

**Audit of Forest Practices and Planning
Canadian Forest Products Ltd.
Forest Licence A18151**

Audit Report



FPB/ARC/65

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Table of Contents

Forest Practices Board Commentary 1

Detailed Audit Findings 3

 Background 3

 Audit Approach and Scope 4

 Planning and Practices Examined 4

 Audit Opinion 5

Appendix A: Forest Practices Board Compliance Audit Process 7

Forest Practices Board Commentary

This is the Board's report on a compliance audit of Forest Licence A18151, held by Canadian Forest Products Ltd. (Canfor). The operating area for this licence is within the Dawson Creek Timber Supply Area (see map on page 2).

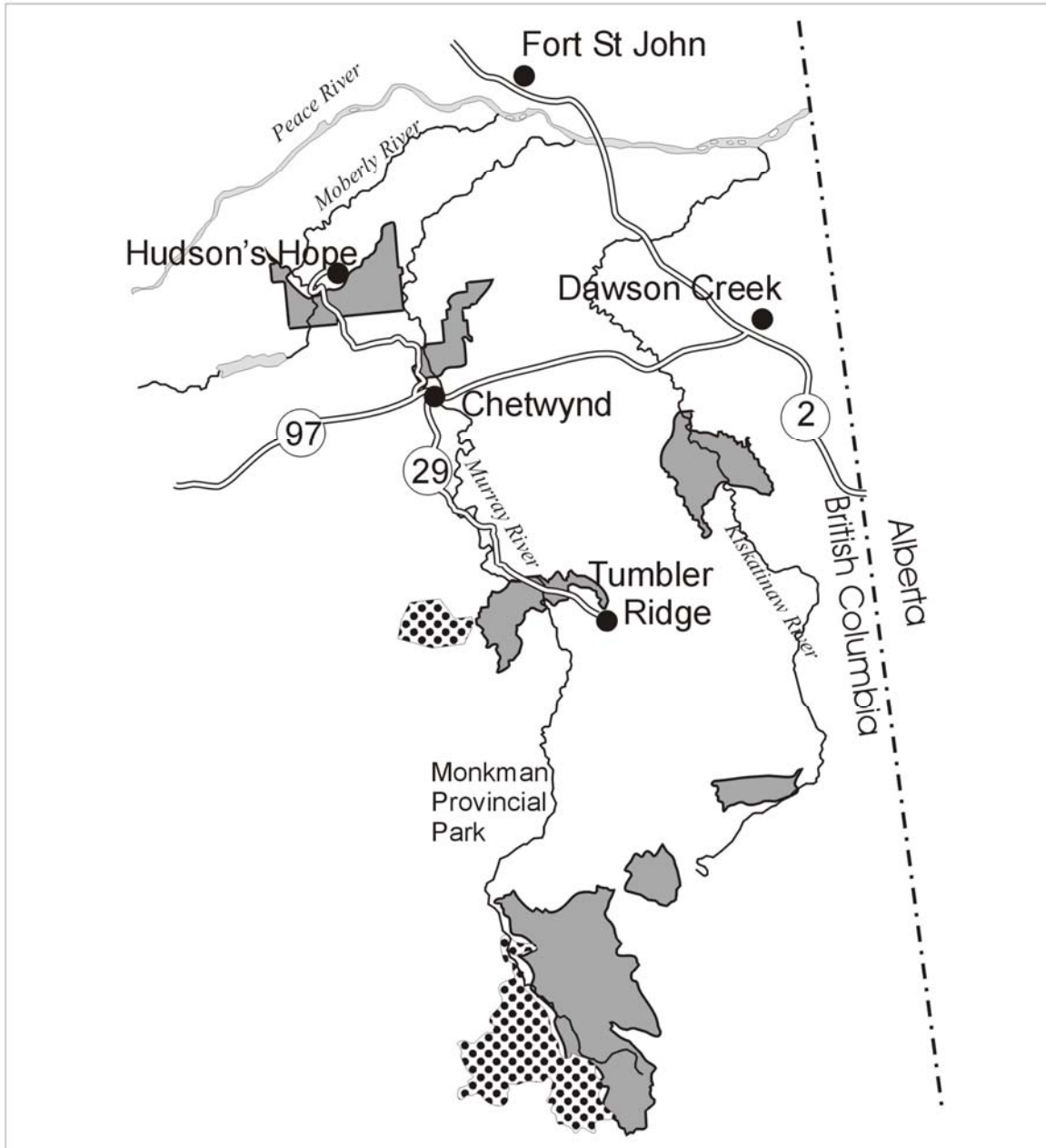
The Board notes that Canfor's planning and practices complied with legislative requirements in all significant respects. Canfor's approach to harvesting is reflective of natural disturbance patterns and is being planned and conducted to address biodiversity and visual quality values. The Board commends Canfor for its performance, and encourages Canfor to continue to operate in this manner.



