

Forest Audit Program Review

FINAL REVIEW REPORT

- Final
- 16 July 2008



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1. Executive summary

Background

Sinclair Knight Merz was contracted by the Environment Protection Authority (EPA) to conduct a review of the annual program of environmental audits of compliance with the *Code of Practice for Timber Production* (the Code). The Forest Audit program commenced in 2002 and since then five annual audits and one Special Audit have been completed.

The objectives of the Forest Audit program were to bring appropriate levels of independent scrutiny to forestry practices on public land and assess the level of compliance with the Code. The Forest Audit program also aims to provide a further safeguard to environmental values of the harvested areas and to enhance community confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's public native forests.

This report is the major and final output of the Forest Audit program review process. It documents a review of the Audit program, reviews Australian approaches to auditing compliance with codes of practice for timber production and proposes some options for a future audit regime for timber production activities in State forests.

Review approach

This review of the Forest Audit program comprised three main activities, a largely desk-top review of the Audit program, stakeholder consultation and the development of options for a future audit regime. A ten page *Issues Paper* was prepared to document the Audit program review and was used to canvas issues which might be considered during stakeholder consultation.

Stakeholder consultation was initiated through the circulation of a two page summary of the *Issues Paper*. Stakeholders were invited to express interest in participating in one of multiple focus group discussions that were to be held in Melbourne and some regional locations. Due to the limited initial response, direct contact was made with representatives of several stakeholder organisations to organise focus group discussions or individual interviews. Discussions were held with: groups from VicForests, the Department of Sustainability and Environment (DSE), the Victorian timber industry; representatives of some environmental NGOs and EPA and the two lead auditors of previous Forest Audits. Seven focus group discussions were held and a small number of stakeholders were individually interviewed.

Notes were taken from each of the workshops and a *Consultation Paper* was prepared and circulated to participants for comment.

A draft final report was prepared from the *Issues Paper*, the *Consultation Paper* and stakeholder feedback. Options for the future of the Forest Audit program and a broader regime of audit for

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timber production in State forests were developed from a review of Victorian and interstate approaches, stakeholder comment and a workshop with some key public sector stakeholders. A *Stakeholder summary paper*, focussing on options for the future of the Forest Audit program, was prepared and circulated to stakeholders for comment. This final report was prepared following receipt of comments on the proposed and recommended Audit program options.

Forest Audit program review

Five conventional Audits and one special Audit have been completed as part of the Forest Audit program since its inception in 2002. The Forest Audit program represents just one component of a multi-layered audit regime covering timber production operations in Victoria's State forests.

A consistent and comprehensive approach has been developed for the Audits and applied. The process is subject to continual improvement, both in the methodology employed and the performance standards expected. While the method emphasises procedural compliance (with the Code), it does consider environmental impacts associated with Code breaches. The scope of the Audit largely limits it to desk-top and field based analyses of coupe planning and operations

Participation in the Audit process by a wide variety of stakeholders was encouraged and achieved. The reactions of stakeholders and participants has been mixed. Auditees and representatives of the forest industry have generally been positive about the Audit, noting what they perceive to be a generally high and improving level of Code compliance. Those opposed to timber production in native forests have generally made a different interpretation of Audit reports and highlight what they perceive to be the general failure of native forest harvesting operations to fully comply with the Code.

Stakeholder consultation and audit reports provide evidence that knowledge and skills of forest operators have been improved as the result of the audits and VicForests' own Sustainable Forest Management System (SFMS). Acceptance of and familiarity with audit processes is growing, although some forest management staff find the multi-layered audit regime they face to be cumbersome and wasteful of time and other resources.

Practices applied during forest harvesting have improved and the general level of Code compliance increased beyond the minimum standard initially expected by auditors. Code compliance levels remain low on some coupes, for reasons that are not well understood.

The Audit methodology does not allow direct measurement of social, environmental and economic outcomes from forest harvesting, although following the logic of the Code, it is anticipated that the Audits have contribute to environmental outcomes. The scope and method of the Audit do not permit a rigorous analysis of the extent to which environmental and cultural values of forest areas are being protected by application of the Code. Stakeholders did not support the Audit's scope



being extended to consider social and economic issues, despite the latter being addressed by Code objectives.

The Forest Audit program is accepted by most stakeholders and has demonstrated improvements in Code compliance. It has achieved some, but not all of its objectives.

Future options for the Forest Audit program

Future options for the Forest Audit program should address the objectives of the original program, as well as gaps in a potential comprehensive framework of audits relating to timber production activities in State forests. In doing so, options should also seek to maintain or improve the efficiency of the regulatory environment faced by timber production activities. This may mean reducing or eliminating overlap between Forest Audit program activities and other existing audit processes and/or using appropriately collected data from other audit processes as inputs to the Forest Audit program.

Options for the Forest Audit program that have been described are not necessarily alternatives to each other and may simply address other gaps in the audit framework.

Continuation of the Forest Audit program in its existing format is not considered as an option. Recent revisions to the Code and reorganisation of VicForests' administrative units would make it necessary to at least alter parts of the audit workbook and methodology.

Six options were developed, including:

1. *Discontinue Forest Audit program* - the existing Forest Audit program largely occupies a space that is also occupied by audits conducted by VicForests and of VicForests by DSE. To avoid duplication of these audits, the Forest Audit program could be discontinued.
2. *Revised Forest Audit program* - Audit procedures would be updated to reflect recent changes to the Code, but otherwise the program's scope would remain unchanged. Some changes to the Audit approach would be made, reflecting perspectives offered by participants in the stakeholder consultation process and a desire to reduce overlap between the Forest Audit program and other audit processes. The audit could be commissioned by any of the parties currently involved, EPA, DSE or, for their own operations, VicForests and would continue to be statutory environmental audits, conducted under section 53V of the Environment Protection Act (1970).
3. *Audit of planning and operational practices* – the scope of the Forest Audit program would be expanded (beyond option 2) to consider compliance of operational plans and procedures with the strategic planning framework provided by the Allocation Order, Timber Release Plan and/or Wood Utilisation Plan. It would also assess consistency of strategic planning framework with regulatory and legislative environment for timber production. The audit could be



commissioned by EPA, DSE or, for their own operations, VicForests. Audits commissioned by DSE or VicForests may be statutory or non-statutory audits.

4. *Special purpose audits* – would be instigated where a particularly problematic or persistent breach of the Code or other element of the planning or regulatory environment was detected. It might consider the actual or potential impact of such breaches in detail and would seek to identify and address underlying causes. The audit would be commissioned by EPA as a statutory audit or by DSE as a statutory or non-statutory audit.
5. *Audit of environmental reporting* – would be conducted to assess the adequacy of monitoring and reporting of environmental performance of timber production activities in relation to sustainability criteria and the Sustainability Charter under the Sustainable Forests (Timber) Act 2004. The audit would be undertaken by an appropriate independent party, potentially an academic or accredited auditor.
6. *Environmental performance monitoring and reporting* - appropriate criteria and indicators would be selected that reflect objectives of the Sustainability Charter for Victoria's State forests and are consistent with State of the Forests indicators and Code operational goals. A monitoring, evaluation and reporting program would be developed and implemented around these indicators. Environmental performance monitoring and reporting could be undertaken by a wide variety of public and private sector service providers, including DSE, VicForests, water authorities, Catchment Management Authorities and/or consultants.

Options 5 and 6 fill gaps in the existing audit framework and could be included as part of an overall audit regime with options 2, 3 and/or 4. Options 1, 2 and 3 are mutually exclusive.

Recommendation

It is recommended that the Forest Audit program should continue and that key features such as its independence, the provision of opportunities for stakeholder participation and public reporting of audit results be retained. It is recommended then that the current form of the program be replaced by Option 3, which would see the program's scope extended to include compliance with the planning elements of the Code, relevant sections of the *Code of Practice for Fire Management on Public Land* and with regulatory and legislative requirements relating to sustainable forest management. It is recommended that the program would continue to be conducted as a statutory Environmental Audit under section 53V of the *Environment Protection Act (1970)* to ensure the process is independent and maintain the perception of such by stakeholders.

By recommending option3 the Forest Audit program transitions from an operational compliance audit, an audit 'space' which is already covered by other mechanisms, to a broader environmental audit of the legislative and planning aspects of timber harvesting that is not well covered by other mechanisms.



Results from VicForests' own internal audit process (while its SFMS remains accredited to the Australian Forestry Standard) should be made available to other audit elements, particularly to the revised Forest Audit program. DSE's audits of VicForests operations would be incorporated into the Forest Audit program. This would reduce duplication and the regulatory burden faced by VicForests. Until timber production activities in areas managed by DSE are conducted under a management system accredited to the Australian Forestry Standard or an equivalent, the Forest Audit program would need to continue to undertake all of the audit elements.

Forest Audit program audits should be commissioned by DSE, the regulator for forest management in Victoria. Use of the statutory environmental audit process will ensure the independence of the program and help to maintain stakeholder confidence. Audits should continue on an annual basis for the next five years, again to help maintain confidence in the audit system during the transition process.

Audit results should continue to be reported publicly on EPA's web site (with other statutory audit reports), as well as on DSE's and VicForests' web sites. The change of commissioning agent should be accompanied by stakeholder communications activities to clarify that the program will continue to be independent, transparent, accountable and publicly reported. It is recommended that a proactive communications campaign be run to accompany each Audit report's release to influence community confidence in the systems operating to ensure the sustainable management of Victoria's native forests.

A panel of stakeholders (coordinated by DSE and including VicForests and industry and environmental stakeholders) should be formed and operate for a limited period to develop a multi-year list of focus areas to help guide the new Forest Audit program. The panel might also be used as a reference group to review work by an appointed statutory auditor to develop a new audit methodology.

Audits of VicForests' and DSE's operations may be conducted jointly, but should be reported independently. Since operations are conducted at quite different scales, under somewhat different management systems and with different commercial intent, they are not directly comparable and neither organisation should benefit or suffer from the perceived successes or shortcomings of the others' operations.

As part of an overall framework for Audit in Victoria, it is also recommended that provision be made for Special Audits (Option 4) to be conducted, where required, and that environmental reporting audits be instituted (Option 5). An expanded program of environmental monitoring and reporting in timber production areas would be developed (Option 6). A process for fielding and evaluating requests for Special Audits would need to be developed. The stakeholder panel proposed for the Forest Audit program could provide input into this.



2. Introduction

2.1. The Forest Audit program review

Sinclair Knight Merz was contracted by the Environment Protection Authority (EPA) to conduct a review of the annual program of environmental audits of compliance with the *Code of Forest Practices for Timber Production* (the Code; NRE, 1996; since replaced by the *Code of Practice for Timber Production*; DSE, 2007a).

The Forest Audit program commenced in 2002 and since then five annual audits and one Special Audit have been completed.

Management arrangements for timber harvesting have changed considerably since the Forest Audit program commenced. Operational management of forest harvesting in native forests in eastern Victoria has been devolved to a separate commercial entity, VicForests. The *Sustainable Forests (Timber) Act 2004* (SFT Act) has been enacted and the Code has been substantially revised. VicForests has implemented its own Sustainable Forest Management System (SFMS), which is externally audited. Its operations are also subject to audits by the Department of Sustainability and Environment (which is the key regulatory agency under the SFT Act) and Melbourne Water (in State forests from which it draws water).

Given these changes and the number of Audits that have been undertaken, it was considered appropriate that the Forest Audit program be reviewed to determine whether it is meeting its specific objectives and to assess whether or in what form the Audits should proceed into the future.

The original objectives of the Forest Audit program were to bring appropriate levels of independent scrutiny to forestry practices on public land and assess the level of compliance with the Code. The Forest Audit program also aims to provide a further safeguard to environmental values of the harvested areas and to enhance community confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's public native forests (EPA, 2007).

2.2. About this report

This report is the major and final output of the Forest Audit program review process. It documents the review of the Audit program (Section 4), reviews Australian approaches to auditing compliance with Codes of Practice for timber production (Section 5) and proposes some options for a future audit regime for timber production in State forests (Section 6). The report reflects both the views of the project team and perspectives that have been elicited from a wide range of stakeholders.



3. Review approach

The review of the Forest Audit program had three main elements, comprising: a largely desk-top review of the Audit program itself; stakeholder consultation processes; and preparation of the Forest Audit program review report (this document). The activities undertaken in each stage are outlined in greater detail in the following sections.

3.1. Review of the Forest Audit program

The review of the Forest Audit program comprised a desk-top review of past Audit reports, the regulatory and management arrangements for timber production in State forests in Victoria and responses to and public comment on Audit reports. The review also drew on the experiences of one member of the project team¹ and reflections of several current participants in the management of timber production activities in State forests.

A ten page *Issues Paper* was prepared as the major output of the review (Sinclair Knight Merz, 2007a). The *Issues Paper* was prepared to canvas issues which might be considered during stakeholder consultation. It was intended to help frame the consultation process and to prompt or even provoke discussion and debate about the Forest Audit program.

A two page summary of the *Issues Paper* was distributed to all contacts (with current email addresses) in stakeholder lists provided by EPA and VicForests. The lists comprised ~560 individual names (not counting overlaps). List members were mostly representatives of various industry organisations, environmental or other community-based advocacy groups and government agencies (Appendix A.1). Interested recipients were offered a copy of the full *Issues Paper* by return email. At least 30 copies of the full issues paper were provided (Appendix A.2).

3.2. Stakeholder consultation

Stakeholder consultation was a major emphasis of the project. It was initiated through the circulation of the two page *Issues Paper* summary to contacts on EPA's and VicForests' stakeholder contact lists. In addition to being offered a copy of the full *Issues Paper* and the opportunity to provide comment, recipients were advised that stakeholder focus group discussions or interviews were to be held in Melbourne and some regional locations.

Due to the limited response, members of the project team made direct contact with representatives of a range of stakeholder organisations to organise focus group discussions or individual

¹ The team member was previously a senior forester with VicForests and prior to that with the Department of Sustainability and Environment and its predecessor organisations.



interviews. Discussions were held with: groups from VicForests, DSE, representatives of the Victorian timber industry, representatives of some E- NGOs (environmental non-government organisations), EPA and the two lead auditors of previous Forest Audits. Seven focus group discussions were held and a small number of stakeholders were individually interviewed (Appendix A.3). All participants were provided with a copy of the full *Issues Paper*.

Bennett's hierarchy (e.g. Bennett and Rockwell, 1995) was used in the *Issues Paper* as the framework for evaluating the Forest Audit program. This same framework provided the structure for all focus group discussions. They revolved around four key areas, namely the:

- resources, activities, processes and participation associated with the Forest Audit (i.e. audit inputs);
- changes in the knowledge, attitudes, skills and aspirations of forest managers and the community (i.e. audits outputs);
- social, economic and environmental outcomes of the Forest Audit program; and
- stakeholder perspectives on opportunities to improve the Audit process.

The basic agenda and expanded list of questions used during the focus group discussions are included in Appendix A.4.

Notes were taken from each of the workshops. A *Consultation Paper* (Sinclair Knight Merz, 2007b) was prepared, which provided an overview of the major themes of the discussions. The framework used for the *Issues Paper* was retained for reporting consultation outputs. The *Consultation Paper* was circulated to all participants in the discussions. Recipients were invited to provide further comment to ensure their major issues were represented. The *Consultation Paper* is included as Appendix B.

A *Stakeholder Summary Paper* was prepared from the draft final review report (Appendix C) and circulated to the entire stakeholder list (Appendix A.1). The *Summary Paper* included a discussion of the rationale for conducting audits of timber production activities and a description of proposed future options for the Forest Audit program. Several questions were posed to readers to help structure their feedback. Respondents and a summary of their main themes are listed in Appendix A.5.

3.3. Final review report

This report is the final output of the Forest Audit review project. Its main purposes are to consolidate the review of the Forest Audit program and to provide recommendations on options for its future. The Audit program review (Section 4) is based on the review documented in the *Issues Paper*, but has been expanded to include reflections from stakeholders. Options for the future of the



Audit program (Section 6) are based on comments from stakeholder consultation, a review of Australian approaches to auditing compliance with Codes of Practice for timber production (Section 5) and the perspectives of the project team.

Drafts of the final review report were provided to EPA and senior VicForests, DSE and Melbourne Water representatives. Options for the future of the Forest Audit program raised were reviewed in two workshops with representatives of the project team and the four organisations. Comments arising from the workshop were incorporated into a final draft report from which the *Stakeholder Summary Paper* (SKM, 2008) was written. These comments and stakeholder comments on the *Stakeholder Summary Paper* were considered in finalising this report.



4. Review of the Forest Audit program

4.1. Introduction

This section provides a review of the Forest Audit program. It is based on the *Issues Paper* prepared to support the stakeholder consultation process. It commences with a review of the Forest Audit program's objectives and the regulatory framework for the Audit and native forest management in Victoria. A brief review of management arrangements for timber production from public native forests has also been included. The majority of this section comprises a review of the Forest Audit program against its stated objectives. The review from the *Issues Paper* has been supplemented with perspectives gained through stakeholder consultation.

4.2. Objectives and scope

4.2.1. Forest Audit program objectives

In 2002, the Victorian government released the *Our Forests Our Future* policy (NRE, 2002) with a commitment to make the application of the then *Code of Forest Practice for Timber Production* (NRE, 1996) more transparent. To deliver on this commitment the Minister for the Environment asked EPA to engage an independent environmental auditor to assess Code compliance for timber production activities in State forests in Victoria. The Audits were also intended to enhance confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's State forests (EPA, 2007), with the processes and systems being the Code and other relevant management documents.

The Minister's press announcement (cited by EPA, 2007) highlighted that the audit was to ensure that rules governing timber harvesting are adhered to, bring appropriate levels of scrutiny to forestry practices; and provide a further safeguard to the values of those areas being harvested. The Audits were not intended to override existing Government processes for determining which forest areas are to be harvested.

The outcomes of the Audit were intended to benefit the forestry industry, catchment managers and community by providing an objective and independent assessment of the status of compliance with the Code and assist DSE and VicForests to pursue their objectives of continual improvement (EPA, 2007).

4.2.2. Code of Practice objectives

The Code (version 2; NRE 1996) was developed to ensure that commercial timber growing and harvesting operations are carried out in a way that: promoted an internationally competitive forest industry; was compatible with the conservation of the wide range of environmental and cultural forest values; and promoted ecologically sustainable management of native forests. The most



recent revision of the Code (DSE, 2007a) has similar objectives, with the additional purpose of seeking to enhance public confidence in the management of Victoria's forests and plantations for timber production.

Since the Forest Audit program's objectives were to enhance confidence in the processes and systems (i.e. the Code and related documents) that are in place to ensure the protection and sustainable management of Victoria's State forests (after EPA, 2007), it is implicit that the Audit program is fundamentally concerned with determining whether the Code is achieving its objectives.

4.2.3. Victoria's statutory environmental audit system

Part IXD of the *Environment Protection Act 1970* (EP Act) provides for the establishment of a system of environmental audit in Victoria and for the appointment of auditors. The system is administered by EPA and is intended to ensure that high quality and rigorous environmental audits are conducted by appropriately qualified professionals.

The EP Act defines two forms of environmental audit. Section 53V provides for environmental audits that are carried out on risk of harm to the environment caused by industrial processes or activity, waste, substance or noise (EPA, 2007) and section 53X providing for audits of a segment of the environment. Forest Audits are conducted under section 53V of the Act.

The *State Environment Protection Policy (Waters of Victoria)* (EPA, 2003) commits EPA to ensuring independent audits are conducted of forestry activities on public land, using the State's statutory environmental audit system.

Under this system, Forest Audit program audits are conducted by independent, statutory Environmental Auditors, who report back to EPA, the audit client. While stakeholders understand that Auditors are independent, many that were consulted during the course of this project did not fully understand the implications of this. They considered EPA's role in the Audits to be more directional than it is and considered that the Audit report was EPA's (in that it reflected EPA views and objectives) rather than the Auditor's.

4.2.4. Scope of the Forest Audits

The Forest Audit program was developed to assess compliance with the Code and its ancillary procedures and prescriptions. As such, it is largely concerned with input measures that are intended to deliver improved environmental and social outcomes from timber harvesting, rather than those outcomes themselves. The documented observations in audits of environmental impacts associated with harvesting are mostly confined to areas where Code provisions have been breached.

The *2005 Special Forest Audit* (EPA, 2005) was conducted following specific reports of breaches in the Code. While part of the rationale for the Audit was the potential for these breaches to affect



important natural assets (e.g. National Park, threatened species habitat), its focus remained on reasons for the failure to comply with the Code rather than the environmental implications of this.

The Forest Audit program is largely a procedural compliance audit, in that it is primarily concerned with assessing how well timber harvesting practice complies with the provisions of the Code and related documents. In this sense the Forest Audit program may not seem fully consistent with section 53V Environmental Audit processes. However, since the Code was specifically developed to standardise timber harvesting and (among other objectives) protect environmental values of harvested forests (NRE, 1996; DSE, 2007a), it can be argued that it does actually address the 'risk of harm' requirements of section 53V audits.

