



Hazardous Waste Management



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Auditor-General

Hazardous Waste Management

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VAGO

Victorian Auditor-General's Office
Auditing in the Public Interest


The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on *Hazardous Waste Management*.

Yours faithfully



DR PETER FROST
Acting Auditor-General

9 June 2010

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Audit summary

Hazardous waste poses threats to public health and the environment if it is not stored, transported, treated, or disposed of properly. It includes liquids, gases and solids, and may be explosive, flammable, corrosive, toxic, radioactive, or infectious. There are around 10 000 hazardous waste producers or 'generators', 80 per cent of which are located in the Melbourne metropolitan region.

We examined whether the Environment Protection Authority's (EPA) control and regulation of hazardous waste has reduced inappropriate disposal. Specifically, the audit examined whether:

- data used to inform control and regulation is relevant and reliable
- the surveillance and monitoring of generators, transporters and treatment and disposal facilities is effective
- enforcement actions are appropriate and timely
- expected benefits from the new regulations are being achieved.

Conclusions

The EPA is not effectively regulating commerce and industry's management of hazardous waste. Its monitoring and inspection activities lack coherence, purpose and coordination. This, combined with poor business information because of the EPA's lack of data reliability, poor analysis and reporting and inadequate documentation of its rationale for decisions, means that there is neither sound compliance monitoring nor effective enforcement regimes.

As a consequence, there is little assurance that hazardous waste is stored and disposed of appropriately.

Main findings

Information management systems

The EPA's management of hazardous waste information is inadequate. A series of fragmented databases are in use, some of which cannot distinguish matters central to hazardous waste.

There is only limited analysis and reporting of trends and issues, and this is based on data the EPA cannot be assured is reliable, largely because of a lack of data integrity and document controls, and poor record keeping. Further, the lack of documentation for decisions has compromised the EPA's accountability and transparency.

Compliance monitoring

The shift to greater self-regulation in the management of hazardous waste, combined with higher costs for disposal, increases the risk that commerce and industry will not comply with their licence conditions. Effective monitoring and compliance is required to minimise this risk.

The EPA's compliance monitoring activities cannot adequately assure that commerce and industry are managing hazardous waste in accordance with regulations.

Significant limitations identified were:

- a previously decentralised program of inspections not supported by clear, risk-based rationales
- compliance activities have significantly decreased since 2007–08 while the opportunity and incentive for non-compliance has increased
- no monitoring of hazardous waste that is recycled or reused
- limited review of licencees' annual performance statements and the results of environmental audits
- limited assurance that hazardous waste transporters' vehicles are safe and compliant
- no clear rationale for the limited use of financial assurances that protect the state from bearing the costs of non-compliance.

Enforcement

Enforcing the legal requirements of the *Environment Protection Act 1970* is a key regulatory role. Enforcement actions should act as a deterrent by holding offenders accountable for their actions. They also present the opportunity to educate and inform the community and industry about appropriate environmental behaviour.

The EPA's enforcement management practices are concerning. While the EPA has an enforcement policy, it lacks sufficient detail to achieve effective enforcement. It does not include guidance on appropriate penalties and graduated enforcement responses, consequently increasing the risk that inappropriate enforcement action will occur.

The EPA's enforcement files could not be audited due to poor documentation and the lack of EPA's self-assessment. Neither VAGO nor the EPA can provide assurance about the effectiveness of its enforcement activities. This is particularly so in relation to the timeliness, consistency and appropriateness of enforcement action. In terms of good governance and public accountability, these are significant limitations.

The EPA established the enforcement review panel in 2005 as the mechanism for senior management review, guidance and decisions on enforcement matters. The enforcement review panel is not meeting all its objectives or performing its role, as intended. It lacks transparency and there is one member of the panel with a potential conflict of interest.

Recommendations

Number	Recommendation	Page
	The Environment Protection Authority should:	
1.	Implement the information management solutions it identified in the 2007 Business Systems Review as a priority.	12
2.	Implement robust data integrity controls across all information management systems.	12
3.	Revise its record-keeping practices to comply with the <i>Public Records Act 1973</i> .	12
4.	Implement routine data analysis to report to management on performance and to inform other EPA activities, including compliance and monitoring.	12
5.	Extend the program of compliance inspections both to cover waste reusers and transporters, and establish a rationale for the number of annual inspections.	23
6.	Undertake more timely and meaningful reviews of environmental audits and annual performance statements, with greater emphasis on findings and recommendations.	23
7.	Track and analyse environmental audit recommendations, including obtaining timely assurance that auditees have addressed identified issues.	23
8.	Obtain required financial assurances from entities, and review the adequacy of existing financial assurances held.	23
9.	Revitalise the enforcement review panel by confirming its role and responsibilities, monitoring its performance, and changing its membership to remove any potential conflicts of interest.	23

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Environment Protection Authority with a request for comments or submissions.

The comments and submissions provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Submissions and comments received

RESPONSE provided by Chief Executive Officer, Environment Protection Authority

The following is an extract of the response provided by the Chief Executive Officer, Environment Protection Authority. The full response is provided in Appendix A of this report.

EPA Victoria thanks the Auditor-General's Office for their work in reporting on the regulation of hazardous waste in Victoria. We welcome the findings and believe they provide an opportunity to improve the way we operate.

This report comes at a crucial time in the 40-year history of the EPA. This report echoes a number of the findings and recommendations made by the Ombudsman in late 2009. EPA acknowledges and accepts the report's recommendations. Implementation of the recommendations is underway, with interim solutions being put in place where longer-term solutions are required for a permanent resolution.

We are changing the way we work:

- *We have set a clear mandate for the organisation which focuses on our core obligations under environmental legislation: establish environmental standards, assess and regulate against them, and assist industry to comply and go beyond.*
- *We will be more transparent and accountable to both business and the community.*
- *We are creating a new organisational culture, beginning with restructuring the organisation in December 2008, and implementing strengthened governance arrangements following splitting the role of CEO and Chairman in September 2009.*

RESPONSE provided by Chief Executive Officer, Environment Protection Authority – continued

- We are reforming our regulatory systems and processes, and have already prioritised the Business System Reform program as recommended by the Auditor-General.
- We are reviewing and reforming our compliance and enforcement functions as key corporate priorities.

While the Auditor-General's report highlights that EPA's internal systems are deficient, we know and understand the risks posed by hazardous waste, and we are holding operators in those industries to account.

We have a centralised system of compliance planning which supports our state-wide inspection program. As noted in the report, EPA has recently developed a compliance framework and an annual compliance plan that guides inspections of hazardous waste sites.

We work with Victoria's waste producers and treaters, gather intelligence through site inspections and industry liaison, respond to public reports via our pollution watch line, and have a strong track record of setting standards that protect the community. There will always be risks posed by some businesses that choose not to comply with the law. It is these people EPA seeks out, investigates and prosecutes.

Over the past decade Victoria has introduced a new regulatory framework for hazardous waste that includes hazardous waste classification, and the banning of Category A waste from landfill. This better defines, manages and regulates the potential hazard posed by hazardous waste.

