



**Forest
Practices
Board**

Audit of Forest Planning and Practices

*Coast Tsimshian Resources LP
Tree Farm Licence 1*

FPB/ARC/113

March 2010

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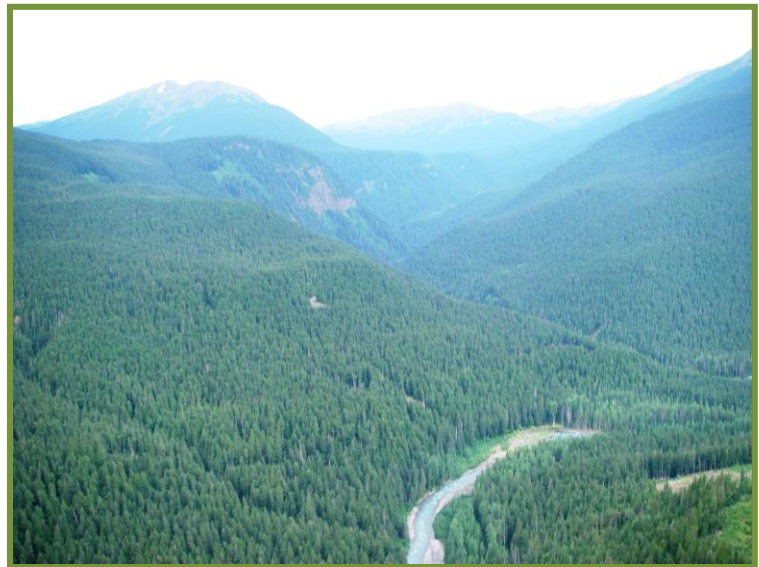
Audit Results

Background

As part of the Forest Practices Board's 2009 compliance audit program, the Board selected Tree Farm Licence (TFL) 1 for audit. TFL 1 is held by Coast Tsimshian Resources (CTR) limited partnership. TFL 1 is located in the Kalum Forest District and it includes four geographically separate blocks surrounding Terrace (see map on page 2).

Since 1986, TFL 1 has been held by Skeena Cellulose, NWBC Timber and Pulp, and New Skeena Forest Products. CTR acquired TFL 1 in 2005 when New Skeena Forest Products Ltd. was under creditor protection.

The Board's audit fieldwork took place August 17 to 21, 2009.



Overview photo of a portion of TFL 1.

