
Audit Report

Surveillance audit for

VicForests

Level 7, 473 Bourke Street, Melbourne, VIC, 3001, Australia

Certificate No.: FMS20003

Audit Date: 5/09/2016 - 15/09/2016

Work Item I.D.: WI-790164

Issue Date: October 2016

Revision Level: Final

BACKGROUND INFORMATION

SAI Global conducted an audit of VicForests on 5/09/2016 - 15/09/2016.

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. This audit report considers your organisation's policies, objectives, and continual improvement processes. Comments may include how suitable the objectives selected by your organisation appear to be in regard to maintaining customer satisfaction levels and providing other benefits with respect to policy and other external and internal needs. We may also comment regarding the measurable progress you have made in reaching these targets for improvement.

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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.

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.

This report has been prepared by SAI Global Limited (SAI Global) in respect of a Client's application for assessment by SAI Global. The purpose of the report is to comment upon evidence of the Client's compliance with the standards or other criteria specified. The content of this report applies only to matters, which were evident to SAI Global at the time of the audit within the audit scope. SAI Global does not warrant or otherwise comment upon the suitability of the contents of the report or the certificate for any particular purpose or use. SAI Global accepts no liability whatsoever for consequences to, or actions taken by, third parties as a result of or in reliance upon information contained in this report or certificate.

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.

Standard(s):	4708:2013 Certification
Code(s):	02, F01-F08
Scope of Certification:	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 encompassing the geographic region located east of the Hume Highway and extending to the coast and the Victoria/NSW border. Further information regarding the DFA, including all reports and maps, can be obtained from the Corporate Support Office address listed above or the VicForests website.
Number of Staff:	132
Shifts:	1
Total audit duration:	72 hrs
Audit Team:	Lead Auditor
Other Participants:	nil

Definitions and action required with respect to audit findings

Major non-conformance:

Based on objective evidence, the absence of, or a significant failure to implement and/or maintain conformance to requirements of the applicable standard. Such issues may raise significant doubt as to the capability of the management system to achieve its intended outputs (i.e. the absence of or failure to implement a complete Management System clause of the standard); or

A situation which would on the basis of available objective evidence, raise significant doubt as to the capability of the Management System to achieve the stated policy and objectives of the customer.

NOTE: The "applicable Standard" is the Standard which SAI Global are issuing certification against, and may be a Product Standard, a management system Standard, a food safety Standard or another set of documented criteria.

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 activities. 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 and as specified in NCR form.

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 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.

Minor non-conformance:

Represents either a management system weakness or minor issue that could lead to a major non-conformance if not addressed. Each minor NC should be considered for potential improvement and to further investigate any system weaknesses for possible inclusion in the corrective action program

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 activities at the next scheduled audit or within specified time frames.

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.

Executive Overview

The purpose of this audit was to determine continuing compliance of your organisation's management system with the audit criteria; and its effectiveness in achieving continual improvement and system objectives.

Further progress has been made with the development and consolidation of VicForests forest management systems. The Forest Management Plan and Stakeholder Engagement Plan have been updated.

The routine component of this surveillance audit focused on Central Highlands with visits to Alexandra, Ovens, Woori Yallock and Corporate Support offices. The audit also brought the Community Forestry (CF) operations into the scope of certification having completed a gap analysis in December 2015. VicForests inherited the forests of western Victoria about 14 months ago and has been continuing to work towards incorporating their management into systems that will deliver sustainable outcomes culminating in this certification audit.

As part of the field visit to the operations of Community Forestry, the Red Gum (Gunbower), Bendigo (Box/Ironbark) and Ballarat (Mt Cole – mixed species) areas were visited. VicForests has personnel based within the DELWP offices in Bendigo and Ballarat.

All of the issues that were identified in the gap analysis have been very well addressed with the overall system updated. Three minor non-conformances have been raised against the system in relation to the aspects and impacts process and closure of CAIRs from the previously used database when transferred across to Risk Wizard.

Excellent progress has been made in relation to the identification of required competencies and training needs, the system has been enhanced to cope with the requests coming from the taskforce and updating the system on the basis of third party Leadbeater's Possum detections. A new Ecological Sustainable Forest Management Plan has been released and incorporates the Community Forestry operations.

Personnel in both the North East and West have shown strong support for the system and are actively improving practices both in the field and in the system.

Recommendation

The recommendation from this audit is that your certification continues.

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

This report was prepared by: Sabrina Kerber and Gary King

The assistance of VicForests field staff from each location is acknowledged in providing the basis for this report.

Meeting Attendance Register

company	Position	Entry	Exit
VicForests	Manager, Corporate Communications	✓	
VicForests	Forest Performance Officer	✓	✓
VicForests	CEO	✓	
SAIG	SAIG Lead Auditor	✓	✓
SAIG	SAIG Technical Forester	✓	✓
VicForests	Manager Community Forestry		✓

Review of any changes

Changes that have occurred since the previous audit completed in December 2015 and the gap analysis in the west completed at the same time include the following:

- VF is working closely with the Forest Industry Taskforce providing information as required.
- Staff have been busy with third party Leadbeaters possum detections in addition to Yellow bellied and Greater glider sightings.
- The Yarra Shire Council has published a report on the impact of the creation of a Great Forest Park on the Shire.
- Safety statistics have been good
- Consultative Committee meetings have been continuing
- Personnel changes have occurred as staff move into different roles
- Two new Board members have been appointed
- Staff numbers in Orbost have been reduced
- Smartphones have been handed out to all staff.

Actions taken on previous audit issues

All areas of concern raised from the recertification audit conducted in December 2015 have been very well managed by VicForests with all addressed in the system individually with responsible persons, dates of action, system issues and attachments all listed on the Close Out sheets. A folder of evidence was provided to enable easier close out of issues raised as there were quite a few from the recertification audit. Actions raised during the gap analysis undertaken of Community Forestry in Western Victoria have been completed in the same manner and are also listed below.

