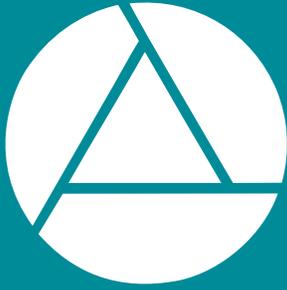


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OFFICE OF THE  
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**Managing the Woodlot  
Licence Program**

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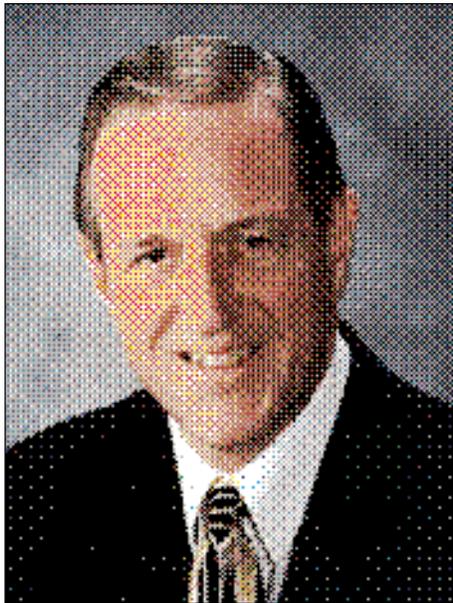
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## auditor general's comments

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The Woodlot Licence Program of the provincial Ministry of Forests was established to increase opportunities for small-scale forestry in British Columbia by enabling individuals, native bands and corporations to acquire the right to manage and harvest Crown timber. The program's objectives are to increase the amount of private forest land being managed on a sustained yield basis; to increase the productivity of small parcels of forested land; to promote local employment opportunities; and to promote excellence in forest management.

The right to harvest Crown timber is granted through a woodlot licence that is valid for a 15-year term and replaceable every five years. Those who are granted a licence through the competitive award process have the opportunity for potentially significant rewards but they also assume many responsibilities because forestry in British Columbia has become a demanding and technical field.

The modern day Woodlot Program originated in 1948 from a small number of farm woodlots. Since then, the program has undergone many changes and has become increasingly popular. The program grew more slowly than had been expected until 1994; however, since then the ministry has significantly increased both the number of woodlots and the allowable annual cut allocated to the program.

The purpose of this audit was to assess whether the ministry manages the Woodlot Program in a manner that is likely to achieve its objectives. We focused our review on the period since 1994 when the ministry announced its intentions to double the size of the program. We looked at the basic design of the program including a review of the licence award process.

Our overall conclusion was that the ministry manages parts of the program well but needs to make improvements to ensure that the program's objectives are achieved. The ministry's recent efforts have been focused on important short-term goals such as improving the licence award

process, expanding the size of the program and streamlining regulatory requirements. It now needs to develop a long-term vision for the program and a plan to achieve it. With respect to the licence award process, we found that the ministry has addressed many of the stakeholder complaints and continues to look for new ways to improve the process. Monitoring and enforcement of licensees' planning and harvesting responsibilities has been good but needs improvement in the area of silviculture responsibilities. Other areas requiring the ministry's attention include the financial and operational information being gathered and public reporting on the extent to which the program's objectives have been achieved.

*George L. Morfitt, FCA*  
*Auditor General*

*Victoria, British Columbia*  
*August 1999*



# managing the woodlot licence program

# managing the woodlot licence program

*An audit to assess whether the Ministry of Forests is a prudent manager of the Woodlot Licence Program*

The current Woodlot Licence Program (Woodlot Program) was established in 1979 to increase opportunities for small-scale forestry in British Columbia. The program enables individuals, native bands and corporations to manage and harvest Crown timber. As at June 1, 1999 there were 784 woodlot licences issued and another 28 in the process of being issued.

## Audit Purpose and Scope

The purpose of the audit was to assess whether the ministry manages the Woodlot Program in a manner that is likely to achieve its objectives. Specifically, we assessed whether the ministry had:

- established and communicated to key stakeholders clear program goals and objectives;
- established a clear and defensible process for awarding woodlot licences;
- implemented a program to monitor and enforce compliance with the terms and conditions of woodlot licences;
- collected the information needed to manage the program; and
- provided accountability information to the Legislative Assembly in a timely manner.

We did not review the appraisal system used to charge licensees for the value of the timber harvested from Crown land nor did we directly measure the program's effectiveness. We did, however, seek to provide assurance that the ministry has mechanisms in place to do this. We focused our review primarily on the ministry's management of the Woodlot Program during the period since 1994 when the ministry announced it would significantly increase the number of woodlots.

The audit was carried out between December 1998 and June 1999. Our examination was performed in accordance with value-for-money auditing standards recommended by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures we considered necessary in the circumstances.

## Overall Conclusion

We concluded that the ministry manages parts of the Woodlot Program well, while other parts require improvement to help ensure that the program's objectives are achieved.

The current Woodlot Program has existed for about 20 years and has gone through several phases during this period. In its early years, the program was small and operated in a relatively informal manner. As the program's popularity grew, many applicants failed to get a woodlot and this led to concerns about the licence award process. In 1989, the ministry introduced a formal woodlot award process that has undergone two significant revisions, one in July 1993 and the other in March 1996. While complaints about woodlot licence awarding have not stopped completely and improvements are still needed to make the process more accurate and objective, the ministry has made good progress in addressing stakeholder concerns about the licence award process.

The ministry has established short-term goals for the program and has worked diligently towards achieving them. For example, recent efforts have been focused on regulatory streamlining and the significant expansion of the number of woodlots. The ministry, however, needs to develop a long-term vision for the program and a strategic plan for how it expects to achieve that vision. Also, continued efforts are needed to ensure that all stakeholders share a common understanding of the program's purpose and that administrative policies adequately support achievement of the program's goals.

The ministry has clearly laid out the responsibilities that licensees must meet to ensure that they do not harm the forests or negatively affect values that are important to local communities. The ministry also does a good job of seeing that licensees meet their planning and harvesting responsibilities, however, silviculture monitoring has been deficient in some instances. The ministry has effective enforcement tools to deal with licensees who are negligent in their responsibilities and it uses them when it deems it appropriate.

Program information designed to manage the day-to-day affairs of the program needs improvement in some districts. It is, therefore, difficult to prepare complete and accurate summary information at the headquarters level.

Although the ministry gathers information about program revenues and direct costs, indirect program costs are not included. This makes it more difficult to assess how much the

program contributes to government operations and whether or not program changes are required. The ministry lacks a fully developed program performance evaluation framework, and it has not carried out a comprehensive evaluation of the extent to which program goals have been achieved. The ministry's annual reporting to the Legislative Assembly is out of date and the information provided in it does not adequately demonstrate accountability for the resources entrusted to the ministry to deliver the Woodlot Program.

## Key Findings

The program has developed slowly, but recent ministry targets for increasing the number of woodlots in the province and the annual volume of timber harvested have been achieved

The modern version of the Woodlot Program was established after a Royal Commission, chaired by Peter Pearse, reported on it in 1976. At the time, there were only 37 licences issued. The program progressed slower than was expected, taking about 13 years to reach 450 licences. In 1989, the Minister of Forests announced intentions to add another 450 licences to the program, but the expansion fell well short of this target. In 1994, a new Minister of Forests again announced intentions to double the size of the program to 1,000 woodlots by December 31, 1997, and to double the volume of timber harvested to about 1 million cubic metres per year. Early in 1996, the ministry determined that the target was unattainable and reduced it to having 350 more licences advertised by December 31, 1997. The revised target has since been achieved. With few exceptions, further advertising of new woodlot licences was suspended in July 1998 by the ministry because of concerns about future program funding.

Some important administrative improvements have been made recently, but more is needed to help ensure that program goals are achieved

The ministry recently introduced administrative streamlining to be more consistent with the small-scale nature of the program, and it continues to look for further improvements. Some other administrative policies, however, do not adequately address issues that arise in the daily affairs of the program, and this could affect achievement of the program's goals. For example, the ministry needs to provide licensees and staff with better guidance in the area of licence transfers.

## Improvements are needed in the licence award process to make it more accurate and objective

The ministry has implemented a process to help ensure that licences are awarded only to eligible and suitable applicants. However, a few mathematical errors and inconsistent application of policies have occurred causing some stakeholders to question the integrity of the process. We believe that the ministry can improve the process by:

- having staff be more vigilant in its calculations and review of competition results;
- ensuring staff and applicants have a good understanding of the application evaluation process and criteria;
- providing better provincial definitions for some of the key criteria used in the evaluation process;
- developing a simpler and more objective application and evaluation process;
- complying with its own predefined category weighting ranges when advertising new woodlot opportunities; and
- ensuring that the 30-day administrative review is applied consistently.

## The ministry does a good job of ensuring that licensees' planning and harvesting responsibilities are met, but silviculture monitoring has been deficient in some instances

The ministry has clearly defined licensee responsibilities that involve both planning and operational requirements. Plans and permits are required before any operational activities take place, and the ministry uses a risk assessment model to determine when and how often each woodlot needs to be inspected to ensure that operational responsibilities are met. The ministry does a good job of ensuring that the required documents are obtained from licensees and that the required inspections take place during harvesting. However, monitoring of licensees' silviculture responsibilities has been deficient in some instances and will require greater emphasis in the future. The ministry also has powers ranging from warnings to licence cancellation to enforce the rules and it acts when it deems it appropriate to do so.

## Operational and financial information needs improvement

Information needed to manage the day-to-day administrative affairs of the Woodlot Program needs to be improved. The information systems were not specifically designed to manage the Woodlot Program and some district employees consider them difficult to use. Also, some districts do not enter woodlot data in a timely manner. It is, therefore, difficult to produce meaningful and timely summary program information at the headquarters level, such as:

- number of woodlot licences issued and in process;
- number of Crown and private hectares included under woodlot licences; and
- allowable annual cut for each of the Crown and private land portions of woodlot licences.

Information about the program's financial results is incomplete. The ministry collects information about the direct costs associated with the program, but indirect costs such as administrative salaries and office rent attributable to the program are not determined. This makes it difficult to assess if the program is operating as was intended and if the program requires changes. Given scarce government resources, it is important for the ministry to know the answers to these questions so that the appropriate actions can be taken.

The ministry lacks a performance evaluation framework for the Woodlot Program, and information provided to the Legislative Assembly is inadequate

The ministry does not have a fully developed performance evaluation framework for the Woodlot Program. Program goals have been established, but the ministry lacks clearly defined performance indicators and targets that can be measured to allow an assessment of the extent to which the program's goals have been achieved. In addition, the program has not been formally evaluated. Finally, the information provided in the ministry's annual report is out of date and insufficient to adequately demonstrate accountability to the Legislative Assembly for the resources devoted to the program.



## summary of recommendations

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### Establishing Program Goals and Policies to Achieve Them

***We recommend that the Ministry of Forests:***

- ***continue its efforts to ensure that all stakeholders share a common understanding of the program.***
- ***develop a long-term vision for the Woodlot Program and a strategic plan to achieve that vision with the resources likely to be available.***
- ***formulate a clear policy on woodlot licence transfers.***
- ***continue to streamline woodlot administrative requirements in a manner that is consistent with the small-scale, innovative nature of the program and the level of risk the woodlots present.***
- ***top-up woodlots only when doing so contributes to the achievement of the program's goals.***
- ***ensure that licensees meet all performance expectations before granting woodlot top-ups.***
- ***consider ways to deal with the administrative limitations caused by the current woodlot size maximums.***
- ***ensure that the cut control policy is applied fairly and consistently to all licensees.***

### Choosing the Right Licensees

***We recommend that the Ministry of Forests:***

- ***provide better provincial definitions for some of the key criteria used in the application evaluation process.***
- ***ensure that staff and applicants have a good understanding of the application evaluation process and criteria.***
- ***consider developing a simpler, more objective application evaluation process.***
- ***ensure that district offices comply with the predefined category weighting ranges when advertising woodlot licence opportunities.***
- ***ensure that all districts apply the 30-day review process in a consistent manner.***

## Ensuring Licensees Meet Their Obligations

*We recommend that the Ministry of Forests:*

- *ensure that licensees are held accountable for significant promises made in their applications.*
- *ensure that licensees meet their silviculture responsibilities.*

## Gathering Program Information

*We recommend that the Ministry of Forests:*

- *ensure that essential data is entered into the systems in a timely manner.*

## Evaluating and Reporting Program Results

*We recommend that the Ministry of Forests:*

- *develop a program evaluation framework for the Woodlot Program and periodically evaluate the program's performance.*
- *gather information about all costs attributable to the Woodlot Program to allow an assessment of financial results.*
- *provide comprehensive program performance information to stakeholders and the Legislative Assembly in a timely manner.*



# about the woodlot licence program

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## Purpose of the Woodlot Licence Program

The Woodlot Licence Program (Woodlot Program) was established to increase opportunities for small-scale forestry in British Columbia and is designed to:

- increase the amount of private forest land being managed on a sustained yield basis;
- increase the productivity of small parcels of forested land;
- promote local employment opportunities; and
- promote excellence in forest management.

Support for the concept of small-scale, locally based forestry rests on several perceived benefits over large-scale operations, including expectations that there will be:

- increased economic opportunities in British Columbia's forests;
- better management of the forest;
- a greater investment in silviculture;
- more attention paid to environmental and other non-timber values; and
- more benefits flowing to local communities.

