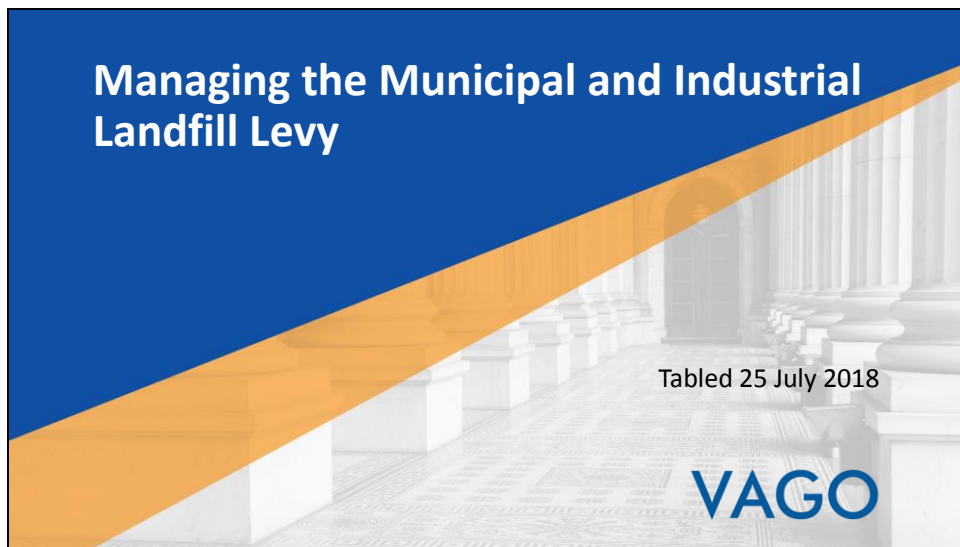
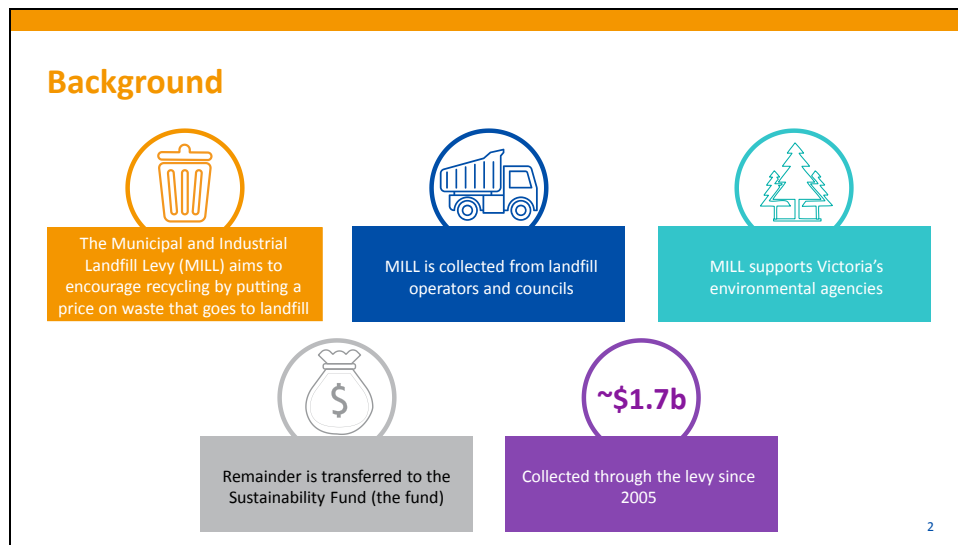


Slide 1



This presentation provides an overview of the Victorian Auditor-General's report *Managing the Municipal and Industrial Landfill Levy*.



Victoria's Municipal and Industrial Landfill Levy (MILL) was established in 1992 to create a disincentive to putting waste into landfill and to encourage resource recovery and recycling.

The *Environment Protection Act 1970* (the Act) requires the MILL to be charged on each tonne of waste deposited at licensed landfills. The levy is collected from landfill operators and councils.

Income generated by the MILL supports Victoria's environmental agencies. The remainder is transferred to the Sustainability Fund (the fund) to be used only for the fund's legislative purposes of better waste management, reduced greenhouse gases or effective adaptations to climate change.

Since 2005, when the Sustainability Fund was established, approximately \$1.7 billion has been collected through the levy.