The new process required by SAI Global is to now log all areas of concern as minor non-conformances into a table. VicForests are required to complete the initial part of the table and return a plan of actions to be reviewed at the next surveillance audit.

Areas of concern from the recertification audit December 2015

- *It was noted that the conditions in the Timber Sales Agreement are yet to be picked up by some form of systematic monitoring or audit process.*

The response to this area of concern from Sales referred to monitoring of sales, supply progress, final sale quantity and reconciliation. There are other conditions that have been outlined in the agreement that were referred to and this will be held over for the next audit and discussion with the Sales team.

- *Lack of training in the identification of listed endangered plants and implementation of appropriate management action.*

Biodiversity training is being rolled out across the business with Woori Yallock and Orbost staff completed. Endangered plant identification is now referred to as threatened flora moment where monthly staff meetings are used to focus on and train staff in an individual threatened flora species. Tactical Planning are also working on a project to improve the process. Training attendance sheets were provided as evidence.

- *Mandatory training for field personnel in relation to field activities is still to be fully outlined. Competencies have now been developed for twelve key operational areas and the Training Needs Analysis instruction created.*

- *The system is currently not adequately capturing training and assessments where personnel are being mentored i.e. the progression through various tasks and competency sign off by the mentors.*

The process of mentoring new starters was reviewed. Elmo had included this function but it was not widely known and used. Instructions have been updated and communication of the new instruction viewed as evidence. Discussion with supervisors also indicated that they are now aware of the process and new starters were recorded.

- *Procedure alerts may not be currently getting through to new starters.*
- A full internal audit was conducted over the VF offices in May and June 2016 and indicated that all staff were receiving their email alerts and had good knowledge of the system.

- *Some documentation was found to require control to ensure it is incorporated into the system e.g. Monthly Haulage Schedule.*

The Monthly Haulage Schedule is recognized as a live document that cannot be included on SharePoint however the contractor haulage schedules will be loaded onto the contractor portal with an SMS notification sent out.

- *The determination of significance for aspects and impacts will require further review in the system as residual risk is being used on the basis of controls being in place. The location for significance is current estimation which notes absolute and residual. There did not appear to be values for absolute with high and extreme chosen as significant. This may not be ensuring that the full significance of an impact is determined and appropriate controls identified in the system and monitored.*

Adjustments were made to the system.

- *There are still some components of the SFMS that are yet to be adjusted to reflect the new Code including induction checklists and coupe plan templates.*

Induction checklists have been reviewed and updated. In addition, the coupe plan template has been updated to reflect the Code of Practice for Timber Production 2014.

- *The Stakeholder Engagement Policy has no date to indicate currency.*

A date has been included and the document is now on SharePoint.

- *The link from the significant aspects to required competencies and training is not clear in the system.*

Training has been linked to the twelve key operational competencies required with a TNA being conducted. This gap has now been closed off.

- *There was some difficulty in locating the training register at the time of the audit.*

A training instruction is being rolled out to provide staff with access to training records.

- *The training modules are being currently reviewed by HR however, as there has been no background on the system and requirements of the Standard in relation to significant aspects etc., this is proving to be difficult and may lead to errors being made or components being removed that have been included due to linkages .*

Competencies have now been assigned to subject matter experts. HR are using the risk register to determine competencies and SMEs are used to develop the material.

- *Location, use and knowledge of the current seed testing instruction will require further enhancement as squash test forms are located in the instruction but were not being used.*

The seed testing instructions were acknowledged as being long overdue for a review and this is planned for September 2016 as part of the annual get together.

- *The Monthly Haulage Schedule has not been document controlled and therefore recognised in the system documentation.*

Action is as noted above.

Areas of concern from the gap analysis audit December 2015

System

- *The system will need to develop the capacity to reflect changes in the DFA as they occur.*

The DFA has been defined in the Wood Utilisation Plan as comprising 33,067ha.

- *Whilst there are map sheets that make up the WUP, there is possibly no clear map or definitive area at present published on the website.*

The WUP and associated plans are available as an interactive map on the website.

Chain of Custody

- *It was noted that there is other wood present in the firewood yard which may not ensure clear segregation of certified wood.*

All wood is sold at the stump and as such there is no requirement for it to be segregated in the yard which is largely out of the control of VF.

- *The system is yet to reflect the chain of custody status for the Midlands etc. If licensees are listed on the VicForests website, there may be an inference that all of their wood has been certified.*

As licensees are not listed on the website, it is considered that there would be no link to certification as wood is sold at the stump.

- *Control of the product to the point of sale will need to be demonstrated.*

Sales are made at the stump at which point certification scope for VF ceases.

Systematic Management

- *The FMP is yet to be updated to reflect the practices of the Community Forestry business.*

The VicForests ESFMP has been released as version 2 and now includes the operations of Community Forestry.

- *A full list of aspects and impacts for all of the activities of the business is yet to be completed.*

Aspects and impacts have been updated and included in Risk Wizard.

- *Aspects that have been included into Risk Wizard for the west have significance assessed post controls. This will not ensure that the controls preventing potentially significant impacts are recognised in the system and added to the monitoring and measuring regime.*

This has been updated in Risk Wizard with aspects ranked on both pre and post controls.

- *As the list of significant aspects is yet to be finalised, there have not been any specific objectives and targets developed.*

Objectives and targets are now listed in the ESFMP.

- *The position of Senior Forester Community Forestry is yet to be filled with an incumbent inducted into the system.*

There was a misunderstanding of arrangements at the time as the Senior Forester had recently commenced.

- *Competencies required for the positions in the west have yet to be formally identified and assessed for all personnel including development of training records.*

Competencies for the District Foresters have been developed by HR and communicated to relevant personnel.