## What Is a Woodlot Licence?

A woodlot licence is a legal agreement between the Ministry and a licensee that grants the latter the exclusive right to manage and harvest Crown timber within a particular licence area. In most cases, the licence area includes private forest land—usually adjacent to or near the Crown lands portion—owned by the licensee. The right to Crown timber is granted in return for the licensee's agreement to manage the total licence area according to applicable legislation and the licence agreement. No other rights are granted through a woodlot licence.

The maximum Crown land portion of a woodlot licence is 400 hectares on the Coast and 600 hectares in the Interior. Any amount of private land can be included in the licence area. The allowable annual cut (AAC) from woodlot licences accounts for less than 1.5% of the AAC from Crown land and private land included in all forest tenures throughout the entire province.

The ministry usually identifies woodlot licence areas. However, individuals can also propose that a parcel of Crown forest be made available under a woodlot licence. All areas being considered for a woodlot licence are evaluated based on size, location, topography, forest make-up, ease of access, absence of forest pest problems, and other resource values.

Woodlot licences are valid for a 15-year term and are replaceable every five years from the date of issue. This system of licence replacement, which can go on indefinitely, is designed to provide licensees with the long-term security needed to increase the productivity of the land and to practice “excellence in forestry.”

When private land is included in the woodlot licence, all forestry operations on that land must comply with applicable legislation. Timber harvested from private land is not subject to stumpage fees. In addition, the licence holder can use the private land for other purposes that are compatible with forest management, such as livestock grazing or recreation.

## Comparison with Other Forest Tenures

The ministry grants rights to harvest Crown timber according to different “tenures” that grant certain rights to, and impose certain obligations on, the licensees. Woodlot licences are most comparable in contractual terms to tree farm licences. For example, woodlot licences provide long-term security over access to the timber. Woodlot licensees, however, harvest relatively small volumes of timber, so they do not enjoy the benefits from economies of scale, as do the large tenures. In addition, because woodlot licensees are limited to log sales only, they do not enjoy the benefits of adding value through manufacturing. At the same time, woodlot licensees face similar responsibilities as the large tenures, such as having to construct and deactivate roads, reforest the land after harvesting, and meet extensive planning requirements. In the case of some other tenures, such as timber sale licences under the Small Business Forest Enterprise Program, the ministry, in return for higher stumpage fees, assumes the responsibility for most of these activities.

## Program History

In 1948, the Forest Act was amended to allow for farm woodlots that could be obtained by farmers. The program was restrictive and farm woodlots were limited to areas that could sustain production of about 283 cubic metres, which requires about 40 hectares on the Coast and 100 hectares in the Interior.

In 1956, a Royal Commission, conducted by chief Justice G. McG. Sloan, found that the program had progressed slowly, with only 37 licences issued. Commissioner Sloan looked at the many requirements placed upon licensees relating to data, inventories, sustained yield planning, reforestation and harvesting, and concluded that most farmers would find the program “not worth the trouble.” Recommendations were made to make the program simpler.

The Pearse Commission subsequently reported on the program in 1976 concluding that performance was disappointing—there were still only 37 farm woodlots in good standing. Recommendations were provided and, shortly thereafter, the following program changes were made:

- The maximum size of a woodlot was increased to 400 hectares.
- The requirement that an applicant must be a farmer was removed.
- The requirement to own private land was removed.
- A licence term of 15 years, with replacement after 5 years, was introduced.

Despite these changes, however, the program continued to see a disappointing growth in the number of woodlots, until the period between 1984 and 1989 when the number of woodlots grew to about 450.

In February 1988, the ministry requested that another study of the Woodlot Program be done. It was conducted by J.M. Bakewell, RPF, P. Eng., who concluded that woodlot licensees:

- did not enjoy economies of scale because of their low volume of production;
- bore responsibility for large contractual obligations that limited their opportunity for profitability;

- had difficulties making their woodlots viable in many cases because of high initial development costs, high operating costs and limited or non-competitive markets;
- were put at a disadvantage by a timber pricing system that was inappropriate to the tenure; and
- urgently needed extension services (training and education) to help them address and solve their woodlot-related problems and make informed decisions.

Based on the Bakewell study, the Minister of Forests announced, in July 1989, that the ministry would add 450 woodlots to the existing number, and increase the AAC from 420,000 to 850,000 cubic metres. Extension services would also be expanded. These changes, however, were not as successful as planned.

In September 1990, the ministry requested that yet another study be undertaken. This time Mr. David Gillespie, a lawyer from Kamloops, was asked to look at both the Small Business Forest Enterprise Program and the Woodlot Program. He concluded that the latter had many positive benefits, but that the additional woodlots announced in 1989 had not materialized to the extent expected because the ministry lacked the staff and resources necessary to make it happen. He recommended that:

- new woodlots be added only after the ministry received the necessary resources;
- extension services be provided as a joint effort of both the ministry and the private sector; and
- the program be removed from the major licensee category in the Forest Act to allow a streamlining of the regulatory requirements imposed on the program.

In 1992, following a review of the program conducted with the Federation of British Columbia Woodlot Associations, the ministry introduced several program changes to address some of the concerns raised. For example, a decision was made to “top-up” woodlots in the Interior from 400 to 600 hectares.

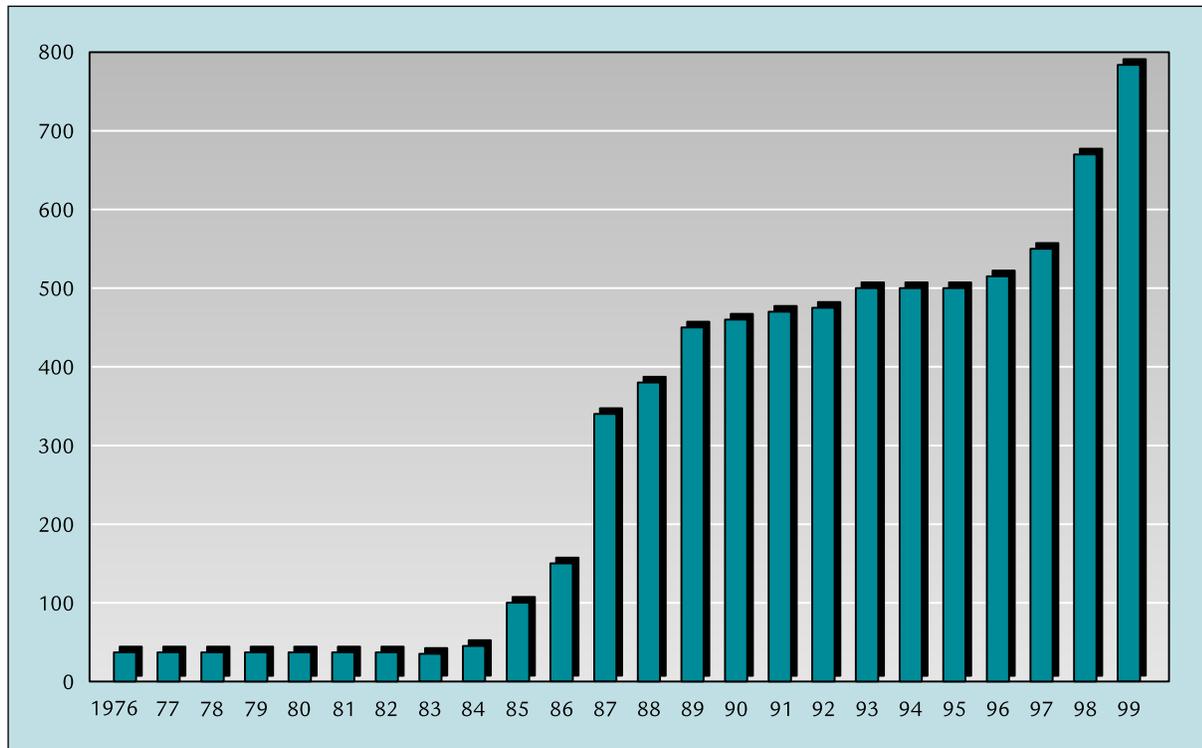
In 1994, the Minister of Forests announced his intention to increase the number of licences to 1,000 within three years and to increase the AAC for the program to about 1 million cubic metres. The reasons given for the increase were that the program was popular and had long needed expansion, and that the ministry was now able to carry it out with \$24 million

Key Events in the Development of the Woodlot Program		
Date	Licences Issued	Event
1948	0	Forest Act amended to allow farm woodlots.
1956	37	Sloan Royal Commission recommends simplifying the program.
1976	37	Pearse Royal Commission leads to creation of the modern-day Woodlot Program.
1984	45	Beginning of a period of rapid program expansion.
1987	340	On October 1, 1987, woodlot licensees become responsible for funding basic silviculture on areas that they harvest.
1988	380	Silviculture Regulation requires woodlot licensees to prepare and implement silviculture prescriptions for new cutblocks.
1989	450	Bakewell study of 1988 recommended program simplification and other measures to accommodate program expansion including the addition of ministry resources. The ministry responds by announcing that 450 additional licences will be issued.
1991	460	Gillespie study notes that the expansion announced in 1989 was not successful due to a lack of needed resources. He recommends that the program be streamlined.
1994	500	Ministry announces that it expects to issue about another 500 licences (later revised to an additional 350 licences advertised) by December 31, 1997.
1995	500	Forest Practices Code is introduced, adding to the complexity of woodlot licence administration.
1997	550	The revised goal of advertising 350 new woodlot licences is 97% achieved.
1998	670	Ministry announces in July that the advertising of additional licences is being halted until program funding can be secured. Program streamlining occurs in November 1998 through amendments to the Forest Act, Forest Practices Code of BC Act and the woodlot licence agreement.
June 1, 1999	784	Ministry had issued 784 licences, with another 28 nearing completion.

**in funding being made available from Forest Renewal BC. On April 1, 1996, the ministry, recognizing that the goal of 500 new woodlot licences would not be met, approved the decision to accept a lesser goal of advertising 350 new licences by December 31, 1997. The ministry discussed these changes at several public meetings. The primary reasons cited for the ministry’s inability to achieve the original goal were the difficulty in staffing woodlot licence forester positions and finding suitable areas of unencumbered Crown land. Forest Renewal BC also agreed to provide the ministry with additional funding of \$3.1 million for the 1998/99 fiscal year.**

## Exhibit 1

## Growth in the Number of Woodlot Licences Issued in British Columbia, 1976–1999



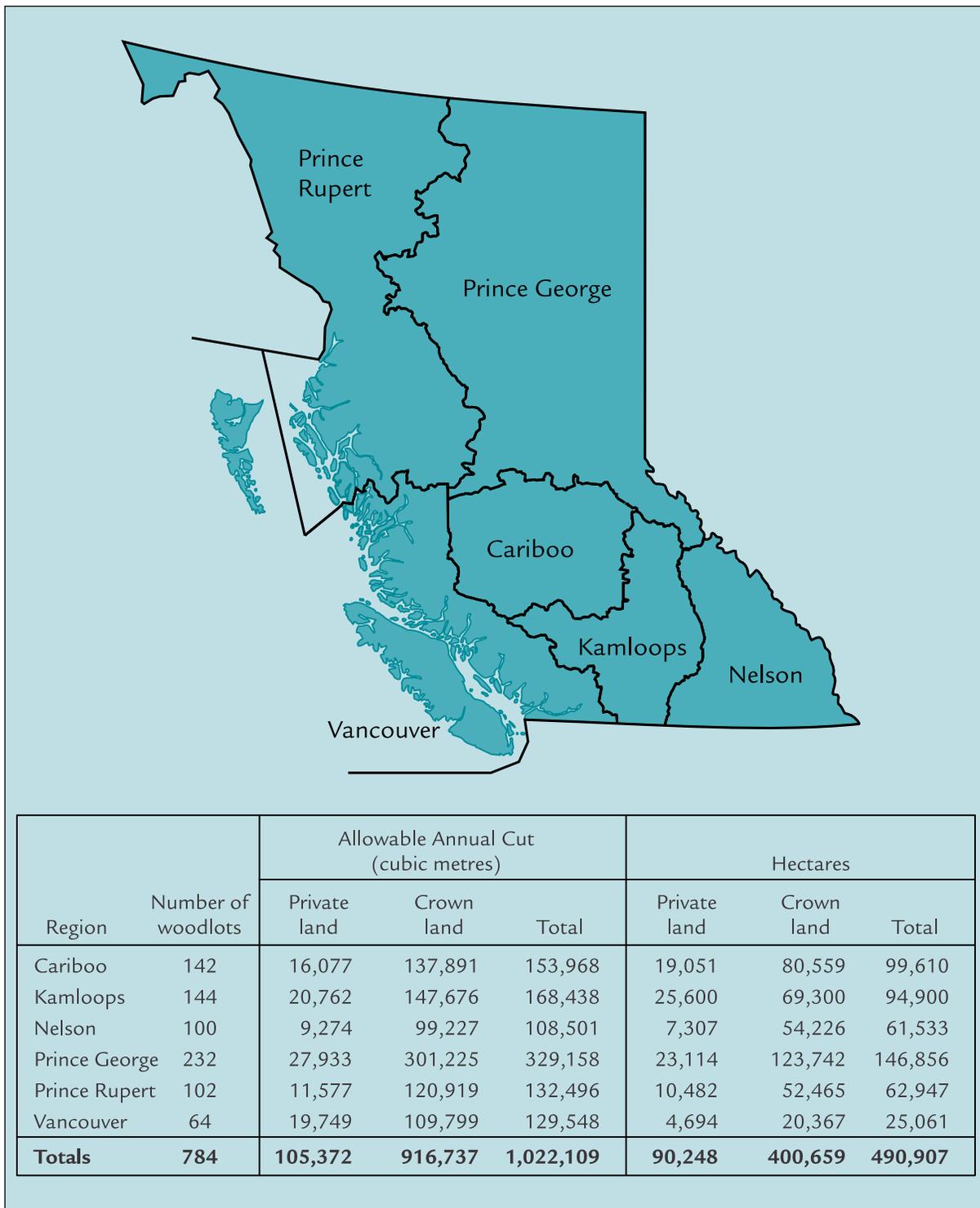
Source: Ministry of Forests

According to the ministry's records, it was able to advertise 338 licences by December 31, 1997 (97% of its revised goal) and then to increase this to 362 licences later in 1998. The ministry cannot control exactly when a licence will be issued because it is up to the successful applicant to prepare and receive approval of a management plan before the licence is issued. The number of active woodlot licences issued by region and their size (in AAC and area, both in the private and Crown portions) as at June 1, 1999, was 784 with another 28 to be issued shortly after that (Exhibit 2).

