

## **Annexure 1**

### **CFA's response to the Committee's further request for information dated 16 February 2016**

We refer to the Committee's letter dated 16 February 2016 ("**letter**") seeking further information from the CFA.

We note in particular that the letter seeks financial information about the amount spent on remediation of the Fiskville site and legal expenditure, in a form that can be put on the public record. The information now sought by the Committee is additional to or seeks to clarify the financial information which was provided by the CFA in response to a summons issued by the Committee on 27 October 2015 ("**summons**").

#### **Ernst & Young review**

1. As requested, a copy of the scoping document in relation to this review is attached as **Attachment 1** to this response.

#### **CFA provision of financial information**

2. In relation to the provision of financial information, the Committee has raised five specific issues. Each of those issues is addressed below.

#### *A breakdown of the amount spent on remediation and legal expenditure*

3. The first issue is that the Committee has sought a breakdown of the information provided by the CFA pursuant to the summons, relating to the remediation of the Fiskville site and legal expenditure, that can be put on the public record.
4. As part of providing that breakdown, the CFA has conducted an audit of the source documents upon which the breakdown is based. That audit has resulted in a variation between the amounts referred to in the breakdowns below and the information which was previously provided to the Committee, pursuant to the summons.
5. In particular, the total expenditure on legal costs is \$19,416.67 greater than the total of legal expenditures included in the response to the summons. That variation is

attributable to two matters identified in the course of the audit. First, additional expenditure which was indirectly related to the provision of legal services was identified through the audit. This additional expenditure related to matters including document production and courier costs. The additional expenditure identified totalled \$35,730.99. Secondly, it was identified that certain expenditure had been included in the response to the summons which was not attributable to Fiskville. This expenditure totalled \$16,314.32. The additional expenditure identified, minus the non-Fiskville related expenditure identified equals the amount of the variation.

6. In addition to these variations, the audit also identified that \$22,197.50 in remediation expenditure was included on legal invoices issued to the CFA, as disbursements. The fact of these disbursements is relevant to the Committee's consideration of the breakdowns it has requested in relation to remediation expenditure and legal expenditure incurred by the CFA.

*Breakdown of Remediation expenditure (including costs incurred by CFA in complying with EPA clean up notices)*

	2010/11	2011/12	2012/13	2013/14	TOTAL
Environmental Remediation - Stage 1: funded from CFA base funding (Refer doc CFA.3000.0005.001.0061)	Nil	NIL	\$ 198,682.33	\$ 94,540.50	\$ 293,222.83
Environmental Remediation - Stage 2: funded from a minister approved re-prioritisation (Refer doc ID: CFA.3000.0005.001.0061)	Nil	NIL	\$ 27,025.11	\$ 2,546,513.33	\$ 2,573,538.44
<b>Total Environmental Remediation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 225,707.44</b>	<b>\$ 2,641,053.83</b>	<b>\$ 2,866,761.27</b>

7. In addition to the amounts referred to in the table above, remediation expenditure of \$22,197.50 was included as disbursements on the legal expenditure invoices which are summarised below. **Accordingly, the total remediation (including that which was invoiced to the CFA as disbursements on legal costs) is \$22,197.50 more than is referred to in the table above. That is, \$2,888,958.77.**

*Breakdown of Legal expenditure by CFA<sup>1</sup> (including costs incurred by CFA in complying with EPA clean up notices)*

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 to 30.09.2015	Undated	TOTAL
Legal Costs								
Volunteer Compensation Legal Costs (Refer Doc ID: CFA.3000.0006.001.0005)	NIL	\$ 328,026.84	\$ 259,277.32	\$ 333,314.89	\$ 200,525.83	\$ 74,595.84	NIL	\$ 1,195,740.72
	NIL	\$ 605.00	\$ 10,473.65	\$ 8,068.50	NIL	NIL	\$ 151,260.00	\$ 170,407.15
<b>Total Legal</b>	<b>\$ -</b>	<b>\$ 328,631.84</b>	<b>\$ 269,750.97</b>	<b>\$ 341,383.39</b>	<b>\$ 200,525.83</b>	<b>\$ 74,595.84</b>	<b>\$ 151,260.00</b>	<b>\$ 1,366,147.87</b>

