



**Forest
Practices
Board**

Audit of Forest Planning and Practices

Klatassine Resources Ltd.

Non-Renewable Forest Licence A81390

FPB/ARC/128

March 2011

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Audit Results

Background

As part of the Forest Practices Board's 2010 compliance audit program, the Board randomly selected the Chilcotin Forest District as the location for a full-scope compliance audit. Within the district, the Board selected non-renewable forest licence (NRFL) A81390, held by Klatassine Resources Ltd. (Klatassine), for audit. The NRFL was awarded to Klatassine in February 2007 as part of the Forest and Range Opportunity Agreement between the Tl'etinqox-t'in National Government and the Ministry of Forests and Range.

The primary operating area for NRFL A81390 is in the Palmer Lake area, which is about 30 kilometres north of Alexis Creek, within the Williams Lake Timber Supply Area, in the Tl'etinqox-t'in's traditional territory (see map on page 2).

Klatassine has an allowable annual cut of 73,459 cubic metres. Harvest is restricted to predominately lodgepole pine stands that have been heavily attacked by mountain pine beetle. During the two-year period of this audit, Klatassine harvested 60,397 cubic metres under NRFL A81390. Klatassine's operating area was directly affected by the large Bull Canyon Fire Complex that raged through this area in August 2010, burning a combined area of 35,000 hectares. Although none of the cutblocks harvested in the audit period were burned, Klatassine lost 16 hectares of a stand under cutting permit.

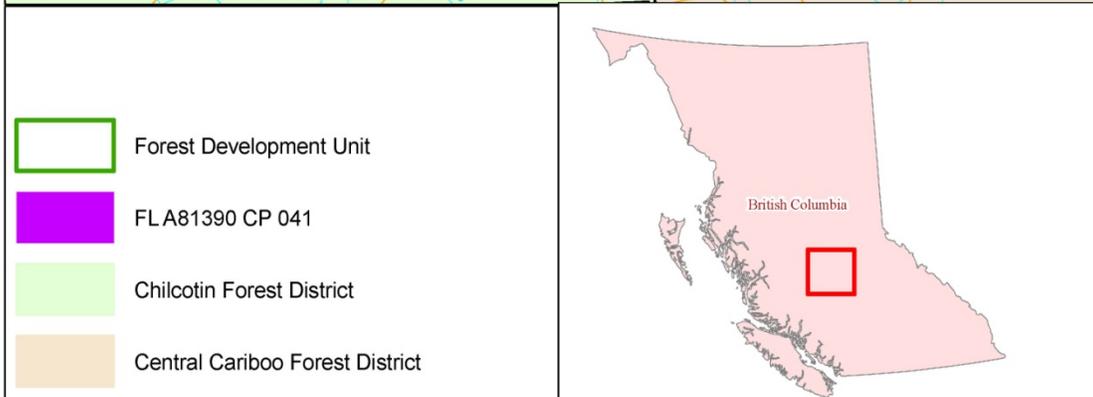
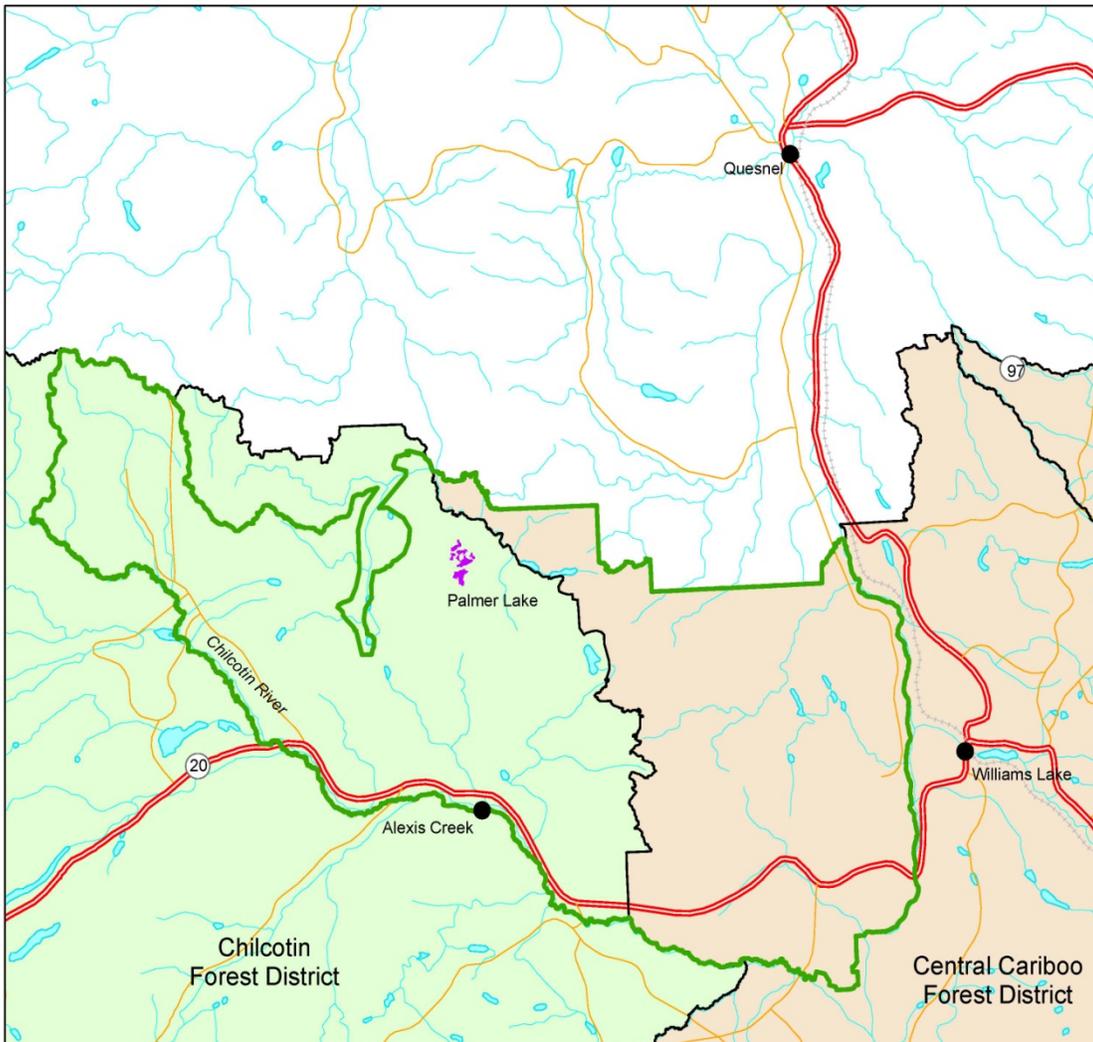