The ministry was informed that Forest Renewal BC funding for the program would cease at the end of the 1998/99 fiscal year. Consequently, the ministry announced in July 1998 that further advertising of new woodlot licences would be curtailed until program funding could be assured.

Exhibit 2

Description of Woodlot Licences Issued in British Columbia, by Forest Region  
(as at June 1, 1999)



Source: Ministry of Forests

Woodlot licences are issued to a variety of people. A summary of the occupational status of the different licensees is shown in Exhibit 3.

## Licensing Process

To obtain a woodlot, applicants must meet eligibility requirements and obtain the highest score in a competitive process. The application evaluation and award process has evolved over many years from a simple process with few applicants to one that is much more structured and involves numerous applications for a single woodlot. These requirements are discussed below.

## Eligibility

The Woodlot Program is open to all Canadian citizens and permanent residents who are at least 19 years old, as well as to native bands and Canadian-controlled corporations. However, applicants owning, leasing or controlling a corporate interest in a timber processing facility are not eligible.

## Exhibit 3

### Summary of the Occupational Status of Woodlot Licensees as at December 31, 1998

Occupation	% of Total
Registered Professional Forester—major company	6.3
Registered Professional Forester—consultant	6.7
Registered Professional Forester—independent	1.6
Technician—major company	0.8
Technician—consultant	3.2
Technician—independent	0.1
Farmer/rancher	32.2
Logger	22.0
First Nations Band	2.8
Ex-Ministry of Forests employee	3.8
Current Ministry of Forests employee	0.1
Other	20.4
<b>Total</b>	<b>100.0</b>

Source: Ministry of Forests

## Licence Awarding

All licences must be awarded through a competitive process that is designed to choose people whose applications best support the program's goals.

All licences must be advertised. An application information package is available that contains full particulars, including details of the woodlot in question and the closing date for applications. Once the applications are received, the ministry district office evaluates the applications and awards the licence to the successful applicant.

Applications are evaluated based on: the amount, quality and proximity of private forest land to be included in the licence; the applicant's related education, training, experience and private land history; and the forest management commitments for the licence area. On the rare occasion there are two or more equally qualified applications, the applicant making the highest bonus offer submission (financial compensation) is awarded the woodlot.

## Legal and Regulatory Environment

The Forest Practices Code of British Columbia Act, the Forest Act, and their accompanying regulations regulate forestry in British Columbia. The regulations detail the procedures, policies and standards all licensees must follow to ensure that the woodlot is properly managed for sustainability, optimum economic return and a host of other values such as wildlife conservation and cultural concerns. On November 30, 1998, a new Woodlot Licence Forest Management Regulation came into effect. It consolidates virtually all Forest Practices Code regulation references to woodlot licences into one regulation, making the legal, administrative and operational obligations of a woodlot licensee easier to understand. It also introduces several initiatives to help make the requirements less onerous and costly. The changes, for example:

- reduce the number of planning documents;
- reduce the information required in plans and eliminate the duplication of information contained in plans;
- reduce the number of professional forester signatures required in planning documents;
- replace silviculture prescriptions with site plans that require less information;
- allow site plans to be prepared for a larger area than just one cutblock;

- allow site plans to be amended or created in certain circumstances without the need for the plans to be signed by a professional forester;
- allow new cutblocks to proceed without logging plans;
- reduce public advertising requirements;
- increase the volume that can be harvested as minor salvage operations to 2,000 cubic metres;
- allow minor harvesting operations to be carried out without amendments to the forest development plan;
- reduce the information required in stand management prescriptions;
- waive the requirement for professional foresters to sign road layout and designs;
- eliminate the need for woodlot licensees to carry out watershed assessments; and
- reduce Forest Practices Code obligations on woodlot licensees, compared to the obligations on major licence holders, while still maintaining environmental standards.

## Plans and Permits

Licensees are required to prepare and submit various plans and permit applications throughout the operation of the licence. The plans and permits describe the woodlot and the licensee's intentions in considerable detail and allow the ministry to satisfy itself that legislative and ministry requirements will be met. Approval can take from two weeks to six months and can vary between districts. A brief description of the required plans and permits follows:

**Management plans** are designed primarily to propose an AAC for the woodlot licence and to record the commitments made by the licensee in the application for the licence. The plans provide inventory information on timber and other resources, and contain statements outlining significant management activities that are consistent with the Forest Practices Code and have a bearing on the AAC. Each plan should be submitted within six months of the date the woodlot licence was awarded and, once approved, is valid for as long as the district manager is satisfied with the AAC that has been determined for the licence. Until the streamlining changes made in 1998, the management plan had to be revised every five years and had to outline in considerable detail the management objectives and a general description of all activities that would be carried out on the licence.

**Forest development plans** provide detailed maps of the licence area, outline the proposed harvesting and road operations, and describe measures to protect all forest resources. Although it is recommended that a forest development plan cover a period of five years of operations, the flexibility of the new regulations allows plans to be approved for a longer or shorter term.

**Site plans** provide a detailed description of standards that must be achieved on a proposed cutblock for soil conservation, silviculture, riparian and wildlife management, stand level biodiversity and visual quality. Such plans must be completed for virtually all proposed cutblocks before harvesting begins. A site plan remains in effect until all obligations outlined in the plan have been completed to the satisfaction of the district manager. The requirement to prepare site plans before harvesting a cutblock replaces the previous requirement to prepare silviculture prescriptions before harvesting.

**Logging plans** which used to be required for each proposed cutblock within a licence area, described planned harvesting and road operations. Under the 1998 streamlining, the requirement to prepare a logging plan before harvesting was eliminated. Where a logging plan has been approved, it remains in effect until all operations outlined in the plan have been completed to the satisfaction of the district manager.

**Permits** are required to authorize use of specific roads on Crown land, to construct new roads within a cutblock, or to access a cutblock. Also, before harvesting may occur, a licensee must obtain a cutting permit that grants authorization to harvest trees on one or more cutblocks. The proposed cutblock(s) must be identified in an approved forest development plan. The permit contains several conditions, such as felling, bucking and utilization specifications, which must be followed by the licensee.

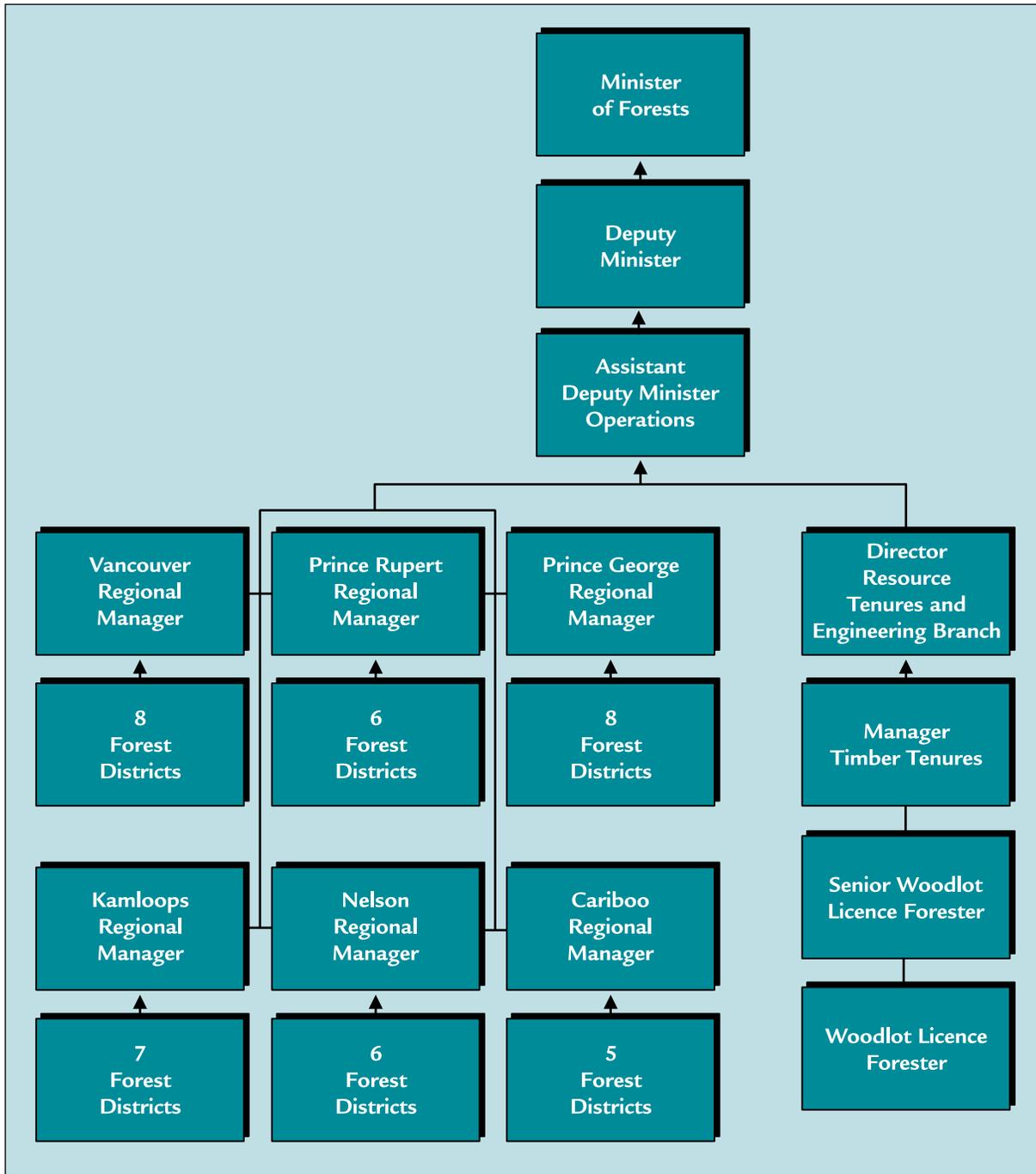
**Operational cruises** help to determine the species composition, grades and volume of timber within a specified area. They also allow the ministry to establish stumpage payable to the Crown and to verify volumes harvested. Except in limited circumstances where comparable estimates may be used, the licensee must complete an operational cruise before applying for a cutting permit on Crown land.

## Organization and Staffing

The Woodlot Program falls within the responsibility of the Operations Division of the ministry and includes a number of regional and district offices located throughout the province (Exhibit 4).

Exhibit 4

Organization and Staffing of the Woodlot Licence Program



Source: Ministry of Forests

## Regional Offices

The ministry's six regional offices, each under the direction of a regional manager, are the general administrative centres for the forest regions and the districts within them. With input from the districts, regional offices develop priorities, programs and procedures for the region, based on broad provincial policies. They also supply professional and technical expertise to help the districts implement programs.

## District Offices

District offices put ministry policies into practice by carrying out regional priorities and ensuring that licences, permits and legislative requirements (such as the Forest Practices Code) are complied with at the field level. A listing of region and district offices is provided in Appendix A.

Before Forest Renewal BC funding in 1994, the Woodlot Program lacked dedicated staffing and resources in most districts—only 6 staff province-wide in 1994 vs. 47 in 1997. Now that the program has expanded to more than 800 woodlots, there is an increasing expectation amongst licensees and ministry staff that the ministry's commitment to the program will continue. This, however, is occurring at a time when Forest Renewal BC funding for the program has been withdrawn.

## Extension Services

Extension services involve providing education and training to licensees to assist them in solving problems related to the operation of their woodlots and in making informed decisions. The ministry and the Federation of British Columbia Woodlot Associations (FBCWA) have been working together over the last three years to coordinate the delivery of extension services throughout the province with funding from Forest Renewal BC. Extension services are provided directly by ministry staff, local woodlot associations and consultants, and encompass both formal training on specific topics as well as advice provided by ministry staff to individual licensees (e.g., when conducting field inspections). Examples of some recent formal extension services include:

- setting of re-inventory standards;
- AAC determination;
- establishment of inventory labels and site indices;
- identification of the extent of mule deer winter range;
- development of a woodlot reference handbook;

- site cruising to identify species and their volumes;
- stumpage determination and profitability;
- cut control;
- pest management; and
- brushing, spacing and landscape planning.

## Our Expectations

We expected the ministry to manage the Woodlot Program in a manner that is likely to achieve its objectives. Specifically, we assessed whether the ministry had:

- established and communicated to key stakeholders clear goals and objectives for the program;
- established a clear and defensible process for awarding woodlot licences;
- implemented a program to monitor and enforce compliance with the terms and conditions of the licence;
- collected the information needed to manage the program; and
- provided timely accountability information to the Legislative Assembly.