Bruce Fraser, PhD
Chair, Forest Practices Board

October 27, 2004

**Audit of
Canadian Forest Products Ltd.
FL A18151**



Detailed Audit Findings

Background

As part of the Forest Practices Board's 2004 compliance audit program, Forest Licence (FL) A18151 was selected for audit from the population of major forest licences within the Northern Interior Forest Region. The licence, held by Canadian Forest Products Ltd. (Canfor), was selected randomly, and not on the basis of location or level of performance. For more information on the compliance auditing process, see Appendix 1.

FL A18151 is a volume-based tenure located in the Peace Forest District in the Dawson Creek Timber Supply Area (see map on page 2). Chetwynd, Hudson's Hope, Dawson Creek and Tumbler Ridge are the principal communities associated with the forest licence. A portion of the operating area is adjacent to Monkman Provincial Park.

FL A18151 has an allowable annual cut of 87,046 cubic metres. The company harvested approximately 129,000 cubic metres during the audit period, utilizing ground-based systems.

The forests of FL A18151 lie within the Great Plains physiographic region, and are distributed among the Boreal White and Black Spruce and Engelmann Spruce Sub alpine Fir biogeoclimatic zones. The operating area is split between three distinct zones, namely the mountainous area to the west, the foothills and then the plains in the eastern portion of the operating area.

Higher Level Plans

The Dawson Creek Land and Resource Management Plan (LRMP) is applicable to Canfor's operating area. The Dawson Creek LRMP, approved by Cabinet on March 30, 1999, is not a designated Higher Level Plan¹ under the Forest Practices Code (the Code) and the *Forest and Range Practices Act* (FRPA). Even though the LRMP is not a higher level plan, Canfor has signed on to the plan and has committed to operate according to the 'spirit and intent' of the plan.

Certification Status

Canfor's woodland operations under FL A18151 are certified under the International Organization for Standardization (ISO) 14001². When auditing certified companies, it is Board policy to place some reliance on the work of the licensee's external verification auditors, where possible, to reduce the extent of field testing required. This approach can reduce the cost of the audit without compromising audit standards. Due to the small size of the licence, it was more cost effective to conduct a standard Board compliance audit and not attempt to place reliance on the external auditors' work.

Audit Approach and Scope

The audit examined Canfor's planning, field activities and obligations in the areas of operational planning (including forest development plans³, silviculture prescriptions⁴ and site plans⁵); timber harvesting; road construction, maintenance and deactivation; silviculture; and fire protection. These activities were assessed for compliance with the Code and FRPA⁶. All activities, planning and obligations for the period May 1, 2003 to May 25, 2004 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 2004 audit season, set out the standards and procedures that were used for this audit.

Planning and Practices Examined

Activities during the audit period were approved under the 2000 forest development plan (FDP) and subsequent amendments. As per FRPA section 187, the FDP has been grandparented to December 31, 2005.

Harvesting conducted during the audit period was carried out on two cutblocks; one cutblock was 40 hectares in size, and was harvested using partial cutting in order to maintain visual aesthetics from Highway 29. The majority of the volume was harvested from a 203-hectare cutblock that was clearcut with reserves. The Code and FRPA require that cutblocks in the Northern Interior Region cannot exceed 60 hectares in size, unless the harvesting is carried out to recover damaged timber, or is designed to be consistent with the structural, temporal and spatial distribution of an opening that would result from a natural disturbance. Plans related to proposed cutblocks have included analyses of the impacts of proposed harvesting on key



Large block that includes in-block reserves

biodiversity values such as patch size and seral distribution. Canfor has prepared these analyses using its own current data and data from other licensees operating in the area, because FL A18151 is a volume-based tenure with multiple licensees operating adjacent to each other. The clearcut block is part of a harvesting strategy carried out by Canfor to mimic natural disturbance patterns in the area. The audit found that features on the cutblock such as streams and grizzly bear dens were protected by the maintenance of reserves around the features.

The audit examined 26 kilometres of road construction, 136 kilometres of road maintenance, 46 kilometres of road deactivation and maintenance of 13 bridges. The majority of roads were located in terrain with minimal riparian or sensitive terrain features; however, where these

features were encountered, the audit found that Canfor's practices were appropriate to reduce impacts to the features.