- *Competencies and tracking of competencies for the licensees are also yet to be developed and recorded.*

Competencies are noted as the FOLs which include OHS and Environmental Care requirements in addition to technical operator skills. Falling ability has been assessed by the District Foresters and logged in the system.

- *Specific training is likely to be required for personnel on more unique issues such as the Armillaria fungus and also on the FMS. There is also no current training for licensees on cultural heritage etc.*

Training requirements have been identified and training in Armillaria was provided to the District Foresters whilst employed by DSE. Additional training is being provided at meetings.

- *A periodic testing process for emergency response is yet to be developed and implemented.*

Testing of the SPOT has been undertaken during field training and regular emergency response testing incorporated into the VF process.

- *An internal auditing process will need to be established for the system as it is applied to the activities.*

The 2016 internal audit included Community Forestry and is planned for 2017.

- *The Post Thinning Stand Assessment summary sheet is yet to be document controlled and captured in the system.*

A VF version of this form is now available in the system and staff have been advised to ensure any new forms or old ones from previous work are forwarded to the Senior Forester for updating.

- *VicForests Instructions will require updating to capture the type of activities and issues and be communicated to personnel.*

A full list of instructions for review was identified and included on the CF SharePoint page.

- *Research processes are yet to be developed for Community Forestry and included in the Forest Management Plan.*

These have been identified and also included in the VF ESFMP.

Stakeholders

- *There were no minutes or notes taken of the industry meeting undertaken including a record of attendees. The importance of this process in the system will require conveying to the staff involved in the west.*

The lack of detail recorded for important meetings has been addressed with all attendees listed and filed in the system. A full list was provided at audit.

- *District Foresters are not yet using the Communications Register to document their dealings with stakeholders.*

This topic was included in the 2016 internal audit and staff were shown how to use the register. This audit found good evidence of use.

- *The approach to stakeholders for the business is yet to be finalised and documented to ensure it is systematic.*

The Stakeholder Engagement Policy was updated in December 2015 and the Stakeholder Engagement Strategy modified.

- *Whilst it is understood that the current process in the east for investigating any complaints and breaches through to the Compliance team, this is yet to be fully developed as a process and communicated to the team.*

During the 2016 internal audit, this was discussed with staff and the alleged breaches instruction updated.

Biodiversity

- *A spreadsheet has captured the apiarist sites which will need to be incorporated into the layer system.*

A layer in the system GIS is available for updating.

- *The spreadsheet of initially identified and assessed values is not being updated with new information. Processes to determine where current information and new information is to be stored will need to be further developed.*

All coupes have been loaded into CENGEA with all values from the spreadsheets. An overlay was run for all WUP coupes to update values and foresters were advised that all new coupe plans require use of the updated values. Specific examples from CENGEA were printed out and provided as evidence.

Forest Productive Capacity

- *Documenting processes such as seedbed surveys and coupe burning will need to be captured by the system or use current VicForests instructions and records where appropriate.*

All instructions were reviewed including site establishment, site preparation, silvicultural planning and seed management. Initial training was provided in the use of the decision support system. Meeting minutes and the instruction review were provided.

- *The silvicultural system is yet to be reviewed and added to the management standards.*

DSS training was completed.

Cultural Values

- *Responsibilities for sending through coupe plans to AAV are yet to be assigned.*

A TUP instruction was drafted in January 2016 to explain the process.

- *The FMP is yet to be discussed with the indigenous groups.*

Contacts with relevant RAP have been determined and visits made to discuss the FMP.

Field Visit – Ballarat Region

- *The copy of the map on site had not been marked up appropriately.*

Foresters have been reminded to update site copies of maps.

- *A fuel spill kit was not on site as required by usual VicForests practice.*

Spill kits are not required however, bunding is as per the Utilisation Procedures and has been included on the monitoring record.

- *The track was already found to be not meeting Code requirements which suggests that processes for communication monitoring will require review.*

The Code was revisited in relation to this issue and was found to be suitable for an extraction track.

Field Visit – Bendigo Region

- *The maps currently being prepared will be confusing to the licensees without improved legends and symbols as currently there are slashes, crosses and circles.*

Standardised symbols have been rolled out and set as a default in CENGEA.

- *The risk assessment section 4 in the coupe plan has no results recorded.*

Training has been provided to the District Foresters on hazard identification and risk assessment in June 2016 and coupe plan preparation through CENGEA will standardise the assessment process.

Management Responsibility

Top management continue to be fully engaged in the system and supportive of development. Additional resourcing has been identified to incorporate the Community Forestry operations and there is good movement of personnel into various senior roles from the systems team ensuring excellent transfer of knowledge around the business.

Systems/Identification of environmental, social and economic aspects and determination of their significance

All aspects and impacts have now been carried across to Risk Wizard with absolute rankings used to determine significance. Personnel in the Alexandra office were familiar with the database and able to pull out the 195 risks that have been identified.

Section 4.2 of the system Risk and Compliance notes the need for controls and how risks will be identified. There is also risk management instruction V2.

A minor NCR has been raised in relation to the process of determining significance. The Risk Wizard tool is designed to focus on residual risk and this is what the Board expects to view in terms of enterprise wide risk. This is good for high level discussion but does not assist in determining the controls required to prevent significant impacts from occurring. A review of the register indicates that most aspects are being very well controlled however, further definition in the instructions to guide personnel is required as there was some confusion when discussing this.

Internal audit, management review processes and continual improvement

Internal audits have been completed in one round with every office visited including all of the Community Forestry locations. The instruction for audits indicates that every office must be visited every year. The audit report from June 2016 was still in draft at the time of audit but indicated that seed stores, log storages, rainforest and LBP were included in addition to the system catering for the Taskforce requirements. Good issues have been noted and logged into Risk Wizard.

The last management review was held in August and covered the 2015/2016 period.

