

**Audit of Forest Planning and Practices
Western Forest Products Limited
Tree Farm Licence 25**



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Report from the Board

A. Report from the Board

This is the Board's report on a compliance audit of Tree Farm Licence (TFL) 25, held by Western Forest Products Ltd. (WFP). The operating area for TFL 25 consists of five distinct geographic areas within the Coast Forest Region (see map on page A-2).

The report from the auditor (Part C) provides further details on the location of the TFL, the scope of the audit and the audit findings. The report from the auditor is based on the audit procedures described in Part B.ⁱ

The audit examined WFP's operational planning; timber harvesting; road construction, maintenance and deactivation; silviculture; and fire protection practices for the period from August 1, 2002, to August 29, 2003.

The Board considered the report from the auditor, along with supporting audit evidence, and the Board affirms the auditor's conclusions. WFP's forest planning and practices complied with Code requirements in all significant respects.

The Board believes that this result is noteworthy when considering the current economic circumstances facing the company. The audit conclusion is that all Code obligations are being dealt with in a compliant manner, including those in high risk, remote areas of the TFL. A portion of the TFL lies on the central coast and is currently subject to a moratorium on harvesting while land use planning is underway. Despite the lack of ongoing harvesting in this remote area, WFP met its road maintenance and silviculture obligations. In addition, this is the second audit undertaken by the Board of TFL 25; the first was during 1999 and the Board found a number of problems. This audit paid particular attention to those issues and found that WFP has improved its practices and is now in compliance with the Code.

Partially as a result of this audit, the Board is changing its policy of exempting licenses that undergo a random Board audit from future audits for a period of time. From, and including, the 2004 audit season, the Board is lengthening the exemption period from three to five years, unless circumstances dictate that a follow-up evaluation is warranted.

