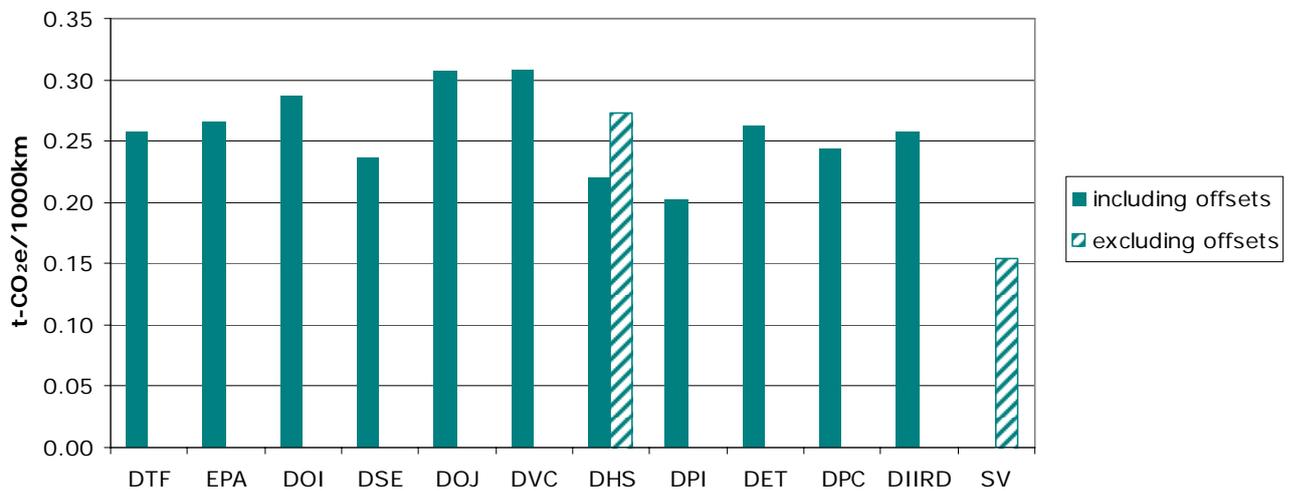
⁵ Good practice is sourced from City West Water. For more information, please view their 2005-06 Annual Report at www.citywestwater.com.au.

The total tonnes of greenhouse gas (t-CO₂e) emitted from the WofG fleet reduced from 18,102 tonnes in 2003-04 to 17,354 tonnes in 2005-06. These figures exclude DSE and DPI as comparable data sets for the three years were not available. SV and DHS purchased greenhouse gas offsets for their fleet emissions, outside of the WofG offset purchasing scheme managed by DSE. When these offsets are factored into the three year trend, agency transport related greenhouse emissions are reduced by 15.4% from 2003-04 to 2005-06. The 2005-06 WofG fleet emissions including greenhouse offsets was 15,322 t-CO₂e.

Seven of the Agencies improved their transport performance over the three year period, reducing their emissions per 1,000km by between 4.7% and 32.1%. In 2005-06, DHS and SV reported purchasing offsets for their fleet emissions. When these offsets are taken into account the median emissions across the twelve Agencies remains at 0.26 t-CO₂e per 1,000 kilometres. The 2005-06 performance of the twelve Agencies, both including and excluding offsets, is presented in Figure 8. In January 2007, the Government announced that the Victorian Government's car fleet would become carbon neutral. Emissions from government vehicles will be offset by planting trees and retrofitting private homes with energy efficient appliances.

Figure 8: 2005-06 Agency Transport Emissions.

NOTE: t-CO₂e/1000 kilometres travelled has been selected as the best available measure to determine the fuel efficiency of a vehicle fleet. DHS and SV are the only two agencies who have purchased offsets in the 2005-06 reporting period.



SV offset their emissions by 100% and are therefore carbon neutral.

Vehicle Fleet Emissions (DHS)

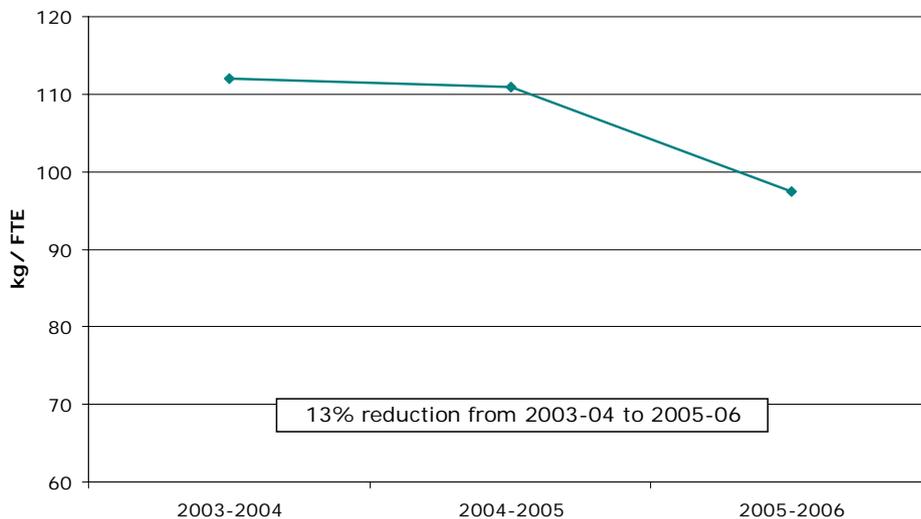
DHS increased its number of low emission vehicles within the passenger vehicle fleet, from 51 to 236, representing 20% of the fleet. Changing the fleet mix during the year achieved a 4% reduction in CO₂ emissions (forecast 06-07 emission reduction approximately 8% due to full year effect) and purchasing of 2,000 tonnes of certified CO₂ emission offsets, ensured an overall 23% reduction in CO₂ emissions. The Department also held promotional activities aimed at familiarising staff with the Toyota Prius hybrid vehicles and coordinated a staff tree planting day in partnership with Yarra City Council, where staff planted 1,030 native plants, equal to removing 62 passenger vehicles from the roads for a single year.



2.6 Waste Performance

Between 2003-04 and 2005-06 the WofG office waste production declined each year, with a total reduction of 13% over the period. The three year trend for waste production is illustrated in Figure 9.

Figure 9: WofG Waste Production 3 Year Trend.



Waste production reduced 13% over the period, from 112 kilograms per full time equivalent (kg/FTE) to 97.4 kg/FTE. Total WofG waste production was also reduced by 9% over the three years, with the 2005-06 figure being 222,166 kilograms less than 2003-04.

The WofG reduction in waste production may demonstrate the benefits of a continued focus on waste minimisation. The removal of desk landfill bins while upgrading recycling options for staff for the majority of agency large offices has been stated as a factor to this success. However, the base year's data is considered to have a low degree of accuracy due to the limitations of Agencies' data management methodologies employed.

Eight agencies reduced their waste production across the three years with the reductions ranging from 11.8% to 40.5%. Reported increases in waste production ranged from 12.3% to 85.5%. It is important to note that waste production figures for each agency are calculated by extrapolating out the results of a number of internal waste audits across the whole agency for a year. Additionally, the number of audits undertaken varied from agency to agency. As such, waste data reported should be regarded as indicative rather than an accurate quantification of actual production. Figure 10 illustrates the waste production of all twelve Agencies for 2005-06.

Reuse of Stationery (DTF and DPC)

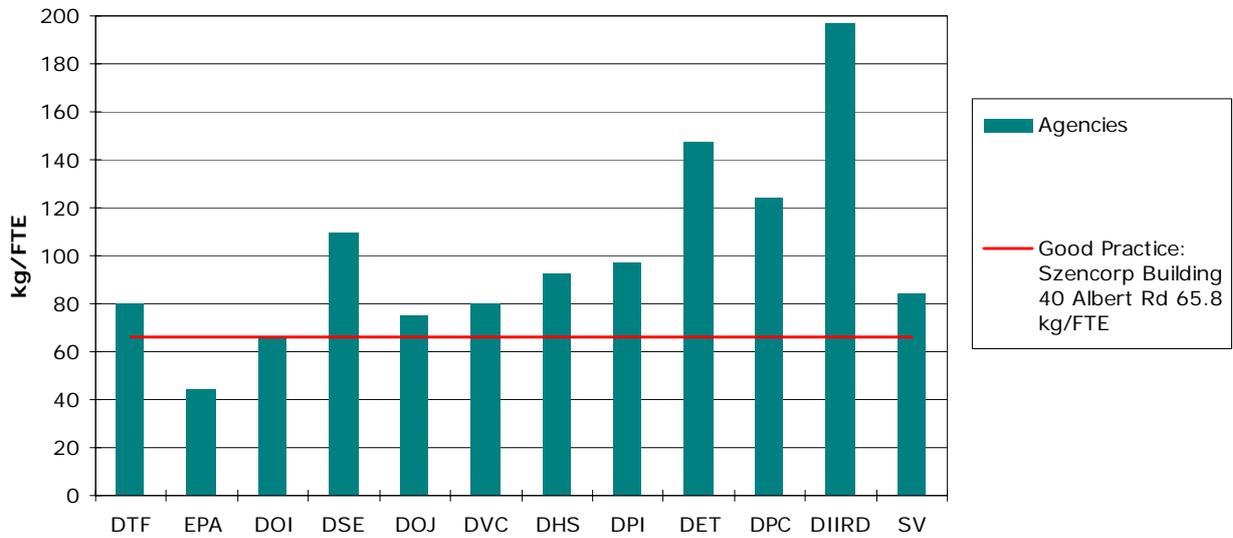
A reuse initiative was planned and implemented by DTF's and DPC's EMS Coordinator, Purchasing Manager, Document Management staff, Environment Champions and eProcurement officers to stockpile and reuse bulldog and paper clips from the Document Management unit saving around \$1,500 annually on unnecessary procurement through the office stationery contract.



Sustainable Asset Management (SV)

During SV's relocation from 278 Albert St, 2 Lonsdale St and 215 Spring Street the waste hierarchy was implemented to minimise redundant and other assets to landfill. Between the three offices almost 300 kg of plastics were recycled, 48 VISY 240 litre commingled bins were removed, and approximately 175 kg of e-waste taken to Sims E-waste, 30 kg of metals to Sims metals. What remained was 3½ bins of irrecoverable materials. That's better than 95% diversion rate by volume or weight.

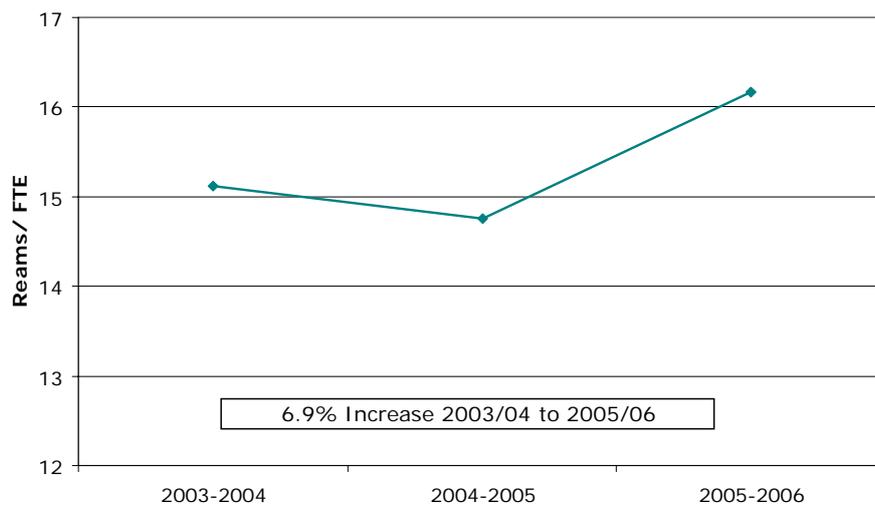
Figure 10: 2005-06 Agency Waste Production.⁶



2.7 Paper Performance

Paper consumption, along with water consumption were the only areas in which WofG performance did not improve between 2003-04 to 2005-06. However, it should be noted that the quality of the paper consumption data is of a higher standard than water consumption data. This is largely due to the WofG contract for stationery products, the relative simplicity with which it can be tracked by suppliers and the supplier's willingness to provide the data to Agencies. WofG paper consumption increased by 6.9% over the 3 year period after a slight reduction in 2004-05. WofG paper consumption was 16.2 reams per FTE in 2005-06, up from 15.1 reams/FTE in 2003-04. The three year trend is presented in Figure 11.

