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| App./Cert. | FMS20003 |
| Date | 20/09/2011 |

SURVEILLANCE AUDIT

Client:

VicForests

Site Address:

 Level 7 473 Bourke Street MELBOURNE VIC 3001
 AUS

Standard(s): 4708:2007

Relevant Codes (as applicable)

ANZ01, ANZ02, ANZ03, ANZ0301, ANZ0302, ANZ0303, ANZ04

Scope of Certification:

The registration covers the Forestry Management System for processes involved in the planning for, harvesting and haulage of native eucalypt forest and post harvest regeneration.

The Defined Forest Area is as per the area defined in the Timber Release Plan.

COMMERCIAL- IN – CONFIDENCE

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AUDIT REPORT

Introduction

SAI Global conducted an audit of VicForests on 09/09/2011 to 20/09/2011 .

The purpose of this audit report is to summarise the degree of compliance with relevant criteria, as defined on the cover page of this report, based on the evidence obtained during the audit of your organisation.

SAI Global audits are carried out within the requirements of SAI Global procedures that also reflect the requirements and guidance provided in the international standards relating to audit practice such as ISO/IEC 17021, ISO 19011 and other normative criteria. SAI Global Auditors are assigned to audits according to industry, standard or technical competencies appropriate to the organisation being audited. Details of such experience and competency are maintained in our records. The audit team is detailed in the attached audit record.

In addition to the information contained in this audit report, SAI Global maintains files for each client. These files contain details of organisation size and personnel as well as evidence collected during preliminary and subsequent audit activities (Documentation Review and Scope) relevant to the application for initial and continuing certification of your organisation.

Details of your primary contact persons and their contact details and site addresses are also maintained. Please take care to advise us of any change that may affect the application/certification or may assist us to keep your contact information up to date, as required by SAI Global Terms and Conditions.

Please note that this report is subject to independent review and approval. Should changes to the outcomes of this report be necessary as a result of the review, a revised report will be issued and will supersede this report.

Executive Overview

This audit visited the Orbost Regional Office and the Bendoc office and field operations in addition to follow up of system issues in the corporate office in Melbourne. The audit found that the management system continues to improve and evolve as the system matures. Changes are now coming more from the field personnel indicating good use and practical development. Awareness of the system requirements is high and despite the ongoing changes to the electronic documentation, personnel were able to locate items including the risk register and all procedures and instructions without assistance.

Coupe file management and detail in special values have been improved further as a result of the focus that is now on surveying and identification of values due to the Brown Mountain court ruling.

Greater detail is now recorded in the coupe files, diaries and checklists to assist in justifying decisions and to provide specifications required to manage any identified issues. Records of communication with stakeholders particularly where complaints or concerns are raised have been formalised into processes that now ensure all issues are well documented and assessed with actions allocated and reviewed for completion.

Proactive approaches have been made to the indigenous leaders of East Gippsland and cultural awareness training has enhanced the awareness of staff. Other notable improvements are related to the induction and management of contractors, developments in the coupe monitoring checklists, reviews and changes to be made to the risk register, good use of the communications register and the planned change to the coupe information system.

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Audit objectives

To determine continuing compliance of your organisation's management system with the audit criteria; its effectiveness in achieving continual improvement and system objectives; and to review the management of any changes in the organisation.

Review of any changes

Changes which have occurred to the business since the previous audit conducted in March 2011 are as follows:

- The CEO has left the organisation with a new one to be ratified by the Board in November
- DSE had been involved in investigations relating to claims made by the My Environment group
- VicForests have been involved in the FSC audits of Australian Paper as a member of the supply chain
- Personnel at Ovens have been reduced due to a resignation and there has been an increase in staff at the Erica office
- As discussed later, VicForests are in court with the My Environment group
- VicForests are considering upgrading the risk management system with additional modules prior to Christmas

Actions taken on previous audit issues

The areas of concern from previous audits (text is marked in italics) have been very well managed in the CAIR

system. Initially they were sent out with a responsible person assigned after the information was pulled together to address the issues. Those which have been addressed and actions verified have been closed and are marked with an open dot 'o' and those which remain open are marked with a solid dot '●' and will be followed up at the next audit.

- *VicForests will need to ensure that the assessment of significance of aspects and impacts is determined pre controls to ensure that those controls that are managing potentially significant impacts are highlighted and managed by the system.*

This is now noted in the instruction.

