

**Forestry Audit: British Columbia Timber Sales
Fort St. John Pilot Project Area**



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Board Commentary

In fall 2006, the Board conducted a compliance audit of forest planning and practices of the British Columbia Timber Sales (BCTS) program, and timber sale licence holders, in the Fort St. John Code pilot project area (see map on page 2). Activities are administered by the BCTS Peace-Liard Business Area office located in Dawson Creek.



Figure 1 – BCTS cutblock in typically flat terrain. Timber access roads in the audit area are often located along seismic or gas pipe lines

The audit assessed the planning, activities and obligations of the BCTS program and the holders of 19 timber sale licences, including;

- operational planning;
- more than 350 kilometres of road work;
- 3 bridges;
- 32 well-growing blocks; and
- 25 harvesting cutblocks.

As in much of the northeast part of the province, evidence of oil and gas activity is pervasive in the Fort St. John area. While such activities are outside its scope, the audit noted that oil and gas activities appear to be more visible on the land base than forestry activities. Notably, oil and gas tenure holders developed many of the road corridors utilized by BCTS timber sale holders. The cumulative impact of industrial activities on the land is a topic of interest that may warrant further work by the Board.

The Fort St. John Code pilot project area has its own unique legislative framework, some of which is briefly described in the audit results portion of this report. Although the audit did not conduct a detailed assessment of the framework, the Board intends to publish a bulletin describing its principal elements, which may be of interest to the public.

In this audit, the Board was able to collect and utilize third-party audit information to assist the assessment of compliance with legal requirements. The opportunity arose because this Code pilot legislation requires periodic independent audits and BCTS participates in voluntary

certification systems that also require third-party audits. The Board continues to seek opportunities, where feasible, to utilize third-party audit materials in its audits so that its resources are utilized as efficiently as possible.

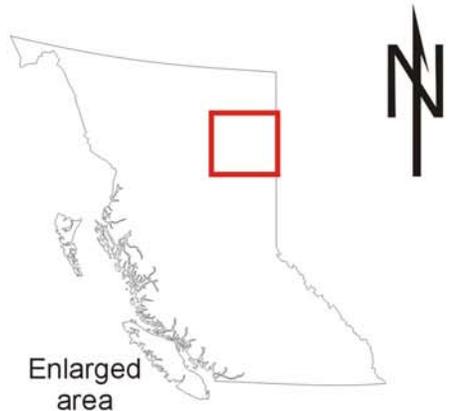
The Board is pleased to note that BCTS and its timber sale licence holders in the area complied with legislative requirements in all significant respects, and encourages them to continue with this framework of planning and forest practices.

British Columbia Timber Sales Fort St. John Code Pilot Project Area



-  Fort St. John Code Pilot Project Area
-  Highway

(Map not to scale)



Audit Results

Background

As part of the Forest Practices Board's 2006 compliance audit program, the British Columbia Timber Sales (BCTS) program and timber sale licence holders in the Fort St. John pilot project area were selected for audit.

BCTS is an independent organization within the Ministry of Forests and Range that develops Crown timber for auction. BCTS's allowable annual cut from the Fort St. John timber supply area is approximately 552,000 cubic metres. Of this total, 372,000 cubic metres is for conifer-leading stands and 180,000 cubic metres for deciduous-leading stands.

BCTS offers timber for sale to registrants in its program. BCTS prepares operational plans and issues timber sale licences and road permits. Successful bidders are awarded timber sale licences and must fulfill licence, permit and operational plan obligations, including timber harvesting and road work adjacent to and within cutblocks.

The Fort St. John Code pilot project area portion of BCTS's operating area was selected randomly, and not on the basis of location or past performance. Additional information on the compliance audit process is provided in Appendix 1.

The Board's audit fieldwork took place from September 5-8, 2006.

Planning Framework

In this audit, all BCTS operations are within the Fort St. John Code pilot project area and consequently subject to the *Fort St. John Pilot Project Regulation* (the regulation) of the *Forest and Range Practices Act* (FRPA), which contains all audited forest planning and practices obligations. The regulation applies exclusively to this area of the province, and many of its planning and practice requirements are different from both the former *Forest Practices Code Act* (the Code) and FRPA.

The Fort St. John Code pilot project is one of the Code's tests of results-based forestry. Several such pilots were initiated after enabling legislation was introduced in 1999, but the program was eventually halted with the development of FRPA. There are two Code pilot projects still operational in the province – this one and Stillwater, near Powell River. This is the Board's first audit of forest activities in a Code pilot project.

The planning framework in the regulation centers on a Sustainable Forest Management Plan (SFMP). Within the pilot area, this plan contains 61 'measurable' targets covering a wide range of forest practices and other indicators of sustainable forest management. Under the regulation, forest licensees and BCTS (collectively known as the participants) are required to meet SFMP targets and report their performance annually. Participants also jointly prepare a consolidated

Forest Operations Schedule (FOS), which is similar to a Code forest development plan. The FOS shows planned harvesting and road development for a 6-year period. The regulation also requires site level plans for harvest blocks and roads.