Periodic Evaluation and Review of Compliance with Relevant Legislation and Regulations

The legal obligations register continues to be regularly updated and compliance is assessed at every activity through the monitoring records. This information is also included in the site diaries and these are reviewed frequently. Compliance updates and status were reported on very well at the management review meeting.

Progress of Planned Activities to Improve Performance – Objectives and Targets

Objectives and targets were considered at the August management review and performance against the relevant KPIs well documented. Some of the objectives have been in the system for quite a while.

DFA Changes/Advice to AFSL/Maps/Logo Use

With the incorporation of Community Forestry into the scope of certification, the DFA has now been updated to a total area of 1,853,067ha now including the 33,067ha covered by the Community Forestry WUP.

All maps of the DFA are located on the website and freely available to interested parties. A full suite of maps that comprise the TRP and WUP have been published and the CENGEA database provides the ability to identify any coupes that have been handed back and are no longer in the DFA.

The logos are currently not in use.

Stakeholders/Summary Report

The external audit report is available in full on the company website

All communication with neighbours and stakeholders is recorded in the communications register. The Timber Release Plan consultation period has just been completed and VF are working on the feedback and a response to all who submitted comment.

There has been more engagement with the Apiarists and discussion with work being undertaken on a joint Northeast Apiary Plan. This will focus on silvicultural types preferred.

New harvesting is being considered in the Strathbogie Ranges and communication is developing with the Strathbogie Sustainable Forestry Group. Harvesting has not been occurring over the past 10 years but the TRP has nine coupes planned with an Open Day held to discuss operations. Four community events have been held with minutes kept of all meetings and comments for consideration.

There is a Woori Yallock programme of events including the wood chop at the Melbourne show. Stakeholders continue to have issues with harvesting of native forests in general however, there are no issues with the personnel at VicForests or the processes available for communication.

Forest Management Plan

The Ecologically Sustainable Forest Management Plan was released in December 2015 and now includes all of the Community Forestry operations.

Complaints and Non-Conformities

Any complaints are being managed through normal system processes with inclusion in the communications register to allow follow up of actions and also logging any environmental complaints into Risk Wizard.

The Incident Register in Risk Wizard noted 7 alleged LBP detections on 2nd September and a further one on the 5th September. All had been quickly marked in the CENGEA mapping system to ensure no further activities take place until the sighting has been ratified. A 200m buffer is currently required and formal reports are being emailed from DELWP to key personnel in VF. These were verified in the regional centres and followed up in the field. An excellent spreadsheet is being kept of all reports and follow ups.

Other incidents logged and followed through with investigations included a boundary breach which resulted in harvesting being stopped while the incorrect markings were checked. These had been marked by a contractor employed by DELWP and the issue was identified by DELWP personnel conducting orchid surveys. Good proactive work was done by VF to check all other coupes marked by the same personnel to ensure there were no further errors. Investigations were being very well documented and followed through in accordance with the VF instruction.

Complaints have been received from the Rubicon Forest group with regard to harvesting operations. Meetings have been held and minutes kept of discussions around headwater protection, alleged breaches etc.

Item 3102 in the system refers to a burn that crossed a road boundary from the Ash into the Mixed Species. This was treated as more of an OHS issue.

OHS/Skills Development

Discussions were held with personnel in the HR Department to follow through on the areas of concern previously raised regarding training and competencies. Considerable work is being undertaken to consolidate the mandatory training using a training needs analysis. A training action plan has been developed for each region and includes the core training such as OHS, biodiversity, rainforest ID, soil assessments and roading in addition to HR, tree identification and planning and regulations.

All risks were exported from Risk Wizard in addition to audit results, OHS and FMS requirements to determine 15 operational and skill essentials. Defensive driving has also been recognised

through this process. There is now a plan to work with each manager to ensure both core and non-core competencies are identified and tracked for all staff.

Specific forms have been set up in Elmo for mentoring progress, a key component of training at VF. Progress notes on performance are logged on the forms and captured in the system. All historical data has been uploaded into Elmo.

Currently the EBA is at ministerial level for approval with the end of the year expected to see a staff vote and Fair Work approval.

Induction checklists are now current and in the system and a new performance management system will pick up plans if roles change. The plan is to gradually move through all operational staff then non-operational and then personnel moving roles.

For all specified competencies, subject matter experts have been identified with a delegate if they are not available. These personnel will be crucial in ensuring the process continues with field assessments.

Operations and Site Visits

North East Region

At the time of audit, the Alexandra office had 12 personnel working and three working from the Ovens office. DWG meetings are held quarterly and minutes kept. A HSR has been appointed and safety is strongly focussed on with SPOT alerts, evacuation plans, reporting on hazards and near misses, safety alerts etc. All incidents are reported through Risk Wizard.

Discussions indicated that a key focus is now on the third party sightings and adjusting plans as these prevent access to areas. No new heritage listings have been noted since the previous audit in the region.

Contracts Administration

All contracts are managed between personnel based in Alexandra and Woori Yallock. At the time of audit, three log storage facilities were in operation. Major mills receiving wood in the region include Australian Paper, Midway, Dormit and Dindi mills. A daily file is sent from the weighbridges and stored in the R Drive.

Log dockets include the licence number of FMS20003 and a statement that the wood delivered from VF is 100% AFS Certified. They also specify the species and grade, harvesting unit, haulage company, driver and destination. Dockets from the wood storages at Fergusons and W42 were checked in hardcopy and the system. Individual sawlogs are barcoded with the coupe number also linked. Any disputes are returned on a log feedback docket which may require quality or length to be adjusted.

All records are being well filed by contractor with all dockets and feedback noted. Any off specification deliveries will be tallied monthly and contractors fined. Post Harvest Rate Reconciliation is undertaken to ensure optimal SFMS use of timber. Forest officers undertake inspections on the landings.