Audit Approach and Scope

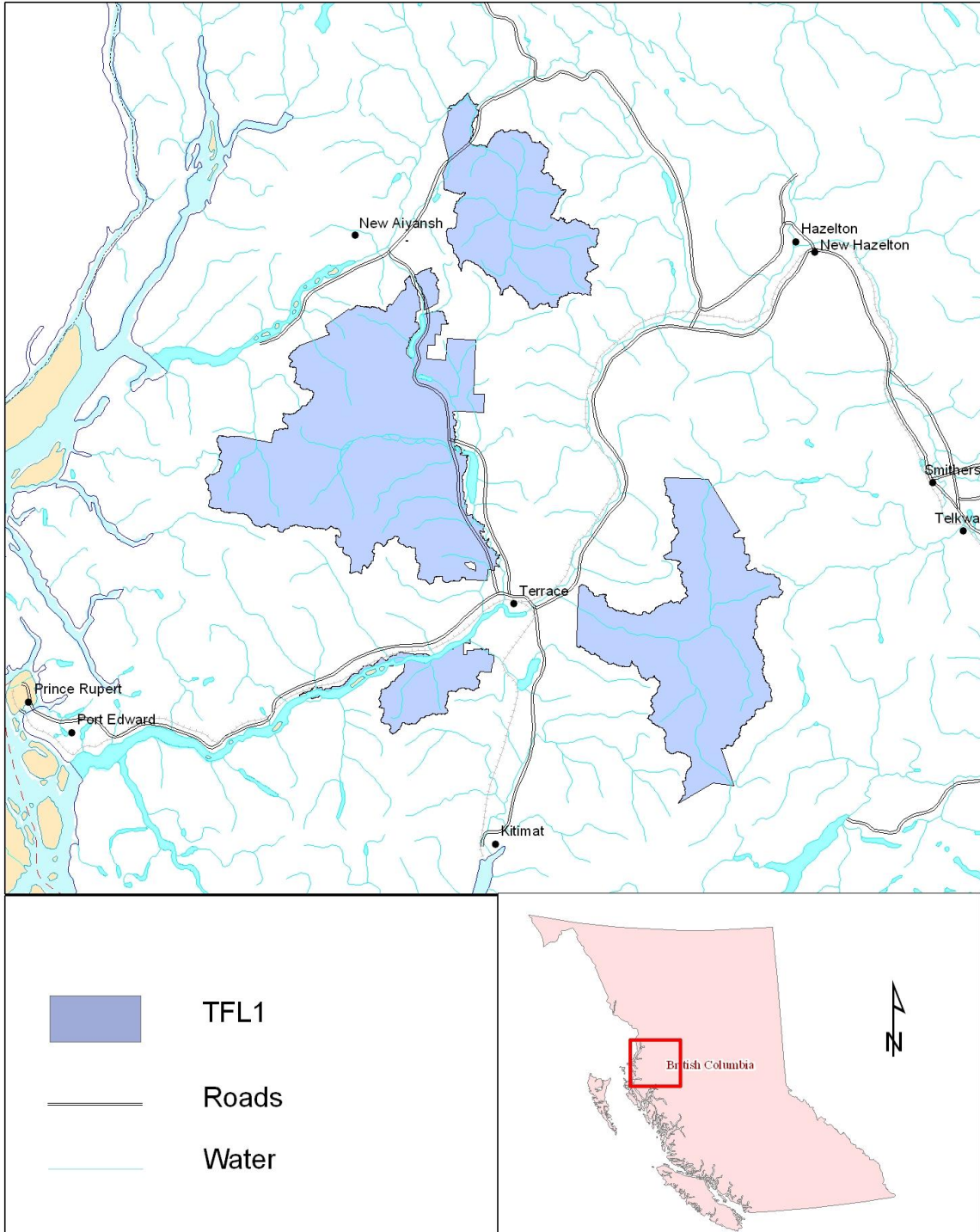
The audit examined planning, field activities and obligations in the following areas:

- operational planning (including a forest stewardship plan and site plansⁱ);
- timber harvesting;
- road construction, maintenance and deactivation;
- silviculture activities and obligations; and
- fire protection at active work sites.

These activities were assessed for compliance with the *Forest and Range Practices Act* (FRPAⁱⁱ), the *Wildfire Act* (WA) and related regulations. All activities, planning and obligations for the period August 1, 2007 to August 21, 2009, were included in the scope of the audit.

The Board's audit reference manual, *Compliance Audit Reference Manual, Version 6.0, May 2003*, and the addendum to the manual for the 2009 audit season, set out the standards and procedures that were used to carry out this audit.

TFL 1 Audit Report Map



Planning and Practices Examined

Higher Level Plans

The Kalum Sustainable Resource Management Plan (KSRMP) guides land use and resource management in an area that includes TFL 1. The objectives in the KSRMP were legalized through an order made on April 28, 2006. The KSRMP established objectives for biodiversity, grizzly bear management, visual resources and community watersheds. The audit examined whether or not CTR incorporated the relevant objectives of the KSRMP into its operational planning.

Operational Planning

CTR planned its activities in a forest stewardship plan (FSP). The plan was approved in March 2006 and has a term of five years. The FSP was examined to ensure that it was consistent with legislated requirements, including public consultation requirements and the KSRMP objectives. Twenty-three site plans were also audited to ensure consistency with the FSP and with legislated requirements.