Increased landfill levies have been applied to programs such as the HazWaste Fund to help industry identify and implement options for reducing the amount of hazardous waste disposed to landfill. Since the levy increases of 1 July 2007, annual tonnes of hazardous waste to landfill has decreased by 54% from approximately 733,000 tonnes in 2006-07 to 335 000 tonnes last financial year.

EPA has got the message. We understand that our processes need improvement. Through continued development of our services and strengthening our compliance and enforcement, EPA will continue to build our capabilities. We will improve our regulatory approach, continue to protect the environment, and ensure that the aspirations of the Victorian community are met.

Recommendation 1

EPA agrees with the recommendation and has made the BSR program a priority. This program will deliver an integrated package solution for EPA's core operational units. A closed tender was issued in May 2010.

RESPONSE provided by Chief Executive Officer, Environment Protection Authority – continued

Recommendation 2

EPA agrees with the recommendation. The BSR solution will be an integrated system containing validation controls built into processes and transactions to ensure data integrity.

Recommendation 3

EPA agrees with the recommendation. EPA will review its records management processes accordingly, including an internal audit of our key public records.

Recommendation 4

EPA agrees with the recommendation. The BSR will provide integrated reporting and business intelligence capabilities to support executive, management and operational reporting. While BSR is being embedded, EPA will implement enhanced management reporting to monitor key metrics around activity, status and action.

Recommendation 5

EPA agrees with the recommendation. EPA's compliance and enforcement review will revise the rationale for the number of inspections. The 2010-2011 Annual Compliance Plan will consider both re-users and transporters on a risk basis.

Recommendation 6

EPA agrees with the recommendation. EPA has commenced a review of current environmental audits and annual reports. EPA will also implement a monitoring system to formally track and analyse the timeliness of responses to findings and recommendations.

Recommendation 7

EPA agrees with the recommendation. EPA will implement a monitoring system to ensure licensees are taking appropriate action to address audit findings.

Recommendation 8

EPA agrees with the recommendation. EPA is currently revising the financial assurance calculation methodology and governance processes. The requirement to hold financial assurance is being addressed as part of the licence reform program currently being implemented.

Recommendation 9

EPA agrees with the recommendation. The Enforcement Review Panel's Terms of Reference have already been reviewed in light of the Auditor-General's finding. Any conflict of interest issues have been resolved.

1 Background

1.1 Introduction

Hazardous waste poses threats to public health and the environment if it is not stored, transported and treated or disposed of properly. Hazardous waste includes liquid, gaseous or solid waste materials that commercial or industrial businesses generate, and may be explosive, flammable, corrosive, toxic, radioactive, or infectious.

There are around 10 000 hazardous waste producers or ‘generators’ in Victoria, 80 per cent of which are located in the Melbourne metropolitan region. Car repair workshops, dry-cleaning services, fast food chain stores, food processing plants, chemical, paint and plastics manufacturing, dental surgeries and hospitals all generate hazardous waste.

1.1.1 Hazardous waste classifications

A waste generator assesses and classifies the waste they produce into one of three categories—A, B or C—according to the hazard they pose. Category A waste is banned from landfills. The generator must find a reuse for it, or treat it to a lower hazard level before they dispose of it. Category B waste, which poses a high hazard, and Category C waste, which is the lowest hazard, can be accepted at landfills approved by the Environment Protection Authority (EPA). Figure 1A shows examples of the types of waste for each category.

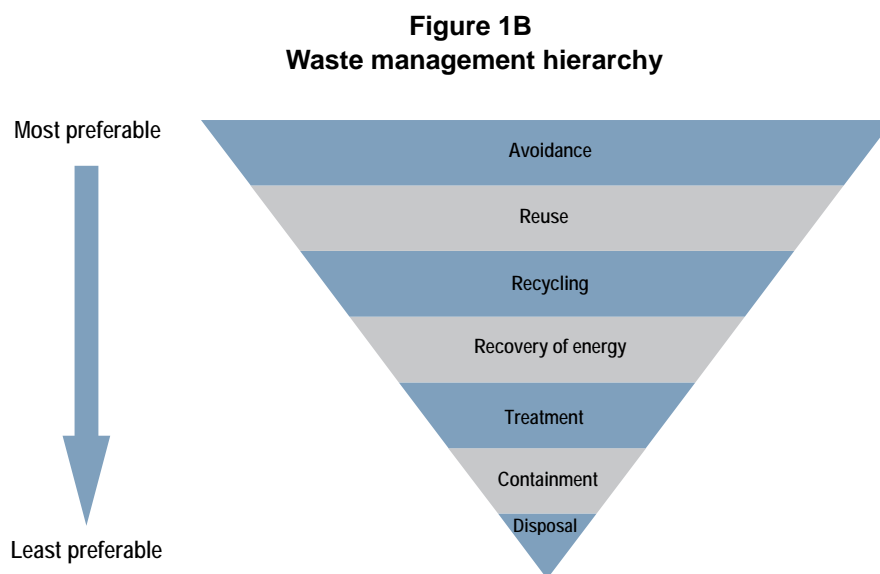
Figure 1A
Waste types by hazard category

Category A	Category B	Category C
Highly contaminated tank sludge	Paint residues from car manufacturing industries	Residues from poultry and fish processing
Highly contaminated soil	Residual waste from waste treatment facilities	Packaging waste, such as small containers and cans
Liquid Polychlorinated Biphenyls (PCBs)	Lacquers and glue waste	Low hazard contaminated soil

Source: Environment Protection Authority.

1.2 Regulating hazardous waste

The *Environment Protection Act 1970* (the Act) is the principal legislation controlling the management of hazardous waste. It contains a series of environmental protection principles that includes a hierarchy setting out the broad policy for the management of waste in descending order of preference. The preferred approach is to avoid generating hazardous waste, while the least preferable option is the disposal of hazardous waste. Figure 1B shows the waste management hierarchy.



Source: Environment Protection Authority.

Under the Act, the EPA has a number of functions and powers to protect the environment from the effects of hazardous waste, including imposing licence conditions and reporting requirements, and managing the environmental audit system.

1.2.1 Licensing

Licensing is an important part of environmental regulation. The *Environment Protection (Scheduled Premises and Exemptions) Regulations 2007* provide for the licensing of premises that store, treat, and reprocess hazardous waste, as well as licensing, containment or disposal facilities that handle hazardous waste generated off site.

The EPA attaches conditions to licences. These conditions may relate to discharge or emission limits, operating practices, monitoring and reporting requirements, or other specific issues.

At 30 June 2009, there were 655 licensees in Victoria, representing a wide range of commercial businesses and industries. These include chemicals and petroleum, animal products, metal and engineering, and waste treatment, disposal and recycling. There are about 169 licensees involved with the treatment, disposal and recycling of hazardous waste.

1.2.2 Environmental audit system

The EPA administers Victoria's environmental audit system. An environmental audit is an assessment of the nature, extent and likelihood of harm to the environment posed by an industrial process or activity, waste, substance or noise. An environmental audit can be required in several instances, including by statutory notice or a licence condition.