Figure 11: WofG Paper Consumption 3 Year Trend.



⁶ Good Practice is sourced from Szencorp's 40 Albert Road Building. For more information please visit www.ourgreenoffice.com.

WofG paper consumption is increasing. Renewed focus and engagement with this environmental aspect is required. Significant financial benefits can be achieved as paper consumption performance improves. Actions to reduce paper consumption is a priority.

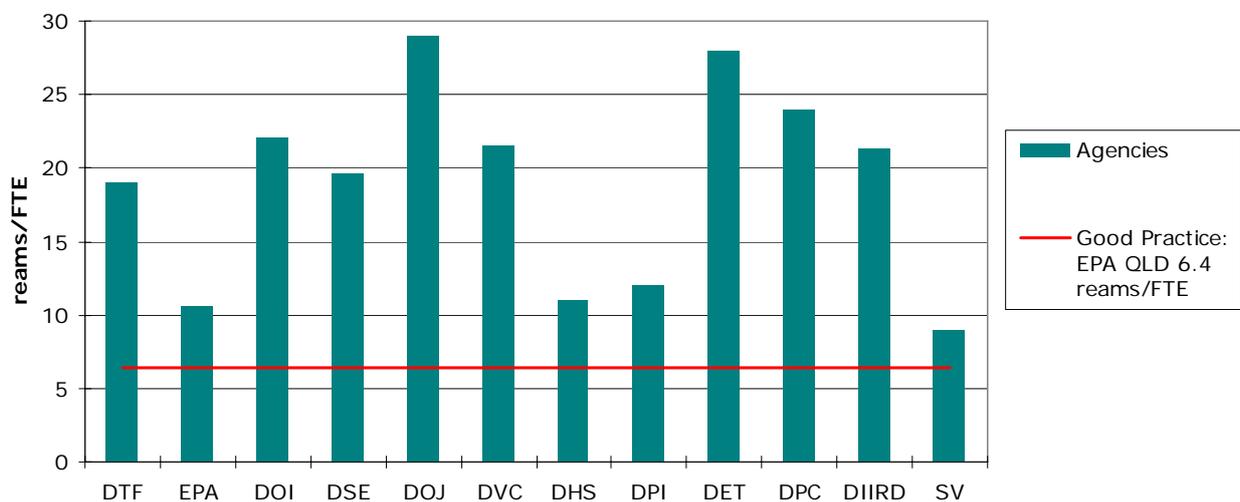
Half of the Agencies (DTF, EPA, DOI, DPI, D&ET and DIIRD) improved their performance in the area of paper over the three years, reducing their paper consumption by between 0.7% and 24.3%. Dramatic increases in paper use were recorded by a number of Agencies throughout the same period with the increases in paper consumption ranging from 3.2% to 50%. Comparison of the twelve Agencies 2005-06 paper consumption is presented in Figure 12.

Paper Smartie – Paper Reduction Campaign (DIIRD)

Pre campaign paper use was measured by the department. Following this, a communications and engagement plan was initiated, including engaging with the IT unit to set all printers and photocopiers to default double side print. Additionally, staff were encouraged to set up trays for paper used on one side for reuse as note paper, and were educated in how to print two pages up per sheet of paper.

Following the 4 week long implementation, a post program assessment was conducted of energy usage. Substantial paper reductions were achieved as a result of the campaign, saving the equivalent of 21 trees or \$2,700.

Figure 12: 2005-06 Agency Paper Consumption.⁷



2.8 Green Procurement Performance

Collectively, Victorian Government Agencies possess substantial purchasing power, and as such have significant ability to influence the market for goods and services to improve environmental sustainability across the state. This market influence is able to be leveraged through the coordination of a consistent approach across government. It is recognised that due to varying operational and cultural constraints and priorities, some diversity in approaches to procurement is required and desirable. However, in the majority of cases, procurement priorities across government are able to be aligned.

Procurement has been a priority issue since the first strategic audit. However, there has been limited action at both a WofG level and at the individual agency level to address this priority environmental aspect. Currently, the coordination, strategic leverage and application of the Victorian Government's market presence for sustainability is limited. Some action has occurred in paper purchases, office supplies, multi-function devices and computers. Also during 2006 the Victorian Government Purchasing Board (VGPB) released their Environmental Procurement Policy and supporting Environmental Purchasing Guidelines. However, when considering the opportunities, overall the uptake of green procurement across Agencies has been slow.

⁷ Good Practice is sourced from EPA QLD. For more information, please view their 2004-05 Annual Report at www.epa.qld.gov.au

A key driver of the uptake of green procurement by Agencies is the identification of the environmental aspects of their entire office related spend, and its integration into EMS documentation through their Aspects and Impacts register. Most Agencies have identified some procurement related aspects, although the scope of this identification is currently limited in most cases. Additionally, targets for reducing the impacts of most agency's procurement are only qualitative, which only provides a limited driver for improvement unless such targets are very specific. More targeted, focused action is required, with Agencies needing to take a more holistic approach in understanding and documenting their office based procurement profile with the view to developing quantitative targets.

Reflecting the lack of significant progress regarding procurement across government Agencies, and the non-mandatory nature of green procurement through the FRD24A process, little quantitative data of green procurement outcomes is currently available. An expanded procurement reporting requirement within FRD24A is necessary to stimulate increased activity and progress within Agencies and at the WofG level.

The RePC Program (DE&T)

The aim of the RePC Program is to assist schools improve their computer to student ratio and support curriculum implementation for students. The program sources 'surplus to needs' computers, monitors and printers from Government Departments and Industry. The equipment is then tested; hard disks thoroughly wiped clean of data; repackaged then distributed to schools by the Department of Education and Training at no expense to the school. Units that fail the testing process are sent for environmentally friendly recycling.

The RePC Program has been operating since 1997 and since this time has delivered over 30,000 PCs, printers and other ICT equipment to schools throughout Victoria. Over the past 10 years the computers that have been distributed to schools by this program have contributed significantly to the Government target ratio of one computer to every five students.

Green Cleaning (EPA, DTF and DPC)

EPA, DTF and DPC negotiated with cleaning contractors to move from chemical-based cleaning to microfibre 'green' cleaning. The EPA's Environment Committee, the Green Stars, also performed a Life Cycle Assessment of the comparison between chemical and microfibre cleaning. Benefits include elimination of cleaning chemicals use and storage, fewer cleaning cloths disposed of in landfill, reduced indoor air pollution and fewer occupational health issues for the cleaners.

The table below shows the difference in materials consumed by the cleaners each month.

Materials	Traditional	Microfibre
Chemicals	30 litres	13 litres (mild chemicals)
Water	1000 litres	150 litres
Cloths	36 cotton cloths	Microfibre cloths (last approx 2 years)

The cleaning companies involved are likely to receive significant ongoing financial benefits, as while the upfront cost or investment in microfibre cloths is greater than the chemical cleaning agents and cloths, there is reduced ongoing cost for chemicals and improved occupational health and safety benefits.



Regional Office Upgrade (EPA)

EPA is leading by example to show how a tenant can influence a building's environmental performance over the tenancy lifecycle through design and fit-out considerations. This is being demonstrated through the EPA's Facility Services Unit (FSU) regional office upgrade program, with the following achievements made to date below.

South Metro Office – relocated in 2004 to a new 5-star Green Building rated office in Dandenong. Specific environmental improvements undertaken by the FSU included the:

- Re-use of fit-out and office furniture;
- Energy efficient light fittings;
- Improved insulation;
- Fresh air mode in air-conditioning;
- Energy efficient flat screen computers;
- Waterless urinal; and
- Bicycle and shower facilities.

This has resulted in the following environmental outcomes to date:

Impact	Annual % reduction	Annual financial benefit
Energy use	36	3,500
Water use	50	-

North East Office – recently relocated in 2006 to a new office in Wangaratta, which is set to achieve a 5-star Interior Green Building rating. Specific environmental improvements undertaken by the FSU included the:

- Movement and daylight light sensors;
- 'Smart' air-conditioning;
- Energy efficient flat screen computers;
- Bicycle and shower facilities;
- 100% green energy procurement; and
- Separate energy and water metering.

3. agency ems implementation

The implementation of Agencies' EMSs has matured through the three years of the Strategic Audit. In line with government requirement, an independent EMS audit was conducted for each Agency to determine the level of EMS development and implementation and provide recommendations for improvement.

These audits focused on local agency issues, whilst also providing feedback and information to inform the WofG strategic level issues and recommendations. As such, many of the recommendations contained within agency EMS audits are detailed and specific to each respective Agency. However, several common themes emerged across most Agencies. Where these themes related directly to Agency's environmental performance, they have been discussed in Section 2 above.

To enable ranking and comparisons, Agencies were consistently assessed against the scoring criteria provided in Table 3.

Each Agency's scores have been combined to determine the median WofG EMS score for all EMS elements. The WofG score for EMS development and documentation was higher than 4 out of 5 for all elements (see Figure 13). The WofG score for EMS implementation and performance was higher than 3.5 out of 5 for most categories, with five out of twelve categories rating between 2.5 and 3.5 (see Figure 14).

Figure 13: EMS Element Scores - Development and Documentation.

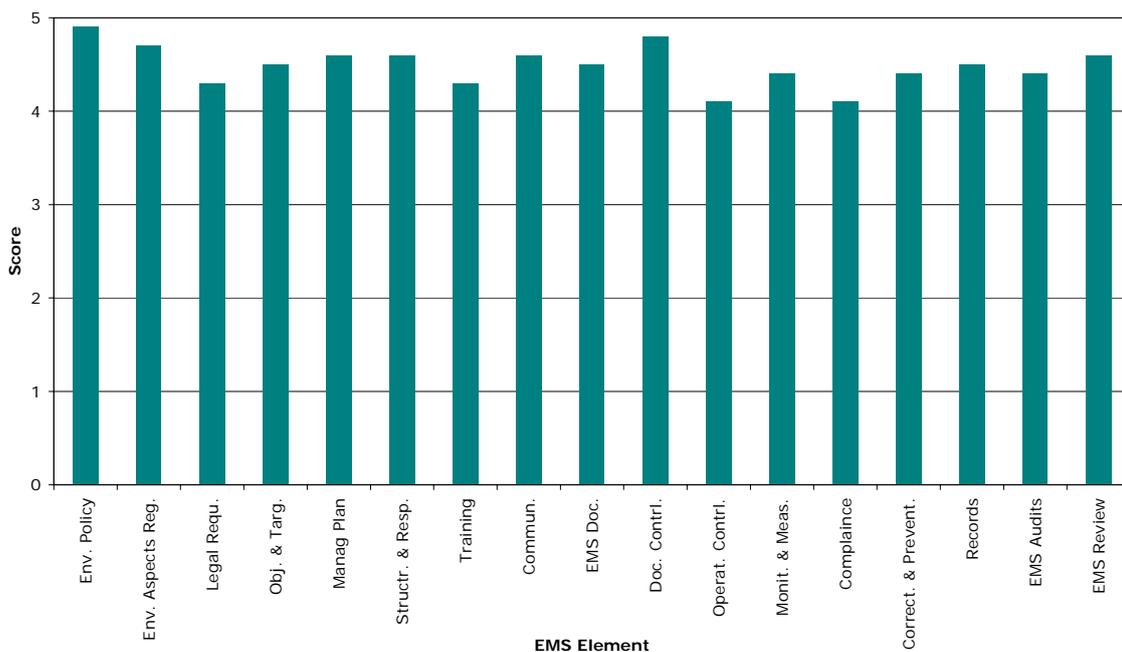


Figure 14: EMS Element Scores – System Implementation and Performance.

