



# Territorial authority waste levy audits

This information sheet provides information about territorial authority waste levy audits. It explains what audits are, why they are conducted, and how they are carried out.

## What is a compliance audit?

The purpose of the [Waste Minimisation Act 2008](#) (the Act) is to encourage waste minimisation and decrease waste disposal to protect the environment, and provide environmental, social, economic and cultural benefits.

The Ministry for the Environment (the Ministry) administers the operational aspects of the Act including the collection and distribution of waste levy funds. Part of this responsibility involves the Secretary for the Environment (the Secretary) appointing auditors under [section 87](#) to audit territorial authorities (TAs) in respect of spending levy money.

External service providers are used in some instances to conduct compliance audits on behalf of the Ministry and these providers are also appointed as auditors under the Act.

The specific objectives of a compliance audit include an assessment of whether:

- waste levy money is being spent on matters to promote or achieve waste minimisation, and in accordance with the TA's Waste Management and Minimisation Plan (WMMP)
- waste levy money is being used as described in levy spend reporting to the Ministry
- the process and content associated with WMMPs and waste assessments meet requirements of the Act.

Findings from compliance audits are reported back to the TA and the Secretary.

# Territorial authority responsibilities

TAs have several obligations under the Act, including the following.

- [Section 32](#) requires levy funds to be spent only to promote or achieve waste minimisation and in accordance with a TA's WMMP.
- When making a levy funding decision, a TA must consider the effects that the decision may have on any existing waste minimisation services, facilities, and activities (whether provided by the TA or otherwise).
- [Section 42](#) requires a TA to promote effective and efficient waste management and minimisation within its district. The TA must adopt a WMMP as outlined under [Section 43](#).
- [Section 50](#) requires a TA's WMMP to be reviewed at intervals of not more than six years and a review must be preceded by a waste assessment as outlined under [section 51](#).

TAs have some flexibility when it comes to expenditure of their allocated waste levy, particularly in the timing and way the waste levy money is used. However, use of the levy must be clearly signalled in the WMMP. TAs should seek independent advice on the purposes for which the levy could be used.

## The Ministry's obligations

As outlined in [section 33](#) of the Act, there are situations where the Secretary must retain levy money payable to TAs. This includes where, at the time the payment is to be made, the TA has not reviewed its WMMP within the six-year statutory period.

[Section 37](#) also allows the Minister to direct the Secretary to withhold payments of the levy if a TA has not met any of the following requirements.

- Spend levy money on matters to promote or achieve waste minimisation in accordance with its WMMP and the Act.
- Performance standards set by the Minister under [section 49](#).
- Provide records or information as prescribed.

## How do we select a territorial authority for a compliance audit?

Compliance audits may be carried out annually, or on a less frequent basis depending on the Ministry's available resources and in line with an annual risk-based audit programme. The Ministry may also choose to audit a TA outside the annual audit programme for one of the following reasons.

- The Ministry becomes aware of potential misuse of the levy.
- Regular reporting on the use of the levy is not communicated to the Ministry.
- The Ministry has reason to believe spending is not being recorded accurately.

# What can you expect from an audit?

## Time

The audit will typically involve a meeting of one to two hours, with initial planning discussions prior to the meeting and post meeting discussions if required. TAs who receive larger levy fund amounts, or those who do not have the required information readily available, may take longer.

The audit meeting will either be conducted remotely or at council offices. This will be advised in advance by the auditor.

## Information to provide

The following table outlines information to provide and/or have available during the audit.

Information that will be requested during the audit	Other required information, which the Ministry can typically access
<ul style="list-style-type: none"><li>• supporting evidence, including invoices for the expenditure and outcomes</li><li>• information for key personnel and contracts relating to the use of waste levy money</li><li>• annual financial statements / general ledger reporting highlighting levy funding</li><li>• copies of budgets / cash flows in relation to the use of the waste levy including confirmation of any unspent levy funds</li><li>• evidence if interest is accrued on unspent levy funds.</li></ul>	<ul style="list-style-type: none"><li>• WMMP</li><li>• waste assessment</li><li>• waste levy spend reports for last three financial years, as reported to the Ministry</li><li>• any grants policy applicable to waste levy</li><li>• copies of any waste bylaws with relevance to waste minimisation activities</li><li>• annual reporting / long-term planning with monitoring and reporting information in relation to waste minimisation activities.</li></ul>

## Process

The audit process during the site visit will usually involve the following stages:

- opening meeting
- collection and verification of information
- evaluation of audit evidence
- closing meeting.

## Staff required

Waste management and minimisation staff members would be the key contacts for audit meetings.

Finance staff who can verify levy spend, budgets, coding and interest matters in the financial management system should also attend the audit, if only for the financial part of the audit.

Management may also wish to attend the audit meeting (if not the key contact for the audit), but attendance is not mandatory.

## Findings and reporting

Following the audit meeting, the auditor will evaluate the information and detail their findings and audit conclusions in a draft audit report.

Where findings indicate instances of non-compliance, attention will be drawn to the corresponding section within the Act and/or guidelines.

If a TA is compliant in relation to a regulatory requirement but there is a risk that it may move to non-compliance in the future, due to absence of control/s or understanding of requirements, the auditor may identify this as an area for improvement and may make process improvement recommendations.

The TA will receive a draft audit report for comment and will have the opportunity to respond to corrective action recommendations where required. When this part of the process is complete, the report will be finalised.

## Our compliance approach

As a result of the compliance audit, the auditor may identify levy expenditure that has not been appropriately recorded or does not meet the requirements of the Act.

In accordance with our Waste Minimisation Act 2008: Compliance, Monitoring and Enforcement Strategy, the Ministry will take a responsive and risk-based approach to compliance.

This includes:

- providing education and promoting compliance
- assignment of corrective actions
- monitoring (including increased audit frequency)
- investigation of alleged breaches
- potential retainment of levy funds
- potential prosecution/fine in accordance with [section 65](#).

Action taken will be dependent on the risk and seriousness of the non-compliance.

If the auditor believes at any stage that an offence against the Act has been or is being committed, they will advise the appropriate representative of the TA, provide advice regarding the rights of the representative and the TA, and provide an opportunity to comment. The auditor will then put the audit on hold and refer it to the investigation team.

## Viewing your records and confidentiality

The auditor will request access to records throughout the compliance audit. These records are best retrieved prior to or during the audit meeting so the auditor can accurately verify information.

The auditor may need to take copies of some of the documentation. Records and information collected or viewed during the audit will be held in confidence. Copies taken will not be shared, except if required by law.

Any information or records you give to an auditor will remain secure. The Ministry has controls in place to ensure information remains confidential. The Act requires that auditors must not disclose any information obtained except in legal proceedings under the Act or to the Secretary, the Minister, or a person authorised by the Secretary or the Minister to receive the information.

As a government agency, the Ministry is subject to the Official Information Act 1982 (the OIA). A person may make a request to the Ministry for information it holds. This may cover information gathered during an audit. In these instances, the Ministry will consider the request in accordance with the OIA and will consult with the TA before making a decision on the request. There are grounds for withholding information on the basis of confidentiality or for commercial reasons, but these are subject to an overriding public interest test, so information may need to be disclosed in some cases.

## Further information

If you require further information, please contact the Waste Operations - Compliance, Monitoring and Enforcement Team at [waste.TA@mfe.govt.nz](mailto:waste.TA@mfe.govt.nz).

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