8. The total legal cost amount referred to in the table above includes disbursements totalling \$22,197.50, relating to remediation expenditure. **The total Legal expenditure is therefore \$22,197.50 less than is recorded in the table above. That is, \$1,343,950.37.**
9. To assist the Committee, a breakdown of the legal costs by year is attached as **Attachment 2** to this response.

***Expenditure on remediation***

10. The second issue raised by the Committee relates specifically to expenditure on remediation. In that context, the Committee notes that:
- whilst financial information was provided for the 2012-13 financial year, no financial information was provided for the three financial years 2010-11, 2011-12 and 2013-14 and;
  - financial information relating to expenditure incurred in the context of work undertaken by the environmental scientists Golder and Associates relates to '2012 only.'
11. Taking each of these issues in turn, the CFA notes that:
- in relation to the matters raised in relation to the financial years 2010-11 and 2011-12 and 2013-14:
    - the reason why no financial information was produced in relation to environmental remediation at Fiskville for the financial years 2010-11 and 2011-12 is that the CFA did not incur any relevant expenditure in

<sup>1</sup>In relation to the table dealing with legal expenditure by the CFA, this table does not include amounts paid for by the Victorian Managed Insurance Authority (VMIA), pursuant to insurance coverage obtained by CFA. Such coverage has included legal costs incurred by the CFA in relation to the Inquiry. Details of the amounts paid by VMIA were previously provided to the Committee by the CFA as part of its response to the summons. The fact that some of the Volunteer Compensation Legal Costs are undated arises by reason of the retrieval methodology adopted. That methodology was described in the CFA's response to the summons at CFA.3000.0006.001.0006

these financial years. As the Committee is aware, the Independent Fiskville Investigation (“IFI”), which gave rise to the commencement of remediation work, was not published until July 2012. It was not until December 2012 (i.e., after the commencement of the 2012-13 financial year) that any environmental remediation expenditure for Fiskville first occurred.

ii. in relation to the financial year 2013-14, the CFA provided the relevant financial information in relation to this particular financial year in response to the Committee’s summons dated 27 October 2015. The relevant information is contained in the spreadsheet entitled “*Expenditure on Environmental Remediation.*” To assist the Committee this spreadsheet has been augmented and is attached as **Attachment 3** to this response by the CFA. Those parts of that expenditure which were funded from the CFA base funding are included in the spreadsheet with the subheading “*Environmental Remediation expenditure incurred against informing the Future Program – Stage 1 Implementation funding.*” Those parts of that expenditure that was sourced from a Minister approved reprioritisation are set out under the sub-heading “*Environmental Remediation expenditure incurred against Informing the Future Program – Stage 2 Implementation Funding.*” The date column of that spreadsheet (being the third column from the left) makes it clear that the various expenditures referred to in that spreadsheet occurred during the 2013-14 financial year. A breakdown of the environmental remediation expenditure incurred during this particular financial year also forms part of the “*Breakdown of remediation expenditure (including costs incurred by CFA in complying with EPA clean up notices)*” above.

b. in relation to the expenditure incurred relating to the environmental scientists, Golder and Associates, this information is limited to the year 2012 because that is the only year in which this firm provided services relevant to Fiskville. In that regard, as the Committee would be aware, Golder and Associates were retained as part of the IFI to undertake a preliminary assessment of the Fiskville site. That occurred at about the same time as the IFI was being conducted with expenditure occurring in relation to the preliminary site

assessment between February 2012 and September 2012. Accordingly, this information was previously provided in response to the Committee's summons dated 27 October 2015 as part of the spreadsheet which entitled '*Expenditure on Environmental and Human Health Impact Assessments.*' As is noted immediately under that title that spreadsheet '*must be read with the additional table outlining the costs incurred by Golder and Associates.*' For the avoidance of doubt and to assist the Committee it is again attached as **Attachment 4** to this response by the CFA.