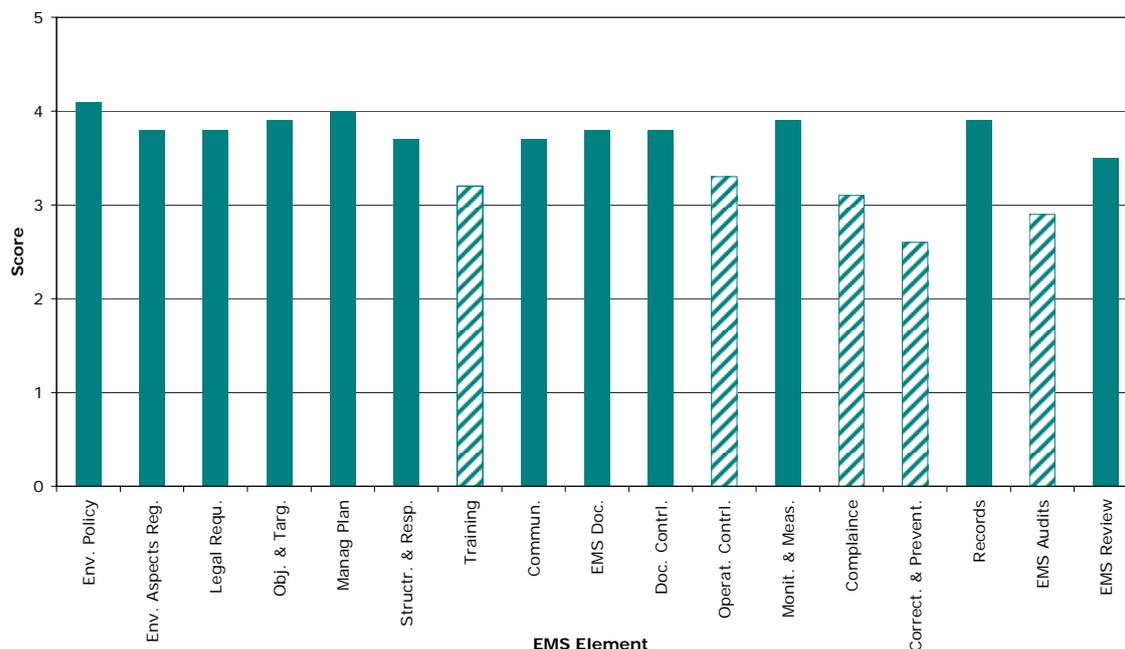


Table 3: Scoring criteria for independent agency audits.

Score	Descriptor
Development and Documentation Criteria	
5	Meets minimum requirements of the government EMS program; Comprehensive documentation; Demonstrated applicability to the whole organisation.
4	System meets minimum requirements of the government EMS program without demonstrated applicability to the whole organisation OR Some level of work needed to meet minimum requirements of the government EMS program, but demonstrated applicability to the whole organisation.
3	Documentation in place, but some level of work needed to meet minimum requirements of the government EMS program.
2	Some documentation in place, but substantial level of work needed to meet requirements of the government EMS program.
1	No effective documentation or development process currently in place.
System Implementation and Performance Criteria	
5	Culture of the organisation has integrated principles of continuous improvement and environmental sustainability.
4	Demonstrated achievement of government EMS program objectives; Demonstrated applicability to the whole organisation.
3	Performance is consistent with the principles embodied in the government EMS program objectives; Demonstrated commitment to achieving objectives.
2	Performance and system implementation is progressing towards the government EMS program objectives.
1	No evidence of system implementation or commitment to improved environmental performance.

The EMS agency audit scoring criteria assists in communicating to management and other stakeholders where the focus for future action should be whilst ensuring a consistent, rigorous and quality approach to EMS auditing.

3.1 Monitoring and Measurement

Overall, Agencies scored well for their monitoring and measurement in both documentation development and implementation. However, these relatively high scores relate to the standard requirements of the EMS program rather than rewarding a strategic, integrated approach to monitoring and measurement.

Environmental Management Systems are designed to operate with a clear process flow. This includes the setting of a high level policy, the identification and assigning of risks against environmental aspects, the development of objectives and targets and the design of programs to reduce such risks. Also includes a process of monitoring and measurement to track and report on progress towards these targets. As such, the determination of what Agencies include in their monitoring and measurement program should be determined by both the risk assigned to each identified environmental aspect and the requirements of individual environmental programs. If this were the situation, monitoring and measurement would occur throughout the year in support of environmental programs and at the end of the year for annual reporting of progress. However, many Agencies' monitoring program is limited to FRD24 requirements, with only ad-hoc monitoring of specific environmental programs occurring. Additionally, it appears that the requirements contained within FRD24A are driving, to a substantial degree, what is included in agency aspects and impacts registers. This issue represents a risk to Agencies' EMS as the success or otherwise of environmental programs is often not captured, and aspects and impacts registers are incomplete.

3.2 Structure and Responsibility

Most Agencies have senior management support for EMS development and implementation. All Agencies had a form of management review, communication processes and an EMS steering committee. In the case of DIIRD, this committee was chaired by the Department Secretary, demonstrating strong ownership and strategic direction. During the full year, DOJ appear to have not adequately covered the EMS coordinator role but report that this has now been fully addressed. While it is acknowledged that DOJ has made some progress in improving the environmental performance of areas such as prisons, an agreed coordinated and adequately resourced EMS program needs to be a priority for senior management.

3.3 Training

Training to develop the specialist competencies required of the range of key stakeholders involved in EMS development and implementation is at an early stage. It is not currently being delivered in a coordinated or strategic manner. The key stakeholder in determining the efficacy of EMS programs are each Agency's EMS Coordinator. Several of these Coordinators have been running their Department's program since inception, with several others in the role for over 2 years. EMS related training was provided at the inception of the program, resulting in most of these coordinators having participated in such training. However, training to develop the competencies required to implement office based environmental systems have not been provided to Coordinators in a strategic, planned and effective manner. For agencies to continue to progress towards sustainability, more specialist training for Coordinators is required, particularly relating to data management and reporting.

Additionally, the training of implementation support staff in agencies (eg. Environmental Champions, Fleet Managers, Purchasing Managers, Accommodation Managers, HR Managers etc) is at a very early stage. For agencies' EMS programs to continue progressing, key stakeholders require specialist training and capacity building. This should be sourced and coordinated at a WofG level, with support from these key stakeholders, Coordinators and agency management.

3.4 EMS Audits

The major elements of most Agencies' EMS documentation have now developed to close to an optimal level. As such, the program of audits conducted by Agencies requires alteration to ensure that the messages provided to agency Coordinators and management are useful and targeted at generating the outcomes desired by government. The current auditing approach, as recommended by the EPA, tends to result in both internal and external audits focusing on documentation rather than providing recommendations for the continuous improvement of agency approaches to environmental performance improvements. The result of this is clear; most Agencies have taken the management decision not to conduct internal audits, and the system orientated external audits are providing less value each year as EMS documentation continues to mature.

It is recognised that an ongoing focus is required on documentation; to ensure that agency EMSs are maintained. However, to shift the focus of audits towards providing an assessment of and recommendations for improvements in environmental performance, a review of the EMS model for government is required which will drive the focus of a performance oriented audit approach.

4. strategic audit findings

4.1 Introduction

The purpose of the strategic audit findings is to provide feedback to the Victorian State Government on issues identified during the information collection phase of the Strategic and Independent Agency Environmental Management Systems Audit in 2006. The issues presented are at a WofG level.

The methodology for the identification of strategic issues and proposed ameliorative steps involved discussions with a diverse range of stakeholders across government. These include departmental secretaries and agency heads, senior management and individuals from key functional areas, such as the DPC, DSE, DTF (which also includes Victorian Government Property Group (VGPG)) and SV. The manner in which these issues will be resolved, and the responsible party, varies according to the scope of the issue and the unit best placed to deliver ameliorative responses.

A key principle in identifying the strategic issues has been providing possible solutions which affect the Victorian Government EMS program, the environmental performance of most Agencies. These issues require WofG leadership and support. Context and background information is provided for each issue, with a proposed solution offered. All of these issues were raised and discussed, with EMS Coordinators and the EMS Inter Agency Committee (IAC) members in the development of the report.

4.2 Performance Standards and Targets

Context

The Victorian Government previously established targets for its own operations as follows:

- Energy reduction (15% reduction by June 06 from 1999-2000 levels);
- Green Power purchase (10% of electricity to be purchased in the form of Green Power by 30 June 2006); and
- Greenhouse gas emissions associated with the government's passenger vehicle fleet (10% reduction by June 2006 from 2001-02 levels).

The Government has made an election commitment to reduce government's energy consumption by a further 5% (to 20% below 2000 levels) by 2010 and increase its purchase of Green Power to 25%. The CES looks forward to these targets being operational. Currently, however, no quantitative WofG performance targets exist in relation to Agencies' consumption or production and its impact to environmental outcomes. The only existing energy performance target, outlined in the *Our Environment, Our Future - Sustainability Action Statement 2006* (ESAS), requires departments to identify and implement energy reduction initiatives that have a payback period of four years or less by 2010.

The CES report which reviewed the Victorian State Government's procurement of fleet, office accommodation and goods and services, recommended that departments should identify energy, waste and water reduction initiatives that have a payback period of 4 years or less and publicly report on their progress in implementing these in their annual reports and their EMS action plans.⁸ This recommendation was accepted by government.

The ESAS does provide an action to require the State's biggest 250 industrial energy, water and waste users to conduct mandatory audits. It is uncertain whether this will include government entities or not, but it is not thought to include the scope of Agencies currently covered by the EMS program. It is anticipated that this initiative, facilitated by the EPA, will recognise users' existing resource efficiency programs.

The 2005 *Environmental Sustainability Framework* (ESF), provides 16 interim targets for the State of Victoria (not directly government), against 13 objectives aligned to three directions. ESAS has two additional directions "*Responding to the challenges of climate change*" and "*Government leadership*".

⁸Commissioner for Environmental Sustainability (2006), *Government procurement and environmental sustainability*.

Devolved Target Setting

In the absence of current WofG targets the ten departments and two agencies required to implement an EMS are now responsible for setting their own targets within their own Environmental Management Programs (EMP). Other than the ESAS action targeted organisations (that may include government entities), no other government agency is currently required to improve their environmental performance to a specific level and within an expected timeframe. However, the government has committed to an expansion of the EMS program to statutory authorities and beyond office only, in line with previous recommendations from the Commissioner for Environmental Sustainability.

The devolved approach to target setting, where individual Agencies set their own targets without guiding WofG targets or WofG EMS program governance could generate the following issues relating to target setting:

- Establishment of comfortable targets, as Agencies will have little incentive to set stretching targets;
- Variable types of targets set across Agencies whereby targets are a mix of enabling actions and percentage consumption targets; and
- Inconsistent targets within and across Agencies. Targets that range from very low reduction targets to truly stretching targets.

This variability in target setting may not demonstrate sufficient leadership, given the government's aspirations, or drive sufficient environmental performance improvements. Variable target setting also provides challenges for subsequent performance reporting for WofG and comparable performance reporting.

Agencies were asked to provide 2006-07 Environmental Management Programs (EMPs) performance targets to the Office of the Commissioner for Environmental Sustainability (OCES) to inform the effectiveness of a devolved target setting model. From a review of the information provided by the twelve Agencies in November 2006, only six Agencies had finalised EMS performance targets, three Agencies' targets were considered draft and four Agencies had not set any performance targets. In relation to water consumption, as an example, only two Agencies had set a quantitative consumption reduction target; five Agencies had established targets related to enabling actions ranging from the provision of awareness training to the installation of water flow restrictors and five Agencies have not set any performance targets. Many Agencies stated that performance targets would be set or finalised upon receipt and review of their EMS internal audit reports. Whilst information provided in these audit reports is valuable to review the adequacy of existing EMSs, performance targets should be primarily derived from a review of environmental aspects and impacts to determine actions and relevant priorities. Performance targets should be in place ready for the beginning of the financial year.

The main benefit of a devolved approach is that an agency can set appropriate targets given its discrete functions, operations and environmental impacts while a generic set of targets could also potentially reinforce average performance. However, in devolving target setting to Agencies, the government, through DSE as the agency responsible for the government's EMS program, needs to provide sufficient EMS program governance to ensure its effectiveness. They need to ensure that performance targets have actually been set and are appropriate to the type of agency and its activities.

What target setting model should be adopted and which environmental aspects should be covered by a WofG target?

Given the threat of climate change, government should be setting further performance targets for areas previously targeted relating to energy and greenhouse gas emissions to maintain momentum and enable performance.

As previously mentioned, to improve the environmental performance of existing office buildings, the CES's report on procurement recommended the government identify initiatives with a payback period of four years or less.

As a guide to the development of a water reduction target, the Sustainable Water Strategy, Central Region, Action to 2055⁹ report, states that *"Water authorities in the Central Region will implement water conservation programs to achieve the government's targets for the reduction of total per capita drinking water consumption (25% reduction from 1990's average use by 2015, increasing to 30% by 2020)"*.