- *VicForests are yet to undertake an internal audit of roading.*

An internal audit has been completed of roading with the internal audit schedule broken down into modules to ensure roading is picked up as a focus area.

- *The community engagement officers will need to be made aware of the requirements of the AFS including the use of CAIRs.*

Information has been sent out to them and they are on the SFMS refresher list for training to be undertaken shortly. There has also been some one on one awareness training.

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Internal audits, CAIRS, management review processes and continual improvement

- *As the internal audit report is a summary of dot points of the areas of excellence and areas for improvement, it is difficult to see what was actually audited and observed to ensure system procedures have been fully tested for implementation. VicForests will need to ensure that auditor notes are kept to allow transparency in the audit process and for the internal system to identify what has not been audited.*

All notes and comments are now stored in the RecFind file for audit information.

- *The audit schedule will need to ensure that other functional areas such as aspects identification and assessment, training, stakeholder engagement etc are also audited particularly where they are CSO functions.*

The audit schedule has been updated to include all required areas as modules to be audited.

Coupe Planning

- *There is a need for greater consistency in the implementation of VicForests planning process and the lodgement of necessary documentation that demonstrates the implementation of these processes. Records required to be generated are not clearly listed in the procedures and it is difficult to determine from coupe files what records may be missing or located elsewhere.*

A coupe file index has been devised noting what will and what may be included in the files. The coupe planning checklist indicates what is in the file and all Districts have agreed to use this method. This process is yet to be fully implemented in line with the recently completed Coupe File Management Instruction.

Ovens

- *The site safety survey for Marginal was required to be completed on the day of the burn however there was no record of this in the file.*

This has been included.

- *Buffers had changed at the Glock and Smith and Wesson. The map and site diary did not indicate communication of this.*

The plan is for the CAIR coordinator to check coupe files in regional offices to ensure they contain required information and the intention is also for internal audits to also check.

Alexandra

- *The post harvest review for Crow's Nest provides no indication that values and buffers required to protect them were intact at the completion of the work i.e. there will have been a full field check with any*

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discrepancies to be recorded in the coupe diary but the records do not provide the evidence.

The post harvest review was not completed on site as it is done by tactical planning. The coupe completion monitoring asks about no machine entry.

- *The peer review document in the Ulna file was incomplete i.e. there was no signature and the tactical planners had also not signed off.*

This has been signed and added with the root cause put down to 'human error'. Root cause analysis training has been undertaken.

Healesville

- *A number of burn aspects in the aspects and impacts register for site preparation i.e. smoke generation, failed burn (poor regeneration), escapes etc are ranking as not significant. This suggests that controls may have been considered when determining the risk level. A review of the register should be undertaken to ensure that the pre control ranking on which significance is based reflects what would normally be considered potentially significant impacts and related aspects for the forest industry.*

The aspects and impacts database has been updated.

- *Personnel indicated that they would be focussing on the top ten risks in the aspects and impacts register however, they were not sure which were the top and what the relevance of significance is as per the Standard.*

Changes have been made to ensure the top ten risks are no longer the focus. The columns are sorted by significant risk and are to be reviewed annually with any changes to be emailed to systems personnel.

Roading

- *There is still a need to ensure that roading activities are included in the internal auditing process.*

These are now included in the audit schedule.

- *Records were not available to indicate monitoring of the quarries where required.*

DPI is the controlling authority for quarries with VicForests considering they have no control.

- *The VicForest instructions are not clear on the records required to be generated and kept in relation to road works (V1.5 Nov 09 was viewed).*

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The instructions have been updated and relevant personnel advised. Road Works Planning Instruction V1.6 was reviewed in August.

Periodic Evaluation and review of compliance with relevant legislation and regulations

Quarterly updates are received from legal firm Baker and McKenzie on new or changed legislation and are reviewed by the VicForests legal counsel. Group discussions are undertaken monthly and are minuted indicating discussion of impacts on VicForests and changes required to system documentation. The compliance register indicated recent changes that are being made. A spreadsheet of requirements is being sent out to the various internal groups to check for any further requirements which have not been included.

Progress on planned activities for performance improvement

Three new objectives and targets were discussed at the last management review. A quarterly updated on progress is sent through to system managers and the current 2011-2012 objectives have been established.

Ten objectives are listed in relation to improving skills in biodiversity, maximising economic returns from harvesting, ensuring regeneration is managed appropriately, improving indigenous engagement, addressing public concerns, minimising fuel and oil spills, improving understanding of threatened fauna and understanding carbon storage. Actions viewed in Gippsland indicate that programmes to achieve these are well under way.