The regulation requires participants to collectively submit an SFMP and FOS. The two primary participants are Canadian Forest Products Ltd. (Canfor) and BCTS, with Canfor acting on behalf of other forest licensees and undertaking the main strategic planning function. BCTS plays a secondary role in that it submits information to Canfor for incorporation into strategic plans and reports. The audit assessed only BCTS and its timber sale licence holders' performance in meeting the requirements of the regulation.

Audit Approach and Scope

The audit examined both BCTS's and timber sale licence holders' obligations and activities.

BCTS is responsible for operational planning, including preparing site level plans; silviculture; and most road construction, maintenance and deactivation outside of cutblocks.

Timber sale licensees are responsible for timber harvesting; and road construction, maintenance and deactivation near and within cutblocks.

These activities were assessed for compliance with the regulation for the period April 1, 2005, to September 8, 2006. Using an audit period that was longer than one year allowed assessment of a full reporting period (April 1/05 to March 31/06) under the regulation.

All forest activities, planning and obligations, with the exception of fire protection obligations, were included in the scope of the audit. Fire protection obligations were excluded from the audit because logging operations are conducted during the winter outside the fire season. There were no active operations during the field audit.

The Board's audit reference manual, *Compliance Audit Reference Manual, Version 6.0, May 2003*, and the addendum to the manual for the 2006 audit season, set out the standards and procedures that were used to carry out this audit.

Third Party Reliance

The regulation requires periodic independent audits of participants' compliance with the regulation. An independent third party completed compliance audits in 2003 and 2005, as well as various audits under the International Standards Organization (ISO) 14001¹ and Canadian Standards Association Sustainable Forest Management (CSA SFM)² certification schemes.

¹ The International Organization for Standardization (ISO) is a non-government worldwide federation of national standards bodies. ISO 14001 is the international standard defining the requirements for implementing environmental management systems. It does not specify environmental performance criteria, but provides a framework for an organization to set the criteria together with objectives and targets plus auditing and reporting systems.

Board auditors reviewed those third-party audit materials and identified some as suitable for reliance in this audit. There were not enough field samples to enable a reduction in the level of field sampling, although those samples were helpful as a comparison with Board field observations. Board auditors were, however, able to utilize the audits' assessments of compliance with planning requirements to help ascertain BCTS compliance under the regulation. This reduced the amount of time needed for Board audit work.

Planning and Practices Examined

BCTS Responsibilities

BCTS set out its planned harvesting and road activities in the consolidated FOS, originally submitted in 2004. The FOS was amended 12 times during the audit period. The Board audited the FOS amendments to ensure compliance with the regulation.

Each of the harvest blocks and roads subject to audit had a site level plan prepared by BCTS.

The Board audited site level plans in conjunction with field sampling to ensure compliance with the regulation.



Figure 2 – BCTS cutblock with wildlife tree patches

Auditors examined 31 of the 40 kilometres of forest service road maintained by BCTS.

BCTS installed one bridge during the audit period, and it was reviewed in the field. Another two bridges had to be maintained by BCTS and auditors assessed them as well.

² The Fort St. John Code Pilot Project applies the Canadian Standards Association's Sustainable Forest Management (CSA SFM) standard to forestry operations in the pilot project area. Under the CSA SFM standard, sustainable forest management can be verified by addressing the Canadian Council of Forest Ministers' six criteria for sustainable forest management. Local values, goals and indicators to address the criteria were developed in consultation with a Public Advisory Group.



Figure 3 – BCTS cutblock with well growing trees. The rectangular opening at the end of the block is a gas well site

Site preparation and planting is undertaken soon after harvesting. Auditors examined 8 of 18 site prepared blocks and 8 of 27 planted blocks. Of the 20 blocks that had been brush treated, auditors examined four. There was one spacing block but it was not field sampled.

A key aspect of the silviculture component of the audit was the assessment of well growing. The standards and assessment criteria for meeting well-growing obligations, which are

similar to free-growing obligations in FRPA, are in the SFMP and the regulation. Well growing is assessed principally on a multi-block basis rather than on individual blocks as for free-growing assessments. Well growing is achieved when each block is sufficiently stocked with acceptable tree species and the predicted merchantable volume of the sum of the blocks is within 5% of the target. The audit examined BCTS performance with respect to these standards but did not assess the well growing standards themselves.

Thirty-two cutblocks were required to be well growing during the audit period. Auditors reviewed the documentation for all 32 blocks and sampled 20 of them in the field. The total area sampled was 479 hectares.

Timber Sale Licence Holders' Responsibilities

Twenty-five cutblocks totaling 1806 hectares were harvested under 19 different timber sales during the audit period. The Board audited 15 of the cutblocks, totaling 1229 hectares.

Auditors examined 77 of the 152 kilometres of roads constructed by timber sale licence holders during the audit period. In addition, auditors examined 77 of the 162 kilometres of roads deactivated by timber sale licence holders during the audit period.