Canfor's silviculture program during the audit period consisted of planting; mechanical and chemical brushing to control competing brush; and juvenile spacing to ensure that trees have adequate growing space. Canfor's activities ensured that features on cutblocks such as streams, berry bushes for animal forage and collecting by First Nations, were not harmed as a result of the activities.

With respect to fire protection planning, activities during the audit period were governed by Canfor's 2003 Fire Preparedness Plan. The audit was unable to examine fire preparedness activities as there were no active operations during the audit field work that could be assessed.

Audit Opinion

In my opinion the operational planning; timber harvesting; silviculture; road construction, maintenance and deactivation; and fire protection planning and activities carried out by Canfor on Forest Licence A18151 from May 1, 2003 to May, 25, 2004, complied in all significant respects with the requirements of the *Forest Practices Code of British Columbia Act* and related regulations (the Code) and FRPA and related regulations as of May 2004.

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 the Code and FRPA.



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

October 27, 2004

¹ A higher level plan is a forest resource management objective that is established as legally binding by a written order. The objective applies to a resource management zone, landscape unit, sensitive area, recreation site, recreation trail, or interpretive forest site.

² ISO is a non-governmental worldwide federation of national standards bodies. ISO 14001 is the international standard defining the organizational structure, responsibilities, procedures, processes and resources required in implementing environmental management systems. It does not specify environmental performance criteria, but provides a framework for an organization to set the criteria together with objectives and targets plus auditing and reporting systems. Undertaking independent certification under ISO 14001 is voluntary.

³ A forest development plan is an operational plan that provides the public and government agencies with information about the location of proposed roads and cutblocks for harvesting timber over a period of at least five years. The plan must specify measures that will be carried out to protect certain forest resources prescribed by regulation. It must also be consistent with any higher level plans. Site-specific plans are required to be consistent with the forest development plan.

⁴ A silviculture prescription is a site-specific operational plan that describes the forest management objectives for an area to be harvested (a cutblock). The silviculture prescriptions examined in the audit are required to describe the management activities proposed to maintain the inherent productivity of the site, accommodate all resource values including biological diversity, and produce a free-growing stand capable of meeting stated management objectives. Silviculture prescriptions must be consistent with forest development plans that encompass the area to which the prescription applies.

⁵ 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.

⁶ 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 say 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 during the audit period, the legislated forest practices requirements were the requirements of the Code.

Appendix A: Forest Practices Board Compliance Audit Process

Background

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

Most of the *Forest Practices Code of British Columbia Act* was repealed on January 31, 2004 and replaced with FRPA. The transitional provisions of FRPA state that the Code continues to apply to forest practices carried out under a forest development plan. This continues until there is an approved forest stewardship plan, at which point, the requirements of FRPA apply. Therefore, although FRPA came into effect during the audit period, the legislated forest practices requirements were the requirements of the Code.

The Board can undertake 'limited scope' or 'full scope' compliance audits. A 'limited scope' audit examines selected forest practices (e.g., road construction, maintenance and deactivation; timber harvesting; or silviculture) and the related operational planning activities. A 'full scope' audit examines all operational planning activities and forest practices.

The Board determines how many audits it will conduct in a year, and the type of audits (limited/full scope, or thematic), based on resources and other considerations. The Board audits agreement holders who have forest licences or other tenures under the *Forest Act* or the *Range Act*. The Board also audits government's British Columbia Timber Sales (BCTS) program, which is administered by Timber Sales regional offices. Selection for audit, of both areas to be audited and agreement-holders and BCTS, is made randomly, using a computer program to ensure a fair, unbiased selection.

Increasingly, licensees are obtaining certification of their operational planning activities and forest practices under one or more certification programs¹. Certification by these programs is generally intended to assure customers and markets that forests are being managed sustainably and in an environmentally sound manner, while Board audits are intended to assure the public landowners that forest practices are being conducted in accordance with the previous Forest Practices Code and the current FRPA. Recognizing that forest certification involves some

¹ A number of international organisations have established unique programs, including standards of practice, to certify and monitor forest industry performance in the area of forest sustainability and environmental protection. These organizations include Canadian Standards Association (CSA), Forestry Stewardship Council (FSC), International Organization for Standardization (ISO 14001), and the Sustainable Forestry Initiative (SFI).

processes and objectives similar to the Board's, the Board's approach, where feasible, is to utilize work undertaken by companies under the various certification programs (certification generally includes an option for companies to voluntarily undergo third-party verification audits) to reduce the level of audit work associated with a Board compliance audit, while maintaining its high audit standards. Where warranted, the Board expects that its auditors can reduce the level of field testing on those licensees that are certified, thereby minimizing duplication of audit work performed while still serving the public interest.