Additional conservation measures will be implemented in Melbourne with a view to bringing forward the 30% target to 2015, and states a policy position that *"The government requires water authorities throughout the Central Region to work with the non-residential sector to contribute to water savings going forward in proportion with its contribution to the overall demand for water. This should be at least 1 per cent per year of current non-residential usage."* This incremental annual performance approach for Agencies, combined with a medium-term

⁹ Department of Sustainability and Environment (2006), *Sustainable Water Strategy Central Region Action to 2055*.

target for the WofG, is a useful model for government to consider when developing its own water reduction strategy.

To create the conditions to facilitate green procurement, the CES's report on government procurement provided a recommendation to *"Set whole of government targets for a small number of goods and services and consider incorporating reporting on those targets into FRD24"*.¹⁰ This recommendation was accepted in principle by the government.

Aspirational Goals (EPA)

EPA has recently set new medium to long-term aspirational goals as part of its EMS. These are stretch goals intended to drive world-class environmental performance and will require innovation and 'thinking outside the box'. They include:

Beyond carbon neutral: EPA will aim to ensure 100% of the carbon generated from their activities are avoided and then offset where not yet avoidable. In offsetting and going beyond carbon neutrality, they will use their resources and influence to reduce the carbon generated by others as much as possible.

Zero Waste: EPA aims to be 100% resource efficient by rethinking our activities that generate waste, creating zero waste solutions where possible, and working with others to offset what they cannot yet avoid.

Zero Water: EPA aims to take no water from the environment by closing their water cycle. Where they are not 100% self-sufficient in their water use, they will work with others to offset what they cannot yet avoid.

About EPA's aspirational goals:

- They are medium to long-term goals.
- Each year, EPA will set specific targets for carbon, waste and water.
- To achieve these goals innovation and 'thinking outside the box' will be required.
- EPA will deliver initiatives in a cost neutral or cost beneficial way.
- EPA will prioritise initiatives according to the waste hierarchy.

With regard to government fleet targets, the CES also recommended "The Victorian Government should adopt the goal at a whole of government level to match the National Average CO₂ Emissions target when it is set".¹¹ This recommendation was also accepted in principle.

Transport is one of the main sources of greenhouse gas emissions, one of the fastest growing sectors, and also has more localised negative impacts such as congestion, noise and poor air quality. With approximately 30,000 departmental staff (27,602 FTEs) travelling to work each day, the Government has an important role to play in achieving the government's aims for sustainability.¹² However, efforts to support sustainable travel to and from work are highly variable across worksites.

It is therefore recommended that the development of sustainable travel by Victorian Public Service staff be incorporated as a mandatory action area in the EMS separate and distinct from other action areas, and with a specific emphasis on travel to and from work. To realise the greatest benefit for the public sector, and to achieve the greatest public

value, it would be desirable to have all VPS organisations develop and implement a Green Travel Plan (GTP). However it is suggested that the inclusion of GTPs should be required as a mandatory element in EMSs, for the current Agencies that are already required to implement an EMS. These organisations have significant experience with the EMS, and have undertaken significant activity with regard to sustainable travel for work. Therefore extending their efforts to include staff commuting is a reasonable stretch goal. Furthermore the existing governance arrangement of the EMS IAC offers an expert peer network to share best practice, test, review and refine this approach before further expansion is considered.

It is suggested that Agencies commence the development and implementation of GTPs for their worksites with a minimum staffing level (e.g. 250 FTE, to be determined in consultation through the EMS IAC), and are located in the metropolitan area where transport alternatives are best and congestion levels highest.

If this approach is adopted, DOI has advised that their TravelSmart Program would provide agency support. Furthermore, DOI could develop specific guidance material, in collaboration with the EMS IAC on Transport and Environmental Management Systems. DOI's consultation with Agencies on the proposal to establish mandatory GTPs within current EMSs found overall support for the goal of facilitating more sustainable transport by VPS staff to and from work.

¹⁰ Commissioner for Environmental Sustainability (2006), *Government procurement and environmental sustainability*.

¹¹ Ibid.

¹² State Services Authority (2006), *Annual Report 2005-06*.

Any new WofG targets set should consider the following:

- Short term (2-6 years) achievements;
- Targets set by individual Agencies;
- Targets that begin at a base level and are ratcheted over time (ie. annual improvement of 2-5%) to ensure continual improvement;
- The different context of each agency and opportunities to engage with the business processes of Agencies; and
- Using stretch goals (10+ years) which aim for an outstanding environmental result. For example, zero net mains water consumption by 2030. This would provide valuable context for smaller step targets and ensure that the broader vision for water initiatives is present.

It is important to note when long term stretch goals are considered, that most government Agencies are likely to be subject to government institutional changes at some stage during a 10-year period. This can make it difficult to monitor progress on long-term targets, unless they measure WofG progress.

WofG targets can also be structured to reflect a set of actions undertaken. An example would be "All Agencies will have integrated environmental sustainability specifications into over 70% of government spend for goods and services annually by 2010".

Findings

In assessing the performance of the Agencies, both individually and in a WofG context, there appears to be a strong correlation between the presence of WofG targets and EMS Agencies' performance in taking actions to reduce the consumption of energy, the generation of greenhouse gases from vehicle transport and in increasing procurement of Green Power. This correlation is in contrast to water and procurement areas without WofG targets, where, notably less action and progress has been achieved.

The majority of senior executive stakeholders engaged through the strategic audit process indicated that the previous WofG targets were their priorities for performance and that the WofG targets had raised the profile and level of activity of the EMS within their Agencies.

A strong policy driver like WofG targets is required to stimulate increased environmental performance. Government should establish WofG targets, following appropriate consultation.

Recommendation 1: Whole of Government Targets

Government to establish whole of government targets (WofG) for:

- **Water;**
- **Greenhouse gas emissions associated with energy consumption;**
- **Purchasing Green Power;**
- **Green procurement;**
- **Greenhouse gas emissions associated with the passenger vehicle fleet; and**
- **Green Travel Plans.**

Targets that specify a time limit should be set by May 2007, following agency consultation, to allow incorporation of targets within Agencies' Environmental Management Programs for the 2007-08 period. These targets may be action-based targets.

4.3 Agency Reporting – Financial Reporting Direction 24A Review

Context

Agencies are required to include environmental performance data in their annual reports as per FRD24A. DTF is the process owner for FRD24A, which has been a requirement for Agencies environmental reporting, since the 2003-04 financial year.

The 2005 Strategic Audit recommended a review of FRD24. The government has done some initial work with FRD24, resulting in FRD24A, and developed detailed guidance notes to facilitate the collection, analysis and reporting of environmental data.

The FRD24A requirement is a significant driver for measuring and monitoring performance and transparently disclosing government's environmental performance to the community. At present, it is difficult for communities to understand performance based on the information provided within agency Annual Reports.

Increasingly in the private sector, the performance of organisations is being assessed by more than just their financial performance. To provide a better judgment of an organisation's overall performance consideration is being given to the social and environmental performance of organisations, as well as their traditional financial analysis. Sustainable Asset Management (SAM) is an example of a leading organisation that annually assesses the largest 200 listed companies in Australia (and 2,500 companies worldwide) according to their environmental, social and financial performance. Increasingly this type of assessment is being used to guide investment, as indicated by the Dow Jones Sustainability Index (DJSI) and the Australian SAM Sustainability Index (AuSSI). The successful inclusion of such indices is more recently being used in mass media promotion of private sector organisations. It would be beneficial for DTF to include environmental performance in assessing overall agency performance. This could also be supported by benchmarking agency performance against private sector organisations.

Findings

The FRD24A data for the 2005-06 financial year has several inconsistencies and changes in data sets. These inconsistencies and changes make data management and trend reporting difficult. For example:

- Three Agencies were not able to provide any water data for 2005-06 (DPC, DTF and SV);
- Two Agencies excluded vehicle fuel for work unit vehicles for 2005-06 but did not present comparable data sets for previous years (DSE and DPI). Another two Agencies excluded vehicle growth from 2001-02, for every year (DOJ and DHS); and
- Performance trends are also not reported (with the exception of DPC and DTF who voluntarily publish trend data), preventing any real understanding of Agency performance in their actions to address environmental sustainability.

Agencies consistently considered the lack of a WofG EMS Coordinator for the past year as barrier to achieving consistency of and improvement in data sets across Agencies.

The division between office and other agency operations at individual sites is not always clear and may contribute to inconsistent data sets. The expansion of the EMS to capture whole of business environmental performance should increase the clarity and accuracy of performance data. The data sets that are being reported may still disguise the actual performance as the data collection and management methods improve.

FRD24A has not been managed by DTF in a manner consistent with other Financial Reporting Directions (minimal review and feedback to Agencies and no training for users). Verification is provided by requiring annual audits and data verification, however Agencies have not been required to apply the same verification rigour as they do for financial data sets.

DTF as the process owner for FRD, with support from DSE (as EMS program owner), needs to manage the identification and implementation of improvements to FRD24A to increase its effectiveness for measuring performance. Areas for improvement include the following:

a. Link Agency performance with WofG targets

To increase awareness of WofG targets for greenhouse gas emissions associated with energy and transport, water, procurement and sustainable travel; agency performance reporting should be linked to progressing these targets, and any future WofG targets as they are established. This context should be provided in agency annual reports.

b. Water consumption data

Issues exist with the metering of water consumption for individual offices. The consistency and verification of data sets used to report water consumption must also be improved.

c. Waste and recycling data

The waste data required by FRD24A is insufficient to capture real waste and recycling outcomes. More comprehensive waste performance monitoring is required, such as the units of waste to landfill as a percentage of total waste.

d. Procurement reporting

Procurement reporting needs to be expanded beyond paper to assist Agencies to set targets, implement, monitor and report performance. There are inclusions of green procurement criteria in the procurement of some goods (mainly office supplies) by some Agencies, but this is not captured by FRD24A or otherwise in the EMS process. Including green procurement in FRD24A further supports the link between the EMS and core agency business as the agency can influence the supply chain directly related to the delivery of the agency's core business. An expanded procurement reporting requirement needs to be a mandatory element of FRD24A to stimulate increased activity and progress.

e. Transport reporting

Given the Victorian Government's commitment to purchasing Australian manufactured vehicles the extent to which Agencies can reduce greenhouse gas emissions from making changes to its vehicle mix are limited. However, every opportunity to communicate government's environmental actions to reduce its own vehicle emissions should be encouraged. Government should therefore consider the merit of including the percentage of low emission vehicles held within agency passenger vehicle fleets and the percentage of FTEs covered by GTPs in future reports.

f. Financial performance

One of the WofG EMS objectives is to "Contribute to the achievement of efficiency gains and the resulting financial savings by reducing the use of office-based resources such as paper and electricity". Currently the financial savings are not being monitored and reported. In order to demonstrate the net benefits of EMS and other performance management and reporting systems, it is imperative that the costs and benefits of each program are monitored and reported to inform whether the system is actually of net benefit. It will be difficult to continue to advocate higher targets and improved performance without this essential information.

g. Trend Data

It is important to understand performance over time to assess progress of individual Agencies as well as WofG. Trend data is currently not expressed in FRD24A. FRD24A should require trend performance reporting to improve the communication of performance. At present, only DPC and DTF voluntarily report trend performance.

h. Agency target reporting

Agencies are not currently required to communicate their current or future EMS targets for improving their environmental performance in FRD24A. Individual agency FRD24A targets will provide context of whether an agency is successfully achieving its own performance targets.

i. Global Reporting Initiative alignment

The FRD24A should align, wherever possible, with the environmental aspects of the Global Reporting Initiative (GRI), *Sustainability Reporting Guidelines*, which represents the evolving best practice guidance for sustainability reporting internationally. The CEO of GRI, Ernst Ligteringen, recently observed at the GRI G3 conference in Amsterdam, that "*The key question is therefore not whether sustainability reporting will become relevant, but rather in what shape or form reporting will be most useful. GRI's mission is to evolve a global language and metrics for sustainability reporting*".¹³

FRD 24A currently does not align with international reporting frameworks and would benefit from greater consistency with GRI's sustainability reporting framework to promote benchmarking and achieve greater

¹³ Ligteringen, E. (2006), GRI G3 Conference.

efficiencies with the design and use of key indicators. FRD 24A requirements which are not aligned to GRI should be reviewed for the reporting value that they provide.