### *Explanation of codes*

12. The third issue identified in the Committee's letter is that the spreadsheets provided to the Committee by the CFA in response to the summons contain codes without an explanation of what those codes mean. Two examples are given by the Committee namely the "GL Code" and the "WBS" code.

13. In relation to that issue, the CFA notes that:

- a. it responded to the summons by providing source data from CFA's financial system (known as SAP). Source data was provided so that the Committee could be assured of the transparency of the information provided in response to the summons;
- b. as part of providing that source data certain codes were included in the information provided to the Committee. These codes included the "GL Code" and "WBS" code referred to by the Committee. These codes are technical codes used to identify and allocate costs within the SAP system. Specifically in relation to those codes:
  - i. the "GL Code" is the general ledger code. Entries bearing this code form part of a general ledger which contains all accounts for recording transactions relating to different types of expenditure, revenue, assets and liabilities. The GL codes within the spreadsheets provided identifies the accounts the particular expenditure relates to;
  - ii. the "WBS" code is the work breakdown structure code. Entries bearing this code are used to identify groups of projects within an overall program of work. This code enables expenditure to be recorded at a

group level and for CFA management to identify the particular costs that are incurred by a particular group.

Groups reflect the items for which funding has been approved and thereby enables a comparison of expenditure against allocated funding. Furthermore, different groups are used by reference to which funds for a particular project have been sourced. Insofar as it is relevant to expenditure relating to Fiskville, Stage 1 indicates expenditure which has been funded by CFA base funding. Stage 2 funding indicates expenditure that has been funded from a Ministerial reprioritisation. Identification of funding sources in this manner facilitates the tracking of expenditure against specific sources of funding.

14. In addition to the matters specifically identified by the Committee, the CFA notes that some of the spreadsheets that were provided in response to the summons:

- a. refer to a number of internal accounting terms. Examples of these terms include document number, document type and posting key. Each of these terms assist with the CFA's internal tracking of financial records. They were included as part of the information provided to the Committee in response to the summons so as to ensure that the information provided was a direct extract from the CFA's SAP system;
- b. include codes which are non-SAP related. A relevant example being the "ITFP Project ID" code. This code is the Informing The Future Program Project Identification number code. This code is used to identify individual projects (and into sub-project components, where a project is sufficiently complex that it is made up of multiple sub-projects). This code supports project management activities that require identification and tracking of individual projects (or sub-project components), including allocation of budget and tracking expenditure against that budget. The codes used in the spreadsheets produced to the Committee pursuant to the summons are:

1: Soil Assessment Fiskville - initial investigations;

2: Groundwater Assessments Fiskville - initial investigations;

3: Surface Water and Sediment Assessment Fiskville (on and offsite) - initial investigations;

3c: Undertake a feasibility study for Water Supply Upgrade, Water Treatment & Remediation;

3d: Design for diverting the creek around Lake Fiskville;

3f: Implement Creek Diversion – Fiskville. This sub-project being sufficiently complex that it was in turn divided into a further sub-project components, including:

- 3f-i: Tender and Construction Services;
- 3f-ii: Insurance coverage for creek and stormwater diversion;
- 3f-iii: Civil Works – Operating expenditure;
- 3f-iii (Asset): Civil works – capital expenditure;
- 3f-iv: Reports into the environmental impact of the creek diversion works on the Growling Grass Frog

7: Buried Drums Investigation – Fiskville;

8: Landfill Assessment Fiskville;

18: Health Surveillance Programme Initiative – Fiskville;

19: Monash University Health Impact Study Initiative – Fiskville;

22: EPA Clean Up Notice assistance;

22a: EPA Auditor Fiskville;

24: Toxicology Advice To Support Human Health Risk Assessments;

27: Cancer Council Study – Fiskville Cancer Incidents;

29: Project Management by Cardno Lane Piper.