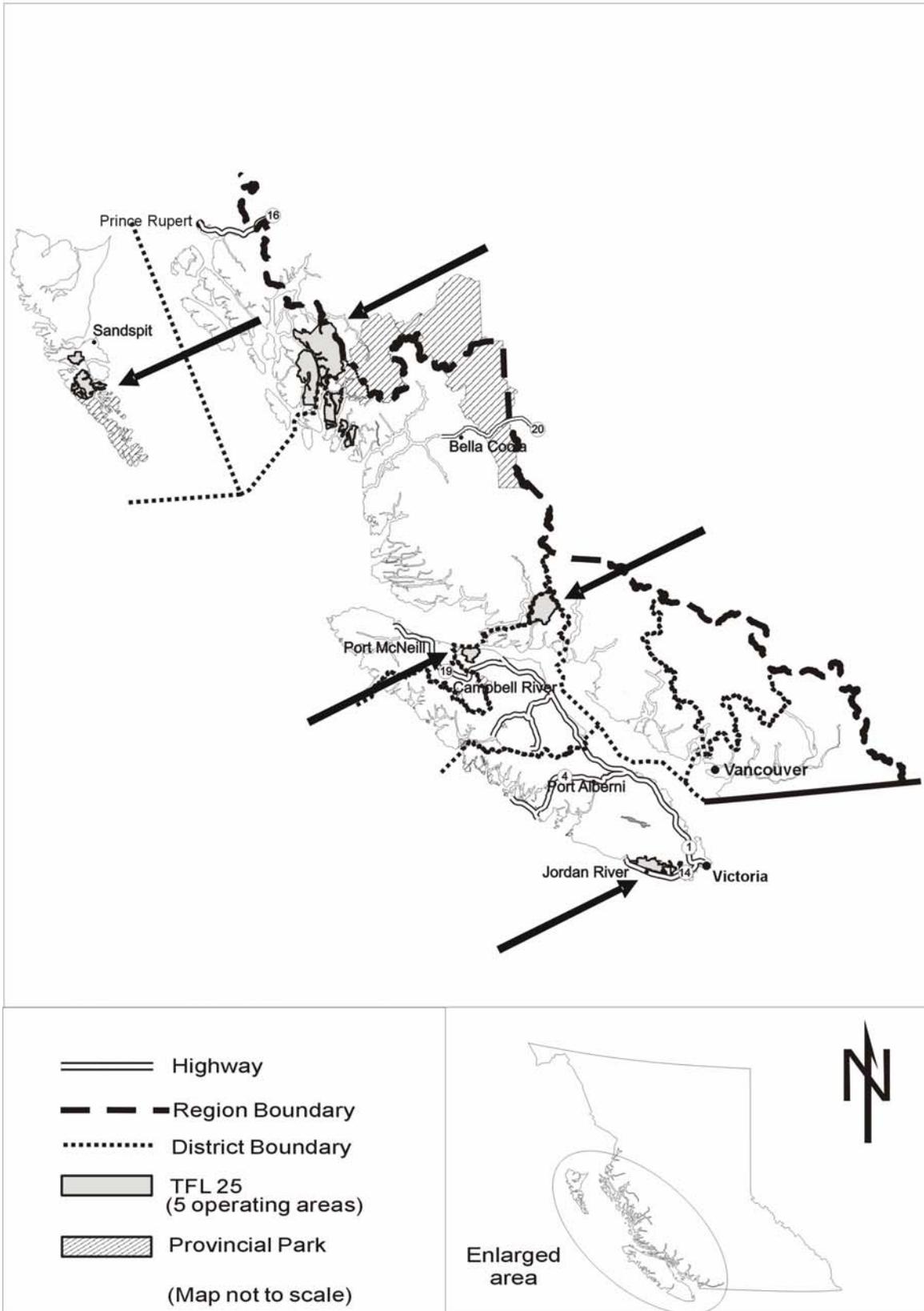


Bruce Fraser, PhD
Chair, Forest Practices Board

February 18, 2004

ⁱ Part B of this document provides background information on the Board's audit program and the process followed by the Board in preparing its report.

Audit of Western Forest Products TFL 25



Forest Practices Board Compliance Audit Process

B. Forest Practices Board Compliance Audit Process

Background

The Forest Practices Board conducts audits of government and agreement-holders for compliance with the *Forest Practices Code of British Columbia Act* and regulations (the Code). The Board has the authority to conduct these periodic independent audits under section 176 of the *Forest Practices Code of British Columbia Act*. Compliance audits examine forest planning and practices to determine whether or not they meet Code requirements.

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 what type of audits (limited or full scope), based on budget 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 BC Timbers Sales program (BCTS), which is administered by Ministry of Forests Timber Sales offices. Selection of agreement-holders and Timber Sales programs for audit is done randomly, using a computer program, to ensure a fair, unbiased selection of auditees.

Increasingly, licensees are obtaining certification of their operational planning activities and forest practices under one or more certification programs.ⁱⁱ 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 Forest Practices Code. Recognizing that forestry certification involves some processes and objectives similar to those of the Board, 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.

ⁱⁱ A number of international organizations 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 the Canadian Standards Association (CSA), the Forest Stewardship Council (FSC), the International Organization for Standardization (ISO 14001), and the Sustainable Forestry Initiative (SFI).

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, based on criteria derived from the *Forest Practices Code of British Columbia Act* and its related regulations. Audit criteria are established to evaluate or measure each practice regulated by the Code. 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 the Code. For efficiencies, 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 subpopulations on the basis of common characteristics (e.g., steep ground vs. 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 test, a certified company's systems and procedures related to achieving Code compliance, as well as the specific audit tests carried out by certification auditors. 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 the requirements of the Code. This entails visiting both the company's and the external verification auditor's offices to review and test certification systems and the certification audit. Field testing is then carried out, generally with smaller sample sizes than in audits of non-certified companies.

Thus, the Board's approach does not assume that all certification programs achieve the public interest, but focuses on an evaluation of the selected licensee's management controls to achieve Code compliance, including an examination of the audit work conducted by the independent certification auditors in determining whether the licensee's procedures for achieving Code 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 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 Code 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 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 Code 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 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 Ministers of Forests, Energy and Mines, and Water, Land and Air Protection.

Reporting

Based on the above evaluation, the auditor then prepares the “Report from the Auditor” for submission to the Board. The party being audited 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 newly 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.

Report from the Auditor

C. Report from the Auditor

1.0 Introduction

As part of the Forest Practices Board's 2003 compliance audit program, Tree Farm Licence (TFL) 25 was selected for audit from the population of major forest licences within the Coast Forest Region. The licence, held by Western Forest Products Limited (WFP), a wholly owned subsidiary of Doman Industries Ltd., was selected randomly and not on the basis of location or level of performance.