As discussed above, the Forest Audit program's objectives were to, enhance confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's State forests, and so were implicitly concerned with determining whether the Code is achieving its objectives. The defined scope of the Audit is narrower than is suggested by this. The audit is mostly concerned with the third of the three objectives (in version 2 of the Code; NRE, 1996), namely to promote ecologically sustainable management of native forests. It does not address the international competitiveness of the forest industry and, given its focus on coupe-level procedural compliance and environmental impact, it addresses the conservation environmental and cultural forest values at a site rather than landscape scale.

This latter point lies at the heart of concerns by some E-NGOs. They consider that the operationally-focussed scope of the Audit means that it is not able to adequately assess whether timber harvesting in State forests is achieving the objective of conserving 'environmental and cultural forest values'. They argue that since the Audit does not consider the selection of coupes for harvesting nor undertake pre-harvesting assessments of logging coupes, its scope and methodology prevent it from commenting on either landscape scale conservation issues or from comprehensively auditing coupe-level protection of environmental or cultural forest values.

While stakeholders understood that the audit did not concern itself with social and economic issues associated with timber production (which are Code objectives), most did not wish to see the Audits scope expanded to include this.

4.3. Regulatory framework for forest management

The primary legislation for forest management in Victoria is the *Sustainable Forests (Timber) Act* 2004 (SFT Act) was enacted after the inception of the Forest Audit program. The Act established a framework for the sustainable management of Victoria's State forests and proposed a Sustainability Charter that would establish criteria and indicators to monitor and report on performance. The Charter was subsequently published by DSE (in 2006) and specifies seven objectives, including:



- maintaining and conserving biodiversity in State forests;
- maintaining and improving the capacity of forest ecosystems to produce wood and non-wood products;
- promoting healthy forests by actively managing disturbance;
- maintaining and conserving the soil and water resources of State forests;
- maintaining and better understanding the role of Victoria's State forests in global carbon cycles;
- maintaining and enhancing the socio-economic benefits of State forests to Victorian communities;
- ensuring Victoria's legal, institutional and economic frameworks effectively support the sustainable management of State forests.

The SFT Act allocates timber to VicForests for the conduct of its commercial forestry operations. It also defines its reporting and performance obligations. The SFT Act also establishes Timber Harvesting Operator Licences and prescribes an enforcement and penalty regime for breaches of specified environmental requirements. The Sustainable Forest (Timber Harvesting) Regulations 2006 provide the licensing and enforcement rules for timber harvesting operators.

Section 10 of the SFT Act allows the Minister to ask an appropriately qualified auditor to audit information provided in a report from DSE on the status, performance or achievement of the indicators of sustainable forest management. VicForests is obliged to provide information for the report and can have its information so audited.

Section 45 of the Act makes it an offence to undertake timber harvesting operations unless those operations are authorised. Operations are authorised by being conducted in accordance with an approved timber release plan, licence or permit.

Section 47 of the Act allows the Minister to ask an appropriately qualified person to audit compliance with the Code by VicForests and or timber harvesting operators. VicForests must be told of any adverse findings from such an audit and has 30 days in which to respond to the findings. The findings and the responses must be made available to the public.

Timber harvesting and related planning activities are subject to other Victorian legislation, including *Forests Act 1958*, *Road Management Act 2004*, *Aboriginal Heritage Act 2006*, *Flora and Fauna Guarantee Act 1988*, *Catchment and Land Protection Act 1994* and the *Environment Protection Act 1970*. They are also subject to Commonwealth legislation, including the *Environment Protection and Biodiversity Conservation Act 1999* and the relevant Regional Forest Agreements.



4.4. Management arrangements for timber production in State forests

VicForests

VicForests was established under the *State Owned Enterprises Act* (1992) and began operating in August 2004. It is responsible for managing the harvesting and commercial sale of timber resources from Victoria's State forests located east of the Hume highway. VicForests engages all harvesting and cartage contractors and directly sells the timber resources at the customer's mill door.

VicForests' environmental obligations are specified in the SFT Act and the Allocation Order that provides it with the timber resources it sells to its customers. It manages these responsibilities to the standard set by the Australian Forestry Standard (AS 4708(Int)-2003), and is certified to this standard by independently accredited third party auditors. The SFT Act also requires VicForests and its contractors to comply with the Code and undertake environmental reporting to DSE.

Department of Sustainability and Environment (DSE)

As well as having a policy and regulatory role for all State forests, DSE has management responsibility for commercial harvesting in the west of the state. DSE sets and monitors the levels of harvesting in each FMA (Forest Management Area) to ensure they can be sustained. Consistent with the Sustainability Charter, the rate of harvesting is controlled to be less than the average rate of growth. DSE uses an independent expert panel to review the actual areas harvested and the yields achieved against those forecast in the sustainable yield calculations. The panel reports annually to the Minister and makes recommendation on how to improve forecasts and regulate harvesting rates.

The Secretary of DSE is responsible for reporting performance against the objectives of the SFT Act. Consistent with this requirement, DSE conducts audits of VicForests operations.

DSE is also responsible for the Timber Harvesting Operator licensing system specified by the SFT Act. It is a licensing regime that requires the training and accreditation of timber harvesting operators. There are penalty provisions for breaches of specified environmental requirements enforced by DSE staff.

The Monitoring Annual Harvesting Performance (MAHP) Project is run by DSE to ensure that the level of sawlog harvesting is monitored. MAHP, together with processes such as improved timber resource estimates, new resource allocation mechanisms and independent audits and reviews, is intended to help demonstrate sustainable forest management.

In 2003, an Expert Independent Advisory Panel was appointed to review the MAHP process and make recommendations where improvements are necessary.



Timber harvesting contractors

Contractors engaged by VicForests are subjected to monthly performance audits that include environmental indicators. Contractors are required to report breaches of the coupe plan and scores are deducted for negligence or failure to report. Suspensions until corrective actions are taken may apply and costs can be recovered. Monthly scores are accumulated and are assessed at the time of contract renewal. Poorly performing contractors may not be re-engaged.

Melbourne Water

Melbourne Water has a role in the management of its water supply catchments and seeks to ensure the provision of sufficient water of suitable quality to meet the demands of its consumers. Monitoring of VicForests operations is conducted by Melbourne Water in most coupes located within State forest areas from which it draws water to supply Melbourne. Melbourne Water also pays EPA to include at least two coupes from the water catchments in the Forest Audit program.

4.5. Forest management standards

Code of Forest Practices for Timber Production (Revision No. 2; NRE 1996)

The Code was developed to ensure that commercial timber growing and harvesting operations are carried out in a way that: promotes an internationally competitive forest industry; is compatible with the conservation of the wide range of environmental and cultural forest values; and promotes ecologically sustainable management of native forests.

The Code provides goals and guidelines for the management of timber production operations. Goals are desired environmental outcomes, while guidelines specify means of meeting them. Some guidelines are directive and state what must be done and others are suggestive and only indicate what should be done.

The Code applies to planning, establishment, tending, harvesting and roading operations for timber production purposes on private and public land. On public land it is supported by Management Procedures that apply to both DSE and VicForests and contain prescriptions for forest management that are consistent with the Code and may exceed its minimum requirements.

Utilisation Procedures are developed by DSE and VicForests to prescribe coupe operations. All operators must comply with the procedures and the Forest Coupe Plan. The Forest Audit program tests for compliance against all four documents; the Code, the Management Procedures, the Utilisation Procedures and the Forest Coupe Plan².

² However, for simplicity this review is referred to as an audit of Code compliance, even though it is an audit of compliance with these other documents as well.



Code of Practice for Timber Production (DSE, 2007a)

A third version of the Code became enforceable on 1 August 2007 and covers planning, protection of environmental values, regeneration and management, roading and timber harvesting.

The new Code contains some important improvements. It provides seven principles that are consistent with the internationally recognised Montreal Process criteria for evaluating sustainable forest management. Operational goals for the Code are aligned with each of the principles. For each operational goal there are a series of mandatory actions, legal requirements and guidance on how the goals may be achieved. Non-compliance with the Code's mandatory actions may result in penalties being applied under the Sustainable Forests (Timber Harvesting) Regulations 2006.

Specification of mandatory actions reduces some of the ambiguity of the previous code, which only provided goals and guidance.

Management procedures for timber harvesting operations and associated activities in Victoria's State forests (DSE, 2007b)

Management procedures help to operationalise the Code. They seek to standardise timber harvesting and associated activities in all State forests and specify environmental and operational requirements additional to the mandatory requirements of the Code (DSE, 2007a).

Certifiable Standards

The Australian Forestry Standard (AFS) provides economic, social, environmental and cultural criteria and requirements for wood production. It is approved by Standards Australia and is mutually recognised by the international Programme for the Endorsement of Forest Certification Schemes (PEFC). It provides nine criteria based on the Montreal Process and 40 requirements which are the normative elements an auditor can test against for compliance. Forest managers adopting the AFS employ systematic management through an Environmental Management System (EMS) or equivalent.

VicForests' Sustainable Forest Management System (SFMS) has been developed in accordance to the requirements of the AFS standards. An independent audit has been conducted and a compliance certificate issued. This allows VicForests to sell its products labelled with the AFS logo.

DSE has an EMS for its operations that is based on the ISO 14001 standard. It has undertaken a gap analysis and is planning to audit for compliance to this standard for its timber harvesting, regeneration, road construction and maintenance, fire management, and the provision of products and services, but has not done so yet.



4.6. Review of the Forest Audit program

4.6.1. Review framework

The framework used as the basis of this review was that of 'Targeting Outcomes of Programs' developed by Bennett and Rockwell (1995). It uses a seven level hierarchy of criteria for program evaluation. Broadly speaking, the levels in the hierarchy span program inputs, activities, outputs and social, environment and economic outcomes. The following sections review the Forest Audit program using, in turn, each level of Bennett's hierarchy.

4.6.2. Resources

This review criterion considers the resources or inputs applied to the Forest Audit program, including the teams undertaking them and the financial resources allocated.

Audit teams

EPA issues a public tender for the Forest Audit each year. Since it is a statutory Environmental Audit, it is only open to teams led by an environmental auditor appointed under section 53S of the EP Act³. To date, audits have been led by Dr David Telford from GHD (2003-2004 audits) and Geoff Byrne of URS (2005- 2007 audits, including 2005 special audit), both of whom are statutory auditors in EPA's industrial facilities category.

Our assessment is that the use of only two different auditor teams in the six Forest Audits which have been conducted to date is not of concern. However, if the Forest Audit program is to be maintained, it is considered advisable to ensure that providers are changed or rotated every few years. This should help to maintain the perception of independence and ensure the audit approach and results are periodically examined by 'fresh eyes'. It should also help to ensure there remains market for EPA (or whoever commissions any future Audit) to go to when tendering.

Many of the consultation participants (particularly those with a forest management background) did not agree with the periodic rotation of Audit teams. They were concerned that this would exacerbate what they perceived to be the weakness of some Audit team members, particularly in terms of the level of their experience with forestry, its regulatory frameworks and field-based measurement techniques. It was also considered that regular rotation of teams and lead Auditors would reduce the consistency of Audits. A particular concern was that agreed understandings and interpretations of the Code, which underpin assessment methods and compliance reporting, would be lost.

³ Hereafter such auditors are referred to as statutory auditors or statutory Environmental Auditors to distinguish them from other accredited auditors.



The Audit teams are intended to comprise scientists and practitioners with skills and experience relevant to the individual criteria being audited. Teams have included botanists, ecologists, environmental scientists, foresters and soil scientists. They have largely been formed from staff of the contracted consulting firms, but have also included external specialists. Some stakeholders considered that audit teams have not been led by practitioners with extensive field experience in forest operations or in the management of harvesting contractors. While this is accepted by the lead Auditors, they noted that teams have included foresters, in some cases with extensive field experience. The most recent audit teams included foresters with experience as independent Forest Practice Officers, who audit compliance with the Tasmanian *Forest Practices Code*.

Some consultation participants considered that lack of experience of Audit teams meant that some of the recommendations they made were not able to be implemented or had already been tried and rejected.

Financial resources

EPA spends \$250-300,000 on contracting the annual Forest Audit, with additional costs incurred in managing the audit process. VicForests and DSE also invest considerable resources in participating in Forest Audit program processes. A cost-benefit analysis of the program was beyond the scope of this review. Some E-NGO stakeholders did not believe that this was sufficient to conduct Audits which would provide comprehensive and repeatable assessments of Code compliance and environmental performance of timber harvesting activities.

4.6.3. Activities

This criterion examines the activities undertaken as part of the audit. It includes, for example, the audit method, coupe selection process and timing of field inspections.

Audit approach

The Audit's methodology has developed since its inception. More risks and values associated with harvesting activities have been considered and included. While this demonstrates an adaptive and learning process, it does make inter-year comparison of audit results less meaningful. The inter-year comparisons have become an important output of the Forest Audit program⁴, although the measurement of performance over time was not one of the original objectives. A consistent and statistically robust sampling process would be required for such comparisons to be completely valid.

⁴ Particularly in terms of public reporting regarding the Audit.



The administrative units to be audited were selected on the basis of their audit history, the volume of timber produced and the level of community interest. DSE uses Forest Management Areas (FMA) and VicForests originally used Operations Areas (OA) as the administrative units for audits. VicForests has recently restructured and is no longer organised by Operations Areas.

The volume of timber produced from an administrative unit is used as a measure of the scale of harvesting operations. An alternative and perhaps more direct measure of risk from timber production is the area harvested within an administrative unit. Larger coupe areas generate greater perimeters and longer road networks and greater risk of harm.

Central FMA and Central Gippsland FMA have been audited in three of the four annual audits (to 2006). Three FMAs have been audited twice and, prior to 2007, the Midlands FMA had not been audited⁵. The selection of FMAs and OAs is designed to target units with the greatest production and the most community interest. It includes a risk element, as well as including the smaller units on a rotational basis.

The coupes are audited for elements specified in each year's Audit brief and by the Audit workbook (which are public documents). The workbook is framed around elements of the Code specified in section 2.3 and 2.4 (harvesting and roading, respectively). Code elements are grouped into focus areas (e.g. rainforest, landings) for reporting purposes. Not all elements are relevant to every coupe that is selected for auditing, due either to the nature of the coupe or the nature or timing of operations.

While the major elements that are audited do not change from year to year, the workbook may be amended to enable assessments of action in response to earlier recommendations. For example, the 2007 workbook included assessments of action in relation to several recommendations of the 2005 *Special Audit*.

The Audit's workbook is framed around the management inputs required under the Code to protect the environment. They are not directly concerned with the environmental outcomes of harvesting and associated activities. An environmental impact assessment is conducted where Code breaches have been detected to determine the level of damage that has occurred⁶. Incorporation of this assessment was supported by forest managers, as they understood that merely reporting the number of incidences of non-compliance with the Code provides only limited insights into their seriousness or significance.

⁵ Coupes in the Midlands FMA were included in the 2007 Forest Audit program.

⁶ The interpreted extent and duration of impact and the values affected are scored to give a classification of the impact from negligible to severe.



There are, however, limitations in this approach. In many cases there is no direct measurement of impact. For example, when protected stream buffers are breached during harvesting, there is no measurement of change in sediment ingress to the stream. In any case it would be difficult for an audit of this nature to do that, as most sediment movement would occur during episodic, short duration, intense rainfall events. The audit methodology also does not report on unintended environmental impacts that occur despite compliance with the Code. This was a factor of concern for a range of participants in the consultation process, identifying that there was minimal opportunity for the Audit process to effectively assess the environmental aspects (impacts or benefits) of the forest harvesting activity.

Each Audit reviews the application of recommendations from the previous one. The previous year's Audit report is published between one week and four months before the next one commences, although preliminary recommendations are made available to VicForests and DSE at an earlier stage. Final recommendations from the previous Audit report are generally not published before harvesting has commenced and, in some cases completed, in the following year's coupes. This timing issue can delay the continual improvement opportunities for nearly two years from the audit date.

The timing of Audit reports means that there is limited scope for responses that could be assessed in the subsequent audit. While some feedback is received during the audit and adjustments can be made immediately, it was reported by some stakeholders that 'breaches' were recorded in subsequent Audits despite forest managers not having opportunity during coupe planning and harvesting to act upon the previous Audit's recommendations. Such comments possibly represent a misunderstanding of assessment and reporting process. Compliance and non-compliance is assessed only in relation to Code elements (in accordance with workbook criteria). Code provisions should be complied with regardless of the timing of Auditor's recommendations. An adverse assessment against Auditor's recommendations that are not compliance elements of the Code would be inappropriate if there was not sufficient time for action follow release of the Audit report.

Coupe selection

The number of coupes subject to field audit has increased from 30 to 45. A further 25 coupes are subject to a desktop audit for regeneration processes. One third of field audits are now performed on active coupes and at least two are located in State forests that supply water to Melbourne.

The coupe selection process is intended to be efficient, repeatable, clear and risk-based. It is not purely random and the results are not subjected to statistical analysis (beyond averaging compliance scores). Random selection of coupes to support statistical analysis would most likely dilute the focus of the audit away from higher risk areas. It would, however, provide greater statistical confidence in estimates of the true level of compliance with the Code and in between-



year comparisons of this. Some E-NGO representatives advocated strongly for a more statistically robust coupe selection procedure that would allow valid between-year comparisons.

The manner of coupe selection was of concern to several focus group participants. Some noted that a risk-based sampling strategy seemed logical and the best way to minimise environmental impact from breaches. However, they noted that Audit results were reported as being representative and not from risk-based assessments.

It was also noted by some focus group participants that the risk-based approach meant that coupe selection was somewhat predictable. This is of limited concern as the audit program does not have enforcement as a principal objective.

Time of audit

The audits are generally conducted during autumn and winter to avoid conflicts with the bushfire season⁷ and because most coupes have been completed and burnt by then. While this seems appropriate from safety and logistical perspectives, it also has the potential to bias the sample of active coupes favouring the forest types harvested in winter and missing those more commonly harvested in summer. It should not affect the selection of completed coupes as they can be audited at any time after completion. Auditing in winter can also create logistical and safety issues, particularly around access to some more remote and/or high elevation coupes.

4.6.4. Participation

This review criterion addresses issues associated with participation of forest management staff, contractors and other stakeholders in the Audit process.

The FMA/OA and coupe selection processes has ensured that VicForests' managed coupes are the majority in every audit. Individual VicForests OAs have been audited every second year on average. At least one DSE FMA has been audited each year, but individual FMAs are likely to be audited only every five or six years.

VicForests estimates it takes 145 person days each year to participate in the Forest Audit program. Staff time is required to collate and provide coupe plans and supporting documents, provide logistical support and attend field visits. DSE staff also provide information to the Auditors on the coupes to be audited for its FMAs and participate in the audit process.

As harvesting on the majority of the audited coupes is completed prior to the Audit, participation in the Audit process by harvesting contractors is limited. They are able to observe the field Audit,

⁷ Addressing safety concerns as well as helping to ensure availability of staff.



participate in the field review and get some immediate feedback on their performance. Apart from the Forest Audit program, VicForests contractors are familiar with audits, as they all are subject to monthly audits by VicForests and a sample have been audited by the AFS certification auditors and Melbourne Water auditors. Some industry representatives considered that their participation, experience and perspectives were not particularly valued.

Audits on four or five coupes each year may be observed by members of the community. They have the opportunity to accompany Audit team members on site and attend the field review at the conclusion of the coupe assessment. Feedback from community stakeholders is generally supportive of this procedure and reflects that it increases the transparency of the Audit. Some VicForests staff reported that attendance at these 'field days' is declining. In contrast, some DSE staff responsible for managing timber production in FMAs that are not audited frequently reported strong attendance. Both groups considered that such opportunities made a valuable contribution to the Audit's transparency and should be retained. The involvement of stakeholders in this way also provides an educative role that is important, although it is not strictly an objective of the program.

4.6.5. Reactions

This criterion refers to the reactions of participants and stakeholders to the Audit process and reporting.

VicForests and DSE personnel accept that they need to be accountable for compliance with the Code and for the environmental impacts of forest harvesting activities where the Code is breached. Representatives of the two organisations who participated in stakeholder consultation activities were supportive of the Forest Audit program.

The location and greater intensity of VicForests operations means that they face a greater level of scrutiny than do forest harvesting operations managed by DSE. VicForests operational staff potentially participate in audits conducted by DSE, Melbourne Water, AFS auditors and Forest Audit program auditors. As such they are generally more familiar with the process than (at least) some members of DSE's operational forest management staff. The main concerns expressed by VicForests staff were about what they considered to be the excessive level of auditing, the degree of duplication of effort and the overall time required to provide information to meet various audit requirements.

Some participants in the consultation process reported dissatisfaction with elements of the feedback provided to them by the Auditors. This included occasional disagreement with operational advice provided and, more significantly, a perception of inadequate consultation with forest managers and contractors about their findings and recommendations. The latter were considered to stifle ongoing and continual learning and improvement processes.



The annual release of Forest Audit reports coincides with a flurry of media activity. E-NGOs characteristically produce press releases that report on aspects of the Audit which they find supports their arguments for the cessation of harvesting operations. From the material published, they appear to assume that 100% compliance with the Code is the minimum acceptable standard and repeatedly express concern that operations are not achieving this. They also express concern that the audit has no enforcement role and, as a result, question its relevance.

