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# Appendix two – About the audit

## Audit objective

The objective of this audit was to assess the effectiveness of the NSW Government in minimising waste sent to landfill and increasing recycling rates.

## Audit focus

The audit focused on two key initiatives within the government's Waste and Resource Recovery Strategy (2014–21):

- the waste levy
- grant programs targeted towards funding waste infrastructure.

## Audit criteria

We addressed the audit objective by examining the following two criteria:

- the NSW Environment Protection Agency (EPA) regulates the waste levy in a way that reduces waste generation and diverts waste from landfill
- funds allocated through Waste Less Recycle More effectively support investment in waste infrastructure that supports reuse and recycling.

## Audit scope

In assessing the criteria, we checked the following aspects:

1. The NSW EPA regulates the waste levy in a way that reduces waste generation and diverts waste from landfill.
  - a) The waste levy is based on research and modelling.
  - b) The EPA monitors the effectiveness and contribution of the waste levy in diverting waste from landfill.
  - c) The EPA reports on the effectiveness of the waste levy to the Minister and stakeholders.
2. Funds allocated through Waste Less Recycle More effectively support investment in waste infrastructure that supports reuse and recycling.
  - a) Clear criteria for assessing waste infrastructure grant applications were applied consistently.
  - b) Assessment criteria were influenced by strategic infrastructure planning.
  - c) Completed waste infrastructure projects that received grants achieved performance in line with contractual agreements and contributed towards diverting waste from landfill or increased recycling rates.
  - d) There is clear accountability for monitoring and reporting on grants approved.
  - e) There is clear accountability for verifying the outcomes of completed waste infrastructure projects funded through grants.

This audit focused on administration of the waste levy and grants that fund waste infrastructure from 2014–15 to 2018–19.

## Audit exclusions

The audit did not:

- re-perform economic modelling of the waste levy impact
- examine funding of landfill facilities
- examine the effectiveness of Local Government in achieving the WARR targets
- examine the effectiveness of NSW Government initiatives to reduce littering
- examine waste education programs
- examine state government procurement practices
- comment on government policies.

## Audit approach

Our procedures included:

1. Interviewing staff from the EPA and DPIE and consulting with the representatives of the Environmental Trust. These interviews were conducted online due to COVID-19 restrictions in place at the time of the audit.
2. Consultation with stakeholders, including:
  - Treasury
  - NSW Department of Premier and Cabinet
  - Infrastructure NSW
  - Local Government NSW
  - Western Sydney Regional Organisation of Councils
  - Northern Sydney Regional Organisation of Councils
  - Southern Sydney Regional Organisation of Councils
  - Waste Contractors and Recyclers Association of NSW
  - Waste Management Association of Australia, NSW Branch
  - Australian Organics Recycling Association
  - NSW Scrap Metal Recycling Group
  - selected grant recipients, including council representatives, to obtain comment on their experience with the waste infrastructure grant processes.
3. Examining and analysing documentation relating to the waste levy, including:
  - policies, strategy, plans, procedures and guidelines
  - external and internal reports
  - relevant data
  - waste levy modelling assumptions and results.
4. Examining and analysing documentation relating to the selected grant programs, including:
  - policy, strategy, plans, procedures and guidelines
  - external and internal reports
  - relevant data.
5. In-depth examination of documents related to a selection of grant projects summarised in Exhibit 2.1.

## Exhibit 2.1: Summary of grant programs, rounds and projects examined in detail for the audit

Grant program	Administered by	Grant rounds included	Projects included
Household problem waste – CRC	Environmental Trust	1	2
Organics infrastructure fund	Environmental Trust	4	6
Waste and recycling infrastructure fund			
• Major resource recovery infrastructure grants	Environmental Trust	3	7
• Resource recovery facility expansion and enhancement grants	Environmental Trust	2	3
• Product Improvement Program	EPA	2	2

We also examined:

- documentation from stakeholders obtained throughout the audit such as research and studies, statistical data and analysis
- information from other jurisdictions for comparison.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

## Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

## Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by staff from the EPA, DPIE and the Environmental Trust, recognising in particular the challenges associated with COVID-19 restrictions. We also gratefully acknowledge the representatives from stakeholder organisations who participated in the audit.

## Audit cost

The audit cost is \$460,000 including expenses.