



**Forest
Practices
Board**

Audit of Forest Planning and Practices

*Conifex Mackenzie Forest Products Inc.
Forest Licence A15385*

FPB/ARC/127
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Table of Contents

Board Commentary..... 1

Audit Results..... 3

 Background..... 3

 Audit Approach and Scope..... 4

 Planning and Practices Examined..... 4

 Findings 4

 Audit Opinion 6

Appendix 1: Forest Practices Board Compliance Audit Process..... 7

Board Commentary

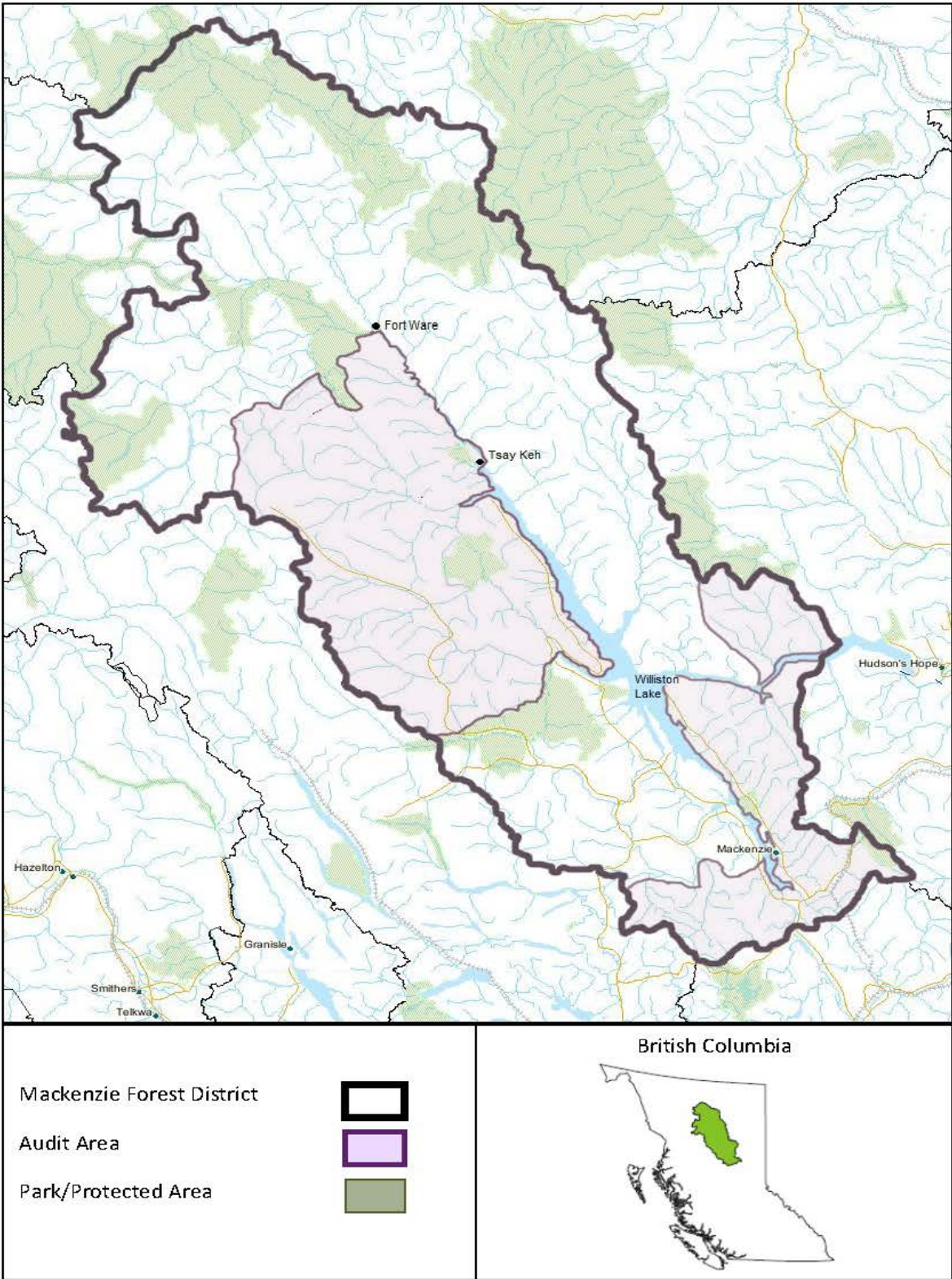
In October 2010, the Board conducted a full-scope compliance audit of forest planning and practices of Forest Licence (FL) A15385, held by Conifex Mackenzie Forest Products Inc. (Conifex). FL A15385 is located in the Mackenzie Forest District, on the west side of the northern half of the Williston reservoir, and the east side of the southern half of the reservoir (see map on page 2).