## Overview

There is a potential risk that:

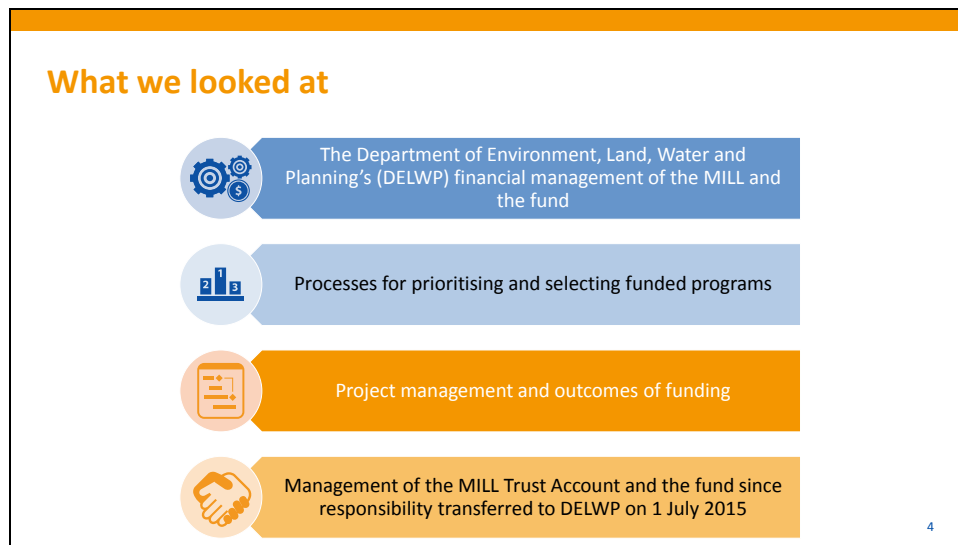


The MILL and fund are not always used for their intended purposes



Funded activities are not achieving legislative objectives

We found there is a potential risk that the MILL and the fund are not always used for their intended purposes and that funded activities are not achieving the fund's legislative objectives.



This audit examined the Department of Environment, Land, Water and Planning's (DELWP) financial management of the MILL and the fund, processes for prioritising and selecting programs funded from the fund, project management and outcomes of funding.

The audit examined the management of the MILL Trust Account and the fund since administrative responsibility transferred to DELWP on 1 July 2015.

## Who we looked at

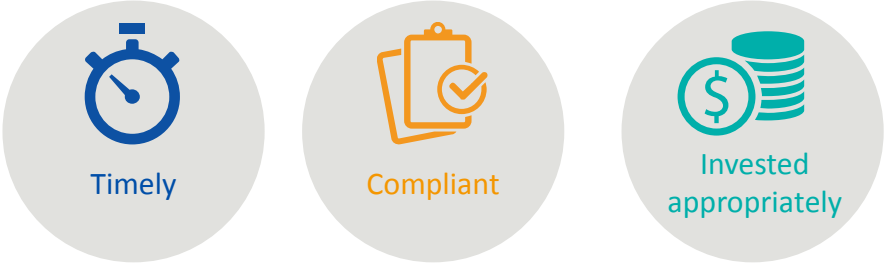
Agencies involved with collection, administration and/or that are funding recipients:



- Department of Environment, Land, Water and Planning (DELWP)
- Environment Protection Authority (EPA)
- Sustainability Victoria (SV)
- Metropolitan Waste and Resource Recovery Group (MWRRG)
- Gippsland Waste and Resource Recovery Group (GWRRG)

We audited five agencies involved with the collection of the MILL, administration of the fund and/or that are recipients of funding.

**MILL distributions**



The slide features three circular icons arranged horizontally. The first icon is a blue stopwatch, labeled 'Timely'. The second icon is an orange clipboard with a checkmark, labeled 'Compliant'. The third icon is a teal stack of coins with a dollar sign, labeled 'Invested appropriately'. The entire content is enclosed in a black rectangular border with an orange header bar at the top.

Timely

Compliant

Invested appropriately

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We found that distributions to environmental agencies and transfers to the fund are timely and compliant with legislative requirements and funds are invested appropriately.



The Sustainability Fund Committee was set up by the Minister for Energy, Environment and Climate Change to support strategic and accountable management of the fund.

Committee advice to government on the eligibility and merit of funding proposals is incomplete and inconsistent.

This limits the minister's ability to make informed decisions that allow full comparison between competing proposals.

The committee includes senior staff from DELWP, which is the main funding beneficiary. This creates an inherent conflict of interest.