1.2.3 Environment Protection (Industrial Waste Resource) Regulations 2009

Complementing the Act are the *Environment Protection (Industrial Waste Resource) Regulations 2009* (the regulations). The regulations aim to improve resource efficiency, enhance reuse and recycling opportunities and simplify compliance for industry. They provide the basis for the management, monitoring, transportation and appropriate disposal of hazardous waste.

A key element of the regulations is that they aim to simplify and streamline administrative processes, with greater self-regulation by shifting the onus to prove compliance to those producing, using and transporting hazardous waste. Examples of this greater self-regulation include:

- the responsibility of hazardous waste producers to classify the waste they produce appropriately
- hazardous waste transporters self-assessing the worthiness of the vehicles they use to transport waste when applying for a permit
- self-assessment by the hazardous waste producer where it intends that its waste be used by another business after it is treated (secondary beneficial reuse)
- no oversight by the EPA of hazardous waste where the producer intends that its untreated waste be reused by another business (direct beneficial reuse), leaving market mechanisms to guide appropriate management.

1.3 Managing hazardous waste

There are 35 landfills across the state that are able to receive Category C waste, with only the Lyndhurst landfill site licensed to receive Category B waste. The EPA no longer licences landfills to accept Category A waste, although several current and closed landfills were licensed to accept this waste in the past.

In addition to disposal, waste generators also manage hazardous waste through reuse or recycling and treatment. Examples of hazardous waste managed in this way include used oil recovered from filters, large steel and plastic rigid containers and grease interceptor trap waste sourced from retail food businesses, such as restaurants and fast food outlets.

1.4 The audit

The objective of this audit was to assess whether the EPA's control and regulation of hazardous waste has reduced inappropriate disposal. Specifically, the audit examined whether:

- data used to inform control and regulation is relevant and reliable
- the surveillance and monitoring of generators, transporters and of treatment and disposal facilities is effective
- enforcement actions are appropriate and timely
- expected benefits from the new regulations are being achieved.

The audit was conducted in accordance with Australian Auditing Standards. The total cost of the audit was \$300 000.

2

Information management

At a glance

Background

Sound information management underpins effective regulation. This enables the Environment Protection Authority (EPA) to identify and address risks, while also using data to manage their regulatory activities and provide assurance about how it is performing.

Conclusion

The management of information on hazardous waste falls far short of what is required to demonstrate the appropriateness of decisions and actions. Consequently, the EPA is poorly informed about how effectively it is managing hazardous waste. Concerted action is required to bring the EPA's information management practices up to an acceptable standard.

Findings

- Information is fragmented across nine databases, some of which cannot differentiate, and report on, matters relevant to regulating hazardous waste.
- Management responses to known information deficiencies have been slow and ineffective.
- The limited analysis and reporting of trends and issues is based on data of doubtful reliability.
- Record keeping and document control is poor. Information was not easily located and the rationale for decisions was not documented.

Recommendations

The EPA should:

- implement the information management solutions it identified in the 2007 Business Systems Review as a priority
- implement robust data integrity controls across all information management systems
- revise its record-keeping practices to comply with the *Public Records Act 1973*
- implement routine data analysis to report to management on performance and also to inform other EPA activities, including compliance and monitoring.

2.1 Introduction

Sound information management underpins effective regulation. Regulators need reliable information to identify significant risks to compliance and to determine strategies to address those risks. They also need management information to assess the effectiveness of their activities and how well they are performing their role.

2.2 Conclusion

The Environment Protection Authority's (EPA) management of hazardous waste information falls short of what is required to discharge relevant regulatory functions effectively. It also affects the EPA's ability to demonstrate the appropriateness of its decisions and actions.

Missing and unreliable information, stemming from weaknesses in information management systems and poor record keeping, meant that important aspects of the EPA's role could not be reliably audited. Consequently, the EPA is poorly informed about how effectively it is managing hazardous waste.

Management's response to these information management issues, many of which it has known of since 2007, has been both slow and ineffective.

2.3 Information management

As an environmental regulator, the EPA both receives and generates a large amount of information about hazardous waste. This includes information on the production, disposal and transportation of hazardous waste, as well as information about compliance with hazardous waste licence conditions.

Hazardous waste information is fragmented across nine databases. Some of these contain information on matters other than hazardous waste, and are incapable of distinguishing the matters relating to hazardous waste from the other data held.

The limited analysis and reporting of trends and issues that does occur is based on data that cannot be assured is reliable. Compounding this, record keeping and document control is poor. We were unable to establish the rationale for decisions and core business records were not able to be easily located.

2.3.1 Hazardous waste information systems

The EPA uses nine databases to store information about hazardous waste, comprising centrally supported databases, such as StepPlus and TransCert, and business unit databases, primarily spreadsheets, such as CaseTracker. Figure 2A shows the 'databases' and their uses.

Figure 2A
Databases storing hazardous waste information

Database	Purpose
Centrally supported databases	
Landfill Levy database	Allows landfill levy operators to complete quarterly and annual statements about the quantities of landfill they received so that appropriate levies can be charged.
Mover	Produces all penalty infringement notices (PINs), and tracks the progress of those notices.
StepPlus	Maintains records for a range of statutory tools, including licences, vehicle permits, work approvals, enforcement notices, prosecutions and notifiable chemical orders.
TransCert	Tracks paper-based and electronic waste transport certificates. Also used to publicly report on the movement and disposal of hazardous waste.
Unit developed databases	
Enforcement spreadsheets (Case Tracker)	Records details of cases being reviewed by the enforcement review panel and follow up actions, including updates on the progress and outcomes of these cases.
Environmental Audit Data Tracker	Records details of environmental auditor appointments and reappointments. It also records details and actions for each audit conducted by an approved auditor, including audit report data, audit due dates and completion dates.
HazWaste Fund Approvals (spreadsheets)	Manage the process of allocating HazWaste fund money to various projects. They record details of the parties involved, interactions with those parties, and results of applications and approvals.
PolWatch	Records public reports of pollution incidents.
Secondary Beneficial Reuse	Records, tracks and processes online applications for secondary beneficial reuse (SBR) notifications, including associated correspondence, third-party sign-offs and waste information associated with the SBR.

Note: While we have categorised the enforcement spreadsheets as a 'database', there are multiple spreadsheets acting as separate databases.

Source: Victorian Auditor-General's Office.

Spreadsheets are inherently unstable and unreliable primary records. They are prone to human error, as they do not have adequate capacity to build-in data integrity controls warranted for such core business systems.

In addition to this weakness with spreadsheet records, the proliferation of databases at the centre and at individual business unit levels has led to a lack of data integration, adversely affecting analysis and reporting.

Integration

There is no integration of the databases and spreadsheets, with related data spread across the range of databases. As a result, the EPA cannot readily obtain a complete picture of matters relating to hazardous waste.

The lack of integration is most evident for information relating to hazardous waste compliance and enforcement. In addition to StepPlus and Mover, the EPA's enforcement unit has developed six other enforcement information systems to record enforcement-related information. These include five information systems for individual team members, and a spreadsheet (CaseTracker) that the enforcement unit's manager uses to monitor enforcement cases going to the enforcement review panel.