Biodiversity Planning

The position description for the planning systems officer includes LBP reporting and specific KPIs. As the incumbent was recently appointed to the role, a training needs analysis is still being developed. A contractor has been engaged to look for LBPs prior to any harvesting using the Pre-

Harvest Coupe Selection Matrix. This has been developed to identify any coupes that trigger the need for a more detailed survey to be completed. At the time of audit, packages of work for the new contract were being prepared.

Biodiversity Management

- a) VicForests continues to assist in the implementation of the recommendations of the Leadbeater's Possum (LBP) Advisory Group as approved by the Victorian government.
- b) VicForests is exceeding the target of implementing the regrowth retention harvesting of 50% of Ash forest within the range of LBP. As at 30/8/16 59.6% of coupe area in Ash was under regrowth retention harvesting exceeding the target.
- c) VicForests has created artificial hollows in each of 4 trees at eighteen sites. There has been very good uptake with 87% of the hollows being used by LBP.
- d) There continues to be an increase in camera sightings of LBP both by VicForests and external parties indicating that the species is more common than originally considered and often using less mature habitat.
- e) Ongoing research is looking at accelerating the development of desirable LBP habitat. This will be achieved through silviculture and a better understanding of how tree density and stand dynamics influence hollow development.
- f) The LBP habitat checklist continues to be well used and is ensuring foresters demonstrate due diligence in the identification of habitat.
- g) Greater Gliders, Yellow-bellied Gliders and the Spiny Crayfish are developing issues in East Gippsland which will need to be addressed.

Sustainability of Timber Production

- a) Yield monitoring is ongoing with predicted yields for Ash being very good, greatly improved for Central Highlands mixed species and needing further refinement for East Gippsland mixed species.
- b) There has been a significant increase in LBP sightings (using cameras) resulting in protection of LBP habitat and a reduction in available harvestable area. All LBP sightings require buffering and this information is fed back into the spatial layer. In addition the Forest Industry Taskforce is considering which additional areas should be set aside for conservation purposes and which areas should remain available for harvesting. VicForests is advising on the potential impacts on yields if further areas become unavailable. Regrowth retention harvesting coupes are being taken into account in yield calculations. Data from completed coupes, such as net harvested area and actual coupe timber yields are fed back into the database and inform future modelling.
- c) The TRP is currently with DELWP for pre-approval comment. Tactical Planning are currently developing a contingency amendment (of about 50 coupes) to the TRP aimed for completion by the end of 2016 in anticipation of further loss of harvestable area due to more LBP sightings.

Soil and Water Management

- a) Drainage works including culverts and a new bridge were inspected on Calvins Road. The bridge is an excellent structure suitable for purpose. Culverts already installed are working. VicForests recognizes that further drainage works are required to complete this project (see Appendix 1)
- b) Landing rehabilitation and snig track drainage works are mostly being completed as required on field inspected coupes. Contractors could put greater effort into anticipating rainfall events, particularly as winter approaches, and ensure that drainage works are up to date (Appendix 1 – Bottom End coupe). In some coupes it was observed that external 4WD

vehicles had been driving up drained snig tracks destroying the integrity of the drainage bars.

- c) On the coupes inspected streamside buffers were well marked and their integrity maintained.
- d) Water supply catchment operating requirements are being taken into account.

Carbon Cycles

- The report "Carbon stocks and flows in native forests and harvested wood products in SE Australia" (2016) prepared for Forest and Wood Products, Australia found that the relative differences in the greenhouse gas balance of production and conservation scenarios do not warrant policies that aim to halt native forest management for timber production. However it also concluded that there are opportunities for improvement in greenhouse gas outcomes in forest managed for production. Further work is being directed towards gaining a better understanding of the overall area harvested, the volume removed, the products obtained and their longevity, emissions in the regeneration process and sequestration by regeneration and young forest. This should enable the development of landscape level carbon models.

Silviculture

- Regrowth Retention Harvesting Instruction (Version 2.0, 1 February 2016) is being well implemented (See Appendix 1).
- Regrowth retention harvesting requires a modified post-harvest burning regime to ensure retained values are being maintained. VicForests is monitoring the effectiveness of burns and how well values such as buffers, habitat and isolated retained trees are protected. This will then be related to the burn prescription, weather conditions and fuel load.
- The Seed Store at Alexandra was inspected. It is managed under contract (contractor not present). The store looked clean and well maintained however the maintenance record sheet had not been signed off since February 2015. It was hoped to clarify seed storage matters with the Silviculture Officer in Woori Yallock but the officer was not available at the time of audit. The Seed Collection Plan for Garlick coupe was checked but it is not known whether it has been implemented as it has not been signed off. The Silviculture Officer could have clarified this point.

Heritage

- Potential heritage issues (identified from the Management Issues overlay) were addressed during the planning process, including field inspection, prior to harvesting by excluding from the harvestable coupe or appropriate buffering if present.

Social and Economic Benefits

- A new economic analysis of forest operations in the Central Highlands on 623,000 ha of public land has been completed by Deloitte Access Economics. The study found that timber harvesting generated \$573 million in revenue from operating on 0.3% of the area annually. It demonstrated that native timber harvesting supports more than 2,100 direct jobs. There are further dependent jobs in secondary processing and downstream manufacture.
- VicForests is working with DELWP and Melbourne University on a Mechanical Fuel Load Reduction Trial. There are four treatments and they are:
 - a. Mechanical fuel load reduction by modified thinning;
 - b. Mechanical fuel load reduction by modified thinning followed by burning or mulching (still being worked out);
 - c. Burning alone; and

d. Control.

The study is responding to community concerns about broad scale fuel reduction burning.