In August 2010, Conifex took over FL A15385 from Abitibi-Bowater (Abitibi), who was in bankruptcy protection and had not actively harvested in the licence area for approximately three years.

During the recent period of economic uncertainty and the downturn in harvesting in the Mackenzie area, mountain pine beetle has begun to heavily impact FL A15385, which is about 50 percent pine forest. The result will be a tremendous amount of dead and dying timber that will be very challenging to salvage in the near term, and which will have implications for the mid- and long-term timber supply in this area. The Board is hopeful that Conifex can successfully manage this challenge in the years to come.

The audit found Conifex in compliance with the legislated requirements of the *Forest and Range Practices Act* and the *Wildfire Act*. Conifex and Abitibi recognized the importance of access infrastructure and adequately maintained roads by retaining natural drainage patterns, using appropriate sediment controls and, in most cases, removing bridges when no longer needed. However, some log bridges are in disrepair and need to be addressed prior to resuming industrial use. In recognition of this inherited issue, Conifex has developed an action plan to inspect and ensure all drainage structures, including bridges, are adequately maintained.

Audit of Forest Planning and Practices Conifex Mackenzie Forest Products Inc. FL A15385



Audit Results

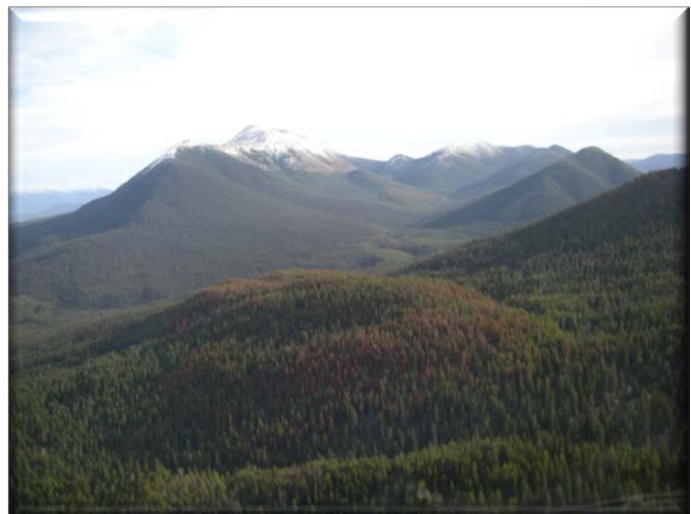
Background

As part of the Forest Practices Board's 2010 compliance audit program, the Board randomly selected the Mackenzie Forest District as the location for a full-scope compliance audit. Within the district, the Board selected Forest Licence A15385, held by Conifex Mackenzie Forest Products Inc. (Conifex) for audit.

FL A15385 was recently purchased by Conifex from Abitibi-Bowater (Abitibi), and the forest licence was transferred in September 2010. Abitibi-Bowater was in bankruptcy protection, so had conducted minimal activity in FL A15385 for the past three years.

FL A15385 permits Conifex to harvest 932,500 cubic metres of timber annually from the land base. During the one-year audit period, neither Conifex nor Abitibi conducted any harvesting or road building within FL A15385.