These expectations are based on the ministry's stated goals for the Woodlot Program and on generally accepted management practices. In the following sections of the report, we present our audit findings and conclusions about the extent to which the ministry meets these criteria.



# establishing program goals and policies to achieve them

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Before government can assess the relative success of one of its programs, it must first have clear program goals and a strategic plan to outline how it plans to achieve them. Policies are also needed to help guide those involved with day-to-day program administration towards achievement of the intended goals. We expected to find clearly stated goals for the Woodlot Program that have been communicated to, and are understood by, key stakeholders. We also expected to find a strategic plan that describes how the ministry expects to develop the program given its available resources. Finally, we expected to find clearly stated administrative policies to address all significant operational issues and to guide participants towards achievement of the program's goals.

## Conclusion

The ministry has established short-term goals for the Woodlot Program, such as the recent expansion program and the streamlining initiative, and has worked diligently towards their achievement. The ministry has not, however, established a long-term program vision and a strategic plan outlining how it expects to achieve that vision. The ministry also needs to continue its efforts to ensure that all stakeholders share a common understanding of what the program is trying to achieve, and some administrative policies need to be improved to ensure that they support achievement of the program's goals.

## Findings

### Program Goals

#### *Clarity and Stakeholder Understanding*

The ministry's promotion of the Woodlot Program is based on the belief that there are several benefits over large-scale forestry, including an expectation that the forest will be better managed, that more attention will be given to environmental and non-timber values, and that local communities will enjoy greater benefits. Program proponents point to the success of small-scale forestry on private woodlots in regions such as Finland, Sweden, New Brunswick, the United States and other jurisdictions.

We found that the ministry has established goals for the Woodlot Program. According to the ministry, the program was established to increase opportunities for small-scale forestry in British Columbia and was designed to:

- increase the amount of private forest land being managed on a sustained yield basis;
- increase the productivity of small parcels of forested land;
- promote local employment opportunities; and
- promote excellence in forest management.

Other goals mentioned from time to time by the ministry are to:

- provide social and economic benefits, thereby contributing to the stability of local communities; and
- increase the diversity of the forest sector.

The ministry has communicated the program’s goals to key stakeholders by using a variety of methods, including ministry booklets, a video and pamphlets outlining these matters. The goals are reiterated in advertisements of individual woodlot opportunities and again in the application package supplied to prospective applicants. However, in our opinion, the ministry needs to continue its efforts to ensure that all stakeholders share a common understanding of the program’s purpose.

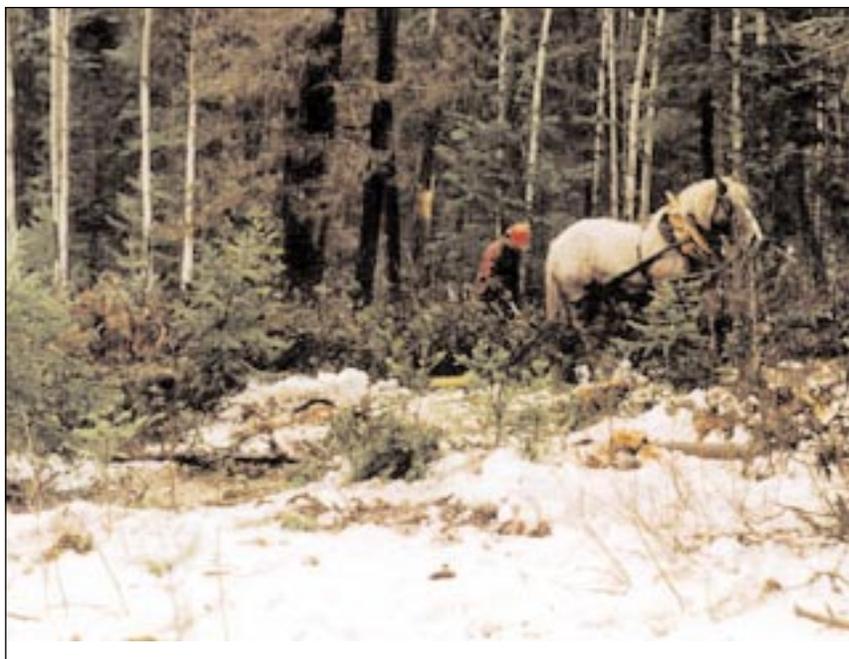
Stakeholders we contacted were aware of the program’s goals, but they had different interpretations of what the goals mean. For example, the term “small-scale forestry” does not have the same meaning for all stakeholders. For some, it involves concepts like selection logging, horse logging, and environmental sensitivity. Yet, in practice, some licensees operate like major forest companies. They use highly mechanized equipment to log five years of annual cut in a matter of days and they are very profit-oriented. In effect, they are practicing

### What Is Small-Scale Forestry?

“Small-scale forestry provides an entry into the science and business of forestry to people with diverse interests and backgrounds. It encourages experimentation with different forest management strategies, methods, and equipment in an environment that can be closely monitored. In this way, the program stimulates diversity within the industry by encouraging new entrepreneurs.”

“Small-scale forestry brings people into closer touch with their environment and their values. For some, it is a secondary income, for most a lifestyle. Land stewardship and the production of non-timber resources are the goals of many small-scale woodland operators.”

Source: *Managing Your Woodland: A Non-Forester’s Guide to Small-Scale Forestry in British Columbia*  
Reid, Collins and Associates Limited, 1998



*An example of small-scale forestry. A licensee uses horses to log his woodlot.*

Courtesy: J. Hilton

*Another example of small-scale forestry. A licensee uses the selection logging method.*



Courtesy: J. Hilton

large-scale forestry on a small scale. That the ministry allows this to happen concerns some stakeholders, who do not believe this is the program's intent.

As well, the program goal relating to local employment has led some individuals to believe that woodlot licences should be awarded only to local residents and to suspect wrongdoing by the ministry when successful applicants are not from the immediate area.

The ministry's promotional material says that the program is designed to supplement other sources of income, but we found no clear definition of this important issue. One can argue that this is critical to achievement of the overall aim of the program. If licensees cannot generate a reasonable income from their woodlots, then it is less likely that they will do the things needed to improve the productivity of the forest or to practice excellence in forestry. A clear definition of what is meant by "supplementing income" is also important because the level at which it is set should have a direct effect on the size and quality of the woodlot needed to achieve that level of income.

***We recommend that the ministry continue its efforts to ensure that all stakeholders share a common understanding of the program.***

## Strategic Planning

Government managers need both short- and long-term planning to manage their programs effectively. We found that the ministry has established short-term goals for the program and has worked very hard to achieve them. For example, the past few years have seen a heavy focus by ministry staff on awarding and issuing woodlot licences in order to meet program expansion goals. Ministry staff also worked diligently to implement changes aimed at streamlining the program's administrative requirements.

We believe that program managers also need to identify a long-term program vision and a plan to indicate how they expect to achieve that vision. Given available resources, for instance, the ministry needs to consider:

- how many woodlots it ultimately expects to have in the province;
- how many new woodlots it expects to add each year; and
- how it expects to distribute the woodlots around the province.

We found that the ministry does not have an up-to-date strategic plan to describe how it intends to achieve its vision of the Woodlot Program.

***We recommend that the ministry develop a long-term vision for the Woodlot Program and a strategic plan to achieve that vision with the resources likely to be available.***



*A front-end loader is used to load logs onto a logging truck.*

Courtesy: D. Kelso

*An example of highly mechanized forestry. A forwarder is used to thin pine.*



Courtesy: A. Andersen

## Administrative Policies

### *General Policy Guidance*

Any program should have administrative policies to guide stakeholders towards the achievement of the program's goals. We found several aspects about the design of the Woodlot Program's policies that are helping it do this. For example, encouraging private landowners to incorporate their

land with that of the Crown under the umbrella of a woodlot licence helps to achieve the goal of increasing the amount of private forest land under sustained yield management. As at June 1, 1999, there were about 90,000 hectares of private land under woodlot licences in the province.

The private and Crown land components placed in a woodlot licence frequently involve pieces of land that have not previously been managed for forestry purposes or are in community interface zones not desirable for other tenures. Therefore, the program helps to address the goal of improving the productivity of these small parcels of land.

Finally, legislation requires that all forestry operations carried out on both Crown and private land included in a woodlot licence must comply with the licence agreement and any other commitments made in the management plan. This helps to meet the goal of promoting “excellence in forest management” by ensuring that the forests are managed for sustainability, optimum economic return, and a host of other values such as wildlife conservation and cultural concerns.

However, some specific administrative policies are not as effective as they might be at promoting attainment of the program’s goals. These are discussed below.

### *Licence Transfers*

The ministry recognizes the importance of providing long-term security for woodlot licensees. For example, licences have a 15-year term and are replaced every five years if the licensee is a good operator. This is important to achieving the program’s goals, as evidence suggests that the more secure the tenure, the more likely the licensee will be to invest in long-term enhancement of the woodlot, which will lead to improved productivity of the land.

An important area of tenure security has to do with the ability of licensees to transfer their woodlot licences when they feel the need to do so. In our opinion, the ministry has not provided adequate guidance to its staff and licensees on this issue.

The need to transfer a woodlot licence might arise for a variety of reasons such as retirement, health problems, divorce, relocation from the area, and so on. The Forest Act requires that the minister approve transfers. This presents difficulties for ministry staff because licensees expect them to be able to answer specific questions about licence transfers.

### Private Land Sold Due to a Divorce Settlement

A licensee was awarded a woodlot licence based, in part, on the contribution of a sizable piece of private land. Several years later, a court ordered the sale of the contributed private land as part of a divorce settlement. The original licensee was allowed to continue holding the woodlot licence even though there was no longer any private land associated with the woodlot. The ministry has not asked the licensee to contribute any additional private land.

Some licensees are approaching the time when they will need to relinquish their woodlot, and they are seeking guidance on their options for completing a transfer. In some instances, licensees are considering transfers that might involve other family members, family partnerships, family corporations or unrelated parties. Since, in some families, the parents and their children each have a woodlot, there is a question as to whether or not the parents can legally transfer the woodlot to their children—the Forest Act prohibits program participants from holding more than one licence. A number of licensees told us they considered various legal arrangements to meet the ministry’s rules, but they are not sure if any of these will be acceptable to the ministry.

Woodlot licence transfers also present a concern from the view of ensuring “excellence in forestry.” Even where the licence is transferred to a family member, there is no guarantee that the person has the education, experience or desire to operate the woodlot in accordance with the terms of the licence. It is, therefore, important that the ministry’s licence transfer policy require the new licensee to meet or exceed the original licence requirements. However, ministry staff, lack the guidance to address these questions and licensees lack the security of knowing what options will be acceptable to the ministry.

***We recommend that the ministry formulate a clear policy on woodlot licence transfers.***

### Transfer to a Third Party

In 1992, the ministry allowed the private land portion of a woodlot licence to be sold to a third party. After the sale, the woodlot licence was transferred to the same third party without the application process being reopened to other interested potential applicants. The ministry required the private land portion to remain with the woodlot licence. Stakeholders criticized the ministry for what they saw as a lack of fairness and equity in its licence transfer policy.

## Regulatory Requirements

Significantly affecting the success of licensees and ultimately the Woodlot Program is the extent of regulation placed on licensees. In our opinion, the administrative requirements have been inconsistent with the small-scale nature of the program, the degree of risk presented and the ministry's desire to promote innovative forestry.

Woodlots originated on the principles of administrative simplicity, flexibility, experimentation and innovation. However, as increasing demands have been made on the forest industry to meet stringent environmental requirements, the same complex rules have been applied to woodlots that in many instances are cutting volumes 1/1000 that of the major companies. This has caused many stakeholders to become concerned by the extent and high cost of regulations, including those that required licensees to:

- prepare management plans, forest development plans, logging plans, silviculture prescriptions and stand management prescriptions;
- have documents prepared by Registered Professional Foresters;
- update forest development plans every five years; and
- apply for road construction and cutting permits.

To help address stakeholder concerns, the ministry successfully introduced a new Woodlot Licence Forest Management Regulation in November 1998 that contains changes to streamline regulatory requirements. At the time of our audit, many of the licensees and ministry staff we contacted had not yet applied the new regulation, making it more difficult for us to form an assessment of the changes. However, the Federation of British Columbia Woodlot Associations that represents many licensees is satisfied that the changes have made the Forest Practices Code regulations more flexible and should result in time and cost savings to both licensees and the government.

***We recommend that the ministry continue to streamline woodlot administrative requirements in a manner that is consistent with the small-scale, innovative nature of the program and the level of risk the woodlots present.***

*Woodlot Size and Top-ups*

Administrative policies should support the achievement of a program's goals. In our opinion, the ministry's policy to increase the size of new and existing woodlots does not always meet this requirement.

Beginning in 1979, the maximum size of woodlots across the province was set at 400 hectares. Over time, some licensees argued that an Interior woodlot would need to be 600 hectares to match the production of a 400-hectare coastal woodlot. In 1992, the ministry began a policy of increasing the size of new Interior woodlots to 600 hectares and increasing the size of existing woodlots to this new maximum. Existing licensees who were "topped up" were not required to add any private land and there was no requirement to advertise the top-ups to obtain public input. At the same time, there were new licensees available who would have brought additional private land into the program. We concluded that, the top-up policy works against achieving the important program goal of increasing the amount of private forest land being managed on a sustained yield basis.