Mainstream media typically gives greater coverage to the responses of E-NGOs. *The Age* business news was the only section of mainstream media to run an EPA press release marking the publication of the 2006 Forest Audit.

Coverage of the audits by timber industry journals is generally favourable and, as might be expected, focuses on what is seen as the high level of compliance with the Code achieved by VicForests.

No data is available on general community responses to Audit reporting. This is a notable deficiency, since improving public confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's State forests was one of the stated objectives of the Forest Audit program.

4.6.6. Knowledge, Attitude, Skills, Aspirations

These criteria report on changes in attitudes, skills and understandings by those involved in planning and forest harvesting operations.

The knowledge and skills of VicForests and DSE staff and harvesting contractors appear to have increased as a result of the Forest Audit program. Those who have participated in Audits are now aware of what an auditor is likely to expect to see on a coupe, in the coupe plan and in supporting documentation. This knowledge, as well as the expectation that non-compliance with the Code is likely to be detected, is passed on formally and informally through the organisations and has most likely contributed to the trend of improved performance measured in successive audits⁸.

Focus group participants from VicForests and DSE reported that most forest officers aspired to achieve compliance scores of 95-100%. Full compliance on every coupe was not considered to be a realistic target by coupe operators and has only been achieved on four of the 159 coupes audited so

⁸ Noting that this trend has not been established statistically.



far. In 2003 and 2004 the Auditors used a benchmark of 85% as the minimum acceptable compliance standard⁹.

The audit addresses Code elements (or components of supporting documentation) that are of a procedural nature, as well those relating to actual field operations. Below full Code compliance reflects increased risk of harm to the environment, but in some cases may not equate to actual environmental harm.

Of the 80 recommendations so far made by auditors, nine have related to training and knowledge acquisition. Some were for the provision of specialised knowledge about forest values such as rainforest, ecological vegetation communities and soil erosion hazard. Others were about operational skills relating to roading, management of filter strips and boundary track construction.

A recommendation from the 2005 Special Audit was to develop a human resources plan that includes a process that adequately identifies and responds to district staff resourcing issues and identifies staff competency requirements and responsibility levels through training records and needs analysis. Such systems are a requirement of VicForests' SFMS and were already in place at the time of the Audit.

4.6.7. Practices

This criterion relates to the change in planning and operational practice as a result of the Audit.

The Forest Audit program should have contributed to continual improvement in management practice for forest harvesting. Audit recommendations are considered by VicForests and DSE and are generally accommodated. For example, training sessions have been held on rainforest identification and coupe procedures. VicForests and DSE have modified prescriptions and the coupe plan format to include the recommended changes. Documentation has improved and staff awareness has been increased. Audit recommendations are treated as corrective actions by DSE and VicForests and processed through their EMS/SFMS.

The Code and the procedures describe the minimum required standards for the input of environmental controls. It is possible for harvesting contractors and forest officers to apply controls that exceed the minimum standard and further reduce the risk of environmental harm. Such actions are not specifically measured or necessarily acknowledged in the Forest Audit report. Indeed some VicForests staff were 'concerned' that auditors observe such practices and recommend that they become the new benchmark for acceptable practice in subsequent Audits.

⁹ Coupes and focus areas scoring below 85% were discussed in detail in the Audit report. Note that the two lead Auditors considered that the emphasis on compliance score in public discussion of the Audit seemed



A specific example reported was the use of cording and matting to minimise soil disturbance on main snig tracks and landings. This is not specifically required by the Code, but is now considered the benchmark for good practices by Auditors. The lead Auditors noted that this reflected the contribution of the Audit to continual improvement in harvesting practice.

An issue of concern to some participants in stakeholder consultation activities was the lack of a clear link between the Forest Audit program and changes in forest management practice. Recommendations from the Audit were considered to come from the Auditor and (particularly) EPA. Since EPA has no specific jurisdiction over forest management, the recommendations were not considered by some focus group participants to carry any specific 'weight'. The recommendations are actioned when they are incorporated within VicForests' corrective action process or adopted by DSE. This perception overlooks the fact that once the Audit report is accepted by the Minister (for the Environment), recommendations carry the weight of his office.

A related issue is the concern expressed by E-NGOs that there is no enforcement linked with detection of Code breaches. They consider that the lack of explicit legal sanctions limits the effectiveness of the Audit program in achieving improved Code compliance and better environmental outcomes from forest management. While this reflects the situation for VicForests and DSE staff, that of contractors is different. They are subject to the Sustainable Forest (Timber Harvesting Regulations 2006 and poorly performing contractors risk not having their contracts renewed and so may experience financial sanctions for excessive non-compliance.

4.6.8. Social, environmental and economic outcomes

The Forest Audit process is primarily concerned with inputs and activities associated with forest harvesting operations. This means that there is little data collected that enables the actual social, environmental and economic outcomes of the Forest Audit program to be determined.

The two main outcomes of the program from a social perspective are the improvement in transparency and accountability of timber production operations on public land and the engagement of stakeholders in audit processes. No definitive evidence has been collected to determine whether stakeholders or the general public consider themselves better informed about, engaged with or more confident in the management of harvesting operations on public land.

There is a consistent pattern of improved Code compliance since the Forest Audit program commenced (Figure 1). While this should increase the likelihood of reduced harm to the forests from harvesting and related operations, the audit process is not designed to gather information on the overall impacts of forest harvesting on the environment. Further, improved compliance scores

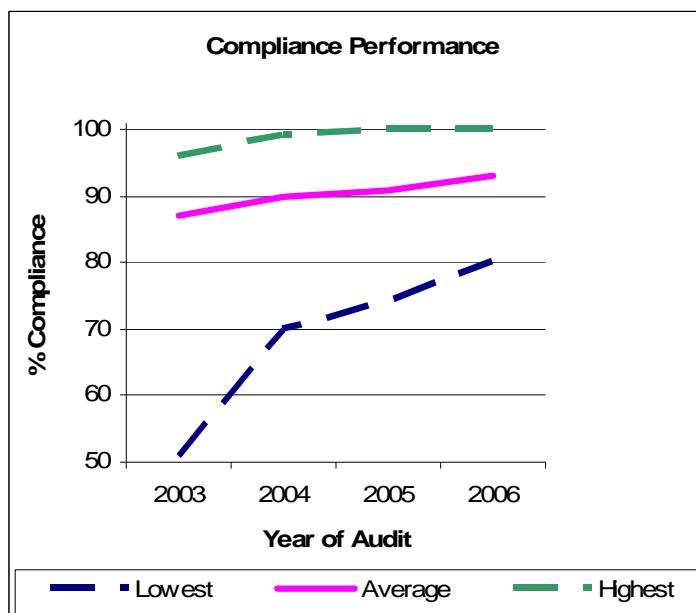
excessive.



may simply reflect improved compliance in planning, document control and other office-based activities and not reflect general improvements in field practice.

The timber industry continues to support economic activity in rural communities, although it is not clear that there is any direct relationship between this and the Forest Audit process. The Code includes the economic objective of promoting an internationally competitive forest industry, which is not assessed by the Audit process. Indeed, Audit procedures do not appear to take account of either the cost or value of strict compliance with the Code. There was no support among participants in the consultation process for Audit procedures to be extended to consider social and economic outcomes.

■ **Figure 1 Reported rates of Code compliance from the Forest Audit program**



Note: Coupe selection strategy, refinement in Audit methods, changes in Audit teams, and improvements in performance standards (etc.) mean that results are not strictly comparable between years.

4.7. Improved environmental management

DSE and VicForests have EMS/SFMS that include a process of continual improvement through the application of corrective actions and incident reporting. These are proven methods that allow for better practices and lead to better environmental and management outcomes.

It is difficult to measure or determine the success of these systems at the moment. The reporting against criteria and indicators required for the State of the Forest report has not yet commenced.



4.8. Discussion

This section provides a summary of the review in the context of the objectives of the Forest Audit program (section 4.2), namely:

- improving transparency, accountability and public confidence in management of Victoria's State forests, specifically demonstrating that there are systems in place to ensure their sustainable management;
- ensuring adherence to rules governing timber production (i.e. the Code);
- safeguarding environmental and cultural values of areas being harvested;

Measurement and reporting of operational performance has become an objective of the current program, although it was not specifically designed to achieve this.

The discussion also considers whether the Forest Audit program fulfils the requirements of a statutory Environmental Audit under section 53V of the EP Act 1970. It draws on the review and some additional stakeholder comments.

Transparency and public confidence in management of Victoria's State forests

The Forest Audit program has significantly increased the level of scrutiny faced by harvesting operations in State forests. This has been achieved by the Audits themselves, community 'field days' during Audits and by public release of the Audit reports. The level of scrutiny and accountability faced by VicForests' operations has been further increased by third party audits for VicForests certification to the AFS and DSE and Melbourne Water audits of their operations. A public summary of the VicForests' certification audit is available on their website which has increased transparency for interested stakeholders.

DSE forestry operations face a lower level of scrutiny than VicForests, reflecting their location away from Melbourne's water supply catchment areas and the reduced intensity of harvesting operations (fewer operating coupes, in lower risk areas).

Although the Forest Audit program was to enhance community confidence in the process and systems that are in place to ensure the protection and sustainable management of State forests, there is no data that demonstrates success. Transparency has no doubt been improved, but the public debate at the time each Audit report is released provides no indication of improved confidence.

Adherence to the *Code of Practice for Timber Harvesting*

While between-year comparisons of Code compliance are not strictly valid, the Audits have broadly demonstrated a trend of improved compliance with the Code (Figure 1). The greatest



improvement has been in the score of the worst performing coupes. Average compliance performance exceeds the Auditor's (2003 and 2004) performance benchmark of 85%.

There remain ample opportunities for further improvement by increasing the compliance scores of the worst performing coupes. Forest managers need to determine the underlying reasons why such coupes are scored so poorly and feed responses into their respective improvement programs.

Full compliance on all coupes is unlikely, because of the difficult and variable nature of the natural environment in which harvesting operations occur, human error, the limitations of mapping systems and the inherent risks built into the prescriptions. It is also likely that performance standards will continue to rise over time and that the Code will evolve to reflect these.

It is unlikely that an audit program of this nature, which samples around 10% of the coupes harvested, can ever do much more to improve Code compliance. More regular and comprehensive monitoring and reporting processes, such as those required by VicForests' SFMS and contractor performance system are likely to have greater influence. These apply to all coupes, and they must be well-designed and rigorously implemented as is required by the AFS standard.

Correct engagement, training, self-monitoring, external performance measurement and consideration of performance at contract renewal for harvesting contractors, can be effective in ensuring adherence to the Code.

Auditors consider that there is undue emphasis placed on compliance scores as a measure of the Audit outcome. While an important input measure, compliance score provides only a broad indication of the extent of any unintended environmental impacts from forest harvesting and related activities. Environmental impact assessments were introduced into the Audit process to provide richer information on the implications of non-compliance. Reporting of the Audit outcomes should give greater prominence to these.

Safeguarding environmental and cultural values

By helping to improve compliance with the Code, the Forest Audit program was intended to provide a further safeguard to the values of the forest areas being harvested. The Audits do provide a basis for a continual improvement process that should lead to improved harvesting and associated practices. While this should help to safeguard forest values, this has not been demonstrated.

The Audit program's scope and methodology and EPA's lack of regulatory powers in this area mean that the Audit is unable to rigorously safeguard environmental and cultural values at a landscape level. The Audit's scope precludes consideration of whether the areas selected for harvesting are consistent with the requirement to safeguard environmental and cultural values. The scope of the Audit is limited to an assessment of whether specific values known or likely to have



been present were protected by DSE or VicForests and protected at a coupe level in accordance with the Code.

This has resulted in detection of instances of inadequate protection being provided to rainforest patches and cultural heritage values, for example. However, post-harvest audits can do no more than contribute to actions that avoid future harm event. They cannot protect what has already been damaged.

Since EPA does not have regulatory powers for forest management, there is very limited scope for sanctions to be applied where non-compliance with the Code is detected and having a substantial detrimental effect on environmental or cultural values.

Single year, coupe-based audits such as this are not necessarily the most appropriate mechanism for safe-guarding some environmental values. Some values, including biodiversity, water quality and quantity, are best assessed at a landscape scale and over periods of several years. Monitoring, evaluation and reporting processes at this scale and over long periods are more relevant to detecting and responding to changed environmental condition than are conventional audit processes.

Some E-NGO stakeholders considered that the Forest Audit program was not just neutral in relation to safeguarding environmental and cultural values. By auditing Code compliance rather than environmental outcomes, they considered that the program actually endorsed the 'erosion of environmental values' through timber production. Such comments highlight the challenges of improving public confidence in an activity, such as native forest harvesting, which is characterised by highly polarised views.

Internationally competitive industry

The Audit does not collect data on this and provides no assessment as to whether this Code objective is being achieved. The level of transparency and public accountability provided by the Audit may contribute to the native forest timber industry's social 'licence to operate'. VicForests' SFMS and AFS certification also helps to ensure market access for the wood products that are ultimately produced. A Forest Audit-like program is also a requirement of the RFA and so helps to ensure continued industry access to the timber resource. In these ways the entire audit program around timber production in State forests does contribute to the maintenance and international competitiveness of the industry.

Some forest industry representatives considered that this Code objective received too little attention. They lumped the Audit program with a range of processes that led to reductions in the resource available for harvest, which meant that the industry could not achieve a scale that allowed it to become or remain internationally competitive.



Victoria's Environmental Audit system

The audit reports satisfy the requirements of section 53V of the EP Act 1970. The arguable link between Code provisions and sustainable management of State forest areas indicates that the risk of harm to native forests by the industrial process of timber harvesting is assessed and reported. Actual harm is assessed if non-compliance is detected.

4.9. Conclusions

From this review of the Forest Audit program, it is possible to conclude that:

- adequate resources were deployed;
- activities were generally conducted effectively;
- participation by a wide variety of stakeholders was encouraged and achieved;
- reactions of stakeholders and participants has been mixed. The responses of the auditees and forest industry generally have been positive, reflecting their perspective that a high level of Code compliance has been demonstrated. Those opposed to timber production in State forests have generally reacted negatively, reflecting their perspective that native forest harvesting operations do not generally fully comply with the Code and are damaging the environment;
- knowledge and skills of forest operators have been improved as the result of the audits and VicForests' SFMS process;
- practices have improved to some extent, although the less than acceptable (<85%) Code compliance on worst performing coupes needs to be addressed; and
- social, environmental and economic outcomes have not been measured directly, although it is anticipated that the audits have contribute to better social and environmental outcomes from timber production in State forests.

The Forest Audit program is well established, accepted by many stakeholders and has demonstrated improvements in Code compliance. It has achieved some, but not all of its objectives.



5. Australian experiences in auditing compliance with codes of practice for timber production

The management and control of forest operations on public land varies considerably between the states. Codes of practice for timber production in native public forest are in place in Victoria, New South Wales, Tasmania, Western Australia and Queensland. The systems to manage and ensure compliance with the Codes also vary considerably. The arrangements in New South Wales, Tasmania and Western Australia are briefly described in the following sections. This section commences with an overview of the various audit and environmental monitoring systems that apply to timber production activities in State forests in Victoria.

5.1. Victoria

Several distinct audit or environmental monitoring programs apply to timber production activities in Victoria's State forests. Table 1 briefly describes each one, lists the primary objectives and provides an evaluation of their respective advantages and disadvantages.

- Table 1 Audit and environmental monitoring activities applying to timber production activities and areas in Victoria**

Audit or monitoring system	Description	Advantages	Disadvantages
EPA Forest Audit program Primary objective – public confidence, Code compliance auditing	<p>Annual audit under section 53V of <i>Environment Protection Act 1970</i>. Audit managed by EPA and conducted by independent Environmental Auditor.</p> <p>Audit of limited but targeted sample of completed and operational coupes.</p> <p>Generally consistent audit methodology from year to year.</p> <p>Audit reports released publicly. Reporting on Code compliance and environmental implications of non-compliance.</p> <p>Some stakeholder participation in Audit.</p> <p>Makes recommendations for improvements. Code breaches referred for action under the Sustainable Forest (Timber Harvesting) Regulations 2006.</p>	<p>Independent of forest operations and management agencies. Recognised as such.</p> <p>Provides issues for continual improvement systems.</p> <p>Transparent.</p> <p>Some stakeholder involvement.</p> <p>Efficient, (partly) repeatable methodology. Audit process and standards subject to continual improvement.</p> <p>Targets at least 2 coupes in water supply catchments under sponsorship of Melbourne Water</p>	<p>Procedural compliance and coupe-scale activity focus. Audits inputs to timber production process and not environmental (or other) outcomes.</p> <p>Recommendations may be inconsistent with existing performance systems.</p> <p>Applies only to a limited number of coupes. Coupe selection is predictable.</p> <p>Snap shot audit only.</p> <p>Coupe selection and continual improvement in Audit process limit validity for longitudinal studies of compliance performance.</p> <p>No direct enforcement or regulatory outcome.</p>



Audit or monitoring system	Description	Advantages	Disadvantages
<p>VicForests' Contractor performance system.</p> <p>Primary objective: compliance, continual improvement.</p>	<p>Environmental and operational performance measured using the results of supervisory visits and completion audits on 100% of forest operations.</p> <p>Measurements internally reported and considered at contract renewal.</p> <p>Code breaches can be breaches of contract and actions taken through the contract provisions, including termination.</p> <p>Issues identified fed into the continual improvement process as part of SFMS.</p> <p>SFMS is independently audited for certification.</p>	<p>Efficient and uses existing experienced staff already on site.</p> <p>May provide effective enforcement if contracts structured appropriately.</p> <p>Provides the data for continual improvement system and performance measurement.</p> <p>Operates continually on all operations.</p> <p>Some confidence in process provided by independent certification audits.</p> <p>Encourages self-reporting by operators.</p>	<p>Not a transparent or public process. Audits and reporting entirely internal to VicForests.</p> <p>No stakeholder participation.</p> <p>Relies on the motivation of staff to report breaches and poor performance.</p>
<p><i>Sustainable Forests (Timber Harvesting) Regulations 2006.</i></p> <p>Primary objective: enforcement</p>	<p>Regulations empower DSE Secretary to require licences and compliance from persons engaged in timber harvesting operations.</p> <p>Demerit points are listed for specified breaches.</p> <p>Accumulation of demerit points can lead to specified suspension period of the Timber Harvesting Operators Licence. Appeal processes are provided.</p>	<p>Defined enforcement process.</p> <p>Provides procedural fairness though appeal and review processes.</p> <p>Potential breaches can be reported by the public to DSE for investigation.</p>	<p>Relies on a limited number of authorised officers to detect breaches.</p> <p>Creates a dichotomy between VicForests' operations and DSE's.</p> <p>VicForests' contractors may be penalised twice for the one breach.</p> <p>Enforcement focus may create culture of detection avoidance and cover up.</p> <p>Lacks independence and stakeholder participation.</p>
<p>DSE audits for compliance with Section 45 of the <i>Sustainable Forests (Timber) Act 2004.</i></p> <p>Primary objective: compliance with TRP</p>	<p>DSE monitors for compliance with the Timber Release Plan (TRP).</p>	<p>Determines compliance at a landscape level.</p> <p>The Act has separated the commercial entity (VicForests) from the regulatory entity (DSE).</p>	<p>Lacks independence and stakeholder participation.</p> <p>No public reporting of outcomes.</p> <p>DSE is not perceived as the independent regulatory authority.</p>
<p>Melbourne Water Monitoring</p> <p>Primary objective: environmental outcomes</p>	<p>Most coupes in domestic water catchments managed by Melbourne Water are visited by Melbourne Water staff and a monitoring report is prepared for each coupe.</p>	<p>Provides Melbourne Water with confidence that coupe compliance is satisfactory.</p>	<p>Duplicates monitoring already done by DSE and VicForests.</p> <p>Not publicly reported</p> <p>Lacks independence and stakeholder participation.</p>



Audit or monitoring system	Description	Advantages	Disadvantages
SFMS and Certification Audits. Primary objective: compliance	Independent third party accredited auditors check for compliance with a standard that include compliance with the Code. Inspection audits carried out annually between periodical certification audits. Issues are identified for continual improvement processes and changes verified at future audits.	Independent. Some transparency through public release of summary of audit report. Requires and demonstrates stakeholder consultation.	Full audit report remains confidential, which limits transparency. Limited to no stakeholder participation in the actual audit. Compliance focus with measurement to achievement of minimum standard. No reporting of actual performance or environmental impact.
Sustainability Charter. Primary objective: environmental outcomes	<i>Sustainable Forests (Timber) Act 2004</i> provides internationally recognised criteria and local indicators for ecologically sustainable forest management. Data gathered on indicators and reporting every 5 years in the <i>State of the Forest</i> report.	Comprehensive set of indicators selected after stakeholder input. Provides objective scientific information for monitoring, feedback and review processes. Transparent reporting a landscape and bioregional scale.	Data and reporting very broad and so does not address site or sub-regional specific issues. Infrequent reporting period. No link to accountability processes.

