



**Forest
Practices
Board**

Audit of Forest Planning and Practices

*Stella-Jones Canada Incorporated
Forest Licence A20196*

FPB/ARC/149

December 2012

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Audit Results

Background

As part of its 2012 compliance audit program, the Forest Practices Board selected Stella-Jones Canada Incorporated's (Stella-Jones) forest licence (FL) A20196 for audit. Operations are managed from Stella-Jones' office in Salmon Arm.

FL A20196, with an annual allowable cut of 12 963 cubic metres, lies within the Arrow timber supply area (TSA), and nearby communities include Nakusp and Burton. It consists of four operating areas, located along the eastern side of Upper Arrow Lake. The southernmost operating area lies within the Caribou Community Watershed. A map of the audit area appears on page 2.

Based on stronger market values, and to meet cut control provisions of the licence, Stella-Jones harvested approximately 72 000¹ cubic metres of timber during the two-year audit period—harvesting the forest profile.

Two professional foresters and a chartered accountant made up the audit team. Field work was carried out from August 7 to 9, 2012.

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



View of Stella-Jones' operations on the northeast arm of Upper Arrow Lake, near the community of Beaton.