DFA Changes/Logo Usage and Statistical Monitoring Protocols

The DFA continues to be as defined by the current TRP as displayed on the VicForests website. The logo has been used appropriately and VicForests are up to date with payments. Statistical monitoring continues to be applied where appropriate as documented in the previous report. This will again be reviewed at the next audit.

Stakeholder Consultation/Complaints

At the time of audit, VicForests were in court with the My Environment group. A temporary injunction had been put in place.

JASANZ had visited VicForests along with an SAI Global representative to investigate complaints put to them from the My Environment Group and SAI Global had also undertaken a special audit prior to the JASANZ visit.

All breach allegations reported by interested parties are duly noted in the CAIR system. There has been a strong improvement in the systematic management of these to include the date of first contact, location of the issue and regular updates on investigation and progress. A new investigation report proforma has been developed with final outcome of the investigation and actions required well documented.

There are two current investigations which have been reported in the internal system

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and are with DSE. The first was the accidental harvesting of 0.08ha of the Croajingalong National Park in East Gippsland and the collection of seed within the Snowy River National Park boundaries. The latter was identified through an audit of the seed collection processes. Included in the actions to address this is the requirement for the coupe boundaries to be marked and returned to VicForests for authorisation. Both issues have been appropriately investigated and documented with actions which will address the root cause allocated.

As noted previously, the Brown Mountain decision has led to the application of the precautionary principle with a surveying process now applied to detect any potential species such as the Long Footed Potoroo. A contractor has been engaged to survey coupes planned to be harvested in the coming season. As a result of the work being undertaken, there is an excellent awareness amongst the staff of the requirements and if a Potoroo is sighted, a Special Management Zone will be created for immediate protection until there has been a review and advice provided by the resident biodiversity expert.

Indigenous liaison in the Gippsland region has been steadily improving with cultural awareness training completed for 27 personnel. A similar course has also been completed in the Central Highlands using the relevant traditional owners.

An indigenous engagement plan for VicForests was drafted in August 2011 which clearly identifies the methods of communication and the future engagement strategies. This is now being well planned. The work instruction for identification and protection of indigenous values and native title rights has been reviewed.

The cultural heritage checklist is in use and was verified for a recent potential site with notifications to the operations planner.

Internal Audits, CAIRs, Management Review Processes and Continual Improvement

A internal audit was undertaken in January 2011 of roading, silviculture and product delivery for the Gippsland region and Healesville office. The next round of audits is due in January 2012. The legal, risk, CAIR and communications registers will all be audited annually and the higher risk areas. This is described in the SFMS Internal Audit Instructions and is shown on the schedule.

The last management review was held in March 2011 as a joint OHS and SFMS review. Items on the agenda included aspects and impacts, SFMS audit results, addition of Myrtle Rust as an aspect, results of the DSE Forest audit, coupe monitoring records and results, CAIRs, complaints, chemical usage, interested parties, objectives and targets etc. The notes are well detailed and the review thorough and effective.

Issues continue to be well managed through the CAIR database with monthly reviews and a quarterly summary provided to the Board. The level of reporting is good and indicates a variety of issues being raised.

Opportunity for Improvement

- Internal audit notes may need to provide more detail on the evidence viewed to determine compliance.

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System Elements

The Aspects and Impacts register has been replaced by the Social and Environmental Risk Register. Significant aspects are those ranking either extreme or high on pre control ratings. Further work on the register is planned as the development to CURA continues.

The Coupe Monitoring Record has had a major review and is still in draft format as the software is being developed for the new system. It is intended that the new system will simplify the process and reduce the workload.

Areas of Concern

- The current ranking process has overcutting of the allocation order, damaging cultural heritage or species and escaped burns as not having potentially significant aspects or impacts whilst another component of the register notes burn escapes and damaging values as significant. This suggests that the ranking process requires review to ensure expected potentially significant aspects and impacts which the system is required to control and manage are ranking as such and to remove any inconsistencies.
- Management of sensitive ridgelines has been a key priority in the East Gippsland region however, the risk register has no aspect noted for accidentally cutting a sensitive ridgeline or SMZ. Harvesting within a Long Footed Potoroo SMZ ranks 8 and on closer inspection of other aspects in the East Gippsland region register other impacts are also ranking low e.g. removing a Powerful Owl nest tree or not properly identifying biodiversity values.
- An environmental alert was provided to warn personnel about the potential to spread Myrtle Rust where operations are close to the border and machinery potentially moving from Rust areas. This has not ranked as significant in the risk register.