These information systems are not linked and enforcement information in them cannot be shared either across the enforcement unit or the organisation.

Analysis and reporting

The EPA's analysis and reporting of hazardous waste data is poor. It is significantly hindered by the inability of several of its information systems to differentiate between hazardous waste matters and other matters. This is particularly so for the enforcement information systems and also for PolWatch, a key database for gathering intelligence on environmental matters.

Routine data analysis does not occur. The EPA, therefore, has limited knowledge about emerging trends, such as industry types over-represented in licence breaches, repeat offenders or whether the incidence of illegal dumping is increasing. In addition, the EPA does not routinely use any of the information systems that contain hazardous waste information to inform its compliance and monitoring activities.

Both TransCert and StepPlus can generate a range of reports, including reports about the quantity of hazardous waste produced and treated, inspection results and an entity's performance over time. However, reports from these databases are neither routinely generated nor does management request them.

Where the EPA does generate reports from TransCert, EPA staff were unsure who the recipients of the reports were. Where the reports identified issues of non-compliance, remedial action was undertaken on an ad hoc basis—reflecting uncertainty about responsibility and accountability.

Corrective action

Management became aware of the proliferation of 'databases', following a review of its information management systems in 2007. This review found that the EPA's systems development processes lacked structure, were not integrated into corporate planning and not adequately managed.

These weaknesses have yet to be resolved. Action to progress the recommendations from a business systems review project (BSR), first proposed in 2007, has been neither timely nor effective. Efforts to reactivate the BSR project commenced in April 2009—two years after the issues were first identified. However, at the time of this audit, there was no documented approval for the project, although a business case was being developed.

The EPA advised that the delay to this project was because they had not documented the business processes to identify the critical data that they needed to capture, as well as overlap and duplication with other reform projects.

This means that poor information management practices remain unaddressed. Clear time frames to redress these practices are yet to be set.

2.3.2 Data reliability

Reliable data gives decision-makers confidence that they are making appropriately informed decisions and that actions taken are evidence-based.

Hazardous waste data is both unreliable and incomplete. Only one of the databases that the EPA maintains, TransCert, undergoes data validation and this is only partial. TransCert includes data entered both electronically and manually. While the electronic data has inbuilt data validation, the only validation on the manually entered data is for high-priority errors, such as the code to identify the type of hazardous waste. This process does not address all of the correctable errors in the data.

Duplication errors found in this database during the audit demonstrate that the data validation controls have not been effective.

StepPlus, the EPA's main hazardous waste database, has no data validation controls. Several issues have been identified with this data by consultants that the EPA engaged in 2009 to report on hazardous waste compliance. These include:

- outdated licences
- information inconsistent with licences
- licence conditions not being amended
- outdated monitoring information.

The EPA's licensing reform project aims to address these issues.

Data on hazardous waste management

For this audit, the EPA provided a range of data from TransCert that reconciled:

- the amount of waste produced, by waste type
- the amount of waste treated and the treatment type
- the origin of the waste, by Australian state.

This data purports to show the quantities of hazardous waste produced and where it ends up. However, the data is based on information that transporters, waste producers and receivers have provided to the EPA, and it represents only hazardous waste that the EPA is informed about. If hazardous waste is produced but not transported, such as stockpiling, then in the absence of robust compliance monitoring, the EPA is unlikely to have a clear understanding of the amount of hazardous waste produced. This is exacerbated by the lack of any oversight for direct beneficial reuse.

Given the issues with the reliability of the EPA's information systems, and others raised in Part 3 of this report, it is unlikely that the EPA is accurately accounting for all hazardous waste produced.

2.3.3 Record keeping

Like other elements of its information management, the EPA's record-keeping practices are poor. This was particularly so for file management, where information was missing from files, and information on files was only partially completed.

EPA staff maintain documents both on hard copy files and electronically. However, neither the files, nor the electronic data, by themselves reflected a complete record.

Enforcement actions, incident summary sheets and documentation of enforcement outcomes were not always filed. This required a reliance on EPA staff knowledge to bring together relevant information for this audit. These practices likely contravene the requirements of the *Public Records Act 1973*, and meant that the EPA's files could not be audited.

Because of its poor record-keeping practices, we experienced considerable difficulty in locating several files relating to hazardous waste. This was due to the way the EPA structured its activities, with files spread across several business units and uncertainty among staff about who maintained the files. This was exacerbated by the lack of an adequate records management system. We also identified that a file relating to serious non-compliance with licence conditions was 'lost' between 2005 and late 2007. Consequently, enforcement action did not commence until 2008. Over the period when this file was 'lost', the licence breach continued. The EPA's record-keeping practices provide little assurance that this was an isolated incident.

The number of incomplete and missing records identified from the relatively small proportion of files reviewed for this audit is concerning. The EPA cannot be assured that they have all the records they require.

2.3.4 Documenting decisions

As a regulator, the EPA has considerable power. It can compel occupiers of any property that produces and discharges waste to provide it with information, undertake criminal prosecutions and issue penalty notices and make other orders.

Documenting decisions when the EPA exercises its powers is essential. This provides accountability, transparency and facilitates consistency of decision-making over time.

The EPA's documentation of processes followed, and decisions made, about hazardous waste matters is inadequate. There is, therefore, a lack of accountability and diminished transparency. We identified several instances where key enforcement decisions were either not documented or not adequately documented. Poor and fragmented record-keeping practices exacerbate this. Consequently, we were unable to establish an audit trail for decisions.

Responsibility for enforcement decisions falls principally on staff within the EPA's enforcement unit and the enforcement review panel. The enforcement unit is responsible for managing all EPA's enforcement actions, while the enforcement review panel reviews all matters relating to official warnings, penalty infringement notices and potential prosecutions.

While various units across the EPA may recommend enforcement action for non-compliant entities, the enforcement unit manager, in a quality control role, determines whether there is sufficient evidence for incidents to be reported to the enforcement review panel. Despite this role, we found that key enforcement documents submitted to the enforcement review panel, such as incident summary sheets, were often incomplete. This missing information has the potential to impact the panel's decision-making. Decisions taken by the unit manager for matters that were deemed inappropriate for the panel to review due to lack of sufficient evidence are not documented, and it was not possible to assess the appropriateness of those decisions.

A lack of transparency and poorly documented decisions is also evident with the enforcement review panel. While the panel records the outcome of discussions, like the enforcement unit they also do not document the reasons for the decision they reach. This significantly diminishes the accountability and transparency of this key decision-making body.

We also found that the reasons for decisions about environmental audits are not documented. There are 35 licensed landfill sites across the state that accept hazardous waste. Approximately half of these are not subject to environmental audits, however there was no documented rationale for this approach. That EPA staff could not explain this situation was concerning.