The Williston Reservoir, covering approximately 1.5 million hectares, is the dominant geographic feature of the Mackenzie District, which contains the communities of Mackenzie, Fort Ware, and Tsay Keh. The economy is dominated by forestry, with more than 70 percent of employment directly or indirectly dependent on the forest sector.



Mountain pine beetle “red attack” in the Mackenzie Forest District.

The forests are comprised largely of lodgepole pine-dominated stands, mixed with spruce and amabilis fir. The pine stands are infested with mountain pine beetle, which is expected to significantly impact the timber supply over the next several years.

FL A15385 is located within the area included in the Mackenzie land and resource management plan (MLRMP), effective November 2000. The MLRMP provides direction for the sustainable management of resources on Crown lands. It also provides greater certainty for resource-based industry and tourism operations by providing guidance for land and resource development. The MLRMP area has been subdivided into protected areas, settlement zones and resource management zones, with specific resource objectives identified for each zone.

The Board’s audit fieldwork took place between October 4 and 21, 2010.

Additional information about the Board’s compliance audit process is provided in Appendix 1.

Audit Approach and Scope

The Board conducted a full-scope compliance audit, which includes all harvesting, roads, silviculture, protection activities and associated planning carried out between October 1, 2009, and October 21, 2010. These activities were assessed for compliance with the *Forest and Range Practices Act (FRPA)*, the *Wildfire Act (WA)* and related regulations.

The Board's audit reference manual, *Compliance Audit Reference Manual, Version 6.0, May 2003*, and the addendum to the manual for the 2010 audit season, set out the standards and procedures that were used to carry out this audit.

Planning and Practices Examined

Conifex conducts its operations under a forest stewardship planⁱ (FSP) entitled *Conifex FL A15385 Forest Stewardship Plan*, approved in December 2006, and amended in September 2010. The audit examined the FSP to ensure that it was consistent with legislated requirements, including FRPA and the MLRMP. Planning at the landscape and stand level, and site plans were evaluated to ensure consistency with the FSP and legislated requirements. As well, compliance with site-level plans was examined for silviculture activities.

There were no harvesting activities during the audit period. Subsequent to the audit, Conifex began harvesting; however, these activities were not subject to audit.

There are 6,760 kilometres of road associated with FL A15385, and since no industrial activity occurred on FL A15385 during the field audit, all of the roads were classified as wilderness roads. As well, Conifex maintained 188 bridges and major drainage structures on FL A15385 during the audit period; all are classified as permanent structures. No bridges or roads were constructed or deactivated during the audit period.

The Board audited 914 kilometres of road maintenance and 106 bridges.

Within the audit period, 17 cutblocks were brushed and 3 cutblocks were planted. Free-growing obligations were due or declared on 181 cutblocks and 58 cutblocks had regeneration obligations due during the audit period. No site-preparation activities were conducted during the audit period.

The Board audited 6 brushed cutblocks, 2 planted cutblocks, 14 cutblocks with regeneration obligations due and 47 cutblocks with free-growing obligations due.

Since no active industrial sites were encountered during the audit, the field components of the fire-preparedness requirements of the WA were not audited. Slash loading and slash piled in preparation for disposal were reviewed.

Findings

The audit found that the planning, road and bridge maintenance and silviculture activities undertaken by Conifex complied, in all significant respects, with the requirements of FRPA, WA and related regulations, as of October 2010.

Operational Planning

The audit found that Conifex incorporated FRPA and MLRMP objectives into the FSP and site plans, and that forest practices met the measurable results and strategies set out in the FSP. The FSP was consistent with legislated requirements.

The audit also found that Conifex addressed site-specific resources in the site plans by accurately identifying and prescribing practices for resource features, including streams and wetlands, sensitive or unstable soils, and wildlife habitat.

Roads and Bridges

No significant issues were identified with road and bridge maintenance. Conifex had an intricate road-management tracking system in place but, due to staffing limitations, faced challenges in maintaining it. The audit found that:

- Natural drainage patterns were maintained.
- Crossings were removed on streams where winter roads were used or where no longer used for forestry activities.
- Crossings were adequately maintained with respect to sediment control, including grass seeding, silt fencing along ditch lines and sediment ponds.
- Steel and concrete bridges were signed, armoured and maintained.