Opportunity for Improvement

- The instructions may need to be more explicit to enable the link between the numerical value (i.e. >12) and the high and extreme values.

Gippsland Region Field Visit

Due to the forest and fire management rezoning being undertaken by DSE, the spatial layer has changed and been released to VicForests without the new prescriptions. Discussions are continuing to ensure personnel and the system are updated.

Activities being undertaken in the region include the harvesting crews and seed picking with a contractor completing regeneration surveys. Roading is due to begin in November once the weather improves and access can be obtained.

Over the past twelve months 166 coupes were harvested however, the size of the coupes is quite small with an average of 17-20ha. There has been no old growth accessed or harvested during the past season. Contractor files are well managed and

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note any investigations. To avoid potential issues with boundaries, all coupes with sensitive boundaries are now red to alert personnel. In addition a Senior Forester will now review the GPS boundaries. Seed collection has been included in the planning system .

There has been a concerted effort to ensure staff are trained and competent to undertake their roles with coupe marking one of the focus areas due to the recent investigations of breaches by contractors. The modules for training and competency assessment are in draft but are based on elements of key activities related to roading, regeneration and harvesting. To ensure contractor performance, third party auditing is now being undertaken. One contractor has been suspended due to OHS breaches relating to loading and others have been picked up for running over the tapes marking boundaries. The auditing process is now requiring more information to ensure issues are better reviewed which will lead to overall performance improvement.

The communications register has been well used to record meetings with local environmental groups, indigenous leaders and apiarists

An audit trail following the AAV sign off for coupes managed by Tactical Planning found that all documentation is stored in Orbost and that all coupes checked had relevant information provided.

Opportunities for Improvement

- The induction process for contractors is being very well managed however, they may be a need to note what VicForests documentation and items have been provided.
- As contractors move around the Districts, consideration might need to be given to how advice on some of the special values is provided e.g. Long Footed Potoroo habitat and identification.

Biodiversity Management

- a) As a result of the Brown Mountain court case VicForests has developed a policy for *Pre Harvest Fauna Surveys*. Two other documents have also been developed and implemented – *Pre-harvest Fauna Survey Procedure* and the VicForests Instruction for *Pre-Harvest Fauna Surveys*. Most surveys are currently being carried out under contract by *Wildlife Unlimited Pty Ltd*. This is credible company also used by DSE.
- b) Tactical planning identifies coupes based on coupe overlays and local knowledge. The planners will be having increased awareness training from the Conservation Biologist at the end of September 2011.
- c) The principal triggers to initiate a wildlife survey are:
 - The presence of >1ha of modelled old growth forest in the coupe;
 - A third party sighting.
- d) Once a fauna survey is triggered coordination is by Operational Planning, Orbost at the field level. The fauna survey report is forwarded to the Conservation Biologist to determine action required. An Action Report is produced which is signed off by the Conservation Biologist and at a senior level in the field (currently Dion Kriek in Orbost). Operational Planning prepare an SMZ plan for the species

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- if necessary and then incorporate requirements (often exclusion zones) into the coupe planning. This process is robust and working well with appropriate documentation on the coupe plan files.
- e) DSE are currently looking at landscape level planning for threatened species. This may enable areas with verified species presence to replace areas of possible habitat which can be released for harvesting.
 - f) It was noted that the post harvest burns (which were excellent in terms of providing a receptive seed bed) were killing a number of habitat trees. It is understood that this issue is under review (Mike Ryan).

Opportunity for Improvement

- Completion of the habitat tree survival review with appropriate recommendations to ensure that this requirement is met and the required number of habitat trees per unit area on a coupe is maintained..

Sustainability of Timber Production

- a) Areas set for wildlife conservation as a result of wildlife surveys are being recorded with a view to requesting a replacement allocation of forest from DSE to maintain timber supply.
- b) During 2010/11 sawlog yields have been down due to pre-planned coupes with old growth forest present being set aside until a wildlife survey is completed.

Soil and Water Management

- a) Overall the management of soil and water values on the coupes inspected was good. Earth banks were constructed on snig tracks and fire trails. There was one instance on an access road to a coupe where the mitre drain was not adequately directed to distribute water onto undisturbed vegetation and was highly likely to direct runoff into the creek. The creek was clear at the time of inspection and the road is soon to be closed with earth banks across it– see Appendix 1 - *Buttons*. Rehabilitation of landings was good using top soil set aside at the commencement of operations.