Recommendations

The Environment Protection Authority should:

1. Implement the information management solutions it identified in the 2007 Business Systems Review as a priority.
 2. Implement robust data integrity controls across all information management systems.
 3. Revise its record-keeping practices to comply with the *Public Records Act 1973*.
 4. Implement routine data analysis to report to management on performance and to inform other EPA activities, including compliance and monitoring.
-

3 Compliance monitoring and enforcement

At a glance

Background

Compliance monitoring and enforcement activities should serve to provide assurance about how well licensees are adhering to regulations and deter non-compliance.

Conclusion

Compliance monitoring activities do not provide adequate assurance that hazardous waste is being managed by commerce and industry in accordance with regulations.

Findings

- Since the move to greater self-regulation, the number of licensee inspections, including those licensed to manage hazardous waste, has decreased significantly without clear rationale.
- The Environment Protection Authority's (EPA) program of review of licensee's annual self-assessments is behind schedule, is not risk-based and lacks rigour.
- Financial assurances from licensees have not been adequately managed, and in consequence the state is exposed to, and has already incurred, significant clean up costs.
- It is not possible to determine the effectiveness of enforcement relating to hazardous waste.

Recommendations

The EPA should:

- extend the program of compliance inspections both to cover waste reusers and transporters, and establish a rationale for the number of annual inspections
- undertake more timely and meaningful reviews of environmental audits and annual performance statements, with greater emphasis on findings and recommendations
- track and analyse environmental audit recommendations
- obtain required financial assurances and review the adequacy of existing financial assurances held
- revitalise the enforcement review panel.

3.1 Introduction

Compliance monitoring and enforcement activities are an essential part of regulation. They provide the regulator and the community with assurance about how well licensees are adhering to regulations, and they provide a framework to address and deter non-compliance.

Effective compliance monitoring and enforcement should enable the regulator not only to identify and analyse regulatory risk, but also to prioritise the risks and undertake compliance activities to mitigate these risks. This would also enable consistent and transparent enforcement decisions where non-compliance is detected.

3.2 Conclusion

The Environment Protection Authority's (EPA) program of monitoring and compliance checks is inadequate for the level of risk that hazardous waste poses for the environment and the community. Serious deficiencies pervade most of its monitoring and compliance activities which, combined with ineffective enforcement, provide little assurance that the EPA is effectively regulating hazardous waste.

3.3 Compliance monitoring

To regulate the management of hazardous waste effectively, a sound compliance monitoring regime is critical. This is particularly important, given the *Environment Protection (Industrial Waste Resource) Regulations 2009* introduced a shift to greater reliance on self-regulation.

The regulations reduced the EPA's direct oversight of hazardous waste and shifted the onus onto hazardous waste producers, reusers and transporters to prove compliance. In addition, the cost of disposing of hazardous waste to landfill was increased, first in 2007 and again in 2009.

With self-regulation and increased disposal costs, the risk of non-compliance can also increase. Therefore, robust and targeted monitoring activities are essential.

The EPA's compliance monitoring activities do not provide adequate assurance that commerce and industry are managing hazardous waste in accordance with regulations. Significant limitations with compliance monitoring are:

- a previously decentralised program of inspections not supported by clear, risk-based rationales
- compliance activities have significantly decreased since 2007–08 while the opportunity and incentive for non-compliance has increased
- no monitoring of hazardous waste that is recycled or reused
- limited review of licensee's annual performance statements and the results of environmental audits

- limited assurance that hazardous waste transporters' vehicles are safe and compliant
- no clear rationale for the limited use of financial assurances that protect the state from bearing the costs of non-compliance.

3.3.1 Rationale for compliance inspections

The rationale for EPA's inspection program is unclear and it is not evident that it appropriately targets high-risk areas.

The EPA recently developed a compliance framework and an annual compliance plan to guide its inspections of hazardous waste licensees. The annual compliance plan considers factors, such as the industry type, non-compliance history and pollution issues. The development of the framework in November 2009, which the EPA has yet to implement, occurred following a shift in June 2009 to a centralised approach to compliance inspection activities.

Previously, the regional offices were responsible for planning and conducting compliance inspections. Under this regime there was no consistent or coordinated approach to compliance inspections across the regions. Within regions there was no documented program of inspections, based on assessed risk, underpinning compliance activities. Prior to June 2009, the EPA could not explain the basis for choosing the hazardous waste licence holders they inspect.

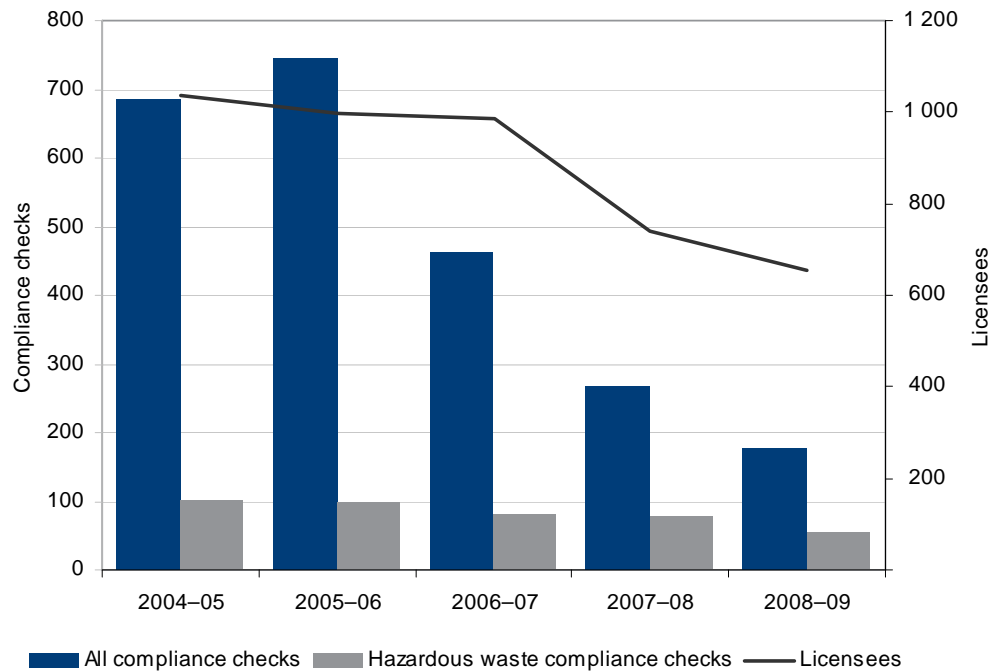
3.3.2 Inspection activity

The number of inspections that the EPA conducts of licensees, including those licensed to manage hazardous waste, has decreased significantly since 2006–07 when landfill costs first increased.

From a high of 745 inspections in 2005–06, the total number of inspections in 2008–09 was 176—a decrease of 569, or 76 per cent. Over the same period, the number of licensees reduced from 1 036 to 655, a decrease of 37 per cent. The number of inspections of hazardous waste licensees decreased 46 per cent, from a high of 101 inspections in 2004–05 to 51 in 2008–09.

Over these years the reduced inspection activity occurred at the same time the risk of non-compliance is likely to have increased, because of the greater self-regulation in the hazardous waste sector. Figure 3A shows the overall levels of all compliance activity over this period.