Existing licensees were also not required to provide any financial justification to increase the size of their woodlots. Therefore, licensees who were already making a profit with their existing woodlot were given the chance to do even better, but new applicants were not given opportunities to practice small-scale forestry—the purpose for which the program was implemented.

We also noted significant variation in the way individual districts handled the top-ups. For example, some districts went to the extent of carrying out audits of each eligible woodlot to ensure that the licensees met the top-up performance requirements (denying some licensees until the next five-year anniversary date). Other districts, however, treated it as a "right" of the licensees and did little to assess the adequacy of their past performance.

Finally, we also heard that the current limits on the maximum size of woodlots reduces the ministry's ability to provide incentives for licensees to add more private land and to deal with:

- isolated parcels of Crown land;
- reductions in a licensee's AAC caused by Forest Practices Code constraints; and
- unprofitable woodlots due to low AACs.

***We recommend that the ministry:***

- ***top-up woodlots only when doing so contributes to the achievement of the program's goals-***
- ***ensure that licensees meet all performance expectations before granting woodlot top-ups; and***
- ***consider ways to deal with the administrative limitations caused by the current woodlot size maximums.***

*Cut Control Period*

Administrative policies should treat all licensees fairly and consistently. In our opinion, the cut control policy does not always meet this requirement.

The cut control period covers a five-year timeframe that begins on January 1 in the year that the licence is issued. During a cut control period, a licensee can determine when and how much timber is harvested. The goal is to allow the licensees greater freedom to respond to market cycles (e.g., a licensee could harvest the entire five-year cut in a single year when the markets are strong). Harvesting during the five-year period, however, must be between 90 and 110% of the total AAC for five years. This helps to ensure that the woodlots are active and that provincial revenues are generated.

Cutting less than 90% of the total AAC can result in a reduction of the licence area or AAC for future years. Cutting more than 110% of the AAC can result in a monetary penalty and a reduction in the volume of timber available for harvest in the next cut control period. The onus is on the licensee to monitor the volume of timber that is harvested each year. In cases where the policy places an undue burden on a licensee, districts are able to exercise discretion to address the concern.

We found that the cut control requirement worked well for licences issued early in a calendar year. However, in a few instances where the licences were issued late in the year, the district office prorated the first year's annual cut based on the number of months remaining in the year after the licence was issued. This is contrary to legislative requirements and reduces the licensee's timber volume during the cut control period.

***We recommend that the ministry ensure that the cut control policy is applied fairly and consistently to all licensees.***



## choosing the right licensees

A critical element in the delivery of the Woodlot Program is deciding who will be granted a licence. First, legislation places limitations on who may acquire a woodlot licence. Second, it is imperative that the ministry make good licensee choices, because managing a woodlot in accordance with regulatory requirements, improving its productivity, and meeting the expectations of the community requires licensees who have experience, skill and motivation. We therefore expected the ministry to have an objective basis for selecting winning applicants that are eligible and likely to achieve the program's goals.

### Conclusion

The ministry's process for choosing woodlot licensees is closely linked to the program's goals and helps to ensure that licences are awarded only to eligible and suitable applicants. However, a few mathematical errors and inconsistent applications of policies have occurred, causing some stakeholders to question the integrity of the process. Improving the accuracy and objectivity of the process requires:

- having staff be more vigilant in calculating and reviewing competition results;
- ensuring staff and applicants have a good understanding of the application evaluation process and criteria;
- providing better provincial definitions for some of the key criteria used in the evaluation process;
- developing a simpler and more objective application and evaluation process;
- complying with the pre-defined category weighting ranges when advertising new woodlot opportunities; and
- ensuring that the 30-day administrative review is applied fairly and consistently.

### Findings

#### Interest in Woodlot Licences

Although interest in the Woodlot Program is high, for a variety of reasons its growth was limited during the first 16 years of the program (1978–1994). Since then, the number of licences has grown more rapidly, with 784 licences issued and another 28 nearing completion at June 1, 1999.

We found that the ministry frequently received 5–10 applications for a single woodlot—in one case, there were 18 applications. An application for a licence frequently involves a sophisticated proposal researched and prepared by a Registered Professional Forester on behalf of the applicant, often at a cost exceeding \$5,000. Many of the applications we reviewed were from individuals who appeared to have good experience and education credentials, if not the qualifications of a registered professional. We therefore think it is important for the ministry to have an accurate and objective process for arriving at its selection decisions to help ensure that all applicants are treated fairly.

An overview of the ministry’s woodlot licence evaluation and award process is shown in Exhibit 5.

## Selecting Eligible Applicants

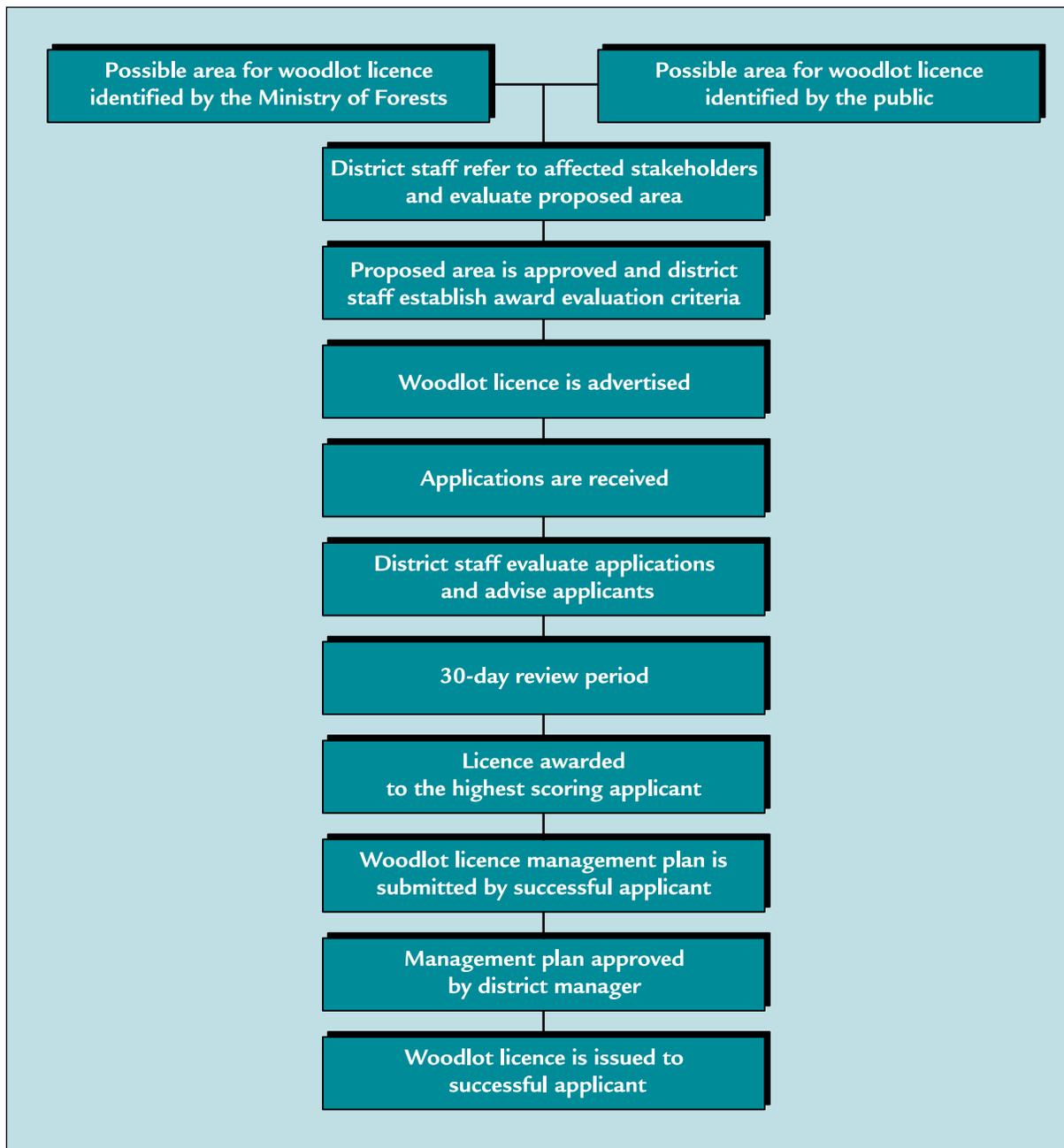
The first matter that the ministry needs to deal with when selecting licensees is to ensure that it only considers applications from eligible applicants. In our opinion, the ministry did an adequate job of meeting this requirement during the expansion phase that began in 1994 (the period on which our review focused).

According to the legislation, licences are to be issued only to Canadian citizens or permanent residents of Canada who are at least 19 years old, native bands, and corporations controlled by Canadian citizens or permanent residents. Anyone who owns, leases or has a controlling interest in a timber processing facility has, until recently, been ineligible for a woodlot licence. The intent was to avoid adding to the province’s excess capacity in sawmills and keep the program’s focus on forest management. Proposed program amendments, however, would provide opportunities for licensees who are practicing good forest management to acquire and operate small timber processing facilities. Legislation also requires that program participants cannot hold more than one woodlot licence, and anyone convicted of certain offences under the Forest Act or Forest Practices Code of British Columbia Act can be disqualified from applying for a woodlot licence.

Applications from employees or their relatives present a special challenge for the ministry. On the one hand, it cannot be seen to be giving favourable treatment to its employees or their immediate relatives, but, at the same time, all individuals have certain rights. In our opinion, the ministry has done an adequate job of ensuring such conflict does not arise in the awarding of licences.

Exhibit 5

Woodlot Licence Evaluation and Award Process



Source: Ministry of Forests

The ministry has encountered several cases around this issue over the years. In response, it developed a policy in January 1997 stating that applications for woodlot licences will not be accepted from ministry employees. Furthermore, ministry employees must discuss with their district manager, regional manager or branch director the circumstances of an immediate family member contemplating applying for a woodlot licence. In such a case, the ministry is to advise the employee if an application from his or her immediate family will be accepted.

## Selecting the Most Suitable Applicants

To help ensure that it selects applicants who are the most likely to meet the program's goals, the ministry introduced a new evaluation process in 1989 (later modified in 1993 and 1996). In our opinion, this process helps the ministry select the most suitable applicants, but a number of improvements would make it more accurate and objective.

The application evaluation process is used to evaluate three categories of information:

- private land contribution;
- applicant suitability; and
- management intent.

Values are assigned to elements within the categories and totaled. Total scores for each of the three categories are limited to ranges set at the start of the competition and the maximum score for all three components is 100. The applicant who receives the highest overall score is awarded the woodlot. This information and an example of scoring for an applicant is shown in Exhibit 6.

We found that the information categories evaluated by the ministry are closely linked to the program's goals. Therefore, selecting applicants who score well in each of these areas should contribute towards achievement of the program's goals. For example, the land category obviously helps to achieve the goal of increasing the amount of private forest land being managed on a sustained yield basis. It is also expected that applicants who have a formal forestry education and varied forestry-related experience are more likely to be superior woodlot licence managers than are persons lacking similar qualifications. Favouring applications that include explicit commitments to carry out appropriate forest management practices should help improve the productivity of these small parcels of land.

Exhibit 6

Woodlot Program Competition Evaluation Categories, Criteria and Scoring

Categories and Criteria	Weighting Ranges/Points	Sample Applicant	Score
<p>A. Private Land Contribution:</p> <p><i>Evaluation criteria:</i></p> <p>a) Quantity of land</p> <p>b) Productivity factor</p> <p>c) Growing stock factor</p> <p>d) Proximity</p> <p>Private land raw score</p> <p>Highest score of all applicants</p> <p>Applicant score/highest score</p> <p>Adjusted score</p>	<p>20–60%</p> <p>0.5 pts/hectare Max. 100 pts</p> <p>0.5–1.0</p> <p>0.4–1.0</p> <p>0.1–1.0</p> <p>(a*b*c*d)</p>	<p>35%</p> <p>41.3</p> <p>1.00</p> <p>0.98</p> <p>1.00</p> <p>40.5</p> <p>40.5</p> <p>40.5/40.5=1</p> <p>100*1*35%=</p>	<p>35.0</p>
<p>B. Applicant Suitability</p> <p><i>Evaluation criteria:</i></p> <p>a) Experience and community involvement</p> <p>b) Education and training</p> <p>c) Proximity of residence</p> <p>Applicant suitability raw score</p> <p>Highest score of all applicants</p> <p>Applicant score/highest score</p> <p>Adjusted score</p>	<p>20-50%</p> <p>40 pts</p> <p>20 pts</p> <p>40 pts</p> <p>(a+b+c)</p>	<p>50%</p> <p>9.3</p> <p>5.4</p> <p>32.6</p> <p>47.3</p> <p>72.7</p> <p>47.3/72.7=0.65</p> <p>100*0.65*50%=</p>	<p>32.5</p>
<p>C. Management Intent</p> <p><i>Evaluation criteria:</i></p> <p>a) Private land management history</p> <p>b) Management objectives</p> <p>c) Improvement methods</p> <p>d) Resource inventories</p> <p>e) Integrated resource management</p> <p>f) Social and community concerns</p> <p>g) Management opportunities</p> <p>Management intent raw score</p> <p>Highest score of all applicants</p> <p>Applicant score/highest score</p> <p>Adjusted score</p>	<p>10–60%</p> <p>25 pts</p> <p>10 pts</p> <p>15 pts</p> <p>10 pts</p> <p>15 pts</p> <p>15 pts</p> <p>10 pts</p> <p>(a+b+c+d+e+f+g)</p>	<p>15%</p> <p>8.2</p> <p>10.0</p> <p>14.0</p> <p>10.0</p> <p>14.0</p> <p>13.0</p> <p>7.5</p> <p>76.7</p> <p>94.1</p> <p>76.7/94.1=0.815</p> <p>100*0.815*15%=</p>	<p>12.2</p>
<b>Total Score</b>			<b>79.7</b>

Source: Ministry of Forests

*Applicants are awarded points if their application indicates an intention to make the woodlot accessible to the community. The photo shows a cross-country ski trail passing through a woodlot.*



Courtesy: A.E. Andersen

We found that the model was used by all of the district offices we visited and it is an improvement over past practices for selecting a winning application. However, it still does not provide adequate assurance that all applicants are assessed accurately and objectively. We have a number of observations about the process that cause us to arrive at this assessment.