5.2. New South Wales

Comprehensive operational plans are prepared in NSW under the Integrated Forest Operations Approvals process. The approval, which is provided by the Department of Environment and Climate Change (DECC), regulates timber harvesting operations in each of the State's RFA (Regional Forest Agreement) areas. Compliance with the plan is assessed through audits and investigations of reported breaches. The audits are primarily concerned with detecting and enforcing compliance with license conditions. Penalty infringement notices and fines can be issued for breaches that are not remedied.

DECC undertakes proactive audits and also conducts reactive audits in response to community concerns. Audits consider compliance with planning processes and operational practice. Non-compliance with licence conditions (under Environment Protection or Threatened Species Licences) may trigger verbal feedback, warning letters, penalty notices and, in some cases, remedial work requirements.

Audits are also undertaken for certification purposes. Forests NSW is certified to the AFS and independent third party audits are undertaken to measure performance and to verify conformity with the standard.



5.3. Tasmania

Commercial forestry operations in private native forests are far more extensive in Tasmania than elsewhere in Australia. The Tasmanian Forest Practices Authority (FPA) was established (under the *Forest Practices Act 1985*) to manage and enforce the Tasmanian Code on both private and public land. The Authority is controlled by an independent board and has an appointed Advisory Council to advise the Board on the effectiveness of forest practices. The Authority reports annually to the Tasmanian parliament on the performance of forest operations in both public and private native forests and plantations.

The Tasmanian system has a compliance and enforcement role, which is supported by legislation, although enforcement is not emphasised. Objectives of the legislation are to be achieved through:

- self regulation;
- quality planning before operations commence;
- delegated and decentralised approvals;
- the provision of standards (the Forest Practices Code; Forest Practices Board, 2000);
- emphasis on consultation and education;
- rehabilitation of land and forest values where contraventions occur; and
- an independent appeals process.

The FPA employs and appoints Forest Practice Officers (FPOs), who are responsible for the certification of Forest Practices Plans, monitor forest practices for compliance with the Act and Code and lay complaints where required. The Act also provides for a Forest Practices Tribunal to conduct hearings and make determinations with respect to appeals that are lodged by aggrieved parties.

The Authority undertakes audits from a random sample of around 130 Forest Practice Plans each year across all land tenures. The objectives of these audits are investigation and enforcement. Notices to improve are issued for observed breaches and fines can be imposed. FPOs are also empowered to investigate complaints and reports of breaches from affected parties, neighbours and the general public. The FPA recently fined Forestry Tasmania for breaches of the Code.

The Chief FPO has recently analysed and reported on all of the breaches detected in the period 2000-2006 (Wilkinson, 2007). Total compliance was considered acceptable as over this time breaches were detected in less than 6% of forest operations and with less than 1% of the operations having serious breaches. He also found that of 648 investigations undertaken, actual breaches occurred in 53% of cases, 84% of which were dealt with through corrective action or formal warnings, with the remaining 16% resulting in fines or prosecutions.



The serious breaches most commonly detected related to streamside harvesting and sub-standard roads. The investigations initiated by neighbours, interest groups and members of the public detected breaches in less than 32% of reported incidents.

Analysis of breaches found that 22% were due to human error and therefore could be expected to occur each year on an ongoing basis. Intentional or deliberate breaches comprised 15% and could be addressed by fines or the loss of the relevant licences to operate. The remaining breaches were due to deficient systems or knowledge of the systems and should have been capable of control though further training and a performance review system that is designed to continually improve outcomes.

The Tasmanian system also has a role in monitoring at a landscape scale, by monitoring the maintenance of the permanent forest estate and changes to forest areas and reserve system.

Forestry Tasmania is certified to AFS and is subject to regular certification audits.

5.4. Western Australia

Western Australia has a similar arrangement to Victoria for forest management, where an environmental land management department controls the forests and a separate government-owned enterprise undertakes the commercial harvesting. The Western Australian Department of Environment and Conservation (DEC) manages forested land and provides the Code of Practice. The Forest Products Commission (FPC) undertakes the harvesting and sale of forest produce. The main control of harvesting activities is through the Forest Management Plan and it sets the standards and requires compliance with the Code.

DEC audits the FPC and issues work improvement notices when breaches are detected. The FPC applies corrective actions and treats the notices as incidents in its EMS that has been independently certified as compliant with the ISO 14001. Certification audits of the standard are undertaken regularly.

The FPC conducts an annual environmental review as part of its annual report. It has environmental performance criteria that are measured and reported. Major incidents are reported in this format. It has a performance measure relating to the time taken to treat and close incidents in its EMS.

5.5. Discussion

This brief review highlighted that all of the jurisdictions included have a multi-level regime of audit processes to achieve a range of objectives. The Victorian regime contains more elements than those of the other three states and hence the potential for duplication is greater. Two states have a high degree of third party independence: at the planning phase in NSW and via the Forest Practices Authority in Tasmania, at all stages in the timber production process. Victoria's third party



independence is achieved by having the Forest Audit program commissioned by EPA. In Western Australia, the regulatory authority of DEC is used to provide the independence. The relationships in WA between DEC and FPC are very similar to the relationships between DSE and VicForests.

The comparison between the regimes in the four states reviewed indicate that there is scope for the Victorian regime to be simplified by reducing the number of organisations involved and to still provide a comparable audit regimes to other states.



6. A future audit regime for timber production in Victoria's State forests

6.1. Objectives of audits of timber production activities

Audits are undertaken to determine the validity and reliability of information about an activity or organisation and/or enable an assessment of a system's internal controls. Figure 2 is a schematic representing points in the overall 'system' for timber production in Victoria's State forests at which audit or audit-like monitoring activities might be undertaken. Those points and the questions an audit process might address include:

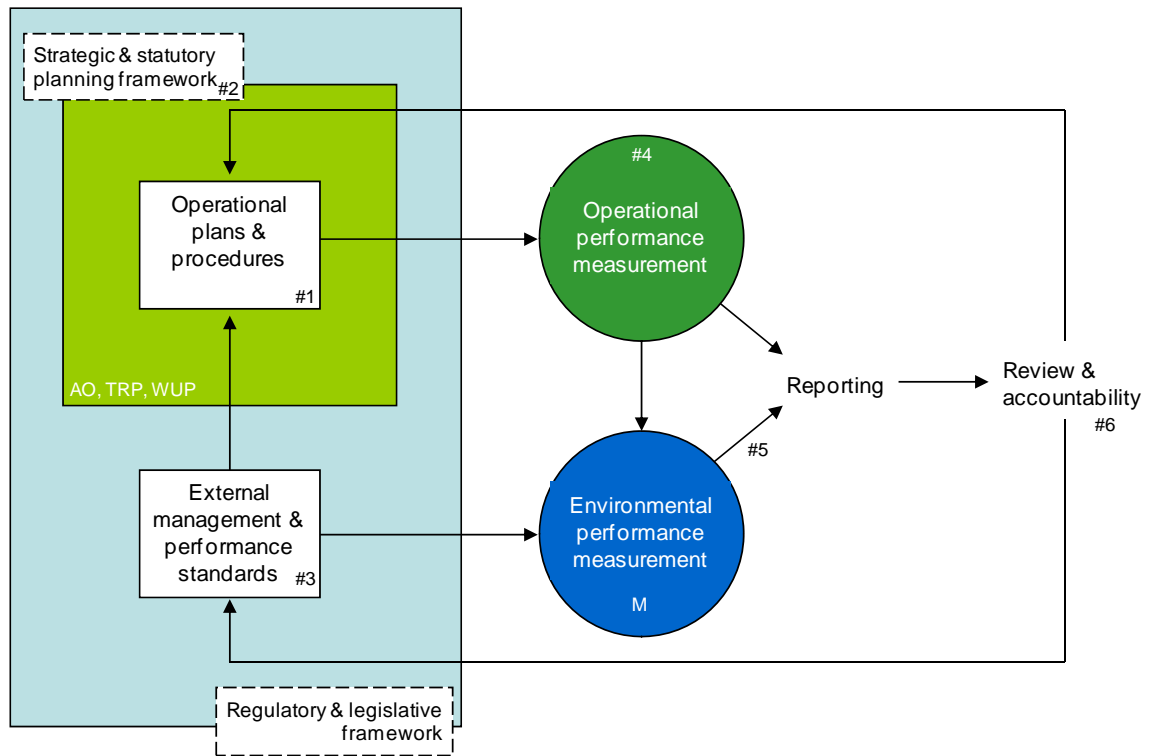
- #1 Are operational plans and procedures (e.g. coupe plans) consistent with the strategic and statutory planning framework provided by VicForests allocation order (AO), the timber release plan (TRP) or, in DSE operations, the wood utilisation plan (WUP)?
- #2 Is strategic and statutory planning for timber production activities consistent with regulatory and legislative frameworks provided by, for example the *Sustainable Forests (Timber) Act 2004* and Regional Forest Agreement?
- #3 Are operational plans and procedures compliant with external management and performance standards such as the Codes of Practice for timber production or fire management?
- #4 Is operational performance measured and reported reliably?
- #5 Is there adequate monitoring (step M in Figure 1) and reporting of environmental performance of timber production activities in relation to sustainability criteria and the Sustainability Charter under the *Sustainable Forests (Timber) Act 2004*?
- #6 Do appropriate accountability mechanisms operate if breaches of plans, policies and standards occur? Are there effective processes for continual improvement in operational practice?

The previous Forest Audit program is primarily concerned with #3 and #4, assessing and reporting on whether operational plans, procedures and activities are compliant with the Code. In collecting information on the environmental impacts of Code breaches, it provides some level of environmental performance measurement (M). Public reporting of audit outcomes partly addresses accountability requirements (#6).

Existing audit and review processes for VicForests operations, conducted by VicForests, the independent auditors of their SFMS or DSE, address #3, #4 and #6. Periodic *State of the Forests* reporting is based on M, but there is no audit of that information (#5). Data are also reported on such a broad scale and, in many cases, in such a general way that they provide little insight into coupe or landscape scale environmental performance of timber production activities.



■ **Figure 2 Schematic diagram of audit or audit-like activities for timber production in Victoria's State forests**



Key gaps in the audit framework relate to #1, #2, #5 and #6. An evaluation of the scope of environmental monitoring (M) of timber production activities is beyond this review and so no informed comment can be provided on the adequacy of environmental performance monitoring.

There is significant overlap between operational performance auditing (#3 and #4) under the Forest Audit program and similar audits conducted by VicForests and DSE (on VicForests' operations).

6.2. Statutory basis for an audit regime

Victorian legislation provides a statutory basis for audits which address some of the objectives listed in the preceding section.

As discussed previously (section 4.2.3), section 53V of the EP Act provides for audits addressing the risk of any possible harm or detriment to a segment of the environment caused by industrial processes and activities. Since the planning and operational processes, including the Code, are intended to reduce the risk of harm from an industrial process, namely timber production, this section of the Act provides a basis for statutory audits of timber production. While the current Forest Audit program is commissioned under this section of the EP Act, this section of the legislation does not preclude widening the scope of a statutory audit to include the entire planning



and operational process, including the TRP. Statutory audits under the EP Act can be commissioned by any relevant party, in this case, DSE, VicForests or, as currently, EPA. The *State Environment Protection Policy (Waters of Victoria)* also commits EPA to ensuring audits of compliance with the Code are conducted under the Victoria's statutory environmental audit system (clause 55; EPA, 2003).

The SFT Act contains several provisions for audit. Section 8 requires 'the Secretary' to report on status, performance or achievement in relation to sustainability indicators (section 6) and section 10 provides for an appropriately qualified person to audit the information provided. Section 47 provides for audits of compliance with relevant Codes of Practice relating to timber harvesting by VicForests and other licensed operators. The following sections (48 and 49) require VicForests to reply to such an Audit and the Minister to make any adverse findings public.

With the separation of commercial harvesting functions from the regulatory functions (to VicForests and DSE, respectively), DSE can now be considered an independent 'watchdog' for VicForests' commercial operations¹⁰. This could allow DSE to manage 'independent' audit processes for VicForests operations. It should be noted however that perceptions of DSE's independence have not been tested and would need to be established and protected if public confidence in audit processes was to be maintained.

The *Catchment and Land Protection Act 1994*, while not providing for Audits, does provide for periodic reporting (by the Victorian Catchment Management Council and Catchment Management Authorities) on the condition of land and water. This could provide a statutory framework for meeting audit objective #7, should any further support than section 10 of the SFT Act be required.

6.3. Future options for the Forest Audit program

Reiterating discussion in section 4.2.1, the original objectives of the Forest Audit program were to:

- bring appropriate levels of independent scrutiny to forestry practices on public land and assess the level of compliance with the Code;
- provide a further safeguard to environmental values of the harvested areas; and
- enhance community confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's public native forests.

Future options for the Forest Audit program should address these and at least the gaps in the existing framework of audits relating to timber production activities in State forests. Options should also seek to maintain or improve the efficiency of the regulatory environment faced by timber

¹⁰ But not for the timber production activities it manages in the western half of the State.



production activities, consistent with broader State government commitments. This may mean reducing or eliminating overlap between Forest Audit activities and other existing audit processes and/or using appropriately collected data from other audit processes as inputs to the Forest Audit program.

The options described below were developed following the review and evaluation of the Forest Audit program and take account of the views of various stakeholders, without necessarily fully reflecting them. Options not necessarily alternatives to each other, but may simply address differing gaps in the audit framework (Figure 2).

Continuation of the Forest Audit program in exactly its existing format is not considered as an option. Recent revisions to the Code and reorganisation of VicForests' administrative units would make it necessary to at least alter parts of the audit workbook and methodology, irrespective of responses to this review.

6.3.1. Option 1 Discontinue Forest Audit program

The existing Forest Audit program occupies a space (#3, #4, #6 in Figure 1) that is also occupied by audits conducted by VicForests (under their third party accredited SFMS) and of VicForests by DSE. To avoid duplication of these audits, the Forest Audit program could simply be discontinued. Although the Forest Audit program would be discontinued, its objectives would be at least partly achieved by these other existing audit processes.

This option would need to be accompanied by public reporting of audit outcomes.

6.3.2. Option 2 Revised Forest Audit program

This option anticipates adjustment to the operational procedures of the existing Forest Audit program. The Audit workbook would be updated to reflect the 2007 revision of the Code. As far as possible, desk-top elements of the Audit would draw on data from VicForests' SFMS to eliminate some of the duplication inherent in the current arrangements.

Objectives:

- Assess compliance of operating plans and procedures with the Code (#3);
- Assess and publicly report operational performance (#4);
- Support continual improvement processes in timber production (#6).

The audit would also continue to provide independent scrutiny of timber production operations and seek to engender public confidence in the processes governing them.



Operational procedures:

Audit procedures, including the workbook, would be updated to reflect recent changes to the Code. Audit elements would need to reflect the new Code's mandatory actions. It is proposed that risk-based sampling would be maintained to select coupes for auditing, however the process would need to reflect VicForests new administrative units. Coupe selection should be based on coupe size rather than the volume of timber harvested, as has historically been the case. This is considered to better reflect the risk of environmental harm from timber production activities than a sampling strategy based on the volume of timber harvested.

Data from VicForests own independently audited SFMS (provided it remains accredited to the Australian Forestry Standard) should be used wherever possible in conducting desk-top elements of the audits. Auditors would need to independently conduct desk top elements of the audits for timber production activities managed by DSE (unless their environmental management system was first accredited to the Australian Forestry Standard or an equivalent standard).

Field auditing of operational practice should be continued, particularly where compliance is poorer or environmental risks from non-compliance are high. Some coupes would be audited prior to and during harvest, with the remainder audited post-completion.

Audits would proceed at one or two year intervals, depending on management arrangements.

Stakeholder engagement and public communication activities would be strengthened to better address the original objective of the program, which was to build confidence in arrangements for sustainable management of timber production in State forests. Audit outcomes for VicForests' and DSE's timber production activities should be reported independently, as management systems and the intensity of operations differ widely.

Auditors would make observations and findings such that rapid and efficient solutions to the issues identified can be effected. Formal recommendations that for VicForests operations require DSE's response would be limited to matters of special significance.

Management arrangements:

The audit could be commissioned by any of the parties currently involved, EPA, DSE or, for their own operations, VicForests.

It is recommended that the Audits would continue to be statutory environmental audits, conducted under section 53V of the EP Act.



6.3.3. Option 3 Audit of planning and operational practices

Option 3 is an alternative to options 1 and 2. It would see an expansion in the scope of the Forest Audit program to also include planning and operational practices. Beyond this expansion in scope and related changes to the methodology, Audits would otherwise be similar to those of Option 2.

Objectives:

- Assess compliance of operational plans and procedures with strategic planning framework provided by the AO, TRP and/or WUP (#1);
- Assess consistency of strategic planning framework with regulatory and legislative environment for timber production (#2);
- Assess compliance of operating plans and procedures with the Code (#3);
- Assess and publicly report operational performance (#4);
- Support continual improvement processes in timber production (#6).

This option would provide independent scrutiny of timber production planning and operations, as well as seek to engender public confidence in the processes governing them.

Operational procedures

Audit procedures would be updated to reflect recent changes to the Code and extended beyond the scope of the current Forest Audit to include the Code's planning elements. As discussed previously, audit elements would need to reflect the new Code's mandatory actions.

Risk-based sampling would be maintained to select coupes for auditing, however the process would need to reflect VicForests new administrative units. Coupe selection would be based on coupe size rather than the volume of timber harvested.

Data from VicForests own independently audited SFMS (provided it remains accredited to the Australian Forestry Standard) should be used wherever possible in conducting desk-top elements of the audits. Auditors would need to independently conduct desk top elements of the audits for timber production activities managed by DSE (unless their environmental management system was first accredited to the Australian Forestry Standard or an equivalent standard).

Field auditing of operational practice should be continued, particularly where compliance is poorer or environmental risks from non-compliance are high. Some coupes would be audited prior to and during harvest, with the remainder audited post-completion.

DSE audits that cover similar questions would be discontinued.

Audits would proceed at one or two year intervals, depending on management arrangements.



Stakeholder engagement and public communication activities would be strengthened to better address the original ‘community confidence’ objective of the program. Audit outcomes for VicForests’ and DSE’s timber production activities would be reported independently, as management systems and the intensity of operations differ widely.

Auditors would make observations and findings such that rapid and efficient solutions to issues identified can be effected. Formal recommendations that require DSE’s response would be limited to matters of special significance.

Management arrangements:

The audit could be commissioned by any of the parties currently involved, EPA, DSE or, for their own operations, VicForests.

The audit could be conducted under either section 47 of the SFT Act and/or section 53V of the EP Act. It would address the issue raised by section 45 of the former Act that timber harvesting ‘authorised’. VicForests could only commission an audit (of its own operations) under the latter Act.

Audits under the EP Act would be statutory audits. Audits under the SFT Act could be statutory audits, but need not be.

6.3.4. Option 4 Special purpose audits

Such an audit would only be instigated where a particularly problematic or systemic breach of the Code or other element of the planning or regulatory environment was detected. Option 4 could be complementary with other options, except discontinuing the Forest Audit program.

Objectives:

Specific objectives would depend on the nature of the breach occurring, but could include the various matters relating to operational performance (#1-#4, #6 above) and/or to environmental performance measurement.

It is likely the audit would seek to assess environmental impacts of major breaches in regulations and to ascertain the underlying causes.

Given the nature of the audit, it is essential that it is independent and that the results are publicly reported.

Procedures:

An audit scope and procedure would be developed by the independent auditor and reflect the audit’s objectives and focus.



Stakeholder engagement should be included and audit results reported publicly.

Auditors may provide formal recommendations that would need to be addressed by relevant parties.

Management arrangements:

The audit could be commissioned by DSE or EPA under either section 47 of the SFT Act and/or section 53V of the EP Act. It may be a statutory or, if commissioned under the former Act, a non-statutory audit.

6.3.5. Option 5 Audit of environmental reporting

Option 5 is complementary with other audit options. Its focus is on the adequacy of environmental performance monitoring and reporting.

Objectives:

- Assess the adequacy of monitoring and reporting of environmental performance of timber production activities in relation to sustainability criteria and the Sustainability Charter under the SFT Act (#5).

The option would provide independent scrutiny of environmental reporting, seek to engender public confidence in the processes governing timber production operations and may make a small contribution to the safeguarding of environmental values of harvested areas.

Procedures:

Such audits are not currently performed, but would be developed to audit the reporting of information on performance of timber production activities in relation to indicators of sustainable forest management approved by the Minister.

Audit results would be publicly reported.

6.3.6. Option 6 Environmental performance monitoring and reporting

Option 6 is complementary with other audit options. Should option 5 be taken up, it would audit the data collected and the data collection processes.

Objective:

- Report on environmental performance of timber production activities in State forests.

This option would address the ‘safeguarding environmental values of harvested areas’ objective of the Forest Audit program, as well as helping to engender community confidence in the management systems around timber production activities.



Procedures:

Appropriate criteria and indicators would be selected that reflect objectives of the Sustainability Charter for Victoria’s State forests and are consistent with State of the Forests indicators and Code operational goals. They would also be appropriate for environmental monitoring at an FMA or similar administrative unit level.

A monitoring, evaluation and reporting program would be developed and implemented around these indicators. Depending on the indicators, monitoring may be undertaken at a site, landscape and/or catchment scale for each administrative unit and would be repeated at appropriate time frames.