Alignment with GRI would also support the Victorian Government's commitments in ESAS which states that "The government will begin piloting the GRI reporting guidelines for the public sector in the Department of Sustainability and Environment in conjunction with the Centre for Public Agency Sustainability Reporting, launched in Melbourne in 2005".

j. FRD24A Guidelines review

The government's FRD24A and its Guidelines also requires greater clarity to cover issues such as how to treat vehicle growth, purchase of offsets, validity and calculation of FTE numbers (eg. instead of as at 30 June, an average of monthly total FTEs that included other ongoing personnel responsible for resource consumption during the reporting period, ie. contractors), and the requirement for data treatment and disclosure when changing data scope and calculation methodologies.

The inclusion of all personnel, whether directly employed or not, responsible for consuming resources during a reporting period has the potential to affect an Agency's performance on a consumption per capita basis and would more accurately indicate environmental consumption and performance. As an example, had FRD24A allowed DSE to include their estimated additional 100 contractors engaged throughout 2005-06, the Agency's water consumption, calculated on the basis of litres per FTE person (not employee), would be 14,721 L/person, rather than their employee consumption of 15,290 L/FTE.

In addition, to ensure the correctness of FRD24A data published within agency annual reports which are tabled in Parliament, the government should urgently consider the requirement for this data to be externally audited, prior to its publication. This requirement would ensure independent verification of the published data and improve the robustness of data management processes, including the capture, management and reporting systems in place within agencies. The validity of agency environmental data is essential to the integrity of government's environmental management approach and being able to demonstrate with confidence how its agencies are performing to Parliament and the wider community.

k. Coverage of FRD24A data

In measuring performance there is also an issue of capturing greater certainty of agency coverage within FRD24A. In expanding the EMS program to outer budget agencies, it is important that FRD24A is refined and that the coverage of Agencies required to use it for reporting is clarified.

l. Materiality

Issues of materiality should be considered in deciding what to report in sustainability reporting and would help Agencies focus on the significant aspects of their operations and minimise the administrative burden associated with data management and reporting.

Recommendation 2: Review of Financial Reporting Direction 24A and Guidelines

Department of Treasury and Finance (DTF) to conduct a review of Financial Reporting Direction 24A (FRD24A) and its Guidelines, in conjunction with Department of Sustainability and Environment (DSE), the WofG Environmental Management System (EMS) Coordinator and representatives from the Inter Agency Committee (IAC) and the Agency EMS Coordinators by July 2007 and identified changes implemented in Agencies by October 2007 (to ensure data management improvements are included within 2007-08 financial year and not deferred until 2008-09). DTF to review FRD24A and its Guidelines specifically relating to the following:

- **Link Agency performance with WofG goals;**
- **Water consumption;**
- **Waste and recycling data;**
- **Procurement reporting;**
- **Transport reporting;**
- **Financial performance;**
- **Performance trend data;**

- Agency target reporting;
- Global Reporting Initiative alignment;
- FRD24A Guidelines review;
- Coverage of FRD24A data; and
- Materiality.

Recommendation 3: Training on Implementation of FRD24A

DTF to provide training and guidance to Agencies on implementation of FRD24A and methodologies for the appropriate capture, management, assurance and reporting of associated data. Further, the training should be extended, with support from DSE and Sustainability Victoria (SV), to cover the importance of sustainable development and what EMSs are attempting to achieve, ie. improved environmental outcomes and operating efficiencies.

Recommendation 4: Agency Targets and Performance Trend Reporting

Government to require performance trend reporting and disclosure of future performance targets within the FRD24A data for the 2006-07 period onwards. It is suggested that a base year of 2005-06 is used, with trend reporting till at least 2009-10.

Recommendation 5: Vehicle Greenhouse Gas Emissions Offsets

DSE to allocate the WofG vehicle greenhouse gas emissions offsets purchased on behalf of government department's consumption, to Agencies for inclusion within FRD24A published performance results in Annual Reports for the 2006-07 financial year. If reporting net emissions, the greenhouse gas emissions offsets need to be reported separately to ensure transparency.

4.4 Water Measurement and Performance

Context

Water is a major priority for the Victorian Government due to current drought conditions and the expectation of an increased frequency and severity of drought conditions in the future as identified by CSIRO climate change modelling for Victoria¹⁴. The Victorian Government has a target to "Reduce Melbourne's water use by 15% by 2010" as stated in the ESF 2005.

Findings

Water was traditionally not measured and monitored in government buildings and leased accommodation did not usually have separate water meters for different tenancies in a building. The metering and measurement of water has improved with the occupation of new accommodation and leases. The installation of water metering in government buildings has often been perceived as too expensive compared to return on investment due to the very low price of water per unit.

Some Agencies are not implementing water reduction initiatives because they are unable to measure water performance. Due to monitoring and reporting issues several Agencies are not undertaking a range of water reduction initiatives, which are becoming standard practice elsewhere. Lack of reliable monitoring data should not result in no action. Agencies need to prioritise and target actions to reduce water usage and dependence on mains water supply.

The CES's *Government procurement and environmental sustainability* report recommended Agencies identify water reduction initiatives that have a four years or less pay-back and publicly report on progress towards implementing these in departmental annual reports and in EMS Action Plans. This recommendation was accepted by the government.

¹⁴ Melbourne Water/CSIRO Urban Water and Climate Impact Groups (2005), Melbourne Water Climate Change Study

This approach is highlighted in the Sustainable Water Strategy, Central Region, Action to 2055¹⁵, which states “The government will continue the Sustainable Water Efficiency Program for schools”. This involves an audit of indoor water use and a retrofit of fitting and appliances. Payment is based on estimated water savings over two to three years.

Influencing the water use of a whole building (including air conditioning) can be exerted by Agencies where they are major tenants. This is best exerted for new accommodation, however, government should seek to influence (in partnership with) lessors in the leasing renewal and to a lesser extent during rent review cycles for any existing leased accommodation.

To enable action, Agencies should ensure that water consumption data is available for all individual locations greater than 2,000 m² (as the threshold quoted within government’s *Office Accommodation Guidelines*¹⁶), and with an occupancy lifespan greater than 2 years. This may include installing water metering devices or negotiating for the provision of detailed data sets from landlords for leased accommodation. To ensure adequate transition planning and the provision of capital investment budget allocations, a 2 year period should be set for agency compliance. This approach to water measurement is similar to that recommended by the Australian National Audit Office’s *Cross Portfolio Audit of Green Procurement*, 2005.

The Victorian Government Property Group (VGPG), as the lead facilities agency within government, should be responsible for the development of a strategy to enable agency location-based water consumption profiles and to minimise water use from facilities. This strategy should set a reduction target and include the mandatory installation of a set of fittings (flow devices, etc) for existing (not just new) government accommodation. Improvement is required in water profiling and usage reduction for most Agencies. This requires improvements in consumption profiling per location. To improve the water consumption data capture process, WofG contract arrangements with retailers need to address metering issues. The assistance of water utilities should be sought to assist government’s water reduction strategies and consumption profiling.

As part of a water performance strategy, VGPG should explore improvements in arrangements with water retailers in the services provided for measurement of water consumption. This could also include a bulk purchase, possibly managed by the Procurement Branch, DTF and implementation of water meters for Agencies.

Recommendation 6: Implementing Water Efficiency

Agencies to be required to implement actions that are effective in reducing water use, rather than just initiatives that can be monitored. Actions including implementation of water efficiency flow restrictors for all basin taps and showers should be mandatory for all agency sites.

Recommendation 7: Water Consumption Reduction Strategy

The Victorian Government Property Group (VGPG), DTF, to develop a water consumption reduction strategy for owned and leased office accommodation. Strategy to be developed by July 2007. The strategy should include a review of the adequacy of water measurement devices or negotiated provision of detailed data sets for every Agency accommodation location greater than 2,000 m² with a contract life greater than 2 years by December 2008.

4.5 Whole of Government Waste Management Contract

Context

The Victorian Government has a goal to increase its waste recycling and to improve its waste management, with the specific objective to increase the amount of waste recycled and to reduce the use of landfill as a waste disposal method.

Findings

The monitoring and measurement of waste and recycling is currently conducted by Agencies using a sample of sites and auditing a fixed-period’s waste production and recycling out of the whole year. This approach is ineffective for providing an accurate measure of annual quantities of waste to landfill or recycling for:

¹⁵ Department of Sustainability and Environment (2006), *Sustainable Water Strategy Central Region Action to 2055*.

¹⁶ Victorian Government Property Group, Department of Treasury and Finance (2005), *Victorian Government Accommodation Guidelines*.

- Sites with seasonal variability and activity;
- Multiple sites; and
- Office clean outs for relocations or refurbishments.

The monitoring and measurement of the government's waste and recycling should be completed by the waste and recycling contractor as part of the service, like some providers are doing voluntarily.

Each Agency has numerous waste and recycling contractors presenting a significant risk to ensuring the appropriate disposal of prescribed and hazardous waste. Certificates of transfer and disposal of hazardous and prescribed waste as well as records of recycling should be centrally managed to reduce risks of non-compliance and to produce administrative efficiencies.

The opportunity exists to develop a WofG contract for managing waste and recycling services. This contract should be designed to manage greater efficiency in the existing waste and recycling contracts that are integrated into existing government accommodation stock and lease agreements. For example, managing a waste service for a building to a level that is required rather than what is necessarily provided (eg. emptying five full skips rather than ten half empty skips for a location).

The contract could consolidate a potentially significant proportion of Agencies' that will initiate and renew waste and recycling contracts through a transition period within the next three years. This would most likely be within regional areas, within outer budget agencies (such as schools, TAFEs and hospitals) and within agency business areas involving a greater array of hazardous and prescribed materials than just office activities.

The aggregation of procurement can be used to influence the waste and recycling collectors to provide monitoring and measurement data quarterly to identify relative proportions and quantities of agency waste and recycling components. This aggregation of procurement has generated substantial savings in other organisations and improved the waste and recycling service while reducing the risks associated with prescribed and hazardous waste.

Recommendation 8: Whole of Government Waste Management Contract

Victorian Government Property Group (VGPG), DTF to examine the potential for a WofG contract for waste and recycling management to reduce risk while streamlining the service, costs and reporting over a transition period. VGPG should develop a WofG waste contract Options Paper for waste and recycling management with presentation to and endorsement of its recommendations by the IAC.

4.6 Green Procurement Targets

Context

Procurement of goods and services has been a priority issue since the first strategic audit, however, there has been limited action to address this priority element. The Victorian Government's purchasing power can be used to significantly improve environmental sustainability outcomes across government, business and the community.

To create the conditions to facilitate green procurement, the CES's procurement report provided a recommendation to government to *"Establish clear and consistent guidelines and metrics for reporting on greener procurement under FRD24A"*.¹⁷ The government accepted this recommendation.

Findings

There has been a lack of significant progress in implementing previous strategic audit recommendations relating to procurement. In most cases the establishment of green procurement targets were minimal. Very few Agencies had set specific quantifiable targets for procurement. The reporting of procurement progress in annual reports was limited to recycled content paper.

It is noted that the government has accepted or accepted in principle the majority of the wide-ranging recommendations associated with the CES's *Government procurement and environmental sustainability* report. The following issues and findings are in line with this review.

¹⁷Commissioner for Environmental Sustainability (2006), *Government procurement and environmental sustainability*.

There has been a slow uptake of green procurement of goods and services across Agencies, other than stationery purchases, vehicle fleet and office related consumables. The perceived barriers to greater uptake of green procurement may include:

- Perceived and actual conflict between green procurement and reducing costs;
- Lack of integration of green procurement into operational procurement processes;
- Lack of knowledge about what green procurement is and how to go about it;
- Lack of provision of adequate tools and training;
- Lack of central agency leadership and support; and
- Devolved procurement arrangements within Agencies.

Most Agencies recognise green procurement as an effective way to influence the environmental sustainability of their suppliers, clients, customers and community as part of core business. When environmental sustainability is integrated into the principles of delivering agency core business services, green procurement will be a significant driver of this process. This will also have a significant impact on staff culture and the relevance of environmental sustainability in the workplace.

Targets need to be developed as part of a plan by Agencies to increase their green purchasing more broadly. Some Agencies have broader green purchasing programs or initiatives but this is not captured by the EMS. An example would be the use of environmental sustainability conditions in the provision of grants for capital works or community programs.

Improvements in green procurement of goods and services are required across the board. Agency environmental procurement profiling, prioritisation and targeted actions need to be developed by Agencies. This needs to be supported by the coordinated provision of adequate tools, training and targeted communication by the Procurement Branch (DTF) and VGPG (DTF) and SV to improve the uptake and performance of green procurement.