For example, while land size can be assessed with accuracy, factors such as the land's productivity or the intentions of the applicant involve subjective assessments. This creates an opportunity for error and bias when points are awarded.

The model also involves several mathematical calculations, and thus there is a chance that errors will be made. In our review of awards, we found a few instances where mathematical errors were made that went undetected and affected the outcome.

We also found that, in a few instances, several woodlots were advertised at the same time and several applicants competed for more than one woodlot. One applicant had the best score on several competitions and was therefore awarded the first woodlot without being given the choice. The district then awarded the next woodlot to the applicant having the next best score and so on until all the woodlots had been awarded.

### Bonus Offers

In late 1990, the ministry advertised a woodlot and solicited applications from interested applicants. After being evaluated, the top two applicants were tied in total points. In order to break the tie, bonus offers were requested by the ministry, not just from the top two, but from all applicants. As a result, the applicant who finished last in the original evaluation and who had no private land to contribute won the competition and was awarded the licence. Since then, the ministry has refined the awarding process and this situation should not occur again.

The problem with this approach is that the ministry's policy requires that the applicant receiving the highest score in a category be given full marks for that category. This policy, however, anticipates that woodlots will be evaluated and awarded individually rather than several being awarded at the same time. In the cases above, the ministry did not "adjust" the remaining applicants' scores after removal of those who had already been awarded a woodlot. If it had, the results may have been different.

Another problem we encountered was the adjusting of raw scores awarded to applicants during the review process. We were told, by the ministry that it was done to help avoid ties. In our opinion, giving full marks to the applicant with the highest score in a category may yield questionable results. For example, it is possible for Applicant A to contribute a very small amount of poor quality private land and be awarded only a few points in that category. However, if Applicants B and C do not have any land to contribute, Applicant A will be given full marks in the category. And if that happens, it can be very difficult for Applicants B and C to make up the marks and win the competition even though they may be better qualified than Applicant A. In fact, we found two instances where the successful applicant would not have been awarded the licence if the decision had been based on raw scores. In one case, the successful applicant would have placed fourth.

Other examples, we noted of incorrect or questionable application of the process included the ministry:

- calculating the "proximity of residence to the woodlot" using the straight-line distance between the applicant's residence and the woodlot. Policy requires that the figure be calculated by reference to the distance by road.
- applying a new "tie-breaking" policy to a woodlot competition that had been advertised before the policy was in effect, resulting in an outright winner. Had the previous policy been used, the competition would have been deemed a tie and bonus offers requested. If all provisions of the new

policy had been applied (rather than just the tie-breaking provision), a different applicant would have been successful.

- awarding points to an applicant for managing private land even though the land included in the application had only recently been purchased and the applicant had no land management history.
- giving applicants credit for leased land and, in some cases, for land that they would only lease if they received a woodlot licence. In one particular case, several applicants cited the same piece of leaseable land. (The ministry now requires that land included in an application be owned “fee simple.”)

We discussed the above examples with the district staff involved and found a few instances of misunderstanding of the evaluation process and the criteria being used. One region was concerned enough about the integrity of the process that it now requires all new woodlot applications to be technically evaluated by the districts and the regional office before the applicants are notified of the evaluation results.

***We recommend that the ministry:***

- ***provide better provincial definitions for some of the key criteria used in the application evaluation process;***
- ***ensure that staff and applicants have a good understanding of the application evaluation process and criteria; and***
- ***consider developing a simpler, more objective application evaluation process.***

Another observation we made about the evaluation process involves the values assigned to the three evaluation categories. The ministry’s policy statement calls for weightings to be applied to the three categories as follows:

- private land contribution            20–60%
- applicant suitability                    20–50%
- management intent                    10–60%

The total for the three categories must equal 100%.

**Private Land Contribution—Quantity vs. Quality**

Before the Competition, Evaluation and Award policy was revised in 1993, the rating system used to evaluate applications was heavily weighted on the amount of private land proposed for inclusion in the woodlot licence. Quality was considered only to the extent of the private land’s suitability for forestry. As a result, a number of successful applicants included large parcels (over 200 hectares in some cases) of recently logged private land that would not be productive in the licensee’s lifetime. This gave them an unfair advantage over other applicants who might have had less private land to contribute, but land that contained mature timber that could have been harvested immediately. The current evaluation process considers not only the amount of private land proposed, but looks at the productivity potential and state of forest growth.

We noted a few instances where district offices were applying land and applicant suitability weightings that did not comply with the above ranges. The explanation we received was that the policy is only a suggestion and that district managers can apply their own percentages. In our opinion, this is unnecessary and defeats the purpose of setting ranges. We believe that the ranges contained in the policy already provide district managers with ample room in which to exercise their judgement. Applying other percentages exposes the ministry to accusations of a lack of fairness and consistency in the awarding of woodlot licences.

***We recommend that the ministry ensure that district offices comply with the predefined category weighting ranges when advertising woodlot licence opportunities.***

Finally, we noted that the ministry provides a 30-day administrative period during which an applicant may request and receive an explanation from the district manager as to how the scoring of his or her application was determined before the award decision was made. Some believe that this process lacks independence and objectivity.

We noted considerable differences in the way districts handle the administrative review requirement. For example, there are significant differences in the type and extent of information districts are willing to provide to applicants. We found one instance where Applicant A was chosen based on having the highest score. Applicant B challenged the decision and the scores were recalculated. This time B had the highest score. The ministry went ahead and awarded the woodlot to Applicant B without first informing A, the original winner.

***We recommend that the ministry ensure that all districts apply the 30-day review process in a consistent manner.***

A complaint we heard frequently was that, by awarding points for the applicant's education and placing a greater emphasis on professionally prepared applications, the process tends to favour applications made by Registered Professional Foresters. While we acknowledge that this has raised the standard and made it more difficult for some applicants to compete, overall we believe that it should help to attract the applicants who are best able to meet the program's goals. As one licensee put it, "Not allowing Registered Professional Foresters to hold woodlot licences would be the same as not allowing engineers to design roads." As well, Registered Professional Foresters are eligible applicants and the ministry cannot discriminate against the rights of these individuals.



# ensuring licensees meet their obligations

Woodlot licensees have many responsibilities, such as: complying with requirements outlined in the relevant forestry legislation and the licence agreement, preparing required plans, obtaining various permits before beginning operations, and restoring the land to a productive state after harvesting. We expected the ministry to have clear rules under which licensees must operate. We also expected the ministry to check that licensees meet their woodlot licence obligations in a timely manner to prevent damage to the forest. Finally, we expected the ministry to have clear rules to deal with licensees who fail to meet their obligations, and to take necessary action when required.

## Conclusion

The ministry has clearly defined licensees' responsibilities and it does a good job of ensuring that licensees have the required plans and permits before undertaking harvesting activities. As well, the ministry has developed an adequate method for determining when and how often each woodlot needs to be inspected, thus ensuring that licensees meet their operational responsibilities. However, while the required inspections take place during harvesting, monitoring of silviculture responsibilities has been deficient in some cases. The ministry also has the powers to enforce the rules and does penalize licensees when required.

## Findings

### Defining Licensee Responsibilities

In our opinion, licensee responsibilities have been clearly defined by the ministry. The Forest Practices Code of British Columbia Act, the Forest Act, the Fisheries Act, the Range Act and their accompanying regulations all affect woodlot operations. Taken together, the legislation provides the detailed procedures and standards that licensees must meet to ensure that forests are properly managed for sustainability, optimum economic return, and a host of other values such as wildlife conservation and cultural concerns.

To help ensure that licensees understand their legislative responsibilities, the ministry has produced publications such as "A Guide to British Columbia's Forest Practices Code and Forest Act for Participants in the Woodlot Licence Program and the Small Business Forest Enterprise Program." The

booklet “Woodlot Licence Program: Operational Overview” explains the operational and administrative requirements of managing a woodlot. Additional materials and training sessions were provided to licensees with the streamlining initiative in late 1998 and early 1999.

The ministry also requires a series of plans and permits (described earlier in this report) before a licensee can undertake certain activities. Once approved by the ministry, the contents of the plans and permits become licensee responsibilities. This process serves to further define and document those responsibilities and provides an opportunity for the ministry to ensure that licensees’ planned activities meet legislative requirements and address local concerns.

## Ensuring Compliance with Legislative and other Responsibilities

Woodlot licensee responsibilities fall into the following two categories:

1. Planning responsibilities: licensees must provide plans that outline how they propose to manage and develop their woodlots, and then obtain permits before undertaking operational activities such as road building or harvesting.
2. Operational responsibilities: licensees must conduct operations in accordance with legislative requirements, ministry policies and any provisions outlined in plans and permits.

The ministry ensures that licensees meet their planning responsibilities in two ways. First, the ministry provides licensees with clear guidance about what plans and permits are required and when. Second, woodlot staff keep track of the status of each woodlot to ensure that licences are replaced at the anniversary dates and that licensees submit the required plans and obtain the required permits before undertaking any activities on their woodlots.

We are not aware of any instances of significant licensee non-compliance in meeting the planning responsibilities. However, we are aware of a few instances where steps were not taken to replace a licence before the replacement date, resulting in some administrative difficulties. In addition, some staff were concerned that licensees are not always held accountable for the promises they made in their applications and which may have contributed to them winning their licences. Failure to hold all licensees accountable for these intentions could undermine the program’s credibility. The revised woodlot licence agreement requires that all commitments made in the licence application be incorporated into the woodlot licence management plan.

***We recommend that the ministry ensure that licensees are held accountable for significant promises made in their applications.***

In our opinion, the ministry does an adequate job of conducting field inspections to ensure that licensees comply with their operational requirements. In most offices, staff who are not involved in the day-to-day administration of the Woodlot Program (normally compliance and enforcement staff) carry out the inspections. While some stakeholders would like to see the inspections carried out by Woodlot Program staff, we believe that it is appropriate to separate these responsibilities. First, we believe that this introduces independence to the process, and therefore helps to ensure a level of consistency and uniformity in the inspection process. Second, the compliance and enforcement staff are specifically trained to identify non-compliance issues, recognize potentially serious infractions, and provide the advice needed to rectify problematic situations.

In designing an efficient and effective compliance and enforcement mechanism the ministry must determine:

- which woodlots need to be inspected;
- how many inspections should be done; and
- when the inspections should be done.

We found that the ministry employs a risk assessment model to make these decisions.

The ministry has determined that forest risk is a key element of timber harvesting activities, and so it attempts to minimize the risk by managing it. This involves assessing the degree of risk that harvesting imposes on social, economic and forest resource values at a particular site. Four basic elements are considered:

- the physical characteristics of the site and surrounding area;
- the terms and conditions of the licence or permit and approved plans;
- the history of licensee's operation; and
- the value of the timber.

Within each element, the ministry considers the things that can go wrong and the potential consequences.

Risk assessment and rating is undertaken for each cutblock and is done at the first opportunity—normally before woodlot activities take place. Minimum monitoring standards identify the frequency and timing of field inspections based on the level of risk identified.

*Licensees are responsible for replanting harvested areas of their woodlots. The photo shows new growth in the centre and mature timber in the background.*



Courtesy: D. Kelso

We believe that the risk assessment model is a useful tool for planning woodlot monitoring activities. The model helps in the development of a district monitoring plan and provides a basis for allocating resources to specific monitoring units (e.g., a cutblock). As well, it helps to ensure that those monitoring units with higher risk are assigned more resources than lower risk units, which allows more frequent monitoring where it is needed.

We were satisfied that the district offices we visited were using the risk assessment model and were adequately monitoring harvesting activities. Silviculture monitoring, however, was deficient in some cases. Silviculture monitoring has also been limited because there is a lengthy period during which the licensee is expected to get the new stands to a “free-growing” state. For many woodlots this period has not yet passed. This area will require greater emphasis by the ministry in future.

***We recommend that the ministry ensure that licensees meet their silviculture responsibilities.***

## Enforcement

Both the Forest Act and the Forest Practices Code of British Columbia Act grant the ministry the powers to enforce the legislation and the terms of operational plans. In our opinion, the enforcement program is working adequately.

The remedies available to the ministry in the event of non-compliance include forfeiture, monetary fines, administrative actions (e.g., reductions to the AAC, licence suspension or cancellation, stop-work orders, and remediation orders), and formal prosecution.

We found that, in most instances, the compliance and enforcement staff resolved non-compliance issues without the need to resort to more serious measures such as ticketing and stop-work orders. The ministry has, however, demonstrated that it will take strong action when it is required. For example, in a few instances, we found that the ministry has canceled licences for poor licensee performance or when the licensee has sold the private land component without informing the ministry.