Coupe Planning and Implementation

- The format of the Coupe Plan is currently being reviewed with a view to ensuring that only information relevant to a particular coupe is included. Some information will be relevant to all coupes while other information will be site specific. The intention is to produce more focused coupe plans that will be relevant to the contractor and clear in regard to requirements. When implemented this should result in improved coupe plans.
- The use of checklists for LBP habitat, Rainforest and buffers demonstrates due diligence and continues to be working well.
- Tactical Planning is increasing its role in the identification of threatened fauna and flora. Two instructions for use by Tactical Planning are being developed and they are:
 - Tactical Planning Leadbeater’s Possum Survey Instruction (Version 1, May 2016) – close to approval
 - Tactical Planning Flora Survey Instruction (Version 1, June 2016) – early stage of development.
- The content of the coupe files although improved remains inconsistent.
 - It was noted on some coupe files that the forest type designated on the coupe plan is different to the forest type designated on the Regeneration Decision Support System;
 - The inclusion of site establishment (burning and seeding) processes in the coupe files was not as consistent as in West Gippsland covered in the previous audit;
 - In Ovens the Coupe Planning Checklist was not always completed for Harvesting prior to signing off the Coupe Plan; and
 - There was little documentation of communication with stakeholders on the coupe files checked.

The following coupe plans (12) were reviewed. Five coupes were inspected in the field. Notes relating to each coupe below appear in Appendix 1.

Hogsmeade	Rocketman
Golden Snitch*	Calvin*
Garlick	Lady Grant
Brown Sugar*	Crystal Vein
Sputnik	Bottom End*
Air Tym*	Tym Tym

APPENDIX 1 – Coupe Plans checked					
Office	Coupe name	Coupe number	Species type	Area (ha)	Notes
Alexandra	Hogsmeade	288/516/0006	Alpine Ash	20	Regrowth retention harvesting coupe. Tactical planning completed. Coupe Planning Checklist (CPC) and Coupe Plan completed with sign off. Gross coupe area was field assessed for the presence of rainforest (RF) and Lead-beater's Possum (LBP) habitat. Both found to be present and excluded from harvestable area. Regrowth Retention map on file. Boundaries of harvestable area field marked using GPS to ensure there was no incursion into the Special Protection Zone (SPZ). Coupe Monitoring Records (CMR) completed. Alpine Ash Regeneration Decision Support System on file.
	Rocketman	287/511/0009	Alpine Ash	13	Regrowth retention harvesting coupe. Tactical planning completed. CPC, and coupe plan well done with sign off. Gross coupe area was field assessed for the presence of RF and LBP habitat. Both found to be present and excluded from harvestable area. Regrowth Retention map on file. Boundaries of harvestable area field marked using GPS to ensure there was no incursion into the SPZ. CMRs well done. Alpine Ash Regeneration Decision Support System on file.
	Golden Snitch*	288/516/0007	Alpine Ash	24	Regrowth retention harvesting coupe. Tactical planning and CPC well done with peer reviews. Coupe plan well done with appropriate sign off. The coupe was originally planned as a clearfell coupe however the objective was changed prior to commencement of operations when it was found to meet regrowth retention harvesting criteria. CMRs well done with follow up documented, Alpine Ash Regeneration Silvicultural Decision Support System

					(SDSS) completed. Operational Burn Map on file but Burn Plan not present. Seed Collection plan on file indicating species, species ratio and quantity required. Field inspection showed that regrowth retention harvesting had been well implemented. The regeneration burn was well managed with two minor, low intensity incursions into the retained section of the coupe.
	Calvin*	287/508/0012	Mt Ash	3	Roadline harvesting. Tactical planning and CPC completed with peer review. RF present in gully but not on the roadline. Bridge construction excellent. Re-vegetation is required on access tracks adjacent to the bridge running to the creek and used during bridge construction. Additional culvert required on far side of the bridge to divert runoff before it reaches the bridge. Installed culverts working well.
	Garlick	283/503/0014	Foothill mixed species	40	Seed tree retention coupe. Tactical planning and CPC completed with peer reviews. Coupe planning well done with sign off. Coupe boundary appears to enter Murrindindi Scenic Reserve but Govt Gazette confirms that Jackson Road is the boundary – signed off by Parks Victoria. CMRs completed. High Elevation Mixed Species Regeneration DSS completed which is at variance with the forest type shown in the Coupe Plan.
	Lady Grant	318/512/0007	Alpine Ash	26	Clearfell coupe. Tactical planning completed and peer reviewed. This was updated to include additional, adjacent area in 2016. CPC completed and peer reviewed. Coupe Plan completed with sign off. Assessments for both RF and LBP habitat completed but not present in either case. CMRs completed. Alpine Ash Regeneration DSS completed.
	Brown Sugar*	287/509/0005	Mt Mixed Species	11	Clearfell coupe. Tactical planning and CPC completed

					and peer reviewed. Coupe plan completed with appropriate sign off. Coupe assessed for the presence of RF and LBP habitat. RF present and buffered out: LBP habitat not present. CMRs completed. SDSS refers to a different forest type to the coupe plan.
	Crystal Vein	286/511/0001	Mt Ash	11	Tactical planning and CPC completed and peer reviewed. Coupe Plan well done with sign off. Coupe field assessed for the presence of RF and LBP habitat. RF present and buffered out of harvest area. LBP habitat not present. CMRs completed. Boundary incursion by felled tree noted in coupe diary and the decision made to leave the tree in situ rather than cause further disturbance. Burn map present on file but no burn plan present. Mt Ash Regeneration DSS completed.
	Sputnik	287/511/0007	Alpine Ash	11	Tactical planning and CPC completed and peer reviewed. Coupe Plan well done with sign off. Coupe field assessed for the presence of RF and LBP habitat. RF present and buffered out of harvest area. LBP habitat not present. Area available to be harvested reduced to 11.2 ha to comply with the 120 ha contiguous forest area rule. CMRs completed Harvester accidentally slid over bottom boundary. Alpine Ash Regeneration DSS completed.
Ovens	Bottom End*	686/511/0001	Alpine Ash	19	Clearfell coupe. Tactical planning ad CPC completed and peer reviewed. Coupe Plan well done with sign off. Coupe harvested in two sections with one section completed including burning and seeding. Seeding plan on file. Spotted tree frog not present but montane riparian thicket identified and a 20 metre buffer applied. Habitat trees marked by contractor and present. CMRs completed. The second section of the coupe temporarily closed for winter.