It is important that DTF progress the review of the WofG spend profile, not just WofG contracts, to determine high environmental impact areas and develop strategies to reduce impacts as stated in the CES's procurement report.¹⁸ The inclusion of environmental impact within the current Spend Map project should also be considered.

Recommendation 9: Procurement Profile and Targeted Actions

To influence agency supply chains, clients and customers to improve their environmental performance, the Procurement Branch (DTF) to progress the review of the WofG spend profile (not just a profile of existing WofG contracts) and consider the inclusion of environmental impacts within the current Spend Map project. Agencies need to develop environmental procurement profiles and targeted actions by July 2007.

Recommendation 10: Procurement Coordination, Support and Implementation Plan

To support the improved uptake and performance of agency green procurement, the coordination and provision of adequate tools, training and targeted communication is required. DSE, as the lead agency responsible for the Government's EMS program and Sustainability Action Statement 2006, to work with the Procurement Branch (DTF), VGPG (DTF) and SV to drive the necessary collaboration to deliver an integrated implementation plan to support Agencies by March 2007.

Recommendation 11: Victorian Government Purchasing Board to Report on Green Procurement Progress in Annual Report

The Minister for Finance to require the Victorian Government Purchasing Board (VGPB) to report on its progress in enabling the tangible uptake of green procurement across Agencies in its future Annual Reports.

¹⁸ Commissioner for Environmental Sustainability (2006), *Government procurement and environmental sustainability: Part 3 Government procurement of goods and services (recommendation 21)*.

4.7 EMS Expansion Planning and Implementation

Context

The WofG EMS program has progressed over the past three years with a focus on office operations. The future stages of the WofG EMS will be characterised by a comprehensive phase of expansion to regional sites, to statutory authorities and to support the integration of environmental sustainability into core business.

An expansion of the EMS program has been recommended by the CES's previous strategic audits and accepted in principle by government. The government has committed to developing a five year strategy to expand the EMS into statutory authorities under ESAS.

The objective of such an expansion is to reduce the overall environmental impact of government, and the process may be mandatory and/ or voluntary. The content of the program will need to be considered (ie. offices, buildings, operations), as will the format of the program (ie. informal EMS, certified EMS, environmental program). It is likely that a combination of the above issues will be required, as different agencies will have different issues and requirements.

It is also important to note that, there are 263 authorities in government (excluding schools), which are not covered by the existing EMS program. Seven of these authorities have in excess of 5,000 staff and are therefore larger than some core departments. In addition, buildings such as hospitals, schools, prisons, courts and police stations, which (due to their number) have significant environmental impacts are also not covered by the existing government EMS program. However, some authorities and departmental EMSs are managing these environmental impacts. For example, most hospitals have energy management programs, and most water authorities have some form of environmental management system (eg. Goulbourn Murray Water is seeking ISO14001 accreditation for their EMS).¹⁹

In April 2006, forty-two of the larger statutory authorities (excluding the health and education portfolios) were surveyed to gain an understanding of existing environmental initiatives and implications of EMS expansion. Overall, most Agencies had some form of environmental program or environmental initiatives in place. Energy, waste, water and paper were the most popular initiatives. A third of respondents indicated culture as a barrier to reducing their organisations environmental impact, with just under half saying insufficient resources was an issue.

It is recognised that providing sufficient resources is key to the success of an expanded program and that any expansion of the EMS program does not redirect resources away from existing programs. The EMS program generates savings for government through lower utility bills etc but resource investment is also required to manage the program and implement environmental initiatives.

Findings

a) Expansion to regions

Expansion to regional sites is evident in Agencies with significant regional operations. Although overall this expansion is at an early stage, the majority of Agencies are progressing regional expansion.

Several Agencies have engaged heavily at the regional level and implemented some infrastructural initiatives. It is also evident that many regions have autonomously taken steps to improve their environmental performance for several years prior to the introduction of an environmental management system. It is noted that the regions appreciate a more structured and strategic approach to their environmental programs. The involvement of smaller regional offices (satellite offices) in the program of the main regional offices is a challenge that requires additional focus as the regional expansion matures. However, some Agencies are yet to extend their EMSs beyond head office. Three years after EMSs were introduced, this lack of coverage requires addressing.

The involvement of Regional Directors, or equivalent, in the approval and review of regional environmental management plans has been a successful approach to ensure regional executive engagement and commitment.

The provision of resources for regional environmental programs at the local level is often minimal. The regional expansion still requires greater focus and attention to achieve improved environmental performance across the state.

Agencies need to ensure sufficient resources are internally allocated to the EMS program to ensure adequate coverage of EMS to the organisation and to ensure its effectiveness. Several Agencies reported that the management of EMS initiatives was overly dependent upon EMS Coordinators, rather than being shared by the

¹⁹ Commissioner for Environmental Sustainability (2006), *Expansion of Office-based EMS Draft Issues Paper*.

corporate functions associated with the program, ie. the corporate functions of property/facilities management (energy, waste, water), procurement (green procurement including paper) and vehicle fleet management (passenger vehicle fleet and commuting transport), etc. The acceptance by these corporate functions and their staff of the role they can play in managing the agency's environmental responsibilities and in reducing the agency's environmental impacts will improve the likelihood of improved environmental performance and minimise any unnecessary additional resource demands.

Some Agencies, however, also stated that agency budget supplementation by government was required in support of their EMS programs.

Further guidance is required regarding the expectations concerning regional documentation and responsibilities to ensure a consistent approach. There is a possibility of grouping regional sites across Agencies for support and building local engagement.

Recommendation 12: Regional Environmental Action Plans and Regional Support

Agencies with regional sites to establish office based regional environmental programs and action plans that are approved and resourced by agency Regional Directors or equivalent by July 2007.

Regional Roadshow (DHS)

In order to expand the department's environmental management program into all regional offices local environmental action plans for the 2006-07 period have been developed and endorsed.

The environmental action plans were developed during workshops facilitated by the Environmental Management Unit, Finance & Business Services. The workshops, attended by staff from each region responsible for fleet, IT, building management, HR, communications and purchasing, allowed regional staff to have direct input and control over the actions to be implemented within local offices.

Regional based-staff are able to track their environmental performances through quarterly reports provided by the environmental team. The environmental intranet site, 'the Greenzone', is also being adapted to include individual reports allowing all staff to view their region's environmental performance.

A reporting proforma has been developed to ensure that each region submits 6 monthly performance reports to the Environmental Manager. This ensures that the actions are being implemented, monitored, data is comparable and that the regions own their progress.

Actions and initiatives obtained from the workshops formed the basis of the individual plans. The Environmental Manager and Regional Corporate Services Manager reviewed the draft regional plans to ensure that the objectives, targets and initiatives were inline with existing departmental commitments. The plans were then reviewed and endorsed for action by the relevant Regional Director.

Each plan contains a list of actions to reduce energy, water, paper consumption, waste generation and the use of the vehicle pool. Any financial savings will be reviewed at the first half-yearly review.

Environmental awareness among regional staff generated throughout the development of the plans. The opportunity for the development of environmental networks is now provided.

Findings

b) Expansion to outer budget agencies

The environmental programs to be used by agencies in the expansion of the government EMS program need to be scaled to meet the structure, culture, size and current environmental progress of the agencies.

Lessons learnt from the development of agency EMSs will benefit the expansion of the EMS to outer budget agencies. Within agencies a significant wealth of EMS experience exists and should be utilised across government for maximum effect.

Currently, the approach of agencies to EMS development and implementation could be characterised as that of a set of individual medium to large enterprises. To gain maximum efficiency and effectiveness, the approach taken to agency EMS development and implementation should be similar to that of a large, coordinated, multi-site, diverse enterprise. This will ensure that government gains the benefit of strategically utilising the agencies collective skill base, resources and experience.

Coordinated expansion to outer budget agencies will require investment proportional to the scale and scope of the agency. Large statutory agencies have either already established environmental management programs or have existing resources responsible for facilities, transport, procurement, etc, who would be able to support the expansion program without the requirement for significant additional resources. Many smaller statutory agencies would be able to be incorporated within existing Departmental and Agency EMSs. Inner budget agencies could support their portfolio of agencies to improve their environmental performance through utilising existing EMS coordinators, if resourced appropriately.

c) Expansion to core business

Every agency is integrating environmental sustainability into core business to some degree. Several Agencies noted that it would be beneficial to have a more structured and strategic approach to this task. DSE, as part of the ESAS are expected to provide guidance on integrating environmental sustainability into decision making obligations.

The EMS is an established system within Agencies to support this process of strategic integration. Reporting purely office based environmental performance has been problematic. The division between office and other agency operations at individual sites is not always clear. The expansion of the EMS to capture whole of business environmental performance would increase the clarity and usefulness of performance data.

It is currently unclear how the EMS will be integrated with ESF actions and agency obligations. DSE are expected to provide detailed guidance to Agencies during 2007.

Recommendation 13: Expansion of EMS Scope and Implementation Plan

DSE to clarify the definition of Agencies within the expanded EMS scope (within its five year implementation timing), communicate this obligation and the implementation plan to applicable Agencies, clearly explaining the integration of Environmental Sustainability Framework decision-making with the EMS program by May 2007.

4.8 Whole of Government Leadership and Agency Support

Context

The Victorian Government aspires to be recognised as a leader in environmental sustainability and the Council of Australian Government's climate change reform agenda. In addition, Agencies are dependent upon the provision of coordinated central Agencies' advice and EMS program support to ensure momentum is maintained and further progress and performance is made. Existing support forums for the EMS program will need to be reviewed to determine if their structure meets the needs for an expanded program. Increasingly, senior executives and officers throughout the public service require a much better understanding of environmental sustainability issues and how their own responsibilities can influence environmental outcomes. The concept of shared responsibility and integration is in line with the government's ESF.

Findings

a) Agency Heads

Resources need to be committed to the Agencies EMS to meet specified timelines, continually improve EMS performance and extend its reach beyond office based impacts. Greater commitment and leadership needs to be demonstrated by Agency heads, central and lead environmental Agencies to embed environmental sustainability into core business operations and policy decision making. High level commitment to environmental sustainability is needed across the Victorian Government at a time when the government has made clear commitments to show leadership in this area.

Recommendation 14: Agency Head Leadership

The need for strong Secretary and Agency Head leadership, to lead attitudinal and behavioural change, to ensure full implementation of resource saving programs and deliver improved environmental outcomes, should be referred to the Premier.

b) WofG EMS coordinator

The WofG EMS coordinator appears to have been under-resourced and the full-time position was vacant for much of 2006. In addition, the provision of existing or intended WofG resource support has not been communicated effectively with EMS coordinators. However, it is acknowledged that DSE has recently appointed a full-time EMS Coordinator to help ensure the provision of sufficient resources for their role in driving the implementation of ESAS leadership actions.

Recommendation 15: Whole of Government EMS Support for Agencies

DSE to consider how best to provide resource support to cover the issues requiring resolution in advancing the performance of the EMS program, as outlined within this report and communicate the resource support to be made available to Agencies in support of the EMS program.

c) Inter Agency Committee Secretariat

The EMS Inter Agency Committee (IAC) is a valuable network to progress the EMS program, however it would benefit from senior level secretariat to manage executive level engagement and the communication of issues, directions and outcomes in an ongoing, strategic and focused manner. Each agency has a senior representative on the IAC, but there has been a tendency with some agencies to refer strategic EMS issues to the EMS Coordinators. This is reducing the value of the IAC to engage and resolve issues and opportunities at the senior executive level.

The IAC has been chaired by the EPA representative who has provided a directed, high level discussion, with some administrative support from DSE. This has been sufficient to date, yet the ability to maintain ongoing and strategic high level engagement of the central Agencies is required as the program moves forward.

An opportunity exists for DSE, as owner of the government's EMS program, to chair the EMS IAC and for DTF to take a key leadership role, as co-chair of the EMS IAC. This is a key moment in time, following three years of implementation experience and before the program expands its scope (to non-office) and coverage (to outer budget Agencies).

DSE's and DTF's commitment to the achievement of government and EMS program environmental objectives and senior coordination is required to support several leadership actions highlighted in ESAS, including EMS expansion, decision-making and sustainable procurement. Ensuring that this coordination is present will assist in ensuring that a:

- Non-siloed approach is taken to implementation by key policy owners (VGPB, SV, VGPG, VicFleet, DSE, etc);
- Packaged approach is provided ensuring initiative linkages are built into action planning and delivery;
- Timely delivery is implemented to maintain and build program momentum, especially for outer-budget agency roll-out;
- Adequate level of WofG support to Agencies is provided to allow devolved leadership; and
- Adequate Department and Agency consultation occurs at an early planning stage.