Data for each administrative unit would be periodically reviewed and publicly reported. Review and reporting would rotate between administrative units.

Management arrangements:

Environmental performance monitoring could be undertaken by DSE, VicForests, water authorities, Catchment Management Authorities and/or private contractors.

Review and reporting of the data could be undertaken by DSE, an independent academic, statutory or other environmental auditor or consultant.

6.4. Recommended audit framework

Figure 2 depicts a comprehensive audit framework, which this review recommends is developed and applied to timber production activities in Victoria’s State forests. If adopted in its entirety, such a framework should help to achieve all three original objectives of the Forest Audit program, namely: bringing independent scrutiny to forestry practices, providing a further safeguard to environmental values and enhancing community confidence in the sustainable management of Victoria’s public native forests.

The framework includes five elements, as follows:

1. Internal auditing of VicForests’ compliance in its operational plans and procedures with external management and performance standards, such as the Codes of Practice for timber production and fire management. Such audits are conducted under VicForests’ SFMS. While they were not the subject of this review, they form an important part of the data collection process for assessing Code compliance and should continue to be the fundamental element of operational performance reporting and continuous improvement (#3, #4 and #6 in Figure 2).
Outputs from internal audits should be available to those undertaking other elements of the audit framework and should be publicly reported.



2. Forest Audit program based on Option 3 (above), but which draws on and avoids duplication with desk-top elements of VicForests' internal auditing system, providing the latter remains third party accredited to the Australian Forestry Standard. In the absence of an AFS accredited EMS (or similar) covering DSE's timber production operations in western Victoria, desk top audit elements should be conducted as part of this audit element.
3. Special purpose audits based on Option 4 (above) should be conducted, on a needs basis, to investigate causes and impacts of particularly severe or intractable breaches of the Code or other elements of the timber production planning process.
4. Environmental reporting audit, based on Option 5, to meet the requirements of the SFT Act.
5. Environmental performance monitoring (Option 6) that is adequate to provide insights into coupe and landscape scale environmental impacts of timber production activities.

Discontinuing the Forest Audit program (Option 1) was rejected on the grounds that there would remain important gaps in the overall audit framework and that it would most likely undermine public and stakeholder confidence in management processes for timber production in State forests. The advantage of Option 3 over Option 2 is that it extends the program's scope beyond coupe-level Code compliance to include compliance with the Code's planning requirements and other planning and regulatory frameworks. In this it provides a more comprehensive audit process that deals with strategic, tactical and operational dimensions of timber production.

Apart from environmental performance monitoring or reporting, Option 3 addresses the space for audit identified in Figure 2. The inclusion of environmental performance monitoring and reporting elements in the recommended audit framework overcomes this deficiency and also addresses legislative requirements (for audits of environmental reporting).

Elements 2-5 are outlined in section 6.3. Further details of operational procedures and management arrangements for the recommended on-going Forest Audit program and Special purpose audits are given below. More detailed description of environmental reporting audits and environmental performance monitoring is beyond the scope of this review.

6.4.1. Forest Audit program

The existing Forest Audit program should be replaced by Option 3 above. In doing so, its scope would be extended to include compliance with the planning elements of the Code and with regulatory and legislative requirements relating to sustainable forest management. The audit should also include compliance with relevant provisions of the Code of Practice for Fire Management on Public Land, as part of the framework of external performance standards for timber production in State forests.



Operational details, management arrangements and communication and stakeholder engagement provisions are elaborated below.

Operational details

An overview of the operation of the recommended Forest Audit program option is given below.

- *Composition of audit teams* – audit teams should continue to be broadly-based, reflecting the range of issues to be considered. They should include experienced forestry practitioners, as well as members with expertise in the various environmental or cultural issues of concern (e.g. soils, ecology, water). If, as recommended, the program is run as a statutory environmental audit, it would need to be lead by an appointed environmental auditor, from either natural resource or industrial facilities categories.
- *Timing of field elements of the audit* – consistent with the broader scope of the program, audits should be conducted in some coupes following delineation of coupe and buffer boundaries to ensure location is consistent with plans and ensure high environmental value features (e.g. rainforest, special habitat areas, streams, cultural sites) are appropriately identified and protected by buffers. Pre-harvest audits should be concentrated in coupes where higher value features have been identified in the planning process. Some audits should be conducted during harvest to assess whether practice continuously complies with Code provisions, enable non-compliance to be remedied at an earlier stage and to enable contractors to participate more actively in the audit process. The bulk of the audits should follow completion of the coupe, as has traditionally been the case.
- *Coupe selection* – risk-based sampling stratification should be maintained to ensure that audit effort is focussed on coupes with higher risk of harm if the Code and other performance standards are not met. Coupe size, rather than volume, should be used in selection weightings, as this is a more direct measure of the risk of harm.
- *Focus areas* – the Forest Audit program should continue to include focus areas. These provide the opportunity to emphasise improved practice where compliance with Code or other planning requirements is weak or where non-compliance poses a high risk to environmental or cultural values. To enable focus areas to be included in operational planning and operations, it is proposed that a five year program of focus areas be developed and advertised. As discussed below, it is recommended that a stakeholder panel be formed to generate ideas for focus areas.

Concerns by some E-NGO stakeholders about the statistical robustness of the coupe selection process are not fully addressed by the proposal above. However, targeting more of the scarce Audit resources towards higher risk coupes is considered appropriate, particularly if, as recommended, results from VicForests' own internal audits are incorporated. As a consequence of this sampling strategy, results from field assessments should not be reported as being from a representative sample.



Management arrangements

The Forest Audit program, for both VicForests' and DSE's timber production operations, should be commissioned by DSE, the regulator of timber production activities in Victoria. It should be conducted as a statutory environmental audit under section 53V of the EP Act and an audit under section 47 of the SFT Act.

While independent audit processes are possible outside of the statutory audit framework, retaining this framework helps to ensure continuity with the former program, which was perceived by a wide range of stakeholders as being independent. Transfer of responsibility for commissioning the Audit should not jeopardise its independence, although some stakeholders may perceive otherwise. However, it is appropriate that DSE, as the regulator for sustainable forest management, should oversee the Audit program.

A panel of stakeholders (coordinated by DSE and including VicForests, industry and E-NGO representatives) should be formed and operate for a limited period to develop a multi-year list of focus areas to help guide the new Forest Audit program. The panel might also be used as a reference group to review work by an appointed statutory auditor to develop a new audit methodology.

Audits should be conducted annually for at least the first five years of the program. Given the recommended transition of commissioning agency to DSE, it is important that all possible efforts are made to maintain the integrity and credibility of the Forest Audit program. Maintaining an annual audit program will help to ensure this.

Communications and stakeholder engagement

Audit outcomes should continue to be reported publicly – as statutory audits on EPA's web site, as well as on DSE's and VicForests' web sites. The change of commissioning agent should be accompanied by stakeholder communications activities to clarify that the Forest Audit program will continue to be independent, transparent, accountable and publicly reported. It is recommended that a proactive communications campaign be run to accompany each Audit report's release to influence community confidence in the systems operating to ensure the sustainable management of Victoria's native forests. It should focus on qualitative measures of performance and identify and explain strengths and weaknesses in timber production activities. Simple numerical measures of operational performance and explicit comparisons over time should be avoided.

Audits of VicForests' and DSE's operations should be reported independently of each other. The two organisations' operations are conducted independently and are quite different in scale, intensity and commercial intent. While the Codes and planning frameworks apply to both operations, joint reporting risks masking the two organisations' respective performance. It potentially enables one to benefit or suffer from the strong or poor performance of the other.



The program of public participation in field audits should be continued.

As noted above a broadly-based stakeholder panel should be convened to oversee development of the new Forest Audit program's methodology and to identify focus areas for the first five years of the program's operation.

6.4.2. Special purpose audits

Provision should be made to enable Special purpose audits (Option 4) to be conducted. As discussed previously, they would be used to investigate causes and impacts of breaches of the Code or planning processes with particularly high impact or risk of impact or to provide focus on practices or locations where intractable non-compliance issues are identified.

Operational details

A scope and methodology would be developed by the audit team, in conjunction with the commissioning agency and, potentially, government, industry and environmental stakeholder representatives.

Management arrangements

Such audits should again be commissioned by DSE, the body charged with regulation of forest management in Victoria. To maintain independence (and stakeholder perceptions of such), the statutory Environmental Audit framework should be used. This would be particularly important where the Special audit was commissioned to consider timber production activities managed by DSE in western Victoria.

The need for special purpose audits might be identified by any of the range of stakeholder involved in timber production, including VicForests, DSE, EPA, Forest Audit program auditors, timber industry representatives, environmental NGO representatives and other members of the general community. A process and criteria for fielding and evaluating requests for such audits should be developed, potentially by the stakeholder panel proposed (section 6.4.1) to determine focus areas for the Forest Audit program and, potentially assist in development of a new Audit methodology, reflecting the expanded scope and revised Code.

Communication and stakeholder engagement

Outcomes of any Special audits should to be reported publicly – as statutory audits on EPA's web site, as well as on DSE's and VicForests' web sites (the latter only if the audit is conducted of VicForests' operations).



It is recommended that a proactive communications campaign be run to accompany the release of any Special audit to highlight its findings and how lessons learned will be incorporated into timber production practice.



7. Conclusions and recommendations

Forest Audit program review

An annual program of audits of compliance with the Code has been commissioned by EPA since 2002. Five conventional Audits and one special Audit have been completed during that time. Audits have been conducted by teams from two different consultancy firms and led by statutory Environmental Auditors. The Forest Audit program currently represents just one component of a multi-layered audit regime for timber production activities in Victoria's State forests.

A consistent and comprehensive approach has been developed for the Audits and applied. The process is subject to continual improvement, both in the methodology employed and the performance standards expected. While the method emphasises procedural compliance (with the Code), it does consider environmental impacts associated with Code breaches. The scope of the Audit largely limits it to coupe-based analyses. Audit teams have comprised the lead (statutory) Environmental Auditor and team members with expertise in forest management and various environmental disciplines.

Participation in the Audit process by a wide variety of stakeholders was encouraged and achieved. The level of participation in Audit 'field days' has diminished in areas regularly subject to audit, but remains relatively strong in areas where audits are only conducted irregularly.

Reactions of the Audit program's stakeholders and participants has been mixed. Auditees and representatives of the forest industry have generally been positive about the Audit, which appears to reflect their perspective that a high level of Code compliance has been demonstrated. Those opposed to timber production in the State's native forests have generally interpreted Audit reports in the opposite way, reflecting a perspective that native forest harvesting operations do not generally fully comply with the Code and are damaging the environment. Some representatives of environmental NGOs do not support the Forest Audit program because they do not fully agree with the methodology and consider that it lends support to timber production activities.

Stakeholder consultation and audit reports provide evidence that knowledge and skills of forest operators have been improved as the result of the audits and VicForests' own SFMS process. Acceptance of and familiarity with audit processes is growing, although some forest management staff find the multi-layered audit regime they face to be cumbersome and wasteful of resources, particularly time.

Practices applied during forest harvesting have improved and the general level of Code compliance increased beyond the minimum standard initially expected by the lead Auditors. However, Code compliance levels remain low on some coupes. The underlying reasons for this are not clear, but should be determined and addressed.

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The Audit methodology does not allow direct measurement of social, environmental and economic outcomes from forest harvesting, although following the logic of the Code, it is anticipated that the Audits have contributed to diminished environmental (and cultural heritage) risk from timber production activities. The scope and method of the Audit do not permit a rigorous analysis of the extent to which environmental and cultural values of forest areas are being protected by application of the Code. Stakeholders did not support the Audit's scope being extended to consider social and economic issues, despite the latter being addressed by Code objectives.

The Forest Audit program is accepted by most stakeholders and has demonstrated improvements in Code compliance. It has achieved some, but not all of its objectives.

Introduction and enacting of the Sustainable Forests (Timber) Act 2004 and revised Code of Practice for Timber Production has considerably changed the operating landscape for the program and it is now largely redundant. The most positive aspects of this program should be retained in any future audit program.

Options for a future audit framework for timber production in Victoria's State forests

Six options were developed for a future framework of audits of timber production activities in Victoria's State forests, including:

1. *Discontinue Forest Audit program* - the existing Forest Audit program largely occupies a space that is also occupied by audits conducted by VicForests and of VicForests by DSE. To avoid duplication of these audits, the Forest Audit program could be discontinued.
2. *Revised Forest Audit program* - Audit procedures would be updated to reflect recent changes to the Code, but otherwise the program's scope would remain unchanged. Some changes to the Audit approach would be made, reflecting perspectives offered by participants in the stakeholder consultation process and a desire to reduce overlap between the Forest Audit program and other audit processes. The audit could be commissioned by any of the parties currently involved, EPA, DSE or, for their own operations, VicForests and would continue to be statutory environmental audits, conducted under section 53V of the Environment Protection Act (1970).
3. *Audit of planning and operational practices* – the scope of the Forest Audit program would be expanded (beyond option 2) to consider compliance of operational plans and procedures with the strategic planning framework provided by the Allocation Order, Timber Release Plan and/or Wood Utilisation Plan. It would also assess consistency of strategic planning framework with regulatory and legislative environment for timber production. The audit could be commissioned by EPA, DSE or, for their own operations, VicForests. Audits commissioned by DSE or VicForests may be statutory or non-statutory audits.



4. *Special purpose audits* – would be instigated where a particularly problematic or persistent breach of the Code or other element of the planning or regulatory environment was detected. It might consider the actual or potential impact of such breaches in detail and would seek to identify and address underlying causes. The audit would be commissioned by EPA as a statutory audit or by DSE as a statutory or non-statutory audit.
5. *Audit of environmental reporting* – would be conducted to assess the adequacy of monitoring and reporting of environmental performance of timber production activities in relation to sustainability criteria and the Sustainability Charter under the *Sustainable Forests (Timber) Act 2004*. The audit would be undertaken by an appropriate independent party, potentially an academic or accredited auditor.
6. *Environmental performance monitoring and reporting* - appropriate criteria and indicators would be selected that reflect objectives of the Sustainability Charter for Victoria's State forests and are consistent with State of the Forests indicators and Code operational goals. A monitoring, evaluation and reporting program would be developed and implemented around these indicators. Environmental performance monitoring and reporting could be undertaken by a wide variety of public and private sector service providers, including DSE, VicForests, water authorities, Catchment Management Authorities and/or consultants.

Options 5 and 6 fill gaps in the existing audit framework and could be included as part of an overall audit regime with options 2, 3 and/or 4. Options 1, 2 and 3 are mutually exclusive.

Recommendation

It is recommended that the Forest Audit program should continue and that key features such as its independence, opportunities for stakeholder participation and public reporting of audit results be retained. It is recommended then that the current form of the program be replaced by option 3, which would see the current program's scope extended to include compliance with the planning elements of the Code, relevant part of the Code of Practice for Fire Management on Public Land and with regulatory and legislative requirements relating to sustainable forest management. The program would continue to be conducted as a statutory Environmental Audit under section 53V of the *Environment Protection Act (1970)*.

Option 3 is recommended because the scope of the current Forest Audit program is now well served by other audit mechanisms, whereas the broader audit objectives of strategic and statutory planning compliance are not.

As part of an overall framework for Audit in Victoria, it is also recommended that provision be made for Special Audits (Option 4) to be conducted, where required, and that environmental reporting audits be instituted (Option 5) and an expanded program of environmental monitoring and reporting in timber production areas be developed (Option 6). Such a framework would



address the entire space for audit or audit-like activities and meet relevant statutory and regulatory requirements.



8. Acknowledgments

The project team would like to acknowledge the contribution of the many stakeholders who participated in the consultation process. The names of individual participants are given in Appendices A.3 and A.5.



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Appendix A Stakeholder consultation

A.1 Circulation list for *Issues Paper* two page summary

Name	Organisation	Name	Organisation
Aaron Gay	North Central CMA	Bernard Walker	Consultant
Adam Menary	The Central Highlands Alliance	Bernard Young	Plantations North East Inc
Adrian Whitehead	Victorian Green Party	Betty Tromp	Friends of Leadbeaters Possum
Alan Hansard	National Association of Forest Industries	Bill Forrest	Nillumbik Shire Council
Alan Pincott	VicRoads	Bill Holsworth	Field Nauralists Club Inc.
Alastair Woodard	Timber Promotion Council	Bill Incoll	Forest Essentials P/L
Alf Said	Offices of Forestry Information	Bill O'Kane	Goulburn Broken CMA
Amanda Page	Goongerah Environment Centre	Bill Peel	East Gippsland CMA
Amber Johnson	Office of the Emergency Services Commissioner	Bill Shorten	Australia Workers Union
Andrew Rouse	WWF-Australia	Bill Smithett	Woods Point Community member
Andrew Flint	Environgroup P/L	Bill Sykes MLA	Member for Benalla
Andrew Hill	Ecology Partners	Billy Dain	Goongerah Environment Centre
Andrew Hockley	Department of Premier and Cabinet	Bob Gordon	Forestry Tasmania
Andrew Komesaroff	Corrs Chambers Westgarth	Bob Thompson	Upper Bunyip LandCare Action Group
Andrew Newman	Ensis	Brad Matheson	Municipal Association of Victoria
Andrew Rouse	WWF - Australia	Brendan Jenkins MLA	Member for Morwell
Andrew Rowe	Victorian Local Governance Association (VLGA)	Brian Farmer	Forestry SA
Andrew Walker	Lawyers For Forests	Brian Scarsbrick	Landcare Australia Limited
Angus Hume	Department of Primary Industries	Brian Walsh	Regional Development Victoria
Ann Westwood	Trust for Nature	Bronwyn Chapman	Rural City of Wangaratta
Anna Boustead	Environment Victoria	Bruce Atherton	Department of Sustainability & Environment
Anne Lawrence	CSIRO	Bruce Connolly	Nexus Consulting
Anne Wallis	Deakin University, School of Ecology and Environment	Bruce Jackson	Otway Natural Wonders
Anthony Sheean	City of Greater Bendigo	Bruce McTavish	VicForests
Anthony Amis	Friends of the Earth	Cameron Rhodes	Great Southern Plantations
Antony Spielvogel	Willmott Forests	Cameron Robinson	Department of Primary Industries
Ashley Morris	-	Campbel Giles	Department of Primary Industries
Barry Houghton	East Gippsland Shire Council	Carlton Frame	Gunns Limited
Barry La Fontaine	Forestry Pacific Pty Ltd	Carol and Robin Twist	-
Barry Lacy	DOI	Carolyn McLean	Mt Disappointment Recreation Impact Group
Barry Sterland	Department of the Prime Minister and Cabinet	Cath Harris	West Gippsland CMA
Ben Hardman MLA	Member for Seymour	Catherine Murphy	National Association of Forest Industries
Ben Rankin	Department of Sustainability & Environment		



Name	Organisation	Name	Organisation
Cathrine Jones	Otway Conservation Council	David Blair	Friends of Leadbeaters Possum
Charlie Sherwin	Victorian National Parks Association	David Blythe	-
Chelsea McNab	Yarra Ranges Environment Coalition	David Buntine	Port Phillip and Western Port CMA
Chris Archer	Department of Treasury & Finance	David Crawford	National Competition Council
Chris Blackwood	Victorian Timber Harvesting Association	David Drane	Victorian Harvesting & Cartage Council (VFHCC)
Chris Brack	Forest inventory/Urban Forestry	David Endacott	Daylesford
Chris Enright	Melbourne University	David Floyd	Department of Treasury and Finance
Chris Rose	Parks Victoria	David Goding	JL Gould Sawmills P/L
Chris Taylor	RMIT University	David James	Ecoservices
Christine Forster	Victorian Catchment & Management Council	David Laugher	Towong Shire Council
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Claire McCall	Forest Action Trust	David Nicholson	NSW EPA
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Dave Marsden	Actively Conserving Marysville	Diane Gaylord	Actively Conserving Marysville
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Doug Connors	Southern Hydro Partnership	Gerard Moore	Forest Professionals
Doug Jones	Remsoft	Gerard Stewart	Hancock Victorian Plantations Pty Ltd
Doug Liston	Tambo Logging Company - Syndicate	Gerry Cross	FORPAC
Doug Phillips	Portland Field Naturalists Club	Gerry Laughton	Gippsland & East Gippsland Aboriginal Cooperative
Doug Robertson	Golburn Valley Environment Group	Glen Kile	Forest and Wood Products Research and Development Corporation
Doug Sharp	Wangaratta Rural City Council	Glen Patterson	Baw Baw Shire Council
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Max and Lois Phillips	Portland Field Naturalists Club	Neville Atkinson	Yorta Yorta Joint Body
Michael Bullen	Native Forest Op.	Neville Penrose	Department of Sustainability & Environment
Michael Coldham	Four Wheel Drive Victoria	Nic Murray	Victorian Association of Forest Industries
Michael Hampton	Actively Conserving Marysville	Nick / Judy Jans	Actively Conserving Marysville
Michael Harding	Gippsland Cultural Heritage Unit	Nick Kearns	East Gippsland Shire Council
Michael Hartman	Forest & Forest Products Employment Skills Company	Nick Roberts	A3P
Michael Leaney	Mt. Rivers Tourist Association	Nick Roberts	Victorian National Parks Association
Michael O'Connor	CFMEU	Nicky Moffat	Friends of the Earth
Michael Rae	World Wildlife Fund	Nicole Middletown	Department of Sustainability and Environment
Michael Spencer	Forest Stewardship Council (FSC)	Nicole O'Connor	Environment
Michael Spencer	Spencer Consulting Group	Noelle Taylor	East Otway Residents Group
Michael Williams	Michael Williams & Associates Pty Ltd	Norman Endacott	-
Mick Camilleri	Gippsland Apiarists Association Inc.	Owen Trumper	Grand Ridge Plantations
Mick Johnston	Central Highlands Timber Harvesting Association	Owen Gooding	Shire of Yarra Ranges
Mick McKinnell	Central Highlands Timber Harvesting Association	Pat Wilson	Victorian Association of Forest Industries
Mick Murnane	Murnane Sawmills	Patricia Brown-Cheung	Department of Treasury & Finance
Mike Chmiel	Dual Sport Motorcycle Riders Ass	Paul Anthony	AGL
Mike Hendricks	Integrated Tree Cropping	Paul Biggs	Forest Products Commission
Mike O'Shea	Forest Enterprises Australia Ltd	Paul Boyd	Colac-Otway Shire Council
Miles Prosser	A3P	Paul Hodgson	North East CMA
Mo Harris	Goongerah Environment Centre	Paul Jones	Department of Conservation & Land Management
Monica Morgan	Yorta Yorta Nation Aboriginal Corporation	Paul Simmons	Otways Organics
Morris DeJudicibus	Swinburne University	Paul Turnbull	Department of Primary Industries
Mr Chris Alan	Moogji	Paul Wilkinson	Forest Practices Board - Tasmania
		Peggy Stevenson	Latrobe City Council