Figure 3A
Compliance monitoring activity, 2004–05 to 2008–09



Source: Victorian Auditor-General's Office.

The decline in the number of inspections that the EPA has undertaken since 2005 is partly explained by the changes in 2007 to the *Environment Protection (Scheduled Premises and Exemptions) Regulations 2007*. These changes exempted some industries from needing licences, and therefore from requiring inspections.

Aside from the changes to the regulations, the EPA advised that the reason for the decline in inspections was due to its conscious decision to redirect effort to focus on other priorities. The EPA could neither identify these priorities, nor provide a rationale for them being a higher priority than compliance monitoring.

The importance of compliance monitoring for hazardous waste licensees was highlighted in a review that the EPA commissioned in August 2009. This review, which assessed compliance with licence conditions at 28 high-risk sites involved with hazardous waste, identified very high levels of non-compliance. The review found that:

- only five licensees, or 18 per cent, achieved full compliance
- around half the remaining non-compliant licensees had significant environmental hazards.

While the review focused on high-risk licensees, the results indicate the likelihood of widespread non-compliance across other hazardous waste licensees.

3.3.3 Other compliance monitoring and assurance

The EPA undertakes a range of other compliance activities for hazardous waste to complement its compliance inspections. These activities aim to provide further assurance that licensees are meeting their licence conditions. They include:

- reviewing annual reports and annual performance statements
- conducting and reviewing environmental audits
- issuing permits for transporting hazardous waste
- obtaining financial assurance from hazardous waste licensees.

We also identified deficiencies in each of these activities.

Annual performance statements/annual reports

The EPA requires hazardous waste licensees to submit annual self-assessments on their compliance with licence conditions. Desktop review of these self-assessments is one of the main ways the EPA assures itself that licensees are complying with licence conditions.

In 2009–10 the EPA has set itself a target of reviewing 87 per cent of self-assessments, but progress in reviewing the self-assessments is significantly below target. At April 2010, the EPA had only reviewed 40 per cent—around 35 per cent less than planned. In addition, the EPA could not identify when these self-assessments had been reviewed, because their information systems record only the date due and date received.

The rationale for the 87 per cent target is also not clear. Further, the EPA does not apply a risk-based approach to select for review the self-assessments of high-risk licensees.

The EPA has not developed a strategy to address the delays and could not provide assurance that it would rigorously review all self-assessments by June 2010. The lack of a risk-based approach for reviewing self-assessments, focusing on high-risk licensees, means the EPA is missing an opportunity to undertake fewer assessments but with better effect.

Environmental audits

The EPA administers Victoria's environmental audit system. Environmental audits assess the harm or risk of harm to the environment from industry, wastes and other substances. They are particularly important because before 2007, when the EPA introduced a new waste classification system, hazardous waste landfills received Category A, B and C wastes. Category A and B wastes can have significant environmental impacts on soil, groundwater and surface water and require regular monitoring.

In 2009 the EPA received 197 environmental audit reports, but significant gaps in the data make it impossible to determine when most audit reports were completed without physically reviewing each audit report. Where this data was available, there was a consistent pattern of late submission of reports.

The EPA was also unable to demonstrate that recommendations from environmental audits were appropriately followed-up, or used to target their subsequent compliance activities. While the EPA reviews the audit reports it commissions to check on licensee compliance, they do not centrally record audit recommendations, or analyse them for trends and patterns. They also do not follow up on the reports to gain assurance that licensees have addressed audit recommendations.

Hazardous waste transportation

There are around 1 600 vehicles the EPA permits to carry a wide range of waste. Following the introduction of the new regulations in 2009, hazardous waste transporters can obtain a permit by lodging a self-assessment declaration, along with photographs on the front, side and rear of the vehicle.

Currently the EPA accepts around 95 per cent of transport permit applications without transporters providing further photographic evidence. Further, the majority of permitted vehicles operate without any periodic inspection. The EPA does not apply a risk-based approach to determine which vehicles it will inspect. As a consequence, there is little assurance that all vehicles transporting hazardous waste are safe to do so. Previously, the EPA inspected all vehicles to deem whether they were 'fit for purpose'.

The EPA advised it is currently developing a compliance program to address this issue and have committed to reallocating resources for vehicle inspections. They expect this program to be operational by July 2010.

Financial assurance

Under the *Environmental Protection Act 1970*, hazardous waste licensees may be required to provide a financial assurance, or guarantee, to cover the cost of any remediation of sites that store, treat, reprocess or dispose of hazardous waste.

The financial assurance is meant to protect the state from bearing the costs of any clean up required. The scheduled premises that may require a financial assurance under a licence condition include those managing hazardous waste and landfills.

The EPA has recognised the severe consequences on its reputation and finances from failing to obtain adequate financial assurances. Despite this, the EPA does not have adequate financial assurances to protect the state. Unresolved issues that the EPA has identified in relation to financial assurances include:

- in many cases, where the EPA holds a financial assurance, it is either inadequate or out of date
- in the majority of cases, where there is a need for a financial assurance, the EPA has neither sought nor holds an assurance
- where occupiers do not insure against clean-up costs, the EPA is ultimately responsible for these costs.

There is no risk-based rationale underpinning the financial assurance process. In particular, there are no risk criteria or mechanisms to identify licensees whose financial assurances may not be current and sufficient.

The number of financial assurances that the EPA holds is relatively low and significantly less than the number required. As Figure 3B shows, for the 181 premises managing hazardous waste, the EPA held only 46, or 25 per cent.

Figure 3B
Financial assurance, September 2009

	Financial assurance required	Financial assurance held	Financial assurance not held
Licensed scheduled premises			
Hazardous waste management	169	46	123
Landfills	47	26	21
Bulk storage	11	0	11
Container washing	2	0	2
Subtotal	229	72	157
Works approvals scheduled premises			
Hazardous waste management	12	0	12
Landfills	2	0	2
Bulk storage	2	0	2
Subtotal	16	0	16
Others			
Licensed scheduled premises	14	0	14
Subtotal	14	0	14
Total	259	72	187

Source: Victorian Auditor-Generals Office, from data provided by the Environment Protection Authority.

In addition to the scheduled premises, the EPA has identified 1 612 waste transporters that may require a financial assurance, but do not currently have one.

In January 2010, the EPA undertook a further assessment of financial assurances in the hazardous waste sector. The assessment identified 189 hazardous waste licence holders that the EPA could require to have a financial assurance, excluding waste transporters. Their analysis shows that:

- 67 licence holders whose licence conditions require a financial assurance have provided one, but 53 licence holders who require a financial assurance have not provided one
- 6 licence holders who do not require a financial assurance have provided one regardless
- 63 licence holders do not have a financial assurance condition on their licences and the EPA is uncertain whether the licences should have this condition.

While some licensed premises are exempt from providing financial assurance, the EPA has not adequately recorded reasons for applying these exemptions, or whether an exemption has been applied. Exempted premises include some hazardous waste producers and landfill operators who generate and receive thousands of tonnes of hazardous waste each year. The EPA also obtains little reliable information with which to assess the continuing adequacy of the financial assurances.