Silviculture

- a) In East Gippsland a significant area of successfully regenerated and thinned coupes will be available for hand back to DSE at 31 October 2011. Coupes harvested by seed tree retention or clearfell (3200ha) and thinning (320ha) are currently ready for hand back. A further 40+ coupes are currently being assessed for regeneration or against the thinning prescriptions and should also be available for hand back.
- b) Regeneration assessments this year have highlighted the need to monitor the performance of regeneration assessment contractors. In some cases this has necessitated the need for more intensive survey by a different contractor to verify

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actual stocking levels VicForests is very aware of this issue both in terms of the accuracy of results and the potential for unnecessary additional costs.

- c) It was noted that the seed mix in aerial sowing was directed at maintaining the original species mix and that the regeneration mix also conformed to the original seed mix.

Cultural Heritage

- a) The documentation of the outcomes of referrals of Aboriginal sites to AAV and recommendations from the local Aboriginal Heritage Officer (DSE) was better than that seen at a number of earlier audits.
- b) The protection of an area of historical heritage was inspected in the field (see *Gypsy Fire* coupe). The protection buffers were determined in consultation with DSE and the boundaries of the buffer well marked in the field.

Coupe Planning

- a) Coupe plans applicable to forest supervised by Bendoc office were generally of a high standard (see Appendix 1). There was only one instance in the coupe plans checked of a peer review not being completed. There was evidence on a number of the coupe files of communication between VicForests and DSE, AAV, Parks Victoria and other parties. In particular, the new process for addressing threatened fauna issues was well documented.
- b) The coupe monitoring record "process" for roading/harvesting is currently under review. The intention is to clarify questions, give them a risk rating (as to how poor performance would affect the business and/or forest environment) and determine to what stage of the operation a question should apply (a number of questions apply to all stages). It is proposed that if an issue is identified and work is required by the contractor the requirement should be entered in the coupe diary and followed through to completion in the coupe diary. This draft CMR could be improved by making it a requirement to sign off on completion of any required or remedial works. It is expected that the upgraded CMR process will be implemented prior to the next AFS audit. VicForests propose to provide a briefing and information sheet to all relevant staff prior to implementation.

Opportunity for Improvement

- As VicForests develop the competency assessments, consideration needs to be given to the activities that are ranked on the risk register as having potentially significant impacts and therefore associated with significant aspects.

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Bendoc Office

Two personnel are based from this office full time with some functions undertaken by personnel from Orbost. At the time of audit, only five coupes were active. Communication of system changes has included the environmental alert on Myrtle Rust and the procedural change that has resulted. Communication to neighbours and advice on the school bus is provided through the Orbost office. The communications register has been used for contacts with private property owners.

A test of the emergency response procedures was undertaken in January with a missing person scenario enacted. A copy of the SFM Policy from March 2008 was on display.

Coupe files for roading at Smoked Trout, Zipper and Wood Pencil were viewed and included approval and prescriptions provided in relation to special values. A third party sighting of a potoroo had been registered with the Orbost office and reviewed. The local roading forester is preparing coupe plans for most roads to ensure that all values are being picked up as the road works plan does not require the same level of detail.

The road works plan for coupe 827-505-0013 was being prepared and noted in the works description use of a D6 for tree removal and widening. Road width had been clearly specified as one blade width. Culvert cleaning plans were also viewed with traffic management plans in place and notifications provided to DSE. The Culvert Cleaning plan for 2011 indicates very good checks and a full listing of all culverts ensuring good soil and water management processes. Coupe monitoring records have been very well completed and the communications register used to note joint inspections. Winter months monitoring and priority work for summer and winter is now well planned with required approvals flagged.

Blackberries are one of the key weed issues in the region and as a precaution the dozers require wash down. Coupe diary notes are being very well utilised to note any issues and corrective actions required of the contractors to rectify any problems. Water supply catchments are also well noted in the coupe plans by the Operations Planning team. Sensitive view areas from the East Gippsland Forest Management Plan are added to the plans and breaches have been detected and managed by the system.

