

Background

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

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

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

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

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

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

The Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit findings

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

ANAO recommendations

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

Recommendation No. 16

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

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

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

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

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

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

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

The Committee's review

1.18 On 9 February 2006, the Committee agreed to inquire into the Auditor-General's *Audit Report No. 22, 2005-2006, Cross Portfolio Audit of Green Office Procurement*, tabled in the House of Representatives on 7 February 2006.

1.19 This review was undertaken as part of the Committee's inquiry into a sustainability charter.¹⁸ The Committee considers this audit to be a valuable snapshot assessing the action being taken by Australian government agencies to minimise the negative impact of their operations on the environment and enhance operations in keeping with ecologically sustainable development principles. The environmental impact of government activities would be a significant consideration in the development and application of any national sustainability charter.

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

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

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

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