The low number of assurances in place, the lack of surety about the need for assurances, and the low level of knowledge about the continuing adequacy of the assurances, means the state is exposed to significant financial risk. VAGO identified three examples where exempted entities had become insolvent, resulting in the EPA spending more than \$5 million in remedial works at these sites since 2005, with expectations of a further \$5 million in coming years.

Gaps in compliance

Under the *Environment Protection (Industrial Waste Resource) Regulations 2009*, hazardous waste that requires treatment or reprocessing before it can be reused as an input or raw material in a commercial, industrial, trade or laboratory activity is referred to as secondary beneficial reuse, and requires approval from the EPA. However, once approved these wastes are exempt from the regulations because they are no longer 'classified' as hazardous waste, and therefore do not require waste transport certificates.

Hazardous waste that does not require any further treatment or reprocessing before being recycled is referred to as direct beneficial reuse. The regulations also do not classify this as hazardous waste and no longer require the EPA's approval to recycle.

The exclusion of these materials from the regulations brings with it inherent risks that the EPA is not managing. The EPA's approach to monitoring is predicated on its assumption that the value placed on these waste streams by reusers means that market pricing mechanisms will provide the requisite assurance that they will be reused as intended. The lack of compliance monitoring by the EPA of these waste streams means it obtains no direct assurance that these market mechanisms are operating as expected and that such wastes are not being stockpiled or dumped illegally.

3.4 Enforcement

Enforcement actions should act as a deterrent by holding offenders accountable. They also present the opportunity to educate and inform the community and industry about appropriate environmental behaviour.

The lack of effective record keeping and information systems, already discussed in Part 2, mean it is not possible to determine whether enforcement relating to hazardous waste is adequate.

However, notwithstanding this, the audit also identified a lack of clarity within the EPA of enforcement roles and responsibilities, and a potential conflict of interest in the organisational arrangements established to oversight enforcement.

3.4.1 Effectiveness of enforcement

While the EPA has an enforcement policy, it lacks the detail sufficient to provide authorised officers with clear guidance to enable informed, transparent and consistent decisions.

The enforcement policy outlines the enforcement measures available to its authorised officers. However, it does not include guidance on appropriate penalties and graduated enforcement responses. Graduated responses are fundamental to effective enforcement, guiding staff on sanctions or actions that are proportionate to the risk that the non-compliance poses. The lack of graduated responses increases the risk that inappropriate and inconsistent enforcement action will occur.

This audit sought to undertake a detailed analysis of enforcement actions relating to hazardous waste. However, given the significant limitations with the information systems, it was not possible to distinguish hazardous waste cases from other enforcement cases. The EPA was unable to provide a valid sample for examination.

The EPA's enforcement files were so disjointed and incomplete that they were impossible to audit. Combined with the lack of any self-assessment by the EPA, neither the EPA nor VAGO can provide assurance about the effectiveness of its enforcement activities. This is particularly so in relation to the timeliness, consistency and appropriateness of enforcement action.

3.4.2 Enforcement review panel

The EPA established the enforcement review panel in 2005 as the mechanism for senior management review, guidance and decisions on enforcement matters. The four-member panel aims to meet eight objectives in undertaking its role. Figure 3C details the panel's objectives and roles.

Figure 3C
Enforcement review panel—objectives and role

Objectives	Role
Ensure process is maintained with respect to the quality of investigation, evidence, points of proof and documentation.	Decide on proposed enforcement matters involving the issue of PINs under certain sections of legislation.
Provide for consistent decision-making in respect of enforcement activities.	Provide early endorsement on the preparation of briefs for matters that may be pursued through the courts as a prosecution.
Ensure natural justice and due process for alleged offenders.	Act as a steering committee to provide high level direction to investigations as required.
Determine if a penalty infringement notice (PIN) is appropriate or another tool will achieve the desired outcome.	Support business units in decisions around appropriate enforcement pathways and resourcing for investigations.
Maximise the likelihood that if a PIN is challenged, the EPA is likely to be successful in a subsequent court hearing.	Review the timeliness and consistency of investigations, enforcement recommendations and direct improvements as required.
Establish a review panel.	Review and oversee the enhancement of systems, procedures and training associated with investigation and enforcement matters.
Ensure continued learning and continuous improvement of investigators and informants.	Review procedures and systems for other PINs, including assessment for consistency and appropriateness.
Ensure enforcement is consistent with the EPA's objectives.	

Source: Environment Protection Authority.

The enforcement review panel is not meeting all its objectives or performing its role. In addition to the decision-making issues outlined in Part 2 of this report, the enforcement review panel also lacks transparency. One panel member has a potential conflict of interest because of their operational role and responsibilities.

Objectives and role

Around one-third of the enforcement review panel's role, as stated in its terms of reference, is the review of the timeliness and consistency of investigations and enforcement recommendations. However, in practice the enforcement review panel has not undertaken these activities, because the EPA advised this was the role of the enforcement unit. This contradicts the panel's terms of reference.

The enforcement unit also has not performed these reviews, meaning the EPA is not routinely reviewing its enforcement activities. Given this, and the poor record-keeping practices within the enforcement unit, the enforcement review panel is not meeting the following objectives:

- ensuring process is maintained with respect to the quality of investigation, evidence, points of proof and documentation
- providing for consistent decision-making in respect of enforcement activities
- ensuring continued learning and continuous improvement of investigators and informants.

As a consequence, the EPA cannot demonstrate that its enforcement actions are either consistent or timely—issues that it has recognised and led to the establishment of the enforcement unit in 2008, in part to address these very problems. The lack of robust data on compliance monitoring and enforcement further exacerbates the inability of the enforcement review panel to provide for consistent decision-making.

Potential conflict of interest

The manager of the enforcement unit is responsible for determining whether there is sufficient evidence for incidents to be reported to the enforcement review panel. While the EPA does not intend that this is a decision-making role, we found that in practice the role lacked clarity and created the potential for there to be de facto decision-making. Given the enforcement unit manager is also a member of the enforcement review panel and is responsible, along with the other panel members, for reviewing enforcement decisions and outcomes, the lack of clarity creates the potential for a conflict of interest that could undermine the integrity of the panel.

Recommendations

The Environment Protection Authority should:

5. Extend the program of compliance inspections both to cover waste reusers and transporters, and establish a rationale for the number of annual inspections.
 6. Undertake more timely and meaningful reviews of environmental audits and annual performance statements, with greater emphasis on findings and recommendations.
 7. Track and analyse environmental audit recommendations, including obtaining timely assurance that auditees have addressed identified issues.
 8. Obtain required financial assurances from entities, and review the adequacy of existing financial assurances held.
 9. Revitalise the enforcement review panel by confirming its role and responsibilities, monitoring its performance, and changing its membership to remove any potential conflicts of interest.
-

Appendix A.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to Environment Protection Authority with a request for comments or submissions.