Area of Concern

- Not all of the values requiring protection are being included in the coupe plan with instructions not reflected in the documentation. With both a coupe plan and a road works plan being prepared, there are some instances where the SMZ and Long Footed Potoroo are not on the map or in the other issues section. Further investigation noted that values specifically picked out are at the back of the coupe plan in the special values section 5 and may need to be brought forward to a section where they are obvious to the contractor.

Opportunities for Improvement

- The Social and Environmental Risk Register is not being used by local staff. VicForests may need to consider if this will be the means for adding any new aspects and assessing any new impacts i.e. are regional personnel expected to review the register when a change or new activity is proposed.
- The current process of completing both a Road Works Plan and a Coupe

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Plan for road improvements may be too onerous for an understaffed office. VicForests might need to consider how best to accommodate the requirements of both. It is noted that coupe plans for roading were originally being prepared in Orbost.

- VicForests need to ensure that all correspondence between external parties and VicForests that is relevant to particular coupe planning is lodged on that coupe file.
- Consideration needs to be given to a sign off when issues are identified and follow up works are completed under the coupe monitoring process.
- The Action Statement for the Spot Tailed Quoll notes that sightings are to be reported to DSE. Where coupe plans are prepared for works that are in areas of potential spot tailed quolls, the instructions to contractors may need to advise of the need to report to VicForests of any sightings.
- The AAV information for Cat's Eyes has been misplaced under the Historic Sites and not under the Aboriginal Cultural section in CIS.
- There is a possibility that not all sensitive ridgelines are on the FMZ layer, this may require further confirmation.

The following coupe plans (11) were reviewed whilst in the Bendoc and Orbost offices and those with an asterisk against them (8) were also field inspected. Notes relating to each coupe below appear in Appendix 1.

Boogy,
Go Go*,
Alabama*,
Cats Eye*,
Zipper*,
Powerlines*,
Cullinans*,

Buttons*,
Needlebox,
Foxes Head,
Gypsy Fire*

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| APPENDIX 1 – Coupe Plans checked (* and field inspected) | | | | | |
|---|------------|--------------|------------------------|-----------|--|
| Office | Coupe name | Coupe number | Species type | Area (ha) | Notes |
| Bendoc | Boogy | 892/518/0006 | Alpine Mixed Species | 21 | Seed tree retention coupe. Tactical planning reviewed. Coupe Planning Checklist (CPC) up to date and peer reviewed. Coupe Plan well done. Boundary definition well described both by text and map. Management issues (special values) well addressed. Fauna survey report referenced. Survey found one Yellow-bellied glider – no action or harvesting restrictions required; signed off by the Conservation Biologist. Contractor yet to be inducted into the coupe. |
| | Go Go* | 891/516/0036 | Foothill Mixed Species | 27 | Seed tree retention coupe. Tactical planning completed. CPC well done and peer reviewed. Coupe plan well done addressing all special values, coupe map good and plan signed off as required. Fauna survey carried out with Long-footed potoroo present. SMZ plan prepared for the potoroo habitat and signed off by the Conservation Biologist. Cultural values checked with AAV – none present. Coupe diary and coupe monitoring Record (CMR) being used effectively. Temporary closure applied when wet but drainage works done. Not all seed/habitat trees were cleared for 3m around the base. |
| | Alabama* | 894/506/0006 | Mountain Mixed Species | 34 | Seed tree retention coupe. Tactical planning well done with potential issues identified. CPC completed. Coupe plan well done with all sign offs as required. All special values addressed. Coupe diary and CMRs well done. Silvicultural Plan, Burn Plan and Aerial Seeding Plan completed. Boundaries clearly marked in the field. The burn has created an excellent seedbed with early seedling germination present. Most seed/habitat trees on the main ridge line appear to have been killed by the fire but are alive of the remainder of the coupe. Landscape ridgeline protection measures implemented. |
| | Cats Eye* | 891/516/0033 | Mountain Mixed Species | 28 | Seed tree retention coupe. Tactical planning well done with potential issues identified. CPC completed and peer reviewed. Coupe plan and maps well done with sign offs as required. Breach notice issued to contractor for felling trees into an excluded area and allowing debris to accumulate in an excluded area. Silvicultural Plan, Burn Plan and Aerial Seeding Plan completed with appropriate sign offs. Good landing rehabilitation. The burn was successful in producing an excellent seedbed. Spot over escapes totalled 12.6 ha with high level scorch along the edge of the coupe (about 10% of the spot over area) with the remainder of the spot over causing minimal impact. The likely spot over was anticipated in the burn plan (resources required and burn map) approved by DSE. |