## gathering program information

The ministry needs access to different kinds of information to properly manage the Woodlot Program. For example, staff need base information about each woodlot, such as its location, size, AAC, special characteristics, and the names of the licensees. They also need to know the status of each woodlot such as:

- whether all plans have been submitted;
- what activities are taking place at the time;
- whether the appropriate permits have been obtained;
- what monitoring is planned and what still needs to take place; and
- what outstanding enforcement issues exist.

We expected the ministry to gather the above types of information in a timely manner.

### Conclusion

Information needed to properly manage the Woodlot Program is inadequate. Some districts do not always enter woodlot data in a timely manner, making it difficult for headquarters to produce accurate and timely summary program information.

### Findings

Several ministry-wide systems are used to collect information about different woodlot licences. The systems are designed primarily for large forest tenures, but they are also used to manage the Woodlot Program along with a few locally developed “desk-top” systems. In our opinion, the information contained in some of the systems was not always complete, which makes it difficult for ministry staff to produce the information needed to manage the program.

Each of the systems is briefly described below:

**Forest Tenures Administration System (FTAS)** This system contains administrative information pertaining to:

- woodlot number;
- licensee name and address;
- road and cutting permits;

- AACs for Crown and private land;
- areas of Crown and private land;
- inspections status (e.g., initial, progress or final);
- inspection results;
- site inventory;
- status of each woodlot (e.g., whether it is active or inactive and logging status);
- licence replacement dates; and
- last licensee annual report date.

**Integrated Silviculture Information System (ISIS)** This system was designed primarily to serve as an in-house tool for planning and tracking silviculture obligations for areas logged before October 31, 1987. The main information contained in the system and relating to woodlots includes:

- silviculture planning activities and results;
- forest cover information (e.g., description of stand condition, age, leading species, height, and site index);
- key silviculture milestones such as whether the area has reached regeneration and free-growing status; and
- compliance information.

**Major Licensee Silviculture Information System (MLSIS)** This system is used to track harvesting, silviculture activities and silviculture obligations. It was designed primarily to track the silviculture obligations of major licensees and woodlot holders on areas disturbed after October 31, 1987. This date reflects legislation changes requiring major licensees and woodlot holders to be responsible for funding basic reforestation until the harvested areas reach the free-growing status. The system contains information about areas under each licensee's responsibility, including private areas within a woodlot.

Licensees are required to submit an annual report containing information about areas where harvesting or silviculture activities have taken place, about when a block has been harvested, and about when an area has achieved regeneration or free-growing status. This information is entered into either the ISIS or the MLSIS.

**Enforcement Action, Administrative Review and Appeal Tracking System (ERA)** This system is used to keep track of warnings and violation tickets issued by the compliance and enforcement staff.

The ministry has also been working on a personal-computer-based system known as “Woodlot for Windows” that is a model used to assist both licensees and ministry staff in determining harvest rates (AACs) for woodlots.

During our audit, we requested that ministry headquarters provide us with a complete listing of woodlots by district. We asked that the information include:

- licensee name;
- the date the licence was issued;
- the number of hectares pertaining to each of the private and Crown land components of the licence;
- the AAC pertaining to each of the private and Crown land components of the licence; and
- the number of licences awarded but not issued.

We expected that the ministry would have this information readily available. Instead, we found that significant time and effort was required by headquarters staff to produce a complete and accurate listing for us. The reason given for the difficulty was that some ministry staff do not always enter data in a timely manner, thus making it difficult for headquarters to produce meaningful summary information.

Other issues raised by staff about the information systems were that they are not specifically designed for the Woodlot Program and so do not work well for this tenure. As well, because the systems do not automatically interface with each other, the information is not always consistent amongst the different systems.

These difficulties have led some districts to develop their own systems that are tailored to their needs for the Woodlot Program. While we would expect all districts to have similar information needs, we were not satisfied that the developments in one district were always being shared with other districts.

***We recommend that the ministry ensure that essential data is entered into the systems in a timely manner.***



# evaluating and reporting program results

An important element in managing any program is evaluating the extent to which its intended results have been achieved. This involves a performance evaluation framework in which managers define the measures needed to evaluate a program's performance and the levels of performance they expect to achieve. Also important is financial and program funding information pertinent to the program. We expected the ministry to have established a performance evaluation framework for the Woodlot Program, to evaluate the program's performance periodically, and to report the results publicly. We also expected the ministry to have complete, accurate and up-to-date financial and program funding information.

## Conclusion

The ministry does not have a fully developed performance evaluation framework for the Woodlot Program and it has not carried out a comprehensive evaluation of the extent to which program goals have been achieved. As well, financial information is incomplete and accountability information provided to the Legislative Assembly is inadequate and untimely.

## Findings

### Performance Evaluation Framework

The joint report of the Auditor General of British Columbia and Deputy Ministers' Council—"Enhancing Accountability for Performance" (issued in April 1998)—recommends that government managers put a program performance evaluation framework in place. In this model, managers identify important program activities that they control and are accountable for. They then measure the results of these activities using a range of indicators and compare the results to established targets to determine whether performance is meeting expectations and, if not, why. We believe this is the only way managers can objectively assess whether government programs are achieving their intended results.

In our opinion, the ministry does not have a complete Woodlot Program evaluation framework. Program goals have been established but other aspects of the framework have not been clearly defined, including:

- program performance measures (indicators);

- base data against which to measure the extent of achievement; and
- specific quantitative or qualitative levels or amounts of performance to be accomplished.

As well, the extent of actual results achieved has not been measured and evaluated.

For example, a primary goal of the Woodlot Program is to increase the amount of private forest land being managed on a sustained yield basis. An obvious measure to assess performance is to track the amount of private land brought under the program. According to information produced by the ministry, about 90,000 hectares of private land was included in the program at June 1, 1999. While this shows that the ministry has made progress in moving toward the program goal, the ministry has no set target against which to measure this progress. It is therefore unclear whether the level of performance achieved is adequate.

Another program goal is to increase the productivity of small parcels of forested land. The AAC for a woodlot would be a measure of its productivity. According to information produced by the ministry, the AAC allocated to woodlots was more than 1,022,000 cubic metres at June 1, 1999. This is made up of 105,000 cubic metres for the private land component and 917,000 cubic metres for the Crown portion. This suggests that there has been an increase in productivity because, before the licences were issued, much of the land was not intensively managed and thus had little or no production.

One question, however, is how much of this improvement can be attributed to the program? To find out, the ministry needs to compare the estimated AAC at the time of licence issuance with the current AAC. We were told that there has been an increase in productivity because several licensees have undertaken detailed inventory cruises and subsequently successfully argued for an increase in the AAC. This increase, however, is not directly attributable to the Woodlot Program. It is really a result of the ministry having inadequate information about the forests in the woodlot areas with which to make its initial estimates.

A third important goal of the Woodlot Program is to promote excellence in forestry. We found that the ministry had developed 10 measures of excellence. To assess the extent to which this goal has been achieved, the ministry would have to evaluate each licensee's performance against the 10 measures and assess the degree of improvement or deterioration over

time (e.g., at each of the five-year replacement dates). Ministry policy requires that excellence be assessed for any licensee who is to receive a woodlot top-up after October 15, 1994, and that the licensee satisfy all 10 measures. However, since that represents only a portion of the total number of licences outstanding, it is clear that not all licensees have had their performance assessed. As well, because this assessment was not previously done, there is no base data against which to compare the ministry's success at promoting excellence in forestry. We also note that the first five measures can hardly be considered "excellent forestry." Rather, they are basic requirements that all licensees should meet in order to keep their licences.

An anticipated secondary impact of the Woodlot Program is that it will increase local employment. The ministry estimates that one direct and one indirect job will be created for every 1000 cubic metres of AAC. The ministry therefore estimates that the Woodlot Program provides more than 1,800 direct and indirect jobs.

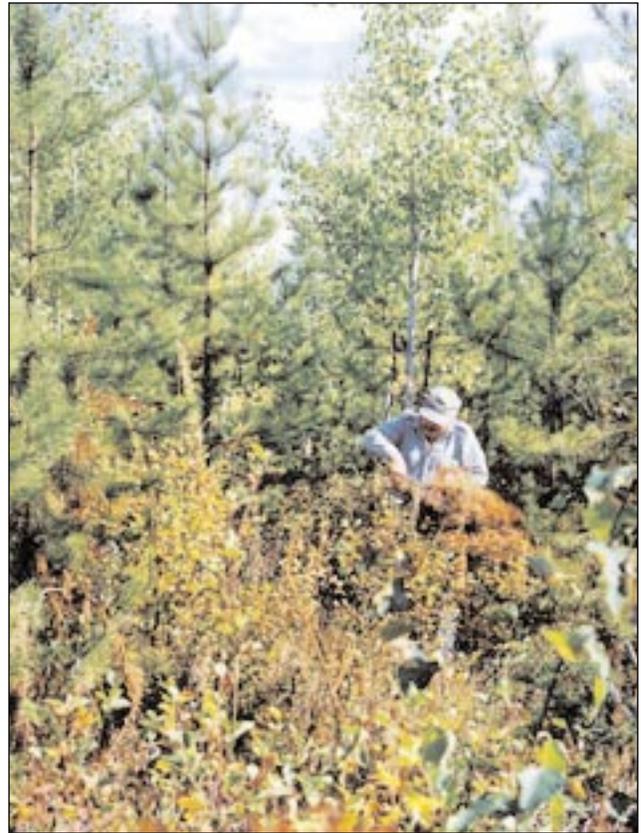
***We recommend that the ministry develop a program evaluation framework for the Woodlot Program and periodically evaluate the program's performance.***

#### Measures of Excellence

1. Conducting harvesting operations according to approved cutting permits and with no unauthorized cutting.
2. Being current with all basic silviculture responsibilities.
3. Completing and submitting all reports and plans.
4. Meeting all contractual and legislated time requirements.
5. Maintaining the harvest during five-year cut control periods within 90 and 110% of the total of the AACs during those periods, unless otherwise approved in writing by the district manager or the regional manager.
6. Completing and maintaining intensive forest, range, recreation, fisheries and wildlife inventories on Crown and any private land portions of the existing woodlot licence as detailed in the approved management plan.
7. Meeting and maintaining all commitments in approved management plans for the existing woodlot licence.
8. Conducting and completing forest, range, recreation, fisheries and wildlife enhancement and improvement projects on Crown and any private land portions of the existing woodlot licence, where such opportunities exist and they are detailed in the approved management plan.
9. Completing any other legislated, contractual or other requirements in the approved management plan that the district manager or the regional manager deems appropriate.
10. Promoting and demonstrating educational uses of woodlot licences, according to the approved management plan.

Source: Ministry of Forests

*A licensee inspects his woodlot pine for root disease.*



Courtesy: D. English

## Financial Information

Another piece of information that we consider critical in evaluating a program is financial results (that is, revenues less costs). Revenues of the Woodlot Program include stumpage, rents, fees and penalties paid by licensees. Program costs include salaries and benefits, office equipment, transportation, and training of staff directly involved with delivering the program. Program costs also include a portion of the salaries and benefits of staff who are indirectly involved with the program (e.g., administrative staff) and a portion of office overhead costs (e.g., office rent, supplies, utilities, etc.).

The ministry provided us with an analysis of stumpage revenue and direct program costs incurred in the ministry's district and regional offices that were funded by Forest Renewal BC (Exhibit 7), including the cost of:

- planning and issuing new woodlot licences;
- providing extension services to new and existing woodlot licensees; and
- providing ongoing program administration.

## Exhibit 7

## Woodlot Licence Program Financial Information, 1994/95 to 1998/99

Fiscal Year	Stumpage Revenue (\$000)	Forest Renewal BC Approved Funding (\$000)	Forest Renewal BC Spending on Woodlot Program (\$000)
1994/95	8,400	1,100	500
1995/96	7,700	6,800	4,600
1996/97	9,300	8,500	6,600
1997/98	8,500	7,600	6,800
1998/99	9,500	3,100	2,800
<b>Totals</b>	<b>43,400</b>	<b>27,100</b>	<b>21,300</b>

Source: Ministry of Forests

However, the ministry does not routinely collect information about direct and indirect program costs funded by the ministry itself. Therefore, the ministry lacks a complete analysis of the program's financial results and the extent to which the program contributes to the government's overall financial position. Negative financial results may be acceptable if the program's non-financial benefits are significant or the results may simply indicate a need for program changes.

***We recommend that the ministry gather information about all costs attributable to the Woodlot Program to allow an assessment of financial results.***

## Public Reporting

It is not enough for the ministry to develop an evaluation framework and then to measure and evaluate the results. Also important is providing licensees and program staff with timely performance information so that they can see that the program is working as intended or, if it is not, offer suggestions for improvement. Management principles affirm that optimal performance can be most consistently achieved across a system by having management provide meaningful feedback on performance to those involved in implementing changes. Information also needs to be provided to the Legislative Assembly to demonstrate accountability for the resources provided to the ministry to deliver the program.

We found that the ministry has worked to keep stakeholders informed about some aspects of the program's performance. For example, staff have regular contact with licensees and the Federation of British Columbia Woodlot Associations, to keep stakeholders abreast of program developments and to consider program improvements. Staff have also worked to keep stakeholders informed about the ministry's progress in meeting its targets during the woodlot expansion program. However, the ministry does not have a complete program evaluation framework and so it is not able to report to stakeholders on how well they have performed relative to predefined program goals and performance targets.

We also found that publicly available accountability information is both inadequate and out-of-date. The most common approach used by ministries to inform the Legislative Assembly and other interested stakeholders about a program's performance is an annual report. We found the Woodlot Program information provided in the most recent annual report to be inadequate, including only:

- number of licences issued;
- volume committed;
- actual annual volume harvested;
- area planted; and
- seedlings planted.