Audit Opinion

In my opinion, the operational planning; timber harvesting; silviculture; and road construction, maintenance and deactivation carried out by BCTS and timber sale licence holders in the Fort St. John Code pilot project area for the period April 1, 2005, to September 8, 2006, complied in all significant respects with the requirements of FRPA and the *Fort St. John Pilot Project Regulation* as of September 2006.

In reference to compliance, the term “in all significant respects” recognizes that there may be minor instances of non-compliance that either may not be detected by the audit, or that are detected but not considered worthy of inclusion in the audit report.

The *Audit Approach and Scope* and the *Planning and Practices Examined* sections of this report describe the basis of the audit work performed in reaching the above conclusion. The audit was conducted in accordance with the auditing standards of the Forest Practices Board. Such an audit includes examining sufficient forest planning and practices to support an overall evaluation of compliance with applicable forest practices legislation.



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March 9, 2007

Appendix 1: Forest Practices Board Compliance Audit Process

Background

The Forest Practices Board conducts audits of government and agreement-holders for compliance with the *Forest Practices and Range Practices Act* (FRPA) and the *Wildfire Act* (WA). The Board has the authority to conduct these periodic independent audits under section 122(1) of FRPA and section 68(1) of WA. Compliance audits examine forest planning and practices to determine whether or not they meet FRPA and WA requirements.

Most of the *Forest Practices Code of British Columbia Act* (the Code) was repealed on January 31, 2004 and replaced with FRPA. The transitional provisions of FRPA state that the Code continues to apply to forest practices carried out under a forest development plan, until there is an approved forest stewardship plan, at which point the requirements of FRPA apply.

The Board audits agreement holders who have forest licences or other tenures under the *Forest Act* or the *Range Act*. The Board also audits government's British Columbia Timber Sales (BCTS) program. Selection for audit, of both areas and licensees or agreement-holders to be audited, is made randomly to ensure a fair, unbiased selection.

Audit Standards

Audits by the Board are conducted in accordance with the auditing standards developed by the Board. These standards are consistent with generally accepted auditing standards.

The audits determine compliance with the Code, FRPA and WA, based on criteria derived from those Acts and related regulations. The criteria reflect judgments about the level of performance that constitutes compliance with each requirement.

The standards and procedures for compliance audits are described in the Board's *Compliance Audit Reference Manual*.

Audit Process

Conducting the Audit

Once the Board randomly selects an audit licensee and area, all activities carried out during the period subject to audit are identified (such as harvesting or replanting, and road construction or deactivation activities). Items that make up each forest activity are referred to as a population. For example, all sites harvested form the timber harvesting population and all road sections constructed form the road construction population.

A separate sample is then selected for each population (e.g., the cutblocks selected for auditing timber harvesting). Within each population, more audit effort (i.e., more audit sampling) is allocated to areas where the risk of non-compliance is greater.

Audit field work includes assessments of features using helicopters and ground procedures, such as measuring specific features like riparian reserve zone width. The audit teams generally spend one to two weeks in the field.

Evaluating the Results

The Board recognizes that compliance with the many requirements of the Code, FRPA and WA, is more a matter of degree than absolute adherence. Determining compliance, and assessing the significance of non-compliance, requires the exercise of professional judgment within the direction provided by the Board.

The audit team, composed of professionals and technical experts, first determines whether forest practices comply with legislated requirements. For those practices considered to not be in compliance, the audit team then evaluates the significance of the non-compliance, based on a number of criteria, including the magnitude of the event, the frequency of its occurrence and the severity of the consequences.

Auditors categorize their findings into the following levels of compliance:

Compliance – where the auditor finds that practices meet Code, FRPA and WA requirements.

Not significant non-compliance – where the auditor, upon reaching a non-compliance conclusion, determines that one or more non-compliance event(s) is not significant and not worthy of reporting. Therefore, this category of events will not be included in audit reports.

Significant non-compliance – where the auditor determines a non-compliance event(s) or condition(s) is or has the potential to be significant, and is considered worthy of reporting.

Significant breach – where the auditor finds that significant harm has occurred, or is beginning to occur, to persons or the environment as a result of one or many non-compliance events.

If it is determined that a significant breach has occurred, the auditor is required by the *Forest Practices Board Regulation* to immediately advise the Board, the party being audited, and the Minister of Forests and Range.

Reporting

Based on the above evaluation, the auditor then prepares a draft audit report. The party being audited is given a draft of the report for review and comment before it is submitted to the Board.

Once the auditor submits the draft report, the Board reviews it and determines if the audit findings may adversely affect any party or person. If so, the party or person must be given an opportunity to make representations before the Board decides the matter and issues a final report. The representations allow parties that may potentially be adversely affected to present their views to the Board.

The Board then reviews the draft report from the auditor and the representations from parties that may potentially be adversely affected before preparing its final report. Once the representations have been completed, the report is finalized and released: first to the auditee and then to the public and government.