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| | Zipper* | 894/504/0012 | Mountain Mixed Species | 12 | Seed tree retention coupe. Tactical planning completed. CPC well done and peer reviewed. Coupe plan well done addressing all special values, coupe map good and plan signed off as required. Spotted-tailed quoll identified as likely to be present. DSE advised that conservation requirements for the species met by the FMZ scheme – no additional requirements. Road Works Plan completed with sign offs. Coupe diary and CMRs well documented. Seed/habitat tree distribution good but clearing around habitat trees needs checking prior to coupe clearance. Coupe boundaries marked. Timber utilization good with low stump heights. |
| | Powerlines* | 891/516/0003 | Foothill Mixed Species | 31 | Seed tree retention coupe. This coupe and Cullinans below were inspected two years previous and have now had regeneration assessments. The area of the coupe potentially productive was assessed as 97.4% and the productive area stocked is 66.8 % (the benchmark for % stocked is 65%). The stocking level appears to be better than this result and the area will be reassessed – possible contractor issue. All original overstorey species are present in the regeneration. |
| | Cullinans* | 891/516/0009 | Foothill Mixed Species | 30 | Seed tree retention coupe. The area of the coupe potentially productive was assessed as 98.1% and the productive area stocked is 81.2%. Of the 8 overstorey species present on the coupe all species are present in the regeneration. A small section of the coupe (3ha) remains to be assessed. |
| | Buttons* | 894/504/0018 | Mountain Mixed Species | 36 | Seed tree retention coupe. Tactical planning well done with potential issues identified. CPC completed and peer reviewed (except Tactical Planning – done but not peer reviewed). Coupe plan and maps well done with sign offs as required. CMRs well done. Potential habitat of Spotted-tailed quoll discussed with DSE and resolved that current FMZ scheme provides adequate conservation for the species – no further requirements. In the field buffers were well marked and protected. Soil stockpiled for rehabilitation of the landing. On the access road to and within the coupe one mitre drain did not adequately feed onto undisturbed vegetation with it heading towards the creek. Good distribution of seed/habitat trees with debris free areas surrounding them. Utilization standards good with low stump heights. The coupe is close to completion awaiting minor rehabilitation works. |

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|-------------|--------------|------------------------|----|--|
| Needlebox | 892/506/0008 | Mountain Mixed Species | 35 | Seed tree retention coupe. Tactical planning completed. CPC well done and peer reviewed. Coupe plan well done addressing all special values, coupe map good and plan signed off as required. Aboriginal site (artefact scatter) recorded as being in the coupe. Advised by Barry Kenny (local Aboriginal community working out of DSE) that no specific site protection measures required. Coupe diary and CMRs well done with follow up. Silvicultural Plan, Burn Plan and Aerial Seeding Plan (with appropriate seed mix) done with appropriate sign offs. Fire had 11.95ha of spot overs. Spot over map completed and provided to DSE. |
| Foxes Head | 892/506/0009 | Mountain Mixed Species | 38 | Seed tree retention coupe. Tactical planning completed. CPC well done and peer reviewed. Coupe plan well done addressing all special values, coupe map good and plan signed off as required. Liaison with DSE over the location of the old Sunbeam Mine – not found. Warning given to contractors about the possibility of the mine site being present. Silvicultural Plan, Burn Plan and Aerial Seeding Plan) done with appropriate sign offs Spot over map (3.5ha total) completed and provided to DSE. |
| Gypsy Fire* | 892/502/0008 | Mountain Mixed Species | 40 | Seed tree retention coupe. Tactical planning well done with potential issues identified. CPC completed and peer reviewed. Coupe plan and maps well done with sign offs as required. Pre-harvest inspection located a mining structure and relics and reported to DSE – site to be buffered out. Later contractors identified a further site which was buffered out. DSE further advised that landscape buffer requirements were required for a scenic drive. Aboriginal site (artifact scatter) recorded as being in the coupe. Advised by Barry Kenny (local Aboriginal community working out of DSE) that no specific site protection measures required. Threatened species potentially present on the coupe conserved through the existing FMZ scheme. Coupe diary well done – mine site finding recorded. CMRs well done. In the field the boundaries were marked and the mine sites well buffered. Good distribution of seed/habitat trees with good debris free areas surrounding them. Drainage works on tracks good. |

AUDIT REPORT

During our next audit the issues identified as requiring attention will be reviewed to ensure they have been adequately addressed, as well as the following:

- Internal audits, corrective/preventive actions, management review
- Stakeholder communication
- DFA/Statistical monitoring
- Swift's Creek, Noojee, Powelltown, Erica
- Legal compliance
- Performance against objectives and targets
- Statistical analysis of monitoring
- Aspects and impacts process

Recommendation

The recommendation from this audit is that your certification continues.