### Role of the committee



Lack of a formal process means proposals can bypass committee assessment

Premier and minister are required to seek advice prior to approval

In 2017–18, only eight of the 14 proposals went through the regular pathway

Minister and Premier at risk of approving program funding that is not in line with the fund's purpose

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The lack of a formal process to ensure the committee considers all funding proposals means they can bypass committee assessment.





The Sustainability Fund Guidelines require the Premier and minister to seek advice prior to approving the allocation of funds.

In the 2017–18 budget process only eight of the 14 proposals went through the regular pathway.

The lack of a formal process to ensure the committee considers all proposals—including those from other departments—before they are approved puts the minister and Premier at risk of approving the use of fund money for programs that are not in line with its intended purpose.



### Lack of evaluation and reporting

-  Significant lack of evaluation and public reporting on fund outcomes
-  Unclear if funded programs have contributed and addressed challenges
-  Only 39 per cent of completed projects reported that they met their objectives
-  DELWP has worked to enhance the clarity of program outcomes in funding agreements

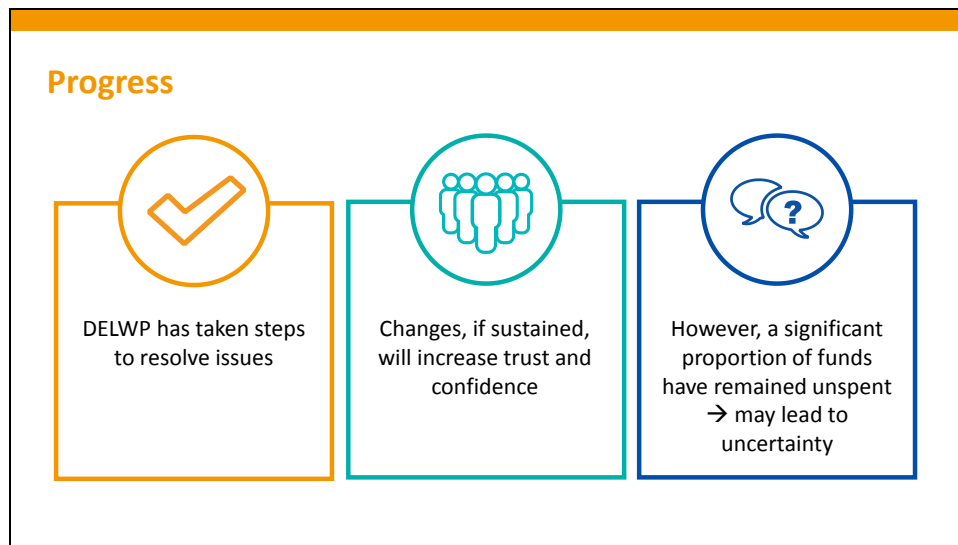
9

There is a significant lack of evaluation of funded activities and public reporting on fund outcomes.

It is unclear how funded programs have contributed to the achievement of the fund's legislative purposes and the extent to which they have addressed the challenges posed by waste and climate change.

Only 39 per cent of completed projects reported that they met their objectives.

DELWP has worked to enhance the clarity of program outcomes in funding agreements with the aim of improving completed program evaluations.



Encouragingly, DELWP recognises these design and implementation issues and has taken steps to resolve them.

These developments—if sustained—will help foster greater public trust and confidence in the rationale for the fund and the ability of DELWP to administer it effectively.

However, a significant proportion of funds have remained unspent over many years, representing an opportunity cost. If this situation persists, the public may reasonably question the quantum of the levy.

## Recommendations

### Summary of DELWP recommendations

- Review the process for section 70E(3)(d) distributions
- Establish the committee as an independent committee, review its role, improve the guidance it relies on, ensure it reviews all proposals prior to their approval by the minister and Premier, and improve the quality of the advice it provides to inform these decisions
- Review the number of funding agreement milestones to minimise administrative burden and better reflect the value and/or complexity of the funded program
- Encourage the earlier development of project plans and improve the information provided to financially acquit fund expenditure
- Evaluate outcomes of funded programs to clearly demonstrate the extent to which they have contributed to the specified legislative objective
- Identify overall fund outcomes to measure the extent to which expenditure has successfully delivered legislative objectives
- Improve public reporting on the activities of the fund and outcomes achieved

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We made 14 recommendations to DELWP designed to improve administration and governance of the fund.

DELWP has accepted all of our recommendations and provided an action plan that describes how and when these will be implemented.

For further information, please view the full report on our website:  
[www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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