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Name	Organisation	Name	Organisation
Peter Baldwin	Conservation Commission	Richard Rogerson	Lake Mountain Alpine Resorts
Peter Bowditch	Otway Agroforestry Network	Rick Baker	Forest Business Solutions
Peter Brunt	Victorian Forest and Harvesting Cartage Council (VFHCC)	Rob De Fegely	Jaakko Poyry
Peter Clinnick	AES Advanced Environmental Systems Pty Ltd	Rob Hogarth	KPMG
Peter Ellard	Australian Motorcycle Trail Riders Ass	Rob Knox	KPMG
Peter Gibson	Goulburn Broken CMA	Rob Stewart	Department of Sustainability & Environment
Peter Harris	Primary Industries Department	Rob Willesdorf	Gippsland Private Forestry Inc
Peter Jennings	Martyrs Bus Service	Robert Douthat	Regional Cultural Heritage Program
Peter Kanowski	Australian National University	Robert Eastment	Industry Edge
Peter Lynch	Department of Sustainability and Environment	Robert Hauser	Shire of Yarra Ranges
Peter Marshall	Wodonga City Council	Rod Deering	Otway Environment Council
Peter McHugh	Department of Sustainability & Environment	Rod Keenan	The University of Melbourne
Peter Ryan MLA	Member for Gippsland South	Rod Meynink	MBAC Consulting Pty Ltd
Peter Tange	Environmental Audit Unit EPA Victoria	Rodney Orr	Bendigo Field Nats
Peter Volker	Institute of Foresters Australia (IFA)	Rohan McEuan	VicRoads - North East Division
Peter Vollebergh	Department of Sustainability and Environment	Ron Groenhout	Syneca Consulting P/L
Phil Townsend	National Association of Forest Industries	Ross Garsden	Department of Primary Industries
Philip Hopkins	The Age	Rowan Eyre	Midway Forest Products
Philip Nunn	Mt Buller & Mt Stirling Alpine Resorts Board	Rupert Hugh-Jones	Scaffidihugh-Jones
Philip Reed	Department of Sustainability & Environment	Russell Broadbent MP	Federal Member for McMillan
Phillip Toyne	EcoFutures Pty Ltd	Russell Cooper	Goulburn Murray Water
Phillipa Noble	Department of Primary Industries	Russell Lever	Worksafe
Prof Rod Griffin	Cooperative Research Centre for Sustainable Production Forestry	Sabrina Kerber	SAI Global
Professor Lyndsay Neilson	Department of Sustainability & Environment	Sally Daly	Ashlorien P/L
Ray Park	Towong Shire Council	Sally McIntyre	Department of Premier and Cabinet
Rena Gaborov	Goongerah Environment Centre	Sarah Crute	Department of Sustainability & Environment
Rena Gaborov & Ms Fiona York	GECO	Sarah Rees	The Central Highlands Alliance
Richard Ambrose	-	Sarah Rees	The Wilderness Society
Richard Appleton	Grand Ridge Plantations	Scott Evans	HEC
Richard Cassidy	KPMG	Scott Gentle	Timber Communities Australia
Richard Collopy	Otway Environment Council	Scott Keyworth	Murray-Darling Basin Commission
Richard Fraccaro	StatSoft	Sean Gribble	NK Collins Industries P/L
Richard Price	Macquarie Bank Limited	Sean Rooney	Primary Industries Department
		Senator Hon Ian Campbell	Minister for Environment & Heritage
		Senator The Hon Eric Abetz	Minister for Fisheries, Forestry & Conservation
		Shannon Conway	East Gippsland Shire Council
		Sharon DeSailly	SAI Global
		Sharon Slater	Department of Sustainability and Environment

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Name	Organisation	Name	Organisation
Sharon Winter	Ernst & Young	Tim Cleary	Department of Primary Industries
Shaun Lawlor	VicForests	Tim Woods	CFMEU -National Office
Shelly Barnes	Gippsland Greens	Todd Ritchie	DIIRD
Simon Birrell	Victorian Rainforest Network	Tom Crook	Goongerah Environment Centre
Simon Daws	DNV	Tom Hughson	Conservation Commission
Simon Ransome	Victorian Environmental Assessment Council	Tom Moore	Spatial Planning Systems
Simone Stuckey	MAV - Timber Towns	Tom Noble	Theiss Pty Ltd
Sophie Burke	Friends of the Earth Australia	Tony Bartlett	Department of Agriculture Fisheries & Forestry – Australia
Sophie Mirabella MP	Federal Member for Indi	Tony Hasting	Environmental Artists
Stuart Baily	WorkSafe	Tony McIlroy	Benalla Rural City Council
Stephen Jones	Department of Treasury & Finance	Tony Plowman MLA	Member for Benambra
Stephen Petris	Department of Sustainability & Environment	Tony Price	Integrated Tree Cropping Limited
Stephen Guilliford	Beechworth Environment Group	Toshihiro Eguchi	WA Plantation Resources
Steve Kozlowski	East Gippsland Shire Council	Tracey Slatter	Colac-Otway Shire Council
Steve Devoogd	Department of Sustainability & Environment	Travis Dowling	Office of the Deputy Premier of Victoria
Steve Pearman	Concerned Residents Group	Tricia Caswell	Victorian Association of Forest Industries
Steve Pollett	Hancock Victorian Plantations Pty Ltd	Trudy Hart	Department of Treasury & Finance
Steve Robinson	Shire of Yarra Ranges	Ty Caling	Parks Victoria
Steve Roffey	Midway Forest Products	Valorie Warner	-
Steve Shinner	Gippsland Water	Vanessa Bleyer	Lawyers for Forests
Steven Chenerey	Otway Conservation Council	Vanessa Lenihan	South West Water Authority
Steven Henry	Department of Sustainability & Environment	Vere Gray	Southern Rural Water
Steven Robertson	Bushwalking Victoria	Vic Natoli	V&C Environment Consultants Pty Ltd
Stuart Pougher	Warburton and Districts Environment Watch	Vince Erasmus	ITC
Stuart Toplis	Tourism Victoria	Vivek Chaudhri	Monash University
Subhadra Jha	Corangamite CMA	W.E.J Paradise	Hunter Valley Research Foundation
Sue Hayward	Department of Premier and Cabinet	Wade Morgan	Yorta Yorta Nation Aboriginal Corporation
Sue Kelly-Turner	Geelong Community Forum Inc	Warwick Ragg	Australian Forest Growers
Suzannah Rowland	Parliamentary Press Gallery	Wayne Evans	ECI P/L
Suzie Zent	Friends of Gippsland Bush	Wayne Tibbits	Trees, Research & Environmental Solutions
Tammy Lobarto	Member for Gembrook	Wendy Radford	Bendigo & District Environment Council
Tanya Moncrieff	Actively Conserving Marysville	Wendy Taylor	Department of Sustainability and Environment
Terry Marsden	VicRoads	Will Stanely	Gippsland Apiarists Society
Terry Mumford	Syndicated Central Gippsland Logging Pty Ltd	William J. Howley	WJH Management Pty Ltd
Tim Barker	Public Land Council of Victoria	William Smith	-
Tim Barlow	Goulburn Broken CMA		
Tim Carberry	Ernst & Young		



Name	Organisation
Yorik Piper	CFMEU - Victorian Branch
Yoriko Otomo	Lawyers for Forests
Zena Helman	Hekman Environmental Consulting
Zoe Harkin	Department of Primary Industries

A.2 Circulation list for *Issues paper* ten page summary

Adam Menary, Alison Currie, Cindy Drake, David Telford, Daylesford and District Historical Society, Garry Squires, Gerry Cross, Glenn Osboldstone, Jill Redwood, Jill Lewis, Jodie Mason, John Houlihan, Julie Adams, Kylie White, Liz Kilpatrick, Lauren Caulfield, Matthew O'Connell, Paul Turnbull, Peter Hall, Rob Stewart, Robin Nielsen, Sarah Rees, Scott Evans, Sophie Pea, Steven & Leora Robertson, Timothy Cleary, Tony Yates, Tricia Caswell, Zena Helman.

In addition, all other participants in the stakeholder focus groups were provide with a copy of the full issues paper.

A.3 Participants in stakeholder focus groups and interviews

- Leaders of current and previous Forest Audit teams - Geoff Byrne (URS), David Telford (GHD)
- Environmental non-government organisations - Luke Chamberlain (Wilderness Society), Adam Menary (The Central Highlands Alliance Inc), Steven Robertson (Bushwalking Victoria).
- Environment Protection Authority - Adam Beaumont, Chris McAuley, Joanna Prendergast.
- Department of Sustainability and Environment - Paul Bates, Wil Blackburn, Alison Boak, Jon Cuddy, Greg Hollis, Grange Jephcott, Catherine Jewell, Lee Miezis, Paul Pearson, Tuesday Phelan, Rob Stewart, Kylie White.
- Timber Communities Australia membership - Graeme Brown (McKinnell Harvey), David Drane VFHCC, John Donkin (John Donkin Cartage), Scott Gentle TCA, Larry Peacock (Warburton Timber Company), Shane Perry (Perry Logging).
- Other stakeholders - Tricia Caswell (VAFI), Garry Squires (GRS Consulting)
- VicForests - Wayne Burton, Peter Campbell, Caitlin Cruikshank, Brad Fisher, Stephen Griffiths, Mick Hansby, Ray Mackay, Peter McEwan, Scott Metcalf, Edward Nicholson, Stuart O'Brien, Danielle Read, John Rogan, Marilyn Rush, Daniel Sedunary, Lachlan Spencer, Colum Tutty, Stephen Young.

A.4 Focus group agenda

Each focus group broadly ran to the agenda outlined below. The process may have varied between individual groups, depending on how the discussion progressed.



- Introductions and overview of the workshop process
- *The Forest Audit process* – discussion of how appropriate the resource inputs to the Audits were, including: audit teams, time and financial resources, scope and method of audit, including coupe selection, operator and stakeholder participation.
- *Outputs of the Forest Audit process* – discussion of attitudes to the Audit of participants and/or stakeholders and how have they changed over time; perceptions of changes in the knowledge and skills of forest managers and contractors in response to the Audits; and observations of differences in management of forest harvesting activities since the Audit commenced.
- *Social, economic and environmental outcomes of the Audit* – discussion of: whether there have been changes in stakeholder perceptions of accountability and confidence in environmental management timber production in native forest; the influence of the audit on the economic viability and international competitiveness of timber production from native forests; and whether the Audit is achieving or likely to lead improved environmental outcomes from native forest management.
- *Recommendations for the future* – discussion of: whether the Forest Audit program was necessary; ways of building on existing audit and certification processes to achieve the Audits’ objectives; and what specific changes might be made to improve the Audit process, outputs and outcomes. Recommendations from the Issues Paper were used as a starter for discussion in this section.

Discussions concluded with an outline of what would happen with the information gathered.

A.5 Final report stakeholder summary paper responses

Comments on the Stakeholder summary paper were received from six respondents, as listed below:

- Adam Menary - The Central Highlands Alliance
- Jonathan La Nauze - Friends of the Earth
- Tony Nicholson – Australian Government Department of Agriculture Fisheries and Forestry
- Steve Walker - South West Fibre Pty Ltd
- Herve Michoux - Global-Mark
- David Nicholson – NSW Department of Environment and Climate Change

A summary of the main points raised is given below.



Comment	Response
<p>General</p> <p>Objections were expressed about the Code and its application.</p> <p>Concern were expressed about perceived narrow professional background of EPA staff associated with the Forest Audit program.</p> <p>The Forest Audit program is needed to continue to benchmark performance against annual targets.</p> <p>Representation of NSW audit processes is not represented accurately in the Summary Paper</p>	<p>The Review was of the Forest Audit program and not the Code or its application. Commenting on the Code would be outside of the Review's scope.</p> <p>Again this is outside of the scope of the review.</p> <p>It has been recommended that the Forest Audit program be continued. As noted in the Review and by stakeholders, the Audit methodology is not entirely appropriate to annual benchmarking.</p> <p>Noted. Section of the final document relating to NSW audit processes been revised, based on information provided.</p>
<p>Audit method/key elements</p> <p>Audits should focus on DSE selection criteria for coupes, the planning that takes place and training of VicForests staff.</p> <p>Critical elements of audit process include: independence, stakeholder participation, efficiency, public reporting & efficient feedback to help performance improvement.</p> <p>Publication of Code audits is a requirement of the RFA. Demonstration of known level of compliance validates Australian Government accreditation of Victoria's forest management systems under the RFA.</p> <p>Critical elements of Audit program include management of the natural environment and long-term timber supply.</p> <p>Forest Audit program audits should take a more statistically robust methodology to allow comparison between years.</p> <p>Issues associated with statistical validity of multi-year comparisons should be addressed.</p> <p>Options should give the AFS a key and central role in the proposed framework: it has been developed as the industry standard.</p> <p>Duplication of Audit processes should be minimised.</p>	<p>The recommended option, unlike the current Forest Audit program, should address selection criteria and coupe planning as commented.</p> <p>Agreed. Recommended Forest Audit program option and associated audit framework emphasises this.</p> <p>Noted. It has been recommended that the Forest Audit program continue.</p> <p>Agreed, hence the inclusion of environmental reporting within the overall audit framework recommended.</p> <p>Noted. However operational performance measurement is not considered to be the primary objective of the Forest Audit program and so statistical rigour in coupe selection is considered to be a secondary priority, provided a good cross-section, particularly of high risk coupes, is sampled.</p> <p>Noted. Multi-year comparisons are not statistically valid both because of the sampling approach and continuous improvement in audit method and performance standards.</p> <p>AFS plays a central role in VicForests SFMS. We have recommended that there be no duplication of desk-based Code compliance audits conducted under the SFMS.</p> <p>Agreed. We believe that the recommended option does this.</p>
<p>Environmental monitoring</p> <p>Environmental impact/performance monitoring is required as an integral part of the overall audit process.</p>	<p>Agreed. This has been included in the recommended audit framework.</p>



<p>Environmental performance monitoring and reporting should be set up and enforced in the context of extension and training by the one body, such as the Forest Practices Board in Tasmania.</p> <p>Environmental monitoring should be undertaken, but fit with existing State of the Forests and State of the Environment reporting.</p>	<p>Noted. Consideration of new institutional arrangements for environmental performance monitoring and enforcement is beyond the scope of the Review.</p> <p>Agreed, but as noted in the report, the scale of such reporting and nature of many of the indicators does not provide a sufficiently detailed picture of the impacts of timber production on the natural environment.</p>
<p>Special audits</p> <p>Stakeholder input is required into objectives, criteria and indicators of environmental impact/performance used in any audit.</p> <p>Audit processes should allow stakeholders to request special Forest Audits.</p> <p>Requests for Special Audits should be rigorously assessed to ensure they address important issues and do not detract from perception of overall level of Code compliance.</p> <p>Option 4 (for special audits) is already in place and can be delivered by JASANZ accredited certification bodies.</p>	<p>It is proposed that the proposed stakeholder panel provide input into the development of a process for fielding requests for Special audits. This could include that stakeholder input into objectives, criteria and indicators of environmental impact/performance be sought.</p> <p>Agreed. Note above comment.</p> <p>Agreed. Note earlier comment.</p> <p>Special audits could be delivered by JASANZ auditors. However the independent statutory environmental audit process is the preferred audit instrument.</p>
<p>Institutional arrangements</p> <p>Audit should remain independent of DSE and VicForests.</p> <p>The Forest Audit program should be commissioned by an independent body similar to Tasmania's Forest Practices Authority.</p>	<p>Noted. This was a view put by a range of stakeholders. We argue that the statutory audit process should ensure the audit is conducted independently, regardless of the commissioning agency.</p> <p>As discussed above, we argue that the process rather than commissioning agency is the critical determinant of independence.</p>



Appendix B Stakeholder consultation report

2007 Forest Audit Program Review: *Consultation Paper*

1. Summary of stakeholder responses

The points below are a summary of the responses of participants in stakeholder focus groups held during August and September 2007. These key points are elaborated on later in the report.

Resources, activities, processes and participation associated with the Forest Audit

- Scope of the Forest Audit is unclear and does not fully address the right issues.
- Some forest managers observed instances of what they considered to be poor practice by Audit team members.
- While coupes are selected using a risk-based rather than random sampling approach, participants suggested that reporting does not reflect this transparently. Some thought that sampling should be more broadly representative of all logged coupes.
- Participants would prefer that Audits were conducted and reported in time for recommendations to be incorporated into the following year's harvest planning and (especially) operations.
- Participants found that the level of stakeholder participation is generally adequate.

Changes in the knowledge, attitudes, skills and aspirations of forest managers and the community

- Most participants reported that the Forest Audit process was worthwhile in terms of contributing to improved management and conduct of timber harvesting on public land.
- The multiplicity of EPA, DSE, Melbourne Water and EMS audits were considered to be inefficient, costly and in need of consolidation.
- Some participants considered that management and operational practices have improved since the Audits commenced.

- Many thought that perception of environmental management of timber production on public land of the general public had not changed noticeably as a result of the Forest Audit.
- Participants from VicForests generally found that governance and lines of accountability between EPA, DSE and VicForests were unclear.
- Participants found that the Audit process provided adequate transparency and accountability.

Social, economic and environmental outcomes of the Forest Audit process

- Participants considered that public discussion of Audit outcomes is unduly focussed on compliance with prescriptions rather than environmental outcomes.
- They believe it is likely, but uncertain that environmental outcomes have been improved through the Audits.
- Many participants stated that 100% Code compliance is a useful aspiration, but is not an appropriate target for satisfactory performance. Reporting should focus less on the level of compliance and more on the environmental impacts of non-compliance.

2. Introduction

Sinclair Knight Merz was contracted by the Environment Protection Authority (EPA) to conduct a review of its annual program of Environmental Audits of compliance with the Code of Forest Practices for Timber Production (the Code).

The Forest Audit program commenced in 2002 and since then four annual Audits and one Special Audit have been completed. The 2007 Forest Audit is currently underway and is due for release by January 2008..

Management arrangements for timber harvesting have changed considerably since the Forest Audit

program commenced. Operational management of forest harvesting in native forests (in eastern Victoria) has been devolved to a separate commercial entity, VicForests. The *Sustainable Forests (Timber) Act 2004* has been passed by the Victorian government and the Code has been substantially revised.

Given these changes, it is appropriate that the Forest Audit program be reviewed to determine whether it is meeting its specific objectives, as well as the broader objectives of the Victorian Environmental Audit system. It is also necessary to assess whether or in what form the Audits should proceed to ensure there is continuous improvement in environmental management of timber harvesting in Victoria's public native forests.

The original objectives of the Forest Audit program were to bring appropriate levels of independent scrutiny to forestry practices on public land and assess the level of compliance with the Code. The Forest Audit program also aims to provide a further safeguard to environmental values of the harvested areas and to enhance community confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's public native forests.

This *Consultation Paper* is the second output from the review process. It reports on outcomes from the Review's stakeholder consultation process. The objectives of that process were to:

- ensure that stakeholders had the opportunity to give voice to their perspectives on the merits of the Forest Audit process;
- canvass the ideas and experiences of people involved and affected by the Forest Audits, including perspectives on the preliminary discussion points from the *Issues Paper*; and
- provide input into the evaluation of processes, outputs and outcomes of the Forest Audit program.

This *Consultation Paper* provides a summary of the themes emerging from the consultation process. It is not intended to be a comprehensive report on all of the perspectives offered. It is being circulated to

participants in the consultation process to check that the major issues raised have been captured.