The IAC should be given authority, to ensure greater ownership of the EMS program and be required to develop an annual action plan to support key actions based on an identification of priorities.

Recommendation 16: Inter Agency Committee Secretariat Support

DSE to ensure provision of sufficient secretariat support for the Inter Agency Committee (IAC) to coordinate and manage EMS issues, opportunities and the annual action plan for the IAC at an appropriate level.

Behaviour Change Training Package

A training package on behaviour change principles was developed for delivery to key DSE EMS staff, in particular Eco Office Champions. The package is also available for use by other government agencies under license arrangements.

The behaviour change training has been delivered to DSE groups since June 2006. The package was developed by external experts, in consultation with key DSE staff. The program aims to provide agents of environmental change within government the knowledge and a set of skills required to make them effective at navigating the process of change.

Recommendation 17: DSE and DTF Co-Chair of the IAC

DSE take a key executive leadership role as Chair of the EMS IAC and DTF take the role as Co-Chair of the IAC to ensure the strong integration and timely delivery of EMS expansion of scope (to non-office) and coverage (to outer budget agencies) and resolution of outstanding EMS issues. These appointments should occur in early 2007 to develop an annual action plan to support key actions based on an identification of priorities.

Recommendation 18: IAC Annual Action Plan

The IAC's role to be strengthened and endorsed by the Departmental Heads State Coordination and Management Committee. The IAC to be required to produce an annual action plan and report on its performance.

d) Environmental Sustainability Education

To support government's increasing requirement that environmental sustainability play a more central role in its operations and policy development (ESF integration requirement), the core curriculum of the Australian and New Zealand School of Government's (ANZSOG) education programs should integrate environmental sustainability into core policy development learning outcomes. It is important that the level of understanding of environmental sustainability as it relates to core business and decision making is increased across government personnel, especially at a senior level. The incorporation of environmental sustainability into school of government curricula is being taken up by the United Kingdom's (UK) National School of Government to develop civil service expertise in sustainable development and to help embed it across government policy making, as well as organisational and operational activities.

Recommendation 19: Environmental Sustainability Education Programs for Government

Victorian Government to propose the inclusion of environmental sustainability into the policy development curriculum of the Australian and New Zealand School of Government's (ANZSOG) education programs.

4.9 EMS Improvements

Context

The EMS has progressed over the past three years based on the original intent of improving government operational performance. Several improvements and clarifications of the EMS should be provided at a WofG level for best effect.

To be fully effective, implementation of EMS needs to be part of a broader Total Quality Management and continuous improvement process. Otherwise, an EMS may be seen as merely a reporting process that is then audited and reviewed.

Findings

The EMS and FRD24A monitoring and reporting systems need to be more integrated, so that:

- EMS co-ordinators can reduce monitoring and reporting workload and increase activities to drive change and increase environmental performance; and
- The system can be streamlined to improve its roll-out to regional offices and to core business activities.

The forward schedule and focus of the strategic audit requires a review of the annual audit timing cycle whilst maintaining focus and momentum. Some opportunities raised for review include:

- Separate the data collection, analysis and outcomes based review function that is aligned to financial year reporting from the systems focused audits;

- Separate the audits of existing audited agencies from newer agencies, so they are audited to different levels of intensity. For example the potential for biennial audits for more mature implementations of environmental management systems;
- Questioning the merit of continuing the requirement for the EMS program and annual audits to fall within Victoria's statutory environmental auditing regime (EPA assurance);
- Appropriate scaling of the expectations of EMS programs will be required for expansion to outer budget agencies, depending on their existing structure, culture, size and environmental progress to date;
- Alignment of report publication timing with the business planning cycle (March- June) would be beneficial for working within existing core business cycles;
- The focus and structure of the audit could be adapted to emphasise environmental performance. The documentation focus of the audit could be reduced to every second year or only a proportion of Agencies randomly selected for document review each year giving a grace period of two years if documentation is at a satisfactory level;
- Internal audits could be utilised for documentation audits. A documentation focused internal audit could be conducted every second year; and
- The requirement for Agencies to disclose future EMS environmental aspect targets within the annual OCES EMS audit program.

The Strategic Audit needs to improve the clarity of its links and relationship with the ESF objectives relating to the integration of environmental sustainability into agency core business.

There are several improvements in data management that are required:

- WofG standardisation of data sourcing through energy and water retail companies directly;
- Improved sophistication of data capture, including the capture of data through a web portal, integrated WofG data and financial benefits of actions (potential adaptation of EDGAR to cover all EMS environmental aspects and provide the government's primary data management and reporting tool);
- Improved management, monitoring and reporting systems for environmental aspects including quality assurance and data validation;
- Continue and further progress the requirement for independent agency EMS audits to focus on performance rather than documentation; and
- Agency EMSs need to further progress the inclusion of procurement, performance reporting including financial outcomes and certainty of agency coverage especially as the EMS expands to outer budget agencies.

While this Report makes a recommendation to review the WofG EMS audit scope, timeliness and requirements in the context of EMS expansion, it is expected that for the audit review of the 2006-07 financial year, the following will apply:

Green Office Program (DVC)

The Green Office Program was an initiative of the DVC Environment Committee aimed at providing ongoing awareness and education of DVC staff in environmentally sustainable work practices. Substantial staff engagement was achieved through the program, with the environment committee and floor champions implementing the project. The program ran over a 4 week period and was subsequently refined into a 2 week period with the same impact and outcomes. All DVC staff at 1 Spring Street, including Executive Directors, Directors and managers, were the subjects of the project.

The program linked sustainable work practices with the broader values of the Department through the slogan 'Strong communities need a healthy environment'. The program used weekly themes based on energy usage, paper and waste management where environmental floor champions visit staff each week and offer assistance and advice as to how to improve their day to day work practices linked to the theme.

The process used principles of adult learning to ensure that staff felt informed and empowered to make sustainable choices about the way they work.

The program recruited the Executive Director and/ or Directors on the floor as Patrons. During the 'Green office month', Patrons sent a weekly email to staff outlining the key sustainable focus for that week. A celebratory morning tea at the conclusion of the program was also held.

Minimal costs were associated with running the program, through the provision of morning teas and small rewards for staff. The program achieved positive results and was very well received by all staff.

Senior management and staff demonstrated a willingness to participate as they saw that by changing their work habits this would also contribute towards improving the Department's environmental performance. The Green Office initiative created greater environmental awareness and improved overall work practices.

- A combined single audit process, managed by the OCES, will be continued;
- Existing EMS agencies only will continue to be included on a mandatory basis;
- Any extension of the CES's Strategic EMS Audit scope to other statutory authorities will be on a voluntary and funded basis.

Recommendation 20: Update EMS Model Manual for Performance Focus

DSE, in consultation with the Office of the Commissioner for Environmental Sustainability (OCES), IAC and EPA to update the EMS model manual and the model manual guidelines by July 2007 to clarify the expected level of EMS documentation development and implementation to allow for a more flexible adaptation of the standard model by Agencies. To be done in a manner that will ensure that agencies are able to reflect operational imperatives and further divert focus towards environmental performance rather than EMS documentation.

Recommendation 21: Review Audit Requirements

DSE to lead a review in consultation with the OCES and EPA regarding agency EMS audit scope, timeliness and requirements with consideration of the expansion of the EMS.

Recommendation 22: Adaptation of Environmental Aspect Data Management and Reporting Tool

DSE, in consultation with SV, to review the adaptation of Environmental Data Gathering and Reporting (EDGAR), or its replacement, or other web portal tool, in managing all required EMS environment aspects and in meeting required reporting requirements.

5. strategic audit priorities up to 2009

The Strategic Audit provides a schedule of audit priorities to focus agencies on meeting WofG and the CES expectations of performance, actions and structure for improving the Victorian Government's environmental sustainability. As the EMS matures and expands the process for the strategic audit needs to adapt and evolve to effectively audit and support strategic WofG improvements in environmental sustainability.

Audit Priorities for next three years' EMS Audit Process and Schedule:

Audit Priorities Description	Annual Strategic EMS Audit		
	2006-07	2007-08	2008-09
Review government's performance against its water consumption reduction strategy.		•	•
Selective audit of environmental key performance indicators for key personnel.	•	•	•
Audit progress of WofG development of sustainability culture programs.		•	
Review progress of government's EMS expansion into statutory agencies and include within strategic audit.	•	•	•
Audit the exploration and strategy for expansion of EMS beyond an office based program and audit progress in the following year.		•	•
Review Agencies' EMS performance targets and verification of reported data.	•	•	•
Improve identification and reporting of Agencies' EMS outcomes and environmental performance.	•	•	•

Related Audit Commitments

- Review government's progress in responding to CES's *Government procurement and environmental sustainability: Part 1 Government procurement of motor vehicles*²⁰ in 2008-09; and
- Review government's progress in responding to CES's *Government procurement and environmental sustainability: Part 3 Government procurement of goods and services*²¹ in 2008-09.

²⁰ Commissioner for Environmental Sustainability (2006), *Government procurement and environmental sustainability: Part 1 Government procurement of motor vehicles*.

²¹ Commissioner for Environmental Sustainability (2006), *Government procurement and environmental sustainability: Part 3 Government procurement of goods and services*.

appendix a – status of audit priorities & recommendations

Table 4 outlines the status of the 2004-2005 Strategic Audit priorities and recommendations based on strategic audit findings.

Table 4: Status of Audit Priorities and Recommendations from previous Strategic Audits.

Good progress
 Progressing – further action required
 Little or no progress

No.	Recommendation	Lead responsibility	Implementation Comment	Status
Priority Area: Achieving objectives and targets				
1	Ensure that the independent audits process and future strategic audits make assessments of progress towards agency EMS objectives and targets.	Lead Agencies, OCES	The independent audit process reviewed Agencies' performance against their EMS objectives and targets. The level of achievement varied across Agencies. The ability to assess the progress toward objectives and targets was at times restricted by two factors; lack of evaluation of initiatives, and the setting of targets against a baseline for which no data was available.	
2	Review relevant government environmental targets (particularly for energy reduction and renewable power) that can be aligned to the EMS program and provide guidance to Agencies on the use of such targets in their EMS.	DSE	No further government environmental targets have yet been established. However, the Government's election policy commitment has articulated its commitment to establish further targets in these two areas.	
3	Agencies report progress against targets in their annual reports (FRD24 indicators).	Agencies	Performance trends are not reported (with the exception of DPC and DTF who voluntarily publish trend data), preventing any real understanding of Department and agency performance in their actions to address environmental sustainability.	
4	Agencies should establish targets for the purchase of greener goods through their EMS and report on progress against those targets.	Agencies, EMS, IAC	In most cases the establishment of green procurement targets were minimal. Very few Agencies had set specific quantifiable targets in this area. The reporting of procurement progress in annual reports was limited to the recycled content of paper. However, it was noted that the majority of Agencies are in the process of setting green procurement targets and were implementing environmental management plans to address the environmental impact of their purchasing.	
Priority Area: Commitments, responsibilities and resourcing				
5	Ensure appropriate levels of financial and staff resources are continually allocated to development and implementation of EMS within Agencies to enable progress against EMS audit actions (both agency audit and CES strategic audit).	Agencies	It was observed that the majority of Agencies had allocated one full time staff member to the development and implementation of EMS. It was observed that four Agencies shared two EMS coordinators. Substantial variation was observed in the allocation of financial resources for the implementation of agency EMS. Most Agencies had a dedicated budget set aside, which varied from \$20,000 to \$85,000. However, some Agencies accessed funds on an as needs project-by-project basis. In most Agencies where this was the case it was noted there was yet to be an occasion where funds were denied for a project.	