					Snig track drainage up to date but landing not rehabilitated before leaving the coupe as it was too wet.
	Air Tym*	686/511/003	Alpine Ash	19	Clearfell coupe. Tactical planning well done and peer reviewed. English Broom (noxious weed) identified near Big River Road and DELWP notified. CPC present but Harvesting Section not completed prior to sign off the Coupe Plan as required. Coupe Plan well done. Montane riparian thicket within buffered drainage line. Spotted tree frog not present. CMRs well done. Noted that some snig track drainage not being done progressively as required. Alpine Ash Regeneration DSS completed.
	Tym Tym	686/511/0004	Alpine Ash	17	Clearfell coupe. Coupe plan well done with sign off. Coupe in Spotted tree frog catchment but not present in coupe. Mature RF identified and excluded from harvestable coupe. Coupe boundary located well away from modeled old growth. CMRs completed.

Community Forestry – Western Victoria

Forest Management Plan

- In VicForests draft Ecologically Sustainable Forest Management Plan under Community Forestry Resource Planning it refers to the “Review of Commercial Forestry Management in Western Victoria” (2013) by Bassett et al. as a basis for determining sustainable harvest levels in western Victoria.

Biodiversity Management

- VicForests is implementing the current habitat tree retention requirements. Both habitat trees and seed trees (where required) are marked for retention by the forester.
- Field investigation is being carried to ascertain the presence of both threatened fauna and flora likely to be present from past nearby records. Specific threatened flora identification material was noted on a number of coupe files.
- SPZs are being excluded from harvestable coupe areas.
- VicForests proposes to review habitat tree retention prescription in discussion with DELWP (see 3. below).

Sustainability of Timber Production

- Current license level quantities for sawlog and firewood are generally conservative or the same as suggested in the report by Bassett et al. mentioned above.
- Growth rates used to determine sustainable yield levels in the report by Basset et al are generally conservative and are more akin to growth rates during dry periods.
- A return to environmental flooding in the Red Gum managed by the local Catchment Authority and DELWP is expected to lead to higher growth rates and the establishment of Red Gum regeneration. The Catchment Authority intends to monitor changes in growth rates following flooding and will share the results with Vic Forests.
- However, following field inspection by local staff and experience from recent harvesting , timber yields across the estate can be quite variable and not necessarily as predicted. VicForests is proposing to coupe up the forest area and review potential timber yield on a coupe by coupe basis using an assessment that will involve field verification.
- Vic Forests has recognized that one area that needs further investigation and discussions with DELWP is the current habitat tree prescriptions for the red gum and box/ironbark forests. The report prepared by Bassett et al. suggests that the current habitat tree prescriptions in these forest types will ultimately lead to a declining timber yield due to suppression from the retained habitat trees leading to lack of recruitment of trees suitable for harvesting. This report suggests a potential alternative habitat tree retention regime which would enable both biodiversity conservation and timber production.

Soil and Water Management

- Seasonal closures in designated water supply catchments are being implemented.
- Streamside and drainage line buffers are being implemented where required.
- The prescribed 60 metre buffer is being maintained along the Murray River.
- Drainage requirements are being taken into account where required.

Silviculture

- Regeneration establishment is being well done in Seed Tree Retention/ Clearfell coupes (Mt Cole). The required seedling stocking is being achieved using local seed mix and where necessary areas are being temporarily fenced to control browsing.
- Most other operations are thinning operations where regeneration establishment is not a priority. In both the Box/Ironbark and Red Gum forests VicForests should review both the future recruitment and/or the need for regeneration establishment on a coupe by coupe basis to ensure future productivity.

Heritage

- Potential heritage issues (identified from the Management Issues overlay) are addressed during the planning process, including field inspection. Both Aboriginal and European heritage records are being addressed. In one case, a previously unidentified Aboriginal scar tree was found prior to harvesting and excluded from the coupe.

Social and Economic Benefits

- The use of the Red Gum and other forests by campers, fisherman and other visitors is recognized. Visual buffers along roads adjoining coupes subject to harvesting are being applied where necessary.

Coupe Planning and Implementation

- Generally the coupe plans were well done with required sign offs. A number of the coupe plans were inherited from DEPI and operations are ongoing. Where necessary

- the coupe plans are being amended to meet VicForests regulatory requirements and to ensure that any subsequent new requirements are being met.
- Coupe diaries are being well done but the coupe diary records are not being transferred to the coupe file until operations are completed.
 - A new Community Forestry CMR has been introduced and is being implemented.

The following coupe plans (15) were reviewed. Four coupes were inspected in the field. Field inspection was limited by flood rains and road closures. Notes relating to each coupe below appear in Appendix 1.