Description of the Operating Area

TFL 25 consists of five distinct geographic areas, or blocks, as described below. The TFL is an area-based licence, is 480,865 hectares in size, and has an allowable annual cut of 643,674 cubic metres. Each block has its own separate forest development plan and is managed by WFP as a distinct operating area. The audit assessed WFP's forest planning and practices in each of the five blocks.

Block 1 (Jordan River)

Block 1 is 32,250 hectares in size and is located near Jordan River on southern Vancouver Island in the South Island Forest District. Block 1 has the longest harvest history of the five blocks, with operations dating back to 1857. Douglas-fir is the principal species in the drier, eastern part of the block, with western hemlock and western red cedar more prevalent in the wetter, western part. The terrain is generally moderate in slope, but is dissected by steep-sided creeks.

Block 2 (Stafford Lake)

Block 2 is 66,650 hectares in size and is located on the mainland coast at the head of Loughborough Inlet in the Campbell River Forest District. Harvesting in most areas of this block began in the 1960's and 1970's. Western hemlock is the major species, but there are substantial areas of western red cedar and amabilis fir (balsam). Douglas-fir grows only on some drier, well-drained sites. The topography is relatively rugged, with steep valley walls and flat, frequently inundated valley bottoms; consequently only 24 percent of the total land base is considered operable.

Block 3 (Naka)

Block 3 is 16,300 hectares in size and is located on mid-Vancouver Island at Naka Creek between Port McNeill and Campbell River in the Campbell River Forest District. Harvesting in this block began in 1974. Western hemlock and western red cedar are the most common tree species. Most of the landbase lies below 1000 metres in elevation, and the terrain features moderately sloped valleys that are generally visible from Johnstone Strait.

Block 4 (Port McNeill)

Block 4 was deleted from TFL 25 and consolidated into TFL 6 in 1998. Therefore, there is no longer a Block 4 in TFL 25.

Block 5 (Roderick/Pooley/Yeo Islands & Collins Bay)

Block 5 is 311,905 hectares in size and is located on the mainland Coast between Bella Coola and Prince Rupert in the North Island–Central Coast and North Coast Forest Districts. Although harvesting began in this area in the early 1900's, it has been limited to date. Elevations are generally below 1000 metres, but the terrain is relatively steep in the northern portions of the block. Western hemlock and amabilis fir are the principal tree species. To the south, the topography is gentler and western red cedar is more common.

Block 6 (Sewell Inlet)

Block 6 is 53,760 hectares in size and is located southwest of Sandspit on Moresby Island in the Queen Charlotte Islands Forest District. Harvesting began in this area in the late 1950's. Stands containing primarily western hemlock are most common, covering half of the operating area, with sitka spruce and western red cedar also present. The topography is relatively rugged, with steep valley walls and flat, frequently inundated valley bottoms.

Higher Level Plans

Higher level plansⁱ that provide direction to WFP's operations on TFL 25 are limited to the objectives in the Vancouver Island Land Use Plan for the areas included in blocks 1 and 3.

In February 2000, government released the *Vancouver Island Summary Land Use Plan* (VISLUP). Although this plan was not initially designated a higher level plan, portions of the VISLUP were designated as higher level plans through the *Vancouver Island Land Use Plan Higher Level Plan Order* which took effect on December 1, 2000. The only special management zone of the VISLUP that applies to the TFL 25 operating area is the San Juan Ridge special management zone which is located in block 1. Forest activities occurring within this area must be carried out with special consideration for non-timber values, such as coastal visual and recreation activities, forest ecosystem structure and function, and wildlife habitats. Other VISLUP commitments applicable to TFL 25 are equivalent to Code requirements.

There are currently no higher level plans applicable to the rest of the TFL 25 operating area. However, there are current ongoing processes for the development of the Central Coast and Queen Charlotte Islands land and resource management plans (LRMPs). The Central Coast LRMP will be applicable to blocks 2 and 5, and the Queen Charlotte Islands LRMP will be applicable to block 6 once the plans are completed.

Certification Status

Western Forest Products Limited's woodland operations under TFL 25 are certified under the International Organization for Standardization (ISO) 14001ⁱⁱ. 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. However, due to the low levels of activity during the audit period and the geographically dispersed nature of the five blocks, the auditors determined that it would be more cost effective to conduct a standard Board compliance audit and not place reliance on the external auditors' work.