3. Outline of consultation process

A wide range of stakeholders from non-government organisations, the forest industry, government and the community were invited directly or via contact networks to participate in a series of focus groups in both regional and metropolitan Victoria. Seven focus group discussions were held and a small number of stakeholders were individually interviewed. Locations and participants are listed in Appendix A.

Bennett's hierarchy was used in the Review's *Issues Paper* as the framework for evaluating the Forest Audit process. This same framework provided the structure for all focus group discussions, which revolved around four key areas, namely the:

- resources, activities, processes and participation associated with the Forest Audit (i.e. audit inputs);
- changes in the knowledge, attitudes, skills and aspirations of forest managers and the community (i.e. audits outputs);
- social, economic and environmental outcomes of the Forest Audit process; and
- stakeholder perspectives on opportunities to improve the Audit process.

The basic agenda and expanded list of questions used during the focus group discussions are included in Appendix B.

4. Key themes from stakeholder consultation

A range of themes emerged from discussions with participants. These themes have been classified in the following sections using the framework provided by Bennett's hierarchy. Comments are either direct or paraphrased quotes from participants. They do not necessarily reflect the views of Sinclair Knight Merz, EPA or any other stakeholder organisation.

4.1 Resources, activities, processes and participation

Scope of the Forest Audit is unclear and does not fully address the right issues

Some participants were concerned about the scope of the Audit. Particular issues included:

- the need for DSE and/or Melbourne Water to conduct their own audits in addition to those managed by EPA;
- the Audit primarily addressing compliance with the Code of Practice rather than environmental outcomes from timber production activities;
- the Audit including assessment of compliance with VicForests own utilisation procedures in addition to the Code.

Participants were divided over the issue of a desirable Audit scope; however most believed that measuring social or economic outcomes should not be included in the Audit's scope. Some did not appear to be familiar with the workbook and assessment criteria used and, perhaps as a result, were concerned at the lack of clarity around Audit scope and assessment criteria.

Despite the Audit scope and tools being largely consistent since inception, some participants considered that the Audits were selective and focused on specific issues of concern, either for the auditors or EPA.

Many participants called for a range of specifically tailored criteria to be developed that take into account differences in forests and forest management between the east and west of the state and between high and low risk coupes.

Audit participants observed instances of what they considered to be poor practice by Audit team members

The majority of Audit staff were considered reasonably knowledgeable and skilled. Forest managers often appreciated consistency in Audit teams over time as it decreased workload and increased shared understandings and interpretations of circumstances.

Some participants considered that at least some Audit staff do not have sufficient on-ground experience to give appropriate recommendations at times. A number of Audit staff have been observed in both the North East and Central Gippsland using measuring equipment incorrectly. Participants were concerned that non-compliance may have been based (at times) on faulty measurements.

Most participants perceived that auditors tended to focus on overly strict compliance with prescriptions, rather than keeping the overall environmental outcomes in perspective (this is discussed in further detail in section 4.3). Participants speculated that this lack of flexibility could be due to inexperience or lack of knowledge of forestry and/or environmental science.

Strict adherence to procedure is perceived by some participants to stifle on-ground innovation and ownership of the ways in which to improve environmental outcomes. Nevertheless, participants observed that a relaxation of the standards of auditing could undermine public confidence in the independence and rigour of the process.

Auditors offered different perspectives on some of these issues. They agreed that compliance scores were overemphasised, but considered that this reflect how Audit results were reported in the media. They also observed that the Audit process is one of continual improvement and so criteria and performance standards should change over time. It was also noted that some of the most problematic breaches of Code compliance (e.g. those leading to the Special Audit) could have been avoided with more rigorous attention to procedural issues.

Selection of coupes and Forest Audit timing and reporting is not sufficiently transparent or representative

Participants generally took issue with the coupe selection process, yet perspectives on alternatives varied considerably. They were also divided on the issue of whether and to what extent active coupes should be audited.

Some participants observed that while the coupe selection process was not random results were represented publicly as being representative of compliance across all operating coupes. Many did not believe that this was the case and thought that the risk-based approach should be highlighted more openly.

Current coupe selection is based upon risk to the environment. Many participants could see the value in ensuring that high risk coupes are targeted. However, some believed that this process makes it

easier to predict which coupes are going to be audited and so ensure more rigorous application of the Code. Others stated that the risk-based selection process does not enable statistically valid year-to-year comparisons of performance.

One participant reported that the stakeholder group he represented had examined the coupe selection process in detail, and considered that it was statistically flawed. That group believed that a much larger sample size of coupes was required to assess performance and all trends over time to be determined. It was acknowledged that this would require substantially more resources to be provided to support the Audit than is currently the case.

Some participants believed that auditing of active coupes sometimes fails to acknowledge work that had been planned but not yet completed. This was of concern for them due to the use of Audit compliance scores as a means of assessing contractor performance.

Some participants considered that coupes should be audited prior to and during harvesting in order to prevent and minimise harm. Their view was that where coupes have not been adequately described, sites of high value have been overlooked and habitat has been inadvertently compromised. They considered that auditing after completion of harvesting did nothing to preserve environmental values.

Some participants noted winter is often a difficult time of year for auditing due to weather-related access issues. Auditing in these conditions can expose auditors and contractors to unnecessary physical risk and other times of year were preferred. While access is better during summer, forest management staff are often preoccupied with fire management activities and may not be available to accompany auditors. This implication of changed timing for the Audit seems to have overlooked by the participants making this comment.

Forest Audit recommendations need to be timelier to improve implementation

The timing of the release of Audit recommendations means that operators are being audited before or only just after they have received the final

recommendations from the previous Audit. Some participants commented that this does not enable operators to respond to the recommendations in time, and many reported that have been found in breach of the Code in the subsequent Audit as a result.

The auditors commented that draft recommendations are provided to DSE and VicForests at a stage that would allow incorporation into the following year's operating procedures. They also noted that non-compliance with recommendations is only assessed following their publication and where the recommendation relates to a Code provision.

There was much debate as to the role of auditors in providing recommendations at all. Some believed that environmental auditors had no jurisdiction to offer recommendations, and should simply report findings related to breaches of the Code and environmental outcomes where observable.

Level of stakeholder participation is adequate

Most participants considered that the community had a reasonable opportunity to be involved in setting the scope of the Audits and in the on-ground Audit process through community field days. Although some felt that there was insufficient participation.

Many highlighted that the number of community participants in the Audit field days was declining (at least in some areas). They considered that greater awareness and communication should be fostered, although many felt that this was not necessarily the role of EPA.

Contractors did not believe that they were adequately informed and consulted throughout Audit process. Industry participants generally considered that their perspectives were not valued appropriately.

4.2 Knowledge, attitudes, skills and aspirations The Forest Audit process is mostly worthwhile

Most participants agreed that the Forest Audit process is worthwhile, as it brings a level of independent rigour to the assessment of forestry management practices. In addition, industry

stakeholders believed the Audit to be valuable in gaining credibility and recognition for practices, and for sustaining public acceptance.

Other participants were concerned that the Audit, in being framed around of the Code, served to affirm what they considered to be unsustainable forestry activities to the detriment of environmental outcomes.

Duplicated audits are inefficient and costly

Participants generally agreed that the current number and frequency of audits and processes needs to be more streamlined or integrated. It is time consuming and costly to prepare paperwork and attend audits many times a year for different agencies.

While they focussed upon the lack of integration and efficiency of the current range of processes, participants continued to see a valuable and distinct role for the Audit to provide public awareness and credibility for forestry.

Management and operational practices may have improved

Most industry participants believed that forestry practices had improved since the inception of the Forest Audit. However, they found it difficult to attribute this improvement in management practices to the Forest Audit, as a range of other awareness raising systems; processes and campaigns have been introduced over this time.

Participants believed that all types of audits (including the Forest Audit) generally served to assist in identifying points of management 'weakness' and areas for improvement, raising the overall standard of forestry practices.

Other participants considered that management practices have not improved, due to the Code's perceived focus upon 'supporting' rather than 'discouraging' the forestry industry. They considered that sites of significance are still not being adequately protected and that forest managers are not adequately taking account of the visual impacts of harvesting.

Public perceptions have not necessarily improved as a result of the Forest Audit

Most participants agreed that the public was no more confident about the integrity of forest management practices, despite the Forest Audit process. In fact, many suggested that the public believes that neither management practices nor environmental outcomes have improved.

A contrasting view was offered by some other participants, who suggested that declining public attendance at field days may have been an indication of greater confidence in the Audit process, specifically, and forest management more generally. They considered that the majority of the population had little awareness of and few strong feelings about native forest management.

Governance and lines of accountability are unclear in some areas

Most participants observed difficulties in governance procedures and accountability for the Forest Audit process. They believed that this affected the timing, efficiency and effective implementation of Audit recommendations.

This concern seems to reflect an inadequate understanding, on the part of at least some participants, of the governance of the Forest Audit. While EPA commissions the Audits, they commission an independent Environmental Auditor to undertake them. The recommendations from the Audit are those of the Auditor rather than EPA.

However, the Audit report is sent to the Minister, who is ultimately responsible for the regulation and management of timber harvesting. When the Audit report is released, it and the recommendations it contains carries the weight of the Minister's office.

Participants generally considered the recommendations to be from EPA. Consistent with this, some were concerned that recommendations no special status and could not be acted upon until adopted by DSE as the forest management regulator. The view was put that unless DSE as regulator adopts the recommendations and directs VicForests to act upon them, VicForests need not act upon the recommendations of the Audit.

In response, Auditors noted that draft recommendations were provided to VicForests and DSE and that, if they wished, they had the

opportunity to be proactive in addressing them in planning for the next year's harvesting operations.

Participants were also concerned about the interface between Regional Forestry Agreements, Forestry Management Plans and the Code. It was not clear to some participants which document holds precedence over the others in various situations. They believed that this undermines certainty and accountability.

There is concern that in the very particular instance of fire escapes, there is no consistency between the Code and the operating directions of DSE. They reported instances of non-compliance being reported where they believed that actions taken and outcomes achieved were consistent with the Code of Practice for Fire Management. Some participants suggested that regeneration burning would be dealt with more effectively under an audit of the Code of Fire Practice.

DSE can see benefit in coordinating the Forest Audit themselves under certain conditions

DSE considers that the audits of the Code should be part of a broader audit program of compliance with the number of environmental and operational standards that it imposes on timber harvesting operations and associated activities in Victoria. As the environmental regulator, DSE considers that it could manage this program and that this would 'close the loop' on legislation, regulation, audit and implementation. The Code audit would become part of the suite of regulatory tools that DSE uses.

DSE participants considered that their department was in a better position to look at environmental outcomes, not restricted to Code compliance. Where there were breaches, DSE has the legislative capacity to impose adequate penalties. EPA does not have this capacity.

DSE believes it should be given the opportunity to demonstrate its credibility to become both a legislator and a regulator. However, they understand that certain barriers exist to undertaking the audits.

DSE has suggested that to undertake the Forest Audit, it would need to:

- articulate how Audit fits in the suite of regulatory tools that govern commercial timber harvesting on public land.
- ensure that a third party consultant or organisation be commissioned to undertake the audit process;
- ensure that participants are aware of the separation between VicForests and DSE;
- potentially transfer management responsibility for forest harvesting in western Victoria to VicForests (or some other organisation) to avoid conflicts of interest;
- Increase communication around the transparency of the process, to match the branding currently achieved by EPA coordinating the Audits.

DSE sees that a shift from compliance to outcome-based auditing would have significant advantages, despite practical difficulties.

There was little support from participants for this proposal. The perception of independence achieved by EPA managing the Audit process was considered to be important and a key value of the process. Few participants outside DSE considered that a DSE-managed process could match this. Nonetheless, under the Victorian Environmental Audit system, DSE and VicForests are able to directly commission a statutory Environmental Audit of timber harvesting in the same way EPA do.

4.3 Social, economic and environmental outcomes

Compliance with prescriptions rather than environmental outcomes is measured

Participants believed that the Audit process, and particularly public discussion of it, appears unduly focussed on compliance with prescriptions as opposed to environmental outcomes from forest harvesting on public land.

There is an implicit assumption that compliance with the Code and DSE and/or VicForests procedures and prescriptions will equate to improved environmental performance, regardless of the

particular location or circumstance of the coupe¹. Some participants considered that the evidence base for this assumption was lacking.

All participants called for the Forest Audits to have a stronger focus on environmental outcomes and a lesser focus on procedural compliance. The auditors as a group agree with this, but noted the challenges in doing so and that they consider they emphasise this more highly than is apparently perceived by other participants.

Participants were mostly aware of the difficulties involved in measuring and monitoring environmental outcomes due to the systemic and time-based nature of causal relationships. Nevertheless, most participants called for increased monitoring (in programs beyond the scope of the Audits) of forests and landscapes over time to assist in identifying environmental impacts and improvements. Attribution of these impacts and outcomes to forestry and forestry practices is acknowledged to be difficult.

It is uncertain whether environmental outcomes have been achieved

While some participants believed that the Audit process had improved environmental outcomes, most stated that they could not be sure.

One participant stated that the group they represented maintained that environmental values have been eroded by the Forest Audit process, as the Audits have served to condone harvesting and forestry management practices that would otherwise be deemed unacceptable. They considered that, as suggested earlier, sites of significance are still being and will be harvested. They believed that this state of affairs is likely to continue until adequate pre-harvesting audits or scientific reviews are conducted.

¹ Note that the Audit is not responsible for the content of the Code or management procedures, it merely reports compliance with them.

Divided perspectives around an appropriate target for compliance

The Forest Audit's perceived emphasis upon compliance with procedures rather than environmental outcomes makes the issue of a target compliance level unclear to some participants.

Many participants held the view that 90% compliance with procedures could secure 100% achievement of environmental outcomes. In this case, 100% compliance with procedures seemed unnecessary and onerous.

Other participants believed that a minimum standard of 85% compliance was too low, and allowed for an unacceptable risk to environmental values.

Some forest managers observed that coupes with a high level of protection of environmental values were sometimes given a lower compliance score than coupes with worse environmental outcomes, but better quality paperwork or process. It was considered that giving similar weighting in the overall reports to compliance with desk or office based controls to controls for field-based activities that may have a direct environmental impact could create a perverse incentive to align with procedures to the potential detriment of environmental values.

The auditors believe that too much emphasis is placed in reporting and analysis of compliance scores and the way in which this is reported could be changed. They considered that environmental impact assessment was more important and should be given greater emphasis.

4.4 Participant recommendations for the future

This section restates the general recommendations for the future of the Audit that were proposed by participants. It is acknowledged that in some cases recommendations may be contradictory.

Forest Audit Scope

- DSE, EPA and MW should jointly determine the Audit scope each year, with only a single combined Audit of Code compliance and environmental performance each year.
- In the same vein, AFS Audits should also be used as the precursor to the annual audit (in VicForests areas), although it should be

acknowledged that VicForests AFS audits are entirely procedural and office-based.

- Contain the purpose and scope of the Audit to those areas directly and specifically relating to the Code.
- Extend resources available to the Audit program manager (from whichever agency) to allow for pre-harvesting audits, in a representative sample of coupes.

Professionalism of the Forest Audit team

Audit team members must have thorough working knowledge of the equipment in use, Victoria's regulatory framework for forestry and a solid understanding of operational forestry.

Consistency in Audit team members is appreciated more than rotation.

Selection of coupes and Forest Audit timing

- Either the coupe selection process should be truly random, or the reporting of findings should more clearly reflect the risk-based sampling process.
- Alternate times of the year should be considered for those coupes which have high risk of seasonal access issues.
- No audits should be undertaken of active coupes
- Pre-harvesting audits should take place, together with continuous active coupe audits.
- Monitoring of impacts at local and landscape levels should be more extensive over time².

Forest Audit recommendations

Adoption of Audit recommendations should not be measured in the year they are published. Recommendations should relate only to compliance with the Code.

Environmental outcomes versus compliance with prescriptions

The Audits should focus more attention to the intention of the Code (i.e. on environmental outcomes) rather than strict adherence to

procedures that may undermine innovation and real environmental outcomes.

Review current parameters to determine if they will lead to greater environmental protection in all circumstances. Move steadily toward an environmental outcomes based approach, rather than compliance with procedures.

The evidence underpinning the link between Code and management procedures and environmental benefit should be better communicated (by DSE) to ensure greater community and forest manager/operator confidence.

Governance and accountability

Audit recommendations should go directly to DSE who will advise VicForests if they are to be accepted. DSE could then provide management directions to VicForests to alter their management procedures.

Either remove fire as part of the Audit for the Code, or all the requirements under the Code of Practice for Fire Management on Public Land need to be considered, as well as an Auditor being present on the day of the burn.

Regardless of the party commissioning the Forest Audit, it should continue to be conducted as a statutory Environmental Audit.

5. Feedback

Feedback on this *Consultation Paper* is invited from interested stakeholders.

Any comments on this *Consultation Paper* may be made directly to Sinclair Knight Merz' Project Manager for the Review by 23rd October 2007.

Contact details are:

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Ph: 03 5444 1861

Email: cclifton@skm.com.au

² As discussed above, the Forest Audit may not be the most or even an appropriate vehicle for this.

Appendix A – Focus Group Participants

Auditors

Geoff Byrne (URS)

David Telford (GHD)

Non-Government Organisations

Adam Menary (The Central Highlands Alliance Inc)

Luke Chamberlain (Wilderness Society)

Steven Robertson (Bushwalking Victoria)

Environment Protection Authority

Adam Beaumont

Joanna Prendergast

Chris McAuley

Department of Sustainability & Environment

Rob Stewart

Greg Hollis

Paul Pearson

Jon Cuddy

Grange Jephcott

Alison Boak

Wil Blackburn

Tuesday Phelan

Lee Miezis

Kylie White

Paul Bates

Catherine Jewell

Timber Communities Australia

Larry Peacock Warburton Timber Company

John Donkin John Donkin Cartage

David Drane VFHCC

Scott Gentle TCA

Graeme Brown McKinnell Harvey

Shane Perry Perry Logging

VicForests Bairnsdale

Brad Fisher, FOM

Mick Hansby FOR

Stephen Young SFO

Garry Squiles GRS Consulting

John Rogan, FOM

Wayne Burton, SFO

Marilyn Rush, Utilisation Manager

Colum Tutty FO

Traralgon

Peter McEwan Noojee

Edward Nicholson Heyfield

Stephen Griffiths Erica

Lachlan Spencer Traralgon

Scott Metcalf Noojee

Alexandra

Danielle Read

Peter Campbell

Caitlin Cruikshank

Ray Mackay

Daniel Sedunary

Marilyn Rush

Stuart O'Brien

Appendix B – Focus Group Agenda

Focus Group: Review of the Forest Audit Program

What do we want to achieve from this focus group?

1. Gain perspectives on the processes, outputs and outcomes of the Forest Audit program
2. Review and refine some preliminary recommendations on the future of the Forest Audit program

Agenda for the Focus Group

Start	Item	Method	Time
9.45am	Arrive	Coffee/Tea	15
10.00am	Open / Welcome	Outline of Forest Audit Program Review and focus group process	10
The Forest Audit Process			
10.10	Review of processes	How appropriate were the resource inputs to the Audits: <ul style="list-style-type: none"> ■ audit teams ■ time & financial resources ■ scope & method of audit, including coupe selection, operator and stakeholder participation 	20
Outputs of the Forest Audit Process			
10.30	Review of the responses & outputs	What are the attitudes to the Audit of participants and/or stakeholders and how have they changed over time? How have the knowledge & skills of forest managers and contractors changed in response to the Audits? What are the differences in management of forest harvesting activities since the Audit commenced?	25
Social, Economic and Environmental Outcomes of the Audit			
11.05	Review of the outcomes	Has the audit process change stakeholder perceptions of accountability and confidence in environmental management timber production in native forest? Has the audit influenced the economic viability & international competitiveness of timber production from native forests? Is the Audit achieving or likely to lead to the achievement of improved environmental outcomes from native forest management?	25
Recommendations for the Future			
11.30	Future directions	Is the Forest Audit program necessary? Are there ways of building on existing audit & certification processes to achieve the Audits' objectives What specific changes could be made to improve the Audit process, outputs & outcomes	25
11.55	Next Steps & Close		5

For more information, please contact David Pearce (of Sinclair Knight Merz) on at 03 9248 3368 or dpearce@skm.com.au.



Appendix C Final stakeholder summary paper

2007 Forest Audit Program Review: *Final Report: Stakeholder Summary Paper*

1. Background

Sinclair Knight Merz was contracted by the Environment Protection Authority (EPA) to conduct a review of the annual program of Environmental Audits of compliance with the Code of Practice for Timber Production (the Code).

The Forest Audit program commenced in 2002. Five annual audits and one Special Audit have been completed. The program's objectives were to:

- bring appropriate levels of independent scrutiny to forestry practices on public land and assess the level of compliance with the Code;
- provide a further safeguard to environmental values of the harvested areas; and
- enhance community confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's public native forests.

This document provides a summary of the draft final report of the Forest Audit program review process. Findings of the review process and options for the future of the Forest Audit program are briefly described. This summary document has been prepared both to provide feedback to stakeholders about the project's outcomes and enable them to make comment on future Forest Audit program options before the review is finalised.