However, the audit also noted three log bridges that had completely failed and another three that contained rot, requiring reduced load ratings. This finding was not considered significant because these bridges were not subject to industrial traffic and did not harm the environment. The structures are also fairly remote and difficult to access, but they do pose a potential risk to public safety.

Silviculture Obligations and Activities

There were no significant issues noted with site-preparation activities, planting, regeneration obligations or free-to-grow obligations during the course of the audit.

However, over the past few years, minimal brushing activities have been conducted. Only those areas where brush prevented achieving late free-growing or regeneration-delay obligations were brushed, leaving a potential future brushing concern.

Fire Protection Activities

There were no active operations during the field audit, so field requirements of the WA were not assessed. Slash loading and slash piled in preparation for disposal did not appear to pose a significant fire hazard.

Audit Opinion

In my opinion, the operational planning; road and bridge maintenance; silviculture; and fire protection activities carried out by Conifex Mackenzie Forest Products Inc. on FL A15385 between October 1, 2009, and October 21, 2010, complied in all significant respects with the requirements of the *Forest and Range Practices Act*, the *Wildfire Act* and related regulations, as of October 2010. No opinion is expressed regarding harvesting, road construction or road deactivation activities.

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

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



Christopher R. Mosher CA, EP(EMSLA)
Director, Audits

Victoria, British Columbia
February 8, 2011

ⁱ A forest stewardship plan (FSP) is a key planning element in the FRPA framework and the only plan subject to public review and comment and government approval. In FSPs, licensees are required to identify results and/or strategies consistent with government objectives for values such as water, wildlife and soils. These results and strategies must be measurable and, once approved, are subject to government enforcement. FSPs identify areas within which road construction and harvesting will occur but are not required to show the specific locations of future roads and cutblocks. FSPs can have a term of up to five years.

Appendix 1: Forest Practices Board Compliance Audit Process

Background

The Forest Practices Board conducts audits of government and agreement-holders under the *Forest and Range Practices Act* (FRPA), section 122, and the *Wildfire Act* (WA). Compliance audits examine forest or range planning and practices to determine whether or not they meet FRPA and/or WA requirements. (The transitional provisions of FRPA state that the Code continues to apply to forest practices carried out under a forest development plan, until there is an approved forest or range stewardship plan, at which point the requirements of FRPA apply.)

Selection of Auditees

The Board conducts about eight or nine compliance audits annually. Most of these are audits of agreement holders. The Board also audits the government's BC Timber Sales Program (BCTS). This section describes the process for selecting agreement holders to audit.

To begin with, auditors randomly select an area of the Province, such as a forest district. Then the auditors review the forest resources, geographic features, operating conditions and other factors in the area selected. These are considered in conjunction with Board strategic priorities (updated annually), and the type of audit is determined. At this stage, we choose the auditee(s) that best suits the selected risk and priorities. The audit selections are not based on past performance.

For example, in 2007, the Board randomly selected the Robson Valley Timber Supply Area as a location for an audit. After assessing the activities within that area, we discovered that two licensees had recently closed operations due to financial problems. As the Board has expressed concern in the past about financially strapped companies failing to meet outstanding obligations, such as reforestation, and road maintenance, the audit focused on the status of the outstanding obligations of these two licences.

For BCTS audits, a forest district within one of the 12 business areas within the province is selected randomly for audit.

Audit Standards

Audits by the Board are conducted in accordance with the auditing standards developed by the Board. These standards are consistent with generally accepted auditing standards. The standards for compliance audits are described in the Board's *Compliance Audit Reference Manual*.

Audit Process

Conducting the Audit

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

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

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

Evaluating the Results

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

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

Auditors categorize their findings into the following levels of compliance:

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

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

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

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

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

Reporting

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

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

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



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