Wee Wee Rup A*	Spur Trail*
Coughlan Track*	Reservoir
Blue Heaps	Goldsborough Res. Track
Norman Road	D357
Cricket Bat 2	Switchback Track South*
Longdons Hill Road B	Fullers Track H
Fullers Track F	Murnans West
TTWP	

APPENDIX 1 – Coupe Plans checked					
MA	Coupe name	Coupe number	Species type	Area (ha)	Notes
Red Gum	Wee Wee Rup A*	106/0004/023A	Red Gum	111	Mechanical thinning coupe. Coupe well done with sign off. SMZs for semi-permanent wetlands and colonial wetland nesting sites implemented. Habitat tree requirements implemented. Forester marks all trees >50cm dbh that are allowed to be felled. Five Aboriginal sites in the vicinity four of which are external to the coupe and the other is excluded from the coupe net area (taped out). The 60 metre harvesting exclusion zone from the high bank of the Murray River was implemented. Retained basal area of >15 square metres per ha achieved. CMRs completed.
	Spur Trail*	106/001/0016	Red Gum	36	Thinning with sawlog selection coupe. Coupe plan completed with sign off. White-bellied Sea-eagle nest site incorrectly mapped – actually further south external to the coupe. Habitat tree requirements implemented. No Aboriginal site records for the coupe. Harvesting excluded from a 20 metres buffer along the adjoining tourist road. The new Community Forestry CMR being implemented.
	Coughlan Track*	106/001/0017	Red Gum	94	Thinning with sawlog selection coupe. Coupe plan completed with sign off. All live trees 50cm dbh retained. Koondrook Red Gum Forest Walk crosses the coupe – 40 metre buffer applied. Habitat tree prescription applied. Forty metre exclusion buffer along Gunbower Creek and a 50 metre buffer on adjoining wetland, No Aboriginal site records on the coupe.

Bendigo	Reservoir	149/007/0017	Box/lbk	70	Thinning from below coupe. Coupe plan well done with signoff. Firewood product. Greenhood orchid area buffered out of coupe on the recommendation of DELWP. SMZ of 20 metres radius applied over the Aboriginal site in Bluchers Gully. Drainage requirements detailed.
	Blue Heaps	146/014/0003E	Box/lbk	110	Selection harvesting in uneven-aged forest. No clearfelling >1 ha on seed tree sections. Coupe plan completed with sign off. All trees to be felled are marked. Habitat trees prescription detailed. Threatened non-commercial plant communities excluded from coupe.
	Goldsborough Res. Track	147/003/0003	Box/ lbk	120	Thinning from below coupe for firewood. Coupe plan well done with sign off. Habitat tree and drainage requirements detailed. Grassy Woodland SPZ external to coupe. Crested Bellbird and Black-chinned Honeyeater not found in coupe
	Norman Road	151/003/0007	Box/lbk	73	Thinning from below for firewood. Coupe plan well done with sign off. Habitat tree prescriptions detailed. If Swift Parrot identified operations to cease and Biodiversity Officer to be notified. Dwarf Cassinia protected by harvest exclusion zone. Drainage requirements detailed. Apiary site on coupe – permission obtained to harvest within bee site area.
	Cricket Bat 2	146/013/0009	Box/lbk	65	Thinning from below for sawlogs (G2) and firewood. Coupe plan well done with sign off. Forty metre exclusion zone along St. Arnaud/ Dunolly Road. SPZ on historic diggings excluded from harvesting. Habitat tree and drainage requirements detailed. Grassy woodland

					SPZ excluded from coupe. Undocumented Aboriginal scar tree identified in inactive part of coupe and senior staff notified.
	D357	147/002/0001	Box/lbk	84	Thinning from above for sawlogs and firewood. Coupe plan well done with sign off. Habitat tree and drainage requirements detailed. SPZ for grassy woodland excluded from coupe.
Midlands	Switchback Track South*	185/517/0003	Foothill Mixed Species	15	Clearfell with Seed Trees coupe. Coupe plan well done with sign off. Coupe operation in two sections. The first section has been aerially burnt and hand sown with a mix of two parts Messmate and one part Blue Gum using local seed. Regeneration stocking has been assessed (76% stocked) and fenced to reduce browsing. The second section will be completed this year with a regeneration burn scheduled for autumn 2017. A heritage survey was completed by the Cultural Heritage Officer, DEPI – no Aboriginal sites; McGie sawmill site identified buffered out. Koala record external to the coupe. Two threatened plant species, Grevillea montis-cole and Olearia speciosa not found in the coupe. Designated water catchment with seasonal closure implemented. Coupe diary very well done and CMRs completed. Low risk Armillaria area – no prescription required.
	Longdons Hill Road B	?	Foothill Mixed Species	48	Thinning from below coupe. Coupe Plan prepared by DEPI and amended by VicForests completed with sign off. Retained basal area target of 20 square metres per ha exceeded. An identified biodiversity issue of Grevillea repens and the Powerful Owl not found in the coupe. Habitat trees

					prescribed. Coupe diary records yet to be transferred to the file.
	Fullers Track H	195/517/0006H	Foothill Mixed Species	16	Thinning from below coupe. Coupe plan completed with sign off – prepared by DEPI. Habitat trees prescribed. <i>Bossiaea cordigera</i> likely to be present but not found. No specific drainage requirements. Coupe diary on file.
	Fullers Track F	195/517/0006F	Foothill Mixed Species	34	Thinning from below coupe. Coupe Plan well done with sign off. Targeted retained basal area of >20 square metres per ha – actual 25 square metres per ha. <i>Bossiaea cordigera</i> likely to be present but not identified. SPZ external to the coupe. Old mine sites taped off. Designated water catchment – seasonal closures implemented.
Otway	Murnans West	254/000/0001W	Foothill Mixed Species	28	Thinning from below for firewood. Coupe plan completed with sign off - prepared by DEPI. Coupe diary not yet transferred to file.
	TTWP	239/000/0015B	Foothill Mixed Species	9	Thinning from below for firewood. Coupe plan completed with sign off – prepared by DEPI. Tea tree are excluded from coupe. Buffers designated on drainage lines.

Opportunities for Improvement

- Greater consistency in both the data and information included in coupe files. Processes should be completed in a logical order as per the Coupe Planning Checklist. Information in the coupe files should be consistent and not confusing. It should be clarified as to which planning, operational and monitoring documentation that tracks processes should be present on the coupe file - either as digital or paper records.
- Contact groups/associations that are known to use 4WD vehicles on State Forest and explain to them the reason for drainage structures on the tracks and the importance of maintaining their integrity.

- The system could be enhanced to indicate how new objectives might be added, how long they should remain and how the link to significant aspects is determined.
-