Practices

In addition to an office-based evaluation of records and plans, roads and cutblocks were examined both on the ground and by helicopter.

Harvesting

During the two-year audit period, CTR harvested 50 cutblocks totalling 2,804 hectares. The audit examined 23 of those cutblocks totalling 1,160 hectares. Auditors visited one active cutblock where they examined *Wildfire Act* requirements for fire preparedness and prevention.

Road Construction, Maintenance and Deactivation

CTR built 63.5 kilometres of new road and maintained 1,537 kilometres of road during the audit period. Auditors examined 48 kilometres of new construction and 313 kilometres of road maintenance. CTR was responsible for maintaining 139 bridges and auditors examined 40 of them. No new bridges were constructed and no roads were deactivated during the audit period.

Silviculture

Silviculture activities during the audit period, and the amounts sampled are shown in the table below.

Activity	Blocks	Area (hectares)	Blocks Sampled	Area Sampled (hectares)
Juvenile Spacing	5	167	1	81
Brushing	1	35	0	0
Planting	15	224	1	17

Sixty-eight blocks totalling approximately 2,085 hectares were due for regeneration by the end of the audit period. All survey results were examined to confirm that the blocks had been regenerated.

Twenty-eight blocks totalling 954 hectares were due for free-growing by the end of the audit period. Auditors examined nine of the free-growing blocks totalling 304 hectares in the field.

Findings

The audit found that the planning and field activities undertaken by Coast Tsimshian Resources LP complied in all significant respects, with the requirements of FRPA and the WA and related regulations, as of August 2009.

Inherited Silviculture Obligations

The financial difficulties of previous holders of TFL 1, combined with a three-year period of inactivity before CTR assumed TFL 1 in 2005, created some challenges. Many silvicultural obligations were overdue when CTR took over the licence.

Beginning in 2006, CTR identified the outstanding obligations and made a plan to conduct surveys and treat stands where necessary. That plan has been aggressively implemented and it is likely that all outstanding obligations will be addressed in the next few years. Good progress has been made considering that CTR inherited over 2,300 hectares of free-growing obligations in 2005 and more blocks became due each year.

Audit Opinion

In my opinion, the operational planning; timber harvesting, silviculture, road construction and maintenance, and fire protection activities carried out by Coast Tsimshian Resources LP on Tree Farm Licence 1, between August 1, 2007, and August 21, 2009, complied in all significant respects with the requirements of the *Forest and Range Practices Act* and the *Wildfire Act*, and related regulations as of August 2009. No opinion is provided regarding 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.

Handwritten signature of Christopher R. Mosher in black ink.

Christopher R. Mosher CA, CEA(SFM)
Director, Audits

Victoria, British Columbia
February, 25 2010

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- ⁱ A site plan is a site-specific plan that is required in place of a silviculture prescription as of December 17, 2002, except where there is already an existing silviculture prescription. The site plan contains many of the same elements as a silviculture prescription and is designed to identify resource values, and define what a free-growing stand will be on that site. However, it is not an operational plan under the Code and does not require review or approval by government to be implemented.
- ⁱⁱ Most of the *Forest Practices Code of British Columbia Act* (the Code) was repealed on January 31, 2004 and replaced with the *Forest and Range Practices Act* (FRPA). The transitional provisions of FRPA state that the Code continues to apply to forest practices carried out under a forest development plan. This continues until there is an approved forest stewardship plan, at which point, the requirements of FRPA apply. Therefore, although FRPA came into effect prior to the audit period, the legislated forest practices requirements that applied to the majority of the auditee's activities were the requirements of the Code.

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 8 or 9 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 fieldwork includes assessments of features using helicopters and ground procedures, such as measuring specific features like riparian reserve zone width. The audit teams generally spend one to two weeks in the field.

Evaluating the Results

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

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

Auditors categorize their findings into the following levels of compliance:

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

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

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

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

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

Reporting

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

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

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



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