6	Management should ensure strong ownership of the role of providing strategic direction and high-level support and ensure the EMS is implemented effectively. This role could include quarterly management reviews against EMS targets, management bulletins and establishing an EMS steering committee to facilitate implementation of EMS within Agencies.	Agencies	It was found that the majority of Agencies had management level support for the EMS program. This included support from the EMS coordinator's direct line manager. Crucially, support was also provided, in many Agencies, by managers who were in positions with the ability to implement EMS initiatives (ie. IT Manager, Procurement Manager, Fleet Manager).	
7	Continue the implementation of formal EMS training programs at a WofG level, focusing on EMS process, setting objectives and targets, data monitoring, collection and reporting and facilitation skills.	WofG Coordinator	There was limited progress without a WofG EMS Coordinator for the full year. In the absence of this WofG leadership role, DIIRD, DSE and SV fostered the development of some training programs to support the implementation of environmental management programs for the EMS. This training has been available for each agency and the majority of Agencies have utilised this training.	
Priority Area: Monitoring, evaluation and reporting				
8	Ensure Agencies consistently apply the FRD24A Guidance Manual as the minimum standard for collecting analysing and reporting environmental outcome data and encourage trend reporting processes.	WofG Coordinator	There was no WofG EMS Coordinator for the full year to progress this audit priority. The FRD24A Guidance Manual was followed by all Agencies however the guidance was inconsistently applied and interpreted across Agencies in the collection and reporting of environmental performance. In many cases the monitoring of environmental performance was limited to the annual collection and reporting of FRD24A information for annual reporting, rather than ongoing monitoring and evaluation of performance. Paper consumption was one area where many Agencies were tracking consumption. The use of trend reporting was not widely utilised by Agencies.	
9	Update the FRD24 to ensure it remains relevant to agency environmental reporting requirements.	DTF	The FRD24 requirements have not been reviewed and updated by DTF in the audit year. FRD24A was issued with minor amendments during 2005-06. The OCES conducted a review of the FRD24 reporting process in 2005 and the FRD24 Guidance Manual has been revised. Key advice and recommendations of this review have yet to be incorporated into FRD24 by DTF (FRD process manager). A WofG coordinator leadership role would have supported DTF to progress this priority.	
Priority Area: Auditing				
10	Review the EMS audit process, including timing, standard specifications for conducting independent agency audits and the requirements of the WofG Strategic Audit and the skill set required for auditors.	OCES, WofG Coordinator	The OCES facilitated the initial review of the existing EMS audit process in the absence of a WofG Coordinator. Through consultation with Agencies, the OCES developed a single audit process to reduce the audit time and coordination burden on Agencies, while designing an improved engagement and audit process. Further review is still required.	
Priority Area: Coordination (WofG)				
11	Ensure a dedicated position of WofG EMS Coordinator remains to progress WofG EMS actions and provide central drive for the EMS Program.	DSE	There was no WofG EMS Coordinator for the full audit year. The absence of this leadership role reduced the WofG coordination, activity and support to Agencies. All Agencies have been impacted by this lack of central drive for the program. The OCES has provided some WofG support and direction to the Agencies when	

			<p>absolutely necessary, while this is not been their role to do so.</p> <p>In the absence of a WofG EMS Coordinator, DSE did provide some WofG EMS coordination services, such as the government response to the <i>Government procurement and environmental sustainability</i> report.</p> <p>An appointment of a WofG EMS Coordinator has been made in late 2006.</p>	
Priority Area: Expansion of the EMS				
12	Conduct a survey of statutory agencies to determine what awareness they have of the EMS Program and their preparedness to implement an EMS.	EMS IAC	<p>The OCES conducted a survey of statutory agencies and ran a workshop with a selection of agencies to determine awareness and preparedness to implement an EMS.</p> <p>The independent audits found that some Agencies had taken steps to begin the implementation of EMS initiatives into their statutory Agencies. In these cases the activities have been the extension or replication of activities undertaken in the main Department, rather than the development of a separate EMS for the agency or region.</p>	
13	Develop a strategy for the expansion of the EMS program into statutory agencies.	EMS IAC	DSE is in the process of developing a comprehensive strategy for the expansion of the EMS into statutory agencies as indicated in ESAS 2006.	
14	Revise the Victorian Government EMS guidance manual to reflect the development in the EMS Program and appropriate standards.	WofG Coordinator	No progress to date as there was no WofG EMS Coordinator to lead this process. It is understood that the government EMS guidance manual will also need to be reviewed as part of the expansion strategy by DSE.	

The status of the implementation of the priority audit areas outlined in the 2004-2005 Strategic Audit Report are presented in Table 5.

Table 5: Priority Areas for CES Strategic Audits.

■ Good progress
 ■ Progressing – further action required
 ■ Little or no progress

Priority Area.	2006 Action	Audit Findings	Status
Achieving objectives and targets	Review alignment of agency EMS objectives and targets with broader Victorian Government environmental targets.	All Agencies were found to have objectives and targets which aligned with the WofG Targets. In many cases the targets for energy consumption and vehicle fleet emissions were simply the same as the Victorian Government targets.	
	Review Victorian Government progress toward Agencies meeting EMS objective and targets.	The level of achievement of objectives and targets varied across Agencies and across environmental impacts. The ability to assess the achievement of objectives and targets was at times restricted by two factors, lack of evaluation of initiatives, and the setting of targets for a baseline for which no data was available.	

Commitment, responsibilities and resourcing	Random audit of Key Performance Indicators (KPI) creation for specific personnel.	Across the majority of Agency KPI creation for key EMS support personnel regarding IT, procurement and facilities was not implemented. Generally KPI's were limited to just the EMS coordinators themselves, not meeting the requirements of this priority. However some Agencies had included KPI's into the performance plans of Champions, as well as a general environmental responsibility clause in new staff position descriptions.	Red
	Audit agency procurement outcomes.	Minimal green procurement outcomes were achieved across government. The only exceptions were the purchasing of white copy paper with recycled content, fleet vehicles and Green Power. The majority of Agencies were in the process of implementing environmental management plans to address the environmental impact of their purchasing. DTF, DPC and EPA had engaged green cleaning (low water and low chemical) and EPA had trialled organic catering.	
Communication, staff awareness and training	Audit the establishment of EMS training programs at the WofG level.	There was no WofG EMS Coordinator for the full audit year, restricting the development of WofG training. However DSE has purchased a license for a behavioural change training package, available for the WofG. The training program delivers the skill set required of effective agents of environmental change, and will be delivered internally by key government staff through a Train the Trainer arrangement, under the original license agreement. This will then assist in the development and delivery of future EMS programs.	Yellow
Monitoring, evaluation and reporting	Audit implementation of improvements in annual reporting/ FRD24A.	No change was made to the FRD24A requirements. There was some improvement in annual reporting with some Agencies including trend data and improving data sets for particular aspects.	Red
Auditing	Review EMS audit process.	Initially reviewed by the OCES as indicated above in Priority Area: Auditing 10. Further review is required considering that the current Agencies' EMSs have matured, there is a greater emphasis on environmental performance, a range of implications from expansion and a need to streamline EMS and FRD24A requirements.	Yellow
Coordination	Review the process for WofG EMS Program coordination.	There was no WofG EMS Coordinator to review the process for WofG EMS Program coordination. An appointment was made in late 2006.	Red
Expansion of the EMS	Audit the exploration and strategy for expansion of EMS.	The expansion of the EMS has been explored in 2006. A strategy was being developed by DSE at the time of this audit as part of the ESAS 2006.	Yellow
	Program into statutory Agencies. Review progress of EMS implementation in regional offices.	The program was yet to be developed at the time of this audit. The majority of Agencies are progressing with regional expansion.	Yellow

references

Commissioner for Environmental Sustainability (2006), *Government procurement and environmental sustainability: Parts 1, 2 & 3*, Office of the Commissioner for Environmental Sustainability, Melbourne.

Commissioner for Environmental Sustainability (2005), *Strategic Audit of the Victorian Government Agencies' Environmental Management Systems*, Office of the Commissioner for Environmental Sustainability, Melbourne.

Commissioner for Environmental Sustainability (2006), *Expansion of Office-based EMS Draft Issues Paper*, Office of the Commissioner for Environmental Sustainability, Melbourne.

Department of Premier and Cabinet (2005), *Growing Victoria Together: A Vision for Victoria to 2010 and Beyond*, Melbourne.

Department of Sustainability and Environment (2005), *Our Environment Our Future: Victoria's Environmental Sustainability Framework*, Melbourne.

Department of Sustainability and Environment (2005), *The Victorian Greenhouse Strategy Action Plan Update*, Melbourne.

Department of Sustainability and Environment (2006), *Our Environment, Our Future - Sustainability Action Statement*, Melbourne.

Department of Sustainability and Environment (2006), *Sustainable Water Strategy Central Region Action to 2055*, Melbourne.

Environment Protection Authority Victoria (2003), *Victorian Government Department Environmental Management System Model Manual*, Melbourne.

Ligteringen, E. (2006), *GRI G3 Conference*, Amsterdam.

Melbourne Water/ CSIRO Urban Water and Climate Impact Groups (2005), *Melbourne Water Climate Change Study*, Melbourne.

State Services Authority (2006), *Annual Report 2005-06*, Victoria.

Sustainable Energy Authority Victoria (2001), *Energy Efficient Government Buildings*, Melbourne.

Victorian Government Property Group (2005), *Victorian Government Accommodation Guidelines*, Department of Treasury and Finance, Melbourne.

Victorian State Government (2003), *Commissioner for Environmental Sustainability Act 2003*, Melbourne.

acknowledgements

The Commissioner for Environmental Sustainability would like to acknowledge the contributions of the following people in compiling this Strategic Audit Report.

Amanda Curlewis (DE&T)	Geoff Mabbett (SV)	Kyle Garland (DSE)	Richard Jennings (SV)
Andrew Sutherland (DOJ)	Ian Waters (DSE)	Leanne Gunthorpe (DPI)	Roger Kluske (DTF)
Arun Baskaran (DHS)	Jan Burne (DPI)	Lisa McLeod (EPA Victoria)	Ruth McMillan (DPC)
Bronwyn Benn (DVC)	Jeff Byrne (DTF)	Louise Evans (DE&T)	Sarah Arblaster (DIIRD)
Bruce Taberner (DPI)	Jenny Exton (DSE)	Louise Hill (DVC)	Stuart McConnell (EPA Victoria)
Carmel Arthur (DE&T)	Joanna Prendergast (EPA Victoria)	Michael Vallance (DOJ)	Suzie Bryant (DTF)
Carmela Parris (DHS)	John Brooks (DOI)	Paul Murfitt (SV)	Terry A'Hearn (EPA Victoria)
Chris O'Farrell (DPC)	John Hutchison (DSE)	Pauline Clancy (DSE)	Vivienne Stanford (DIIRD)
Deni Warwick (DOJ)	Jon Ward (SV)	Phil Clements (DVC)	Warren Hodgson (DTF)
Fran Thorn (DIIRD)	Kate Vinot (CES Reference Group)	Phil Hughes (CPASR)	
Fred Cilia (DOI)	Kelly Wickam (SV)	Phillip Reed (DSE)	
Graeme Eldridge (DPI)	Kiam Yoong (SV)	Phil Harbutt (DOI)	

acronyms

ANZSOG	Australian and New Zealand School of Government	ESAS	Our Environment Our Future, Sustainability Action Statement
CES	Commissioner for Environmental Sustainability	ESF	Our Environment Our Future, Environmental Sustainability Framework
CPASR	The Centre for Public Agency Sustainability Reporting	FTE	Full-time equivalent
DE&T	Department of Education and Training	FRD	Financial Reporting Direction
DHS	Department of Human Services	FRD24A	Financial Reporting Direction 24A
DIIRD	Department of Innovation, Industry and Regional Development	GHG	Greenhouse gas
DOI	Department of Infrastructure	GSET	Government Sustainable Energy Targets
DOJ	Department of Justice	GTP	Green Transport Plan
DPC	Department of Premier and Cabinet	IAC	Inter-Agency Committee
DPI	Department of Primary Industries	OCES	Office of the Commissioner for Environmental Sustainability
DSE	Department of Sustainability and Environment	SV	Sustainability Victoria
DTF	Department of Treasury and Finance	VGPG	Victorian Government Property Group
DVC	Department for Victorian Communities	VGPB	Victorian Government Purchasing Board
EDGAR	Environmental Data Gathering and Reporting	WofG	Whole of Government
EMP	Environmental Management Program		
EMS	Environmental Management System		
EPA	Environment Protection Authority Victoria		

The Commissioner for Environmental Sustainability and his office are committed to reducing their resource use.

This publication is printed on 100% recycled paper.

It is also available electronically from the Commissioner's website. If you no longer need this copy, please consider returning it the Commissioner's Office so we can pass it on to others.

Always remember to 1. Reduce, 2. Reuse and 3. Recycle

Commissioner for Environmental Sustainability
8 Nicholson Street
East Melbourne
VIC 3002

<http://www.ces.vic.gov.au>