Typical wildlife tree patch in a predominately pine stand on NRFL A81390.

The Board's audit fieldwork took place on September 21, 2010.

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

Audit of Forest Planning and Practices Klatassine Resources Ltd. FL A81390



Objectives set by Government

In addition to objectives set by government under the *Forest and Range Practices Act* (FRPA) and related regulations, objectives for forest stewardship in NRFL A81390 are also guided by the 1994 *Cariboo Chilcotin Land Use Plan* (CCLUP). The CCLUP provides direction from government on how to manage public lands and resources within the plan area. The provisions of the CCLUP regarding zones, objectives, targets and strategies were made legally binding in January 1996.

In May 2005, government produced a *Summary of CCLUP Legal Requirements and Selected Non-Legal Direction* that summarized the objectives of the CCLUP. There are no sub-regional plans applicable to the audit area.

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 September 1, 2008, and September 21, 2010. These activities were assessed for compliance with 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

Klatassine conducts its operational planning under the Klatassine Resources Ltd. Forest Stewardship Planⁱ (FSP), approved in November 2007. Planning was evaluated to ensure consistency with the FSP and legislative requirements, including the CCLUP.

During the two-year audit period, Klatassine harvested eight large cutblocks using only ground-based systems, with a gross area of 737.8 hectares. The audit examined all of those cutblocks.

Klatassine constructed 3.5 kilometres of road outside cutblocks and 22 kilometres of in-block road. Klatassine is also responsible for maintaining 10 kilometres of road outside the cutblocks. Klatassine was not responsible for construction or maintenance of any bridges or major culverts, they did not deactivate any road during the audit period.

The audit examined all of the new road construction outside of the cutblocks and 13 of 22 kilometres of the new in-block road construction. Auditors also examined all 10 kilometres of maintained roads outside cutblocks.

Klatassine has not planted any cutblocks yet, so there were no silviculture activities completed or silviculture obligations due during the audit period.

There were no active site operations during the field audit, so 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 and field activities undertaken by Klatassine Resources Ltd. complied in all significant respects with the requirements of FRPA, WA and related regulations, as of September 2010.

Reporting Obligations

Under section 86 of FRPA, Klatassine is required to report information to the district manager about each area in which timber harvesting was completed annually. This reporting allows government to track a licensee's progress in meeting its reforestation requirements and is to be completed by June 1 each year. When the licence was awarded, Klatassine partnered with a local company that dealt with administrative issues such as these, while Klatassine concentrated on the field operations. That company is no longer involved with Klatassine and the reporting deadline was missed in 2010, therefore Klatassine is in non-compliance with this obligation. This is considered an area requiring improvement.

Operational Planning

The audit found that Klatassine's FSP was consistent with either default requirements contained in FRPA, or the required objectives or strategies from the CCLUP. Site plans were evaluated and found to be consistent with the FSP.

Harvesting

All cutblocks were designed to target predominately pine stands that had been heavily attacked by mountain pine beetle. As well, logging occurred during the winter months and appeared to have been done on frozen ground, so soil disturbance was kept to a minimum.

Road Construction and Maintenance

No concerns were identified with road construction or maintenance during the audit. The operating area did not contain any fish-bearing streams and, where possible, existing roads were used to limit the amount of permanent access.

Silviculture obligations and activities

There were no silviculture activities done, or obligations due, during the audit period, as harvesting had commenced on the licence in 2008.

Fire Protection Activities

There were no active operations during the field audit, so field requirements of the WA were not assessed. Harvesting left very little slash loading within the cutblocks, and piling and disposal of slash piles was effective, so any increased fire hazard from logging had been abated.

Audit Opinion

In my opinion, the operational planning; timber harvesting; road construction; road maintenance; and fire hazard abatement activities carried out by Klatassine Resources Ltd., on Non-Renewable Forest Licence A81390 between September 1, 2008, and September 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 September 2010. No opinion is provided regarding fire tools, silviculture and 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.

Without qualifying my opinion, I draw attention to the *Reporting Obligations* section of this report, which describes an area requiring improvement.

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.



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Director, Audits

Victoria, British Columbia
March 7, 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 generally worthy of reporting. However, in certain circumstances, events that are considered not significant non-compliance may be reported as an area requiring improvement.

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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