2.0 Audit Scope

The audit examined WFP's activities in the areas of operational planning (including forest development plansⁱⁱⁱ and silviculture prescriptions^{iv}); timber harvesting; silviculture; fire protection; and road construction, maintenance and deactivation. These activities were assessed for compliance with the *Forest Practices Code of British Columbia Act* and related regulations (the Code).

All activities, planning and obligations for the period August 1, 2002, to August 29, 2003, were included in the scope of the audit. The activities carried out by WFP during the audit period and therefore subject to audit were:

- harvesting of 51 cutblocks (harvesting activity occurred on all blocks, except block 5, during the audit period)
- maintenance of approximately 1,443 kilometres of road, involving activities such as road surfacing and cleaning culverts and ditches
- construction of 8 bridges and maintenance of 213 bridges
- deactivation of 12 kilometres of road
- silviculture activities on 130 cutblocks
- silviculture obligations on 82 cutblocks
- fire protection planning and infrastructure

The activities carried out by WFP during the audit period were approved in the forest development plan (FDP) prepared for each block. These included the: 2001-2005 FDP for block 1; 2001-2005 FDP for block 2; 2001-2006 FDP for block 3; 1999-2005 FDP for block 5 (Yeo Island), 2002-2006 FDP for block 5 (Roderick/Pooley Islands); and the 2002-2006 FDP for block 6. The audit included assessing the plans for compliance with the Code, including consistency between the plan and objectives in designated higher level plans.

The higher level plan commitments for the San Juan Ridge special management zone apply to a portion of block 1. WFP planning and activities within the special management zone must be carried out with special consideration for non-timber values and other commitments. No activity took place within this area during the audit period, therefore, only compliance of operational plans with these higher level plan commitments was audited. The higher level plan commitments applicable to the audit area include:

- retaining structural forest attributes and elements within cutblocks
- applying a variety of silviculture systems, patch sizes and block shapes
- ensuring a maximum cutblock size of five hectares if clearcut
- ensuring a maximum cutblock size of 40 hectares if partial cut
- maintaining visual quality of known scenic areas

Section 3.0 describes the audit of these activities and the audit results. The Board's audit reference manual, *Compliance Audit Reference Manual, Version 6.0, May 2003*, sets out the standards and procedures that were used to carry out this audit.

3.0 Audit Findings

Planning and Practices Examined

The audit work on selected roads and cutblocks included ground-based procedures and assessments from the air using a helicopter. The audit examined:

- harvesting of 30 cutblocks
- construction of approximately 27 kilometres of road
- maintenance of approximately 397 kilometres of road, involving activities such as road surfacing and cleaning culverts and ditches
- construction of 8 bridges and maintenance of 64 bridges
- deactivation of 2 kilometres of road
- silviculture activities on 24 cutblocks
- silviculture obligations on 37 cutblocks
- fire protection planning and infrastructure

Operational Planning

The audit assessed the forest development plans and subsequent amendments for compliance with the Code, including consistency between the plan and objectives in the designated higher level plans. The FDPs assessed were the: 2001-2005 FDP for block 1; 2001-2005 FDP for block 2; 2001-2006 FDP for block 3; and the 2002-2006 FDP for block 6. The FDPs for block 5 were not

audited as there were only road and silviculture obligations subject to audit, and the current FDPs had very limited application to these obligations.

Overall Findings

The audit found that Western Forest Products Limited's planning and field activities complied, in all significant respects, with Code requirements for operational planning; harvesting; silviculture; fire protection; and road construction, maintenance and deactivation. Instances of non-compliance were noted, but were few in number and minor in nature.

4.0 Audit Opinion

In my opinion, the operational planning; timber harvesting; silviculture; fire protection; and road construction, maintenance and deactivation activities carried out by Western Forest Products Limited on Tree Farm Licence 25, from August 1, 2002, to August 29, 2003, were in compliance, in all significant respects, with the requirements of the Code as of August 2003.

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.

Sections 2.0 and 3.0 of this report from the auditor describe the basis of the audit work performed in reaching this opinion. 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.



Christopher R. Mosher, CA, CEA(SFM)
Auditor of Record
Victoria, British Columbia

January 22, 2004

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- ⁱ 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. Higher level plans are a provision of the *Forest Practices Code of British Columbia Act* that give direction to operational plans.
- ⁱⁱ The International Organization for Standardization (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.
- ⁱⁱⁱ 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.
- ^{iv} 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.