Audit recommendations are always subject to ratification by SAI Global certification authority.

This report was prepared by: Sabrina Kerber and Gary King - M. Nat. Res.; B.Sc. (For)

The assistance of all VicForests staff from Orbost and Bendoc is acknowledged in providing the basis for this report.

AUDIT RECORD

Audit Team Leader: Sabrina Kerber
Auditors:
Observers/Technical Specialist: Gary King (native forest expert)

| | |
|---|---|
| Total number employees relevant to this audit and site: | 134 |
| Applicable Statutory/Regulatory/Standards requirements (to be identified by the client): | Victorian Code of Practice for Timber Harvesting, Victorian OHS and Environmental legislation |
| Exclusions From Scope of Certification: | Nil |

| Day | Auditor | Audit meetings plus functions/ processes/ areas/ *shifts audited | Audit area employee no | # Shifts* | Result |
|---------|-----------|--|------------------------|-----------|--------|
| 9/9/11 | KERS | Discussion on changes to business/system, complaints | 3 | | ! |
| 1pm | | Areas of Concern from previous audit | | | ✓ |
| | | Internal audits, management review, corrective actions | | | ✓ |
| | | Stakeholder communication | | | ✓ |
| | | Legal and other and compliance checking | | | ✓ |
| 13/9/11 | KERS/KING | Travel Melbourne to Orbost | | | |
| | | Orbost office | 23 | | |
| | | Overnight Orbost | | | |
| 14/9/11 | KERS/KING | Travel to Bendoc | | | |
| | | Bendoc office | 3 | | ! |
| | | Overnight Delegate | | | |
| 15/9/11 | KERS/KING | Bendoc field | | | |
| | | Travel to Orbost – overnight Orbost | | | |
| 16/9/11 | KERS/KING | Orbost office | | | ✓ |
| | | Return to Melbourne | | | |
| | Offsite | Stakeholder Communication, Report Preparation | | | |

All applicable requirements of relevant standards are covered during the audit of the 'Functions/Processes/Areas.

* Enter shift details only where applicable.

Results: ✓ = audited no NCR's, ! = Area of concern to follow up, **NCR Nr.** for open NCR's, **NCR Nr. (C)** - for closed NCR's, (-) = not fully audited, **(blank)** = not audited

Appendix - Definition of and action required with respect to audit findings

Non-conformity:

Based on objective evidence, the absence of, or a significant failure to implement and/or maintain requirements of the applicable standard. Such issues may raise significant doubt as to the capability of the management system to achieve its intended outputs.

Action required: This category of findings requires SAI Global to issue a formal NCR; to receive and approve client's proposed correction and corrective action plans; and formally verify the effective implementation of planned corrections and corrective action. Correction and corrective action plan should be submitted to SAI Global prior to commencement of follow-up activities as required. Follow-up action by SAI Global must 'close out' the NCR or reduce it to a lesser category within 90 days for initial certification and 60 days for surveillance or recertification audits. If significant risk issues (e.g. safety, environmental, food safety, product legality/quality, etc.) are detected during an audit these shall be reported immediately to the Client and more immediate or instant correction shall be requested. If this is not agreed and cannot be resolved to the satisfaction of SAI Global, immediate suspension shall be recommended.

In the case of initial certification, failure to close out NCR within the time limits means that the Certification Audit Stage 2 may be repeated.

In the case of an already certified client, failure to close out NCR within the time limits means that suspension proceedings may be instituted by SAI Global.

Follow-up activities incur additional charges.

Area of Concern:

This is an area of the system for which the client is required to investigate potential non-conformity.

Action required: SAI Global may require client to formulate preventive action plan for approval prior to next planned audit / certification decision or alternatively may follow up client's preventive action at the next planned audit. Lack of client attention to such issues implies that a preventive action system is not working effectively.

Opportunity for Improvement:

A documented statement, which may identify areas for improvement however shall not make specific recommendation(s).

Action required: Client may develop and implement solutions in order to add value to operations and management systems. SAI Global is not required to follow-up on this category of audit finding.