- c. include the code “Cost allocated to Project ID (ex GST).” This code is used to track the costs incurred against a specific project or sub-project of the ITFP. The ‘ITFP [Informing the Future Project] Project ID’ is the most detailed level against which costs can be tracked. This level of detail allows all costs against a specific project or sub-project to be identified and facilitates aggregation to

identify costs incurred at a group level (WBS as referred to above) or higher, such as the funding stage (Stage 1 or Stage 2 as referred to above) or the entire program.

### *Invoice descriptions*

15. The fourth issue raised by the Committee is that it considers the description of certain invoices to be inadequate. The example used in the Committee's letter is of an invoice which is described as relating to 'progress foam analysis' without accompanying detail of which consultant carried out this work, or what the work entailed. That invoice related to sub project 3c to undertake a feasibility study and foam analysis. A copy of that invoice is now attached as **Attachment 5**.
16. That invoice was issued by Cardno Lane Piper on 17 December 2012 and describes the work undertaken as Progress Invoice #1 and Foam Analysis.
17. An expanded analysis of the spreadsheets entitled *Expenditure on Environmental Remediation* and *Expenditure on Environmental and Human Health Impact Assessments* has been completed with further descriptive information. To assist the Committee this analysis has also cross-referenced the supporting documentation.
18. With only two exceptions, copies of all invoices have either been provided to the Committee in response to the summons or are provided as **Attachment 6** to this correspondence. The two outstanding invoices have been requested from CFA archive and will be forwarded to the Committee as soon as they are available.

### *Relevance of certain information*

19. The fifth and final issue raised by the Committee is that it has queried the relevance of certain information. The example given in that regard is of an invoice relating to catering, which does not contain information about how this invoice contributed to the remediation of the site.
20. A copy of this Catering invoice no. 453 in the amount \$233.50 from the Wooden Spoon was included on the CD of documents provided to the Committee as part of the CFA's response to the summons. This invoice related to lunch provided at a meeting



with key CFA stakeholders including Fiskville management, the purpose of which was to discuss and plan development and civil works projects to address the first phase of remediation at Fiskville. The purpose of the meeting was to:

- a. obtain an understanding of all planned works for Fiskville in the next 12-18 months;
  - b. obtain feedback from Fiskville management team regarding feasibility of proposed works;
  - c. map out draft timelines and identify interdependencies; and
  - d. identify issues and risks.
21. The inclusion of this invoice in response to the summons is indicative of the transparent and comprehensive approach the CFA has taken in relation to its response to both the summons and the letter.

## **LIST OF ATTACHMENTS**

**Attachment 1** – Ernst & Young, Corporate Governance Internal Audit Scoping Document

**Attachment 2** – Legal Expenditure Spreadsheet

**Attachment 3** – Expenditure on Environmental Remediation Spreadsheet

**Attachment 4** – Environmental & Human Health Impact Assessment Spreadsheet

**Attachment 5** – Cardno Lane Piper Invoice

**Attachment 6** – Invoices

**Matter No. 1504562 (Parliamentary inquiry into the CFA's training college at Fiskville): Summary of Legal Costs Incurred as at 10 November 2015**

Category	Legal Costs Incurred by the Victorian Government Solicitor's Office	Legal Costs Finalised by the Victorian Managed Insurance Authority
Professional Service Fees	\$501,022	\$303,707
Counsel Fees	\$257,727	\$231,818
Other Disbursements	\$50,716	\$3,681
Non Legal Costs	\$0	\$419,711
<b>Total Legal Costs (GST exclusive)</b>	<b>\$809,465</b>	<b>\$539,206</b>