The comments and submissions provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Submissions and comments received

RESPONSE provided by Chief Executive Officer, Environment Protection Authority

Our Ref: MA004695

Mr D D R Pearson
Auditor - General
VAGO
Victorian Auditor - General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Pearson

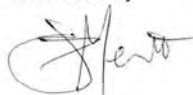
Proposed Audit Report - Hazardous Waste Management

I am writing to you in response to your letter dated 20 May, 2010 regarding the Performance Audit: Proposed Audit Report - Hazardous Waste Management.

EPA has reviewed the proposed report, and is in broad agreement with the detailed findings and recommendations. While the report highlights that EPA's internal systems are deficient, our response outlines how we know and understand the risks posed by hazardous waste, and what we are doing to hold operators in those industries to account.

EPA Victoria thanks the Auditor-General's Office for their work in reporting on the regulation of hazardous waste in Victoria. We believe the findings provide an opportunity to improve the way we operate.

Yours sincerely



JOHN MERRITT
CHIEF EXECUTIVE OFFICER

2/1/6/2010



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RESPONSE provided by Chief Executive Officer, Environment Protection Authority – continued

Attachment 1:

EPA Comments on the VAGO Hazardous Waste Management Report

EPA Victoria thanks the Auditor-General's Office for their work in reporting on the regulation of hazardous waste in Victoria. We welcome the findings and believe they provide an opportunity to improve the way we operate.

This report comes at a crucial time in the 40 year history of the EPA. This report echoes a number of the findings and recommendations made by the Ombudsman in late 2009. EPA acknowledges and accepts the report's recommendations. Implementation of the recommendations is underway, with interim solutions being put in place where longer term solutions are required for a permanent resolution.

We are changing the way we work:

- We have set a clear mandate for the organisation which focuses on our core obligations under environmental legislation: establish environmental standards, assess and regulate against them, and assist industry to comply and go beyond.
- We will be more transparent and accountable to both business and the community.
- We are creating a new organisational culture, beginning with restructuring the organisation in December 2008, and implementing strengthened governance arrangements following splitting the role of CEO and Chairman in September 2009.
- We are reforming our regulatory systems and processes, and have already prioritised the Business System Reform program as recommended by the Auditor-General.
- We are reviewing and reforming our compliance and enforcement functions as key corporate priorities.

While the Auditor-General's report highlights that EPA's internal systems are deficient, we know and understand the risks posed by hazardous waste, and we are holding operators in those industries to account.

We have a centralised system of compliance planning which supports our state-wide inspection program. As noted in the report, EPA has recently developed a compliance framework and an annual compliance plan that guides inspections of hazardous waste sites.

We work with Victoria's waste producers and treaters, gather intelligence through site inspections and industry liaison, respond to public reports via our pollution watch line, and have a strong track record of setting standards that protect the community. There will always be risks posed by some businesses that choose not to comply with the law. It is these people EPA seeks out, investigates and prosecutes.

Over the past decade Victoria has introduced a new regulatory framework for hazardous waste that includes hazardous waste classification, and the banning of Category A waste from landfill. This better defines, manages and regulates the potential hazard posed by hazardous waste.

RESPONSE provided by Chief Executive Officer, Environment Protection Authority – continued

Increased landfill levies have been applied to programs such as the HazWaste Fund to help industry identify and implement options for reducing the amount of hazardous waste disposed to landfill. Since the levy increases of 1 July 2007, annual tonnes of hazardous waste to landfill has decreased by 54% from approximately 733,000 tonnes in 2006-07 to 335,000 tonnes last financial year.

EPA has got the message. We understand that our processes need improvement. Through continued development of our services and strengthening our compliance and enforcement, EPA will continue to build our capabilities. We will improve our regulatory approach, continue to protect the environment, and ensure that the aspirations of the Victorian community are met.

RESPONSE provided by Chief Executive Officer, Environment Protection Authority – continued

Attachment 2: EPA Responses to Recommendations

Number	Recommendation
1	Implement the information management solutions identified in the Business System Reform (BSR) as a priority. EPA Response: EPA agrees with the recommendation and has made the BSR program a priority. This program will deliver an integrated package solution for EPA's core operational units. A closed tender was issued in May 2010.
2	Implement robust data integrity controls across the information systems. EPA Response: EPA agrees with the recommendation. The BSR solution will be an integrated system containing validation controls built into processes and transactions to ensure data integrity.
3	Revitalise its records keeping practices to comply with the Public Records Act. EPA Response: EPA agrees with the recommendation. EPA will review its records management processes accordingly, including an internal audit of our key public records.
4	Implement routine data analysis to report to management on performance and also inform other EPA activities, including compliance and monitoring. EPA Response: EPA agrees with the recommendation. The BSR will provide integrated reporting and business intelligence capabilities to support executive, management and operational reporting. While BSR is being embedded, EPA will implement enhanced management reporting to monitor key metrics around activity, status and action.
5	Extend the program of compliance inspections to cover both waste re- users and transporters, and establish a rationale for the number of inspections. EPA Response: EPA agrees with the recommendation. EPA's compliance and enforcement review will revise the rationale for the number of inspections. The 2010-2011 Annual Compliance Plan will consider both re-users and transporters on a risk basis.
6	Undertake more timely and meaningful reviews of environmental audits and annual performance statements, with greater emphasis on findings and recommendations. EPA Response: EPA agrees with the recommendation. EPA has commenced a review of current environmental audits and annual reports. EPA will also implement a monitoring system to formally track and analyse the timeliness of responses to findings and recommendations.
7	Track and analyse environmental audit recommendations, including obtaining timely assurance that auditees have addressed identified issues. EPA Response: EPA agrees with the recommendation. EPA will implement a monitoring system to ensure licensees are taking appropriate action to address audit findings.
8	Obtain required financial assurances for entities, and review the adequacy of existing financial assurances held. EPA Response: EPA agrees with the recommendation. EPA is currently revising the financial assurance calculation methodology and governance processes. The requirement to hold financial assurance is being addressed as part of the licence reform program currently being implemented.
9	Revitalise the enforcement review panel by confirming its role and responsibilities, monitoring its performance, and changing its membership to remove any potential conflicts of interest. EPA Response: EPA agrees with the recommendation. The Enforcement Review Panel's Terms of Reference have already been reviewed in light of the Auditor-General's finding. Any conflict of interest issues have been resolved.

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Responding to Mental Health Crises in the Community (2009–10:4)	November 2009
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Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2008–2009 (2009–10:6)	November 2009
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Management of Concessions by the Department of Human Services (2009–10:16)	February 2010
Irrigation Water Stores: Lake Mokoan and Tarago Reservoir (2009–10:17)	March 2010
Management of Safety Risks at Level Crossings (2009–10:18)	March 2010
Fees and Charges—cost recovery by local government (2009–10:19)	April 2010
Performance Reporting by Departments (2009–10:20)	May 2010
Tertiary Education and Other Entities: Results of the 2009 Audits (2009–10:21)	May 2010

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Report title	Date tabled
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Control of Invasive Plants and Animals in Victoria's Parks (2009–10:23)	May 2010
Partnering with the Community Sector in Human Services and Health (2009–10:24)	May 2010
The Community Building Initiative (2009–10:25)	May 2010
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