2. Review approach

The review of the Forest Audit program comprised three main activities:

- a largely desk-top review of the Audit program;
- stakeholder consultation about the program;
- developing and reporting of options for the future of the program.

A ten page *Issues Paper* was prepared to document the Audit program review and was used to canvas issues which might be considered during stakeholder

consultation. Stakeholder consultation was initiated through the circulation of a two page summary of the *Issues Paper*. Stakeholders were invited to express interest in participating in one of multiple focus group discussions that were to be held in Melbourne and some regional locations.

Although wider community interest was limited, discussions were held with groups from VicForests, the Department of Sustainability and Environment (DSE), the Victorian timber industry, representatives of some environmental NGOs, EPA and the two lead auditors of previous Forest Audits. Seven focus group discussions were held in all and, in addition, a small number of stakeholders were individually interviewed. A Consultation Paper was prepared from notes taken at the workshop and then circulated to participants for comment.

A draft final report has been prepared which provides an overview of the project and proposes options for the future of the Forest Audit program. The options were developed from a review of Victorian and interstate approaches, stakeholder comment and a workshop with representatives of several key public sector stakeholders.

3. Forest Audit program review

A consistent and comprehensive approach has been developed for and applied to the Audits. The process is subject to continual improvement, both in the methodology employed and the performance standards expected. The method emphasises procedural compliance with the Code and planning and operational related documents. It also considers environmental impacts associated with Code breaches, although only to a limited extent. The scope of the Audit largely limits it to coupe-based analyses of planning and timber production activities.

Participation in the Audit process by a wide variety of stakeholders was encouraged and achieved. The reactions of stakeholders and participants have been

mixed. Forest managers and representatives of the forest industry have mostly been positive about the Audit, noting what they perceive to be a generally high and improving level of Code compliance. In contrast, some representatives of environmental NGOs highlight what they see as the failure of timber production operations in State forest to fully comply with the Code.

Stakeholder consultation and audit reports provide evidence that knowledge and skills of forest operators have been improved as the result of the audits and VicForests' own SFMS (sustainable forest management system) process. Acceptance of and familiarity with audit processes is growing, although some forest management staff find the multi-layered audit regime they face to be cumbersome and wasteful of time and other resources.

Practices applied during forest harvesting have improved and the general level of Code compliance increased beyond the minimum standard initially expected by auditors. Code compliance levels remain low on some coupes, for reasons that are not always well understood.

The Audit methodology does not allow direct measurement of social, environmental and economic outcomes from timber production. However, following the logic of the Code, it is anticipated that high levels of compliance helps to protect environmental and social values of State forests.

Most stakeholders accept that the Forest Audit program has value. It has demonstrated improvements in Code compliance. It is not clear, due to the lack of information, that public confidence in the processes and systems that are in place to ensure the protection and sustainable management of Victoria's public native forests has been enhanced.

4. Australian experiences in auditing compliance with codes of practice for timber production

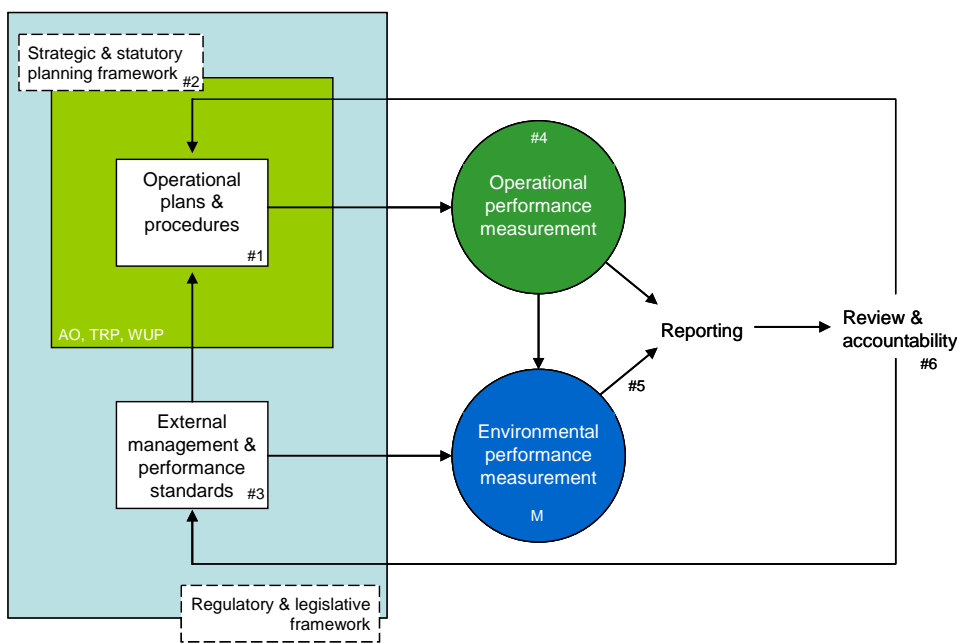
The management and control of forest operations on public land varies considerably between the states. Codes of practice for timber production in native public forest are in place in Victoria, New South Wales, Tasmania, Western Australia and Queensland.

The systems to manage and ensure compliance with the Codes also vary considerably.

- *Victoria* – several distinct audit or environmental monitoring programs apply to timber production activities in Victoria's State forests. These include the Forest Audit program, audits by DSE of VicForests operations and internal auditing of operational performance and SFMS compliance by VicForests.
- *New South Wales* - comprehensive operational plans are prepared in NSW under the Integrated Forest Operations Approvals process. Compliance with the plan is assessed through audits and investigations of reported breaches. The audits are primarily concerned with detecting and enforcing compliance with license conditions. Penalty infringement notices and fines can be issued for breaches that are not remedied.
- *Tasmania* – compliance with the Tasmanian Forest Practices Code is audited and enforced equally on public and private land. Specialist Forest Practices Officers are responsible for the certification of Forest Practices Plans, monitor forest practices for compliance with the Act and Code and lay complaints where required.
- *Western Australia* - has a similar arrangement to Victoria for forest management, where an environmental department controls the forests and a separate government-owned enterprise undertakes the commercial harvesting. The main control of harvesting activities is through the Forest Management Plan, which sets standards and requires compliance with the Code.

Operations of state-owned commercial forestry enterprises in Victoria, NSW and Tasmania are externally audited to allow certification to the Australian Forestry Standard. Western Australian commercial operations are subject to a third party accredited EMS developed to international standards.

The audit regime for timber production in Victoria, including the Forest Audit program and other VicForests and DSE audits, has more layers than those in other states and greater potential for duplication. Each state has processes to provide for some level of independent and publicly reported scrutiny of operations.



AO – Allocation order
 TRP – Timber Release Plan
 WUP – Wood utilisation plan

Figure 1. Schematic diagram of timber production activities in Victoria's State forests.

5. Why conduct audits of timber production activities?

Audits are undertaken to determine the validity and reliability of information about an activity or organisation and/or enable an assessment of a system's internal control. Figure 1 is a schematic diagram representing timber production activities in State forests in Victoria. There are several points in this overall 'system' at which audit or audit-like monitoring activities might take place. Those points and the questions an audit process might address include:

- #1 Are operational plans and procedures (e.g. coupe plans) consistent with the strategic and statutory planning framework provided by VicForests allocation order (AO), the timber release plan (TRP) or, in DSE operations, the wood utilisation plan (WUP)?
- #2 Is strategic and statutory planning for timber production activities consistent with regulatory and legislative frameworks provided by, for example the *Sustainable Forests (Timber) Act 2004* and *Regional Forest Agreement*?
- #3 Are operational plans and procedures compliant with external management and performance standards such as the Codes of Practice for timber production or fire management?

- #4 Is operational performance measured and reported reliably?
- #5 Is there adequate monitoring (step M in Figure 1) and reporting of environmental performance of timber production activities in relation to sustainability criteria and the Sustainability Charter under the *Sustainable Forests (Timber) Act 2004*?
- #6 Do appropriate accountability mechanisms operate if breaches of plans, policies and standards occur? Are there effective processes for continual improvement in operational practice?

The current Forest Audit program is primarily concerned with #3 and #4, assessing and reporting on whether operational plans, procedures and activities are compliant with the Code of Practice for Timber Production. In collecting information on the environmental impacts of Code breaches, it provides some level of environmental performance measurement (M).

Existing audit and review processes for VicForests operations, conducted by VicForests, the independent auditors of their SFMS or DSE, address #3, #4 and #6. Periodic State of the Forests reporting is based on M, but there is no audit of that information (#5). Data is also reported on such a broad scale and, in many cases, in such a general way that it provides little

insight into coupe or landscape scale environmental performance of timber production activities.

Key gaps in the audit framework relate to #1, #2, #5 and #6. An evaluation of the scope of environmental monitoring (M) of timber production activities is beyond this review and so no informed comment can be provided on the adequacy of environmental performance monitoring.

There is significant overlap between operational performance auditing (#3 and #4) under the Forest Audit program and similar audits conducted by VicForests and DSE (on VicForests' operations).

6. Future options for the Forest Audit program

Future options for the Forest Audit program should address one or more of the three main objectives of the original program (section 1), as well as gaps in the existing framework of audits relating to timber production activities in State forests. In doing so, options should also seek to maintain or improve the efficiency of the regulatory environment faced by timber production activities. This may mean reducing or eliminating overlap between Forest Audit activities and other existing audit processes and/or using appropriately collected data from other audit processes as inputs to the Forest Audit program.

The options described are not necessarily alternatives to each other and may simply address other gaps in the audit framework (as above).

Continuation of the Forest Audit program in exactly its existing format is not considered as an option. Recent revisions to the Code and reorganisation of VicForests' administrative units would make it necessary to at least alter parts of the audit workbook and methodology.

Option 1 Discontinue Forest Audit program

The existing Forest Audit program occupies a space (#3, #4, #6 in Figure 1) that is also occupied by audits conducted by VicForests and of VicForests by DSE. To avoid duplication of these audits, the Forest Audit program could be discontinued. The program's objectives would be at least partly achieved by alternative audit processes.

Option 2 Revised Forest Audit program

Objectives:

- Assess compliance of operating plans and procedures with the Code (#3);
- Assess and publicly report operational performance (#4);
- Support continual improvement processes in timber production (#6).

The audit would also continue to provide independent scrutiny of timber production operations and seek to engender public confidence in the processes governing them.

Operational procedures:

Audit procedures would be updated to reflect recent changes to the Code. Audit elements would need to reflect the new Code's mandatory actions. Risk-based sampling would be maintained to select coupes for auditing, however the process would need to reflect VicForests new administrative units. Coupe selection would be based on coupe size rather than the volume of timber harvested, as has historically been the case.

Data from VicForests own independently audited SFMS (audited for accreditation to the Australian Forestry Standard) should be used wherever possible in conducting desk-top elements of the audits. Field auditing of operational practice should be continued, particularly where compliance is poorer or environmental risks from non-compliance are high. Some coupes would be audited prior to and during harvest, with the remainder audited post-completion.

Audits would proceed at one or two year intervals, depending on management arrangements.

Stakeholder engagement and public communication activities would be strengthened to better address the original objective of the program, which was to build confidence in arrangements for sustainable management of timber production in State forests. Audit outcomes for VicForests' and DSE's timber production activities should be reported separately, as management systems and the intensity of operations differ widely.

Auditors would make observations and findings such that rapid and efficient solutions to the issues identified can be effected. Formal recommendations

that for VicForests operations require DSE's response would be limited to matters of special significance.

Management arrangements:

The audit could be commissioned by any of the parties currently involved, EPA, DSE or, for their own operations, VicForests.

The audits would continue to be statutory environmental audits, conducted under section 53V of the *Environment Protection Act* (1970).

Option 3 Audit of planning and operational practices

Option 3 is an alternative to options 1 and 2.

Objectives:

- Assess compliance of operational plans and procedures with strategic planning framework provided by the AO, TRP and/or WUP (#1);
- Assess consistency of strategic planning framework with regulatory and legislative environment for timber production (#2);
- Assess compliance of operating plans and procedures with the Code (#3);
- Assess and publicly report operational performance (#4);
- Support continual improvement processes in timber production (#6).

This option would provide independent scrutiny of timber production planning and operations, as well as seek to engender public confidence in the processes governing them.

Operational procedures

Audit procedures would be updated to reflect recent changes to the Code and extended beyond the scope of the current Forest Audit to include the Code's planning elements. As discussed previously, audit elements would need to reflect the new Code's mandatory actions.

Risk-based sampling would be maintained to select coupes for auditing, however the process would need to reflect VicForests new administrative units. Coupe selection would be based on coupe size rather than the volume of timber harvested.

Data from VicForests own independently audited SFMS (audited for accreditation to the Australian

Forestry Standard) should be used wherever possible in conducting desk top elements of the audits. Field auditing of operational practice would be continued, but focus on issues and locations where issues have been identified by VicForests or previous independent audits. Some coupes would be audited prior to and during harvest, with the remainder audited post-completion.

DSE audits that cover similar questions would be discontinued.

Audits would proceed at one or two year intervals, depending on management arrangements.

Stakeholder engagement and public communication activities would be strengthened to better address the original 'community confidence' objective of the program. Audit outcomes for VicForests' and DSE's timber production activities should be reported separately, as management systems and the intensity of operations differ widely.

Auditors would make observations and findings such that rapid and efficient solutions to issues identified can be effected. Formal recommendations that require DSE's response would be limited to matters of special significance.

Management arrangements:

The audit could be commissioned by any of the parties currently involved, EPA, DSE or, for their own operations, VicForests.

The audit could be conducted under either section 47 of the *Sustainable Forests (Timber) Act* (2004) and/or section 53V of the *Environment Protection Act* (1970). It would address the issue raised by section 45 of the former Act that timber harvesting 'authorised'. VicForests could only commission an audit under the latter Act.

Audits under the *Environment Protection Act* (1970) would be statutory audits. Any under the *Sustainable Forests (Timber) Act* (2004) could be statutory audits, but need not be.

Option 4 Special purpose audits

Such an audit would only be instigated where a particularly problematic breach of the Code or other element of the planning or regulatory environment

was detected. Option 4 could be complementary with other options, except discontinuing the program.

Objectives:

Specific objectives would depend on the nature of the breach occurring, but could include the various matters relating to operational performance (#1-#4, #6 above) and/or to environmental performance measurement.

It is likely the audit would seek to assess environmental impacts of major breaches in regulations and to ascertain the underlying causes.

Given the nature of the audit, it is essential that it is an independent audit and that the results are publicly reported.

Procedures:

An audit scope and procedure would be developed by the independent auditor and reflect the audit's focus.

Stakeholder engagement should be included and audit results reported publicly.

Auditors may provide formal recommendations that would need to be addressed by relevant parties.

Management arrangements:

The audit could be commissioned by DSE or EPA under either section 47 of the *Sustainable Forests (Timber) Act* (2004) and/or section 53V of the *Environment Protection Act* (1970). It may be a statutory or, if commissioned under the former Act, a non-statutory audit.

Option 5 Audit of environmental reporting

Option 5 is complementary with other audit Options.

Objectives:

- Assess the adequacy of monitoring and reporting of environmental performance of timber production activities in relation to sustainability criteria and the Sustainability Charter under the *Sustainable Forests (Timber) Act* 2004 (#5).

The option would provide independent scrutiny of environmental reporting, seek to engender public confidence in the processes governing timber production operations and may make a small contribution to the safeguarding of environmental values of harvested areas.

Procedures:

Such audits are not currently performed, but would be developed to audit the reporting of information on performance of timber production activities in relation to indicators of sustainable forest management approved by the Minister.

Audit results would be publicly reported.

Option 6 Environmental performance monitoring and reporting

Option 6 is complementary with other audit Options. Should option 5 be taken up, it would audit the data and data collection processes of this option

Objective:

- Report on environmental performance of timber production operations in State forests

This option would address the 'safeguarding environmental values of harvested areas' objective of the Forest Audit program, as well as helping to engender community confidence in the management systems around timber production activities.

Procedures:

Appropriate criteria and indicators would be selected that reflect objectives of the Sustainability Charter for Victoria's State forests and are consistent with State of the Forests indicators and Code operational goals. They would also be appropriate for environmental monitoring at an FMA or similar administrative unit level.

A monitoring, evaluation and reporting program would be developed and implemented around these indicators. Depending on the indicators, monitoring may be undertaken at a site, landscape or catchment scale for each administrative unit and would be repeated at appropriate time frames.

Data for each administrative unit would be periodically reviewed and publicly reported. Review and reporting would rotate between administrative units.

Management arrangements:

Environmental performance monitoring could be undertaken by DSE, VicForests, water authorities, Catchment Management Authorities and/or private contractors.

Review and reporting of the data could be undertaken by DSE, an independent academic, statutory or other

environmental auditor or consultant. It could be undertaken as a section 53V environmental audit, but would not need to be.

7. Recommendations

Forest Audit program

It is recommended that the Forest Audit program continue. The key features that must be retained are its independence, opportunities for stakeholder participation and public reporting of audit results.

It is recommended then that the current form of the program should be replaced by option 3 above. The program's scope would be extended to include compliance with the planning elements of the Code and with regulatory and legislative requirements relating to sustainable forest management.

Specific details of the recommendation include:

- Audits of both VicForests' and DSE's timber production areas should be commissioned by DSE, the regulator of timber production activities in Victoria.
- The audit should be conducted as a statutory environmental audit under section 53V of the *Environment Protection Act (1970)* and section 47 of the *Sustainable Forests (Timber) Act (2004)*. While independent audit processes are possible outside of the statutory audit framework, retaining this framework helps to ensure continuity with the former program, which was perceived by a wide range of stakeholders as being independent.
- Audits should be conducted annually for at least the first five years of the program. Given the recommended transition of commissioning agency to DSE, it is important that all possible efforts are made to maintain the integrity and credibility of the existing Forest Audit program. Maintaining an annual audit program will help to ensure this.

Audit results should continue to be reported publicly – as statutory audits on EPA's web site, as well as on DSE's and VicForests' web sites. The change of commissioning agent should be accompanied by stakeholder communications activities to clarify that the program will continue to be independent, transparent, accountable and publicly reported. It is recommended that a proactive communications

campaign be run to accompany each Audit report's release to influence community confidence in the systems operating to ensure the sustainable management of Victoria's native forests.

A panel of stakeholders (coordinated by DSE and including VicForests and industry and environmental stakeholders) should be formed and operate for a limited period to develop a multi-year list of focus areas to help guide the new Forest Audit program. The panel might also be used as a reference group to review work by an appointed statutory auditor to develop a new audit methodology.

Audits of VicForests' and DSE's operations may be conducted jointly, but should be reported separately to ensure analyses compare like with like.

This option is preferred to option 2 because it extends the audit's scope beyond coupe level compliance to include compliance with the broader planning requirements of the Code and other planning and regulatory frameworks.

This option addresses most of the space for audit identified in Figure 1, with the exception of reporting on environmental performance.

Special purpose audits

Provision for conducting special purpose audits, such as those outlined for Option 4, should be maintained. Such audits should again be commissioned by DSE, the body charged with regulation of forest management in Victoria. To maintain independence (and stakeholder perceptions of independence), the statutory audit framework should be used. The audit should be commissioned under relevant sections of both the *Environment Protection* and *Sustainable Forests (Timber) Acts*.

Special purpose audits would be commissioned to investigate causes and impacts of breaches of the Code or planning processes with particularly high impact or risk of impact on environmental or cultural values of the harvested areas. They might also be commissioned to provide focus on practices or locations where intractable non-compliance issues are identified.

The need for special purpose audits might be identified by any of the range of stakeholder involved in timber production, including VicForests, DSE, EPA,

Forest Audit program auditors, timber industry representatives, environmental NGO representatives and other members of the general community. DSE should develop a process and criteria for fielding and evaluating requests for such audits.

Environmental reporting audit

Such audits are a requirement of the *Sustainable Forests (Timber) Act 2004* and should be introduced. An initial audit may help to identify gaps in monitoring arrangements to guide develop a broader environmental performance monitoring program.

Environmental performance monitoring

State of the Forests reporting is not conducted at a scale or level of specificity that provides sufficient insights for environmental performance monitoring. It is recommended that an appropriate monitoring and reporting process be developed as broadly outlined in option 6.

8. Feedback

Feedback on this *Consultation Paper* is invited from interested stakeholders.

Any comments on this *Consultation Paper* should be made directly to Sinclair Knight Merz' Project Manager by 17th June 2008.

While stakeholders may make comments on any part of this document, they are specifically requested to

provide feedback on the options for the future of the Forest Audit program. Specific questions that might be addressed include:

- In what form (if any) should the Forest Audit program continue and why?
- What do you consider to be the critical elements of such a program?
- If special purpose audits are to be commissioned, under what circumstances might this occur?
- If environmental performance monitoring and reporting is to occur, what should it consider and who should it be undertaken by?
- Which agency should commissioning the Forest Audit program? Why is this important to you?
- How important is it to you that the Forest Audit program be conducted as a statutory environmental audit under the auspices of the *Environment Protection Act (1970)*? Why?

Contact details for submissions and queries are:

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Note: The views in this document are those of the independent consultant appointed to undertake the review and do not necessarily reflect those of any Victorian government agency.