Audit Standards

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

The audits determine compliance with the Code and FRPA based on criteria derived from the *Forest Practices Code of British Columbia Act*, FRPA and their related regulations. Audit criteria are established for the evaluation or measurement of each practice regulated by the Code and FRPA. The criteria reflect judgments about the level of performance that constitutes compliance with each requirement

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

Audit Process

Conducting the Audit

Once the Board selects an audit and decides on its scope ('limited scope' or 'full scope') and/or area, the audit period and the staff and resources required to conduct the audit are determined. Board staff meet with the parties being audited to discuss logistics before commencing the work.

All the activities carried out during the period subject to audit are identified; for example, harvesting or replanting sites and constructing or deactivating road sections. The items that make up each forest activity are referred to as a 'population'. For example, all sites harvested form the 'timber harvesting population'. All road sections constructed form the 'road construction population'. The populations are then sub-divided based on factors such as characteristics of the sites and potential severity of the consequences of non-compliance on the sites.

For each population, the auditors choose the most efficient means of obtaining information to conclude whether there is compliance with legislated requirements. For efficiency auditors usually rely upon sampling to obtain audit evidence, rather than inspecting all activities.

Individual sites and forest practices within each population have different characteristics, such as the type of terrain or type of yarding. Each population is divided into distinct sub-populations on the basis of common characteristics (e.g., steep ground versus flat ground). A separate sample is 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 the sub-population where the risk of non-compliance is greater.

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

For audits of certified companies, in determining the level of field testing necessary, Board auditors examine and perform tests of a certified company's systems and procedures related to achieving Code and FRPA compliance, as well as the specific audit tests carried out by certification auditors, if it is cost effective to do so. The auditors gain an understanding of the requirements of the applicable certification program, and any verification audit(s) undergone by the company, in relation to legislated requirements. This entails visiting both the company and the company's external verification auditor's offices to review and test certification systems and the audit(s) thereof. Field testing is then carried out, generally with smaller sample sizes than in audits of non-certified companies.

Thus, the Board's approach, rather than assume that all certification programs achieve the public interest, is to focus on an evaluation of the selected licensees management controls to achieve compliance with legislated requirements, including an examination of the audit work conducted by the independent certification auditors in determining whether the licensee's procedures for achieving Code and FRPA compliance conformed with the required certification standards. This testing provides assurance that the certification audit work meets the Board's audit standards, and that a company's certification systems adequately address Code and FRPA requirements.

If, however, this testing determines that the rigour of the certification audit process is not sufficient, or that certification systems do not adequately address legislated requirements, then the licensee is audited by the Board in the same manner as licensees who are not certified.

Evaluating the Results

The Board recognizes that compliance with the many requirements of the Code and FRPA 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

Auditors collect, analyze, interpret and document information to determine the audit results. 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 degree to which the practices are judged not in

compliance. The significance of the non-compliance is determined based on a number of criteria, including the magnitude of the event, the frequency of its occurrence and the severity of the consequences.

As part of the assessment process, auditors categorize their findings into the following levels of compliance:

Compliance—where the auditor finds that practices meet Code and FRPA requirements.

Not significant non-compliance—where the auditor, upon reaching a non-compliance conclusion, determines that a non-compliance event, or the accumulation and consequences of a number of non-compliance events, is not significant and is not considered worthy of reporting.

Significant non-compliance—where the auditor determines that the event or condition, or the accumulation and consequences of a number of non-compliance events or conditions, 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 the non-compliance. A significant breach can also result from the cumulative effect of a number of non-compliance events or conditions

Identification of a possible significant breach requires the auditor to conduct tests to confirm whether or not there has been a breach. 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. .

Reporting

Based on the above evaluation, the auditor then prepares the audit report for submission to the Board. The auditee is given a draft of the report before it is submitted to the Board so that the party is fully aware of the findings. The auditee is also kept fully informed of the audit findings throughout the process, and is given opportunities to provide additional relevant information and to ensure the auditor has complete and correct information.

Once the auditor submits the 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 to the public and government. The representations allow parties that may potentially be adversely affected to present their views to the Board.

At the discretion of the Board, representations may be written or oral. The Board will generally decide on written representations, unless the circumstances strongly support the need for an oral hearing.

The Board then reviews the report from the auditor and the representations from parties that may potentially be adversely affected before preparing its final report, which includes the Board's conclusions and, if appropriate, recommendations.

If the Board's conclusions or recommendations result in new adversely-affected parties or persons, additional offers of representations would be required.

Once the representations have been completed, the report is finalized and released: first to the auditee and then to the public and government.