The annual report does not include any information that evaluates the performance of the Woodlot Program, such as what the program's goals are, to what extent they have been achieved, and what its financial results are. In addition, the most recent annual report for the ministry is for the 1995/96 fiscal year—clearly not a sign of timely reporting.

***We recommend that the ministry provide comprehensive program performance information to stakeholders and the Legislative Assembly in a timely manner.***



# ministry response

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*The Ministry of Forests would like to thank the Auditor General for completing the investigation into the management of the Woodlot Licence Program. The Woodlot Program is relatively small in terms of Ministry resources and deliverables, but is highly valued at the community level. As indicated in your report, the degree of environmental and economic risk associated with the program is low and the Ministry is doing a good job in many aspects of the program.*

*The report contains many positive recommendations, most of which confirm issues that the ministry is working on as part of ongoing program improvement. Each of the specific recommendations is addressed below.*

## Establishing Program Goals and Policies to Achieve Them

- 1. The ministry should continue its efforts to ensure that all stakeholders share a common understanding of the program.**

*The Forest Service will expand its efforts to explain the goals and objectives of the Woodlot Licence Program. This information will be prominently posted on the Resource Tenures and Engineering Branch homepage. An article will be written for the Woodland Almanac explaining to licensees the intent of the goals and objectives of the Woodlot Licence Program. Changes in legislation or policy will be articulated in lay terms and explained within the framework of the program goals and objectives.*

- 2. The ministry should develop a long-term vision for the Woodlot Program and a strategic plan to achieve that vision with the resources likely to be available.**

*The short term strategy is to maintain the number of woodlot licences and to reserve licence areas that are cancelled or surrendered for future re-advertisement if the district cannot re-advertise at the present time.*

*Continued streamlining of program administration remains a priority to allow the Forest Service to carry out the program with less resources. Once program delivery cost are reduced, further expansion may be possible to satisfy the demands for additional licences. Completion of further streamlining and further work with the Woodlot Association will allow a long term vision and strategic plan to be prepared by fall, 2000.*

**3. The ministry should formulate a clear policy on woodlot licence transfers.**

*The ministry is developing a policy on woodlot licence transfers which will be completed and communicated to staff and licensees before the end of the fiscal year.*

**4. The ministry should continue to streamline woodlot administrative requirements in a manner that is consistent with the small-scale, innovative nature of the program and the level of risk the woodlots present.**

*As noted in the Auditor General's report "important administrative improvements have been made recently." The ministry will recommend additional regulatory changes to streamline and simplify the administration for all woodlot licences before the end of the fiscal year. In addition to these changes the ministry is committed to the pilot legislation project where select licensees will test innovative, results focused, approaches designed to simplify paperwork and increase freedom to manage.*

**5. The ministry should top-up woodlots only when doing so contributes to the achievement of the program's goals.**

*With the exception of one goal, to increase private land contributions to the program, we believe the current approach is consistent with program goals articulated by the Ministry. Principles of administrative fairness require consistent application of the legislative requirement to provide top-ups to all those licensees that rightfully qualify.*

**6. The ministry should ensure that licensees meet all performance expectations before granting woodlot top-ups.**

*In an effort to reduce variation in how districts handle top-ups, the ministry will clarify the procedures and ensure that district managers only provide top-ups to licensees who meet performance expectations.*

**7. The ministry should consider ways to deal with the administrative limitations caused by the current woodlot size maximums.**

*The ministry is considering an amendment to the Forest Act to allow flexibility to expand woodlot licences that are currently at their maximum size and have an AAC of less than 750 m<sup>3</sup>.*

**8. The ministry should ensure that the cut control policy is applied fairly and consistently to all licensees.**

*As noted in the report, there are a minor number of instances where the current approach needs to be improved. The ministry will ensure that district managers clearly understand the legal requirement to provide a full year's cut during the first year of operations on a woodlot licence.*

## Choosing the Right Licensees

**9. The ministry should provide better provincial definitions for some of the key criteria used in the application evaluation process.**

**10. The ministry should ensure that staff and applicants have a good understanding of the application evaluation process and criteria.**

**11. The ministry should consider developing a simpler, more objective application evaluation process.**

**12. The ministry should ensure that district offices comply with the predefined category weighting ranges when advertising woodlot licence opportunities.**

**13. The ministry should ensure that all districts apply the 30-day review process in a consistent manner.**

*As noted in the report, the ministry has continued to improve the evaluation and award policy. In its efforts to further improve the award process the ministry will implement recommendations 9–13. Where a new woodlot licence is advertised the ministry will deal directly with the district involved to ensure these recommendations are carried out.*

## Ensuring Licensees Meet Their Obligations

**14. The ministry should ensure that licensees are held accountable for significant promises made in their applications.**

*The concern that licensees are not always held accountable will be addressed by ensuring that district managers review management plans at the time of licence replacement, and amend the management plan to ensure it accurately records commitments in the application. If commitments are not carried out, additional harvesting under the licence will be suspended until the deficiency is rectified.*

*To receive any consideration in the evaluation process, all commitments in future woodlot applications must specifically describe what will be done, provide a time frame for completion and define who will bear the cost of carrying out the work.*

**15. The ministry should ensure that licensees meet their silviculture responsibilities.**

*The ministry has and will continue to apply a risk management approach to monitoring silviculture performance. As outlined in the report, many woodlots have not reached the point when stands on the licence are expected to be free growing. As we near this point more effort will be made to monitor silviculture performance.*

## Gathering Program Information

**16. The ministry should ensure that essential data is entered into the systems in a timely manner.**

*Since this audit was conducted the ministry has updated the information in the Forest Tenures Administration System so that accurate summaries of the number of woodlot licences, hectares of private and Crown land and associated allowable annual cuts can be produced over the entire province.*

*The Ministry must continue to focus its limited resources on authorizing and monitoring resource management activities. As permitted by resources, an effort will be made to enter and update harvesting and silviculture data in the Major Licensee Silviculture Information System (MLSIS).*

## Evaluating and Reporting on Program Results

**17. The ministry should develop a program evaluation framework for the Woodlot Program and periodically evaluate the program's performance.**

*The ministry is experimenting with a preliminary program evaluation framework during the 1999/2000 fiscal year. Should this prove successful, application to the Woodlot Licence Program as a trial for the formal Accountability for Performance Initiative could occur in the next fiscal year.*

**18. The ministry should gather information about all costs attributable to the Woodlot Program to allow an assessment of financial results.**

*Resources permitting, the ministry will select sample districts and track costs associated with the woodlot licence program. This information will be used to provide estimates for the entire program.*

**19. The ministry should provide comprehensive program performance information to stakeholders and the Legislative Assembly in a timely manner.**

*The ministry will initiate an annual reporting system where accomplishments and program performance is documented. The first report, on fiscal 99-00, will be completed June 30, 2000.*



# appendices



# appendix a

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## Region and District Forest Service Offices

### Vancouver Region District Offices:

- Sunshine Coast
- Queen Charlotte Islands
- Chilliwack
- Squamish
- Port McNeill
- South Island
- Campbell River
- Mid-Coast

### Prince Rupert Region District Offices:

- Bulkley Cassiar
- Lakes
- Kalum
- Kispiox
- North Coast
- Morice

### Prince George Region District Offices:

- Fort Nelson
- Vanderhoof
- Prince George
- Robson Valley
- Fort St. John
- Fort St. James
- Mackenzie
- Dawson Creek

### Kamloops Region District Offices:

- Kamloops
- Lillooet
- Clearwater
- Vernon
- Salmon Arm
- Penticton
- Merritt

### Nelson Region District Offices:

- Cranbrook
- Invermere
- Arrow
- Kootenay Lake
- Boundary
- Columbia Forest

### Cariboo Region District Offices:

- Williams Lake
- Chilcotin
- 100 Mile House
- Quesnel
- Horsefly



## appendix b

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### Office of the Auditor General: 1999/2000 Reports Issued to Date

**Report 1**

1999 Follow-up of Performance Audits/Reviews

**Report 2**

Report on Government Financial Accountability  
for the 1997/98 Fiscal Year

**Report 3**

Maintaining Human Capital in the British Columbia  
Public Service: The Role of Training and Development

**Report 4**

Managing the Woodlot Licence Program



## appendix c

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### Office of the Auditor General: Performance Auditing Objectives and Methodology

Audit work performed by the Office of the Auditor General falls into three broad categories:

- Financial auditing;
- Performance auditing; and
- Compliance auditing.

Each of these categories has certain objectives that are expected to be achieved, and each employs a particular methodology to reach those objectives. The following is a brief outline of the objectives and methodology applied by the Office for performance auditing.

#### Performance Auditing

##### *Purpose of Performance Audits*

Performance audits look at how organizations have given attention to economy, efficiency and effectiveness.

The concept of performance auditing, also known as value-for-money auditing, is based on two principles. The first is that public business should be conducted in a way that makes the best possible use of public funds. The second is that people who conduct public business should be held accountable for the prudent and effective management of the resources entrusted to them.

##### *The Nature of Performance Audits*

An audit has been defined as:

*... the independent, objective assessment of the fairness of management's representations on performance, or the assessment of management systems and practices, against criteria, reported to a governing body or others with similar responsibilities.*

This definition recognizes that there are two primary forms of reporting used in performance auditing. The first—referred to as attestation reporting—is the provision of audit opinions on reports that contain representations by management on matters of economy, efficiency and effectiveness.

The second—referred to as direct reporting—is the provision of more than just auditor’s opinions. In the absence of representations by management on matters of economy, efficiency and effectiveness, auditors, to fulfill their mandates, gather essential information with respect to management’s regard for value for money and include it in their own reports along with their opinions. In effect, the audit report becomes a partial substitute for information that might otherwise be provided by management on how they have discharged their essential value-for-money responsibilities.

The attestation reporting approach to performance auditing has not been used yet in British Columbia because the organizations we audit have not been providing comprehensive management representations on their performance. Indeed, until recently, the management representations approach to value for money was not practicable. The need to account for the prudent use of taxpayers’ money had not been recognized as a significant issue and, consequently, there was neither legislation nor established tradition that required public sector managers to report on a systematic basis as to whether they had spent taxpayers’ money wisely. In addition, there was no generally accepted way of reporting on the value-for-money aspects of performance.

Recently, however, considerable effort has been devoted to developing acceptable frameworks to underlie management reports on value-for-money performance, and public sector organizations have begun to explore ways of reporting on value-for-money performance through management representations. We believe that management representations and attestation reporting are the preferred way of meeting accountability responsibilities and are actively encouraging the use of this model in the British Columbia public sector.

Presently, though, all of our performance audits are conducted using the direct reporting model; therefore, the description that follows explains that model.

Our performance audits are not designed to question government policies. Nor do they assess program effectiveness. The Auditor General Act directs the Auditor General to assess whether the programs implemented to achieve government policies are being administered economically and efficiently. Our performance audits also evaluate whether members of the Legislative Assembly and the public are provided with appropriate accountability information about government programs.

When undertaking performance audits, auditors can look either at results, to determine whether value for money is actually achieved, or at management processes, to determine whether those processes should ensure that value is received for money spent.

Neither approach alone can answer all the legitimate questions of legislators and the public, particularly if problems are found during the audit. If the auditor assesses results and finds value for money has not been achieved, the natural questions are “Why did this happen?” and “How can we prevent it from happening in future?” These are questions that can only be answered by looking at the process. On the other hand, if the auditor looks at the process and finds weaknesses, the question that arises is “Do these weaknesses result in less than best value being achieved?” This can only be answered by looking at results.

We try, therefore, to combine both approaches wherever we can. However, as acceptable results information and criteria are often not available, our performance audit work frequently concentrates on managements’ processes for achieving value for money.

We seek to provide fair, independent assessments of the quality of government administration. We conduct our audits in a way that enables us to provide positive assessments where they are warranted. Where we cannot provide such assessments, we report the reasons for our reservations. Throughout our audits, we look for opportunities to improve government administration.

### *Audit Selection*

We select for audit either programs or functions administered by a specific ministry or public body, or cross-government programs or functions that apply to many government entities. There are a large number of such programs and functions throughout government. We examine the larger and more significant ones on a cyclical basis.

We believe that performance audits conducted using the direct reporting approach should be undertaken on a five- to six-year cycle so that members of the Legislative Assembly and the public receive assessments of all significant government operations over a reasonable time period. Because of limited resources, we have not been able to achieve this schedule.

## *Our Audit Process*

We carry out these audits in accordance with the value-for-money auditing standards established by the Canadian Institute of Chartered Accountants.

One of these standards requires that the “person or persons carrying out the examination possess the knowledge and competence necessary to fulfill the requirements of the particular audit.” In order to meet this standard, we employ professionals with training and experience in a variety of fields. These professionals are engaged full-time in the conduct of performance audits. In addition, we often supplement the knowledge and competence of our own staff by engaging one or more consultants, who have expertise in the subject of that particular audit, to be part of the audit team.

As performance audits, like all audits, involve a comparison of actual performance against a standard of performance, the CICA prescribes standards as to the setting of appropriate performance standards or audit criteria. In establishing the criteria, we do not demand theoretical perfection from public sector managers. Rather, we seek to reflect what we believe to be the reasonable expectations of legislators and the public. The CICA standards also cover the nature and extent of evidence that should be obtained to support the content of the auditor’s report, and, as well, address the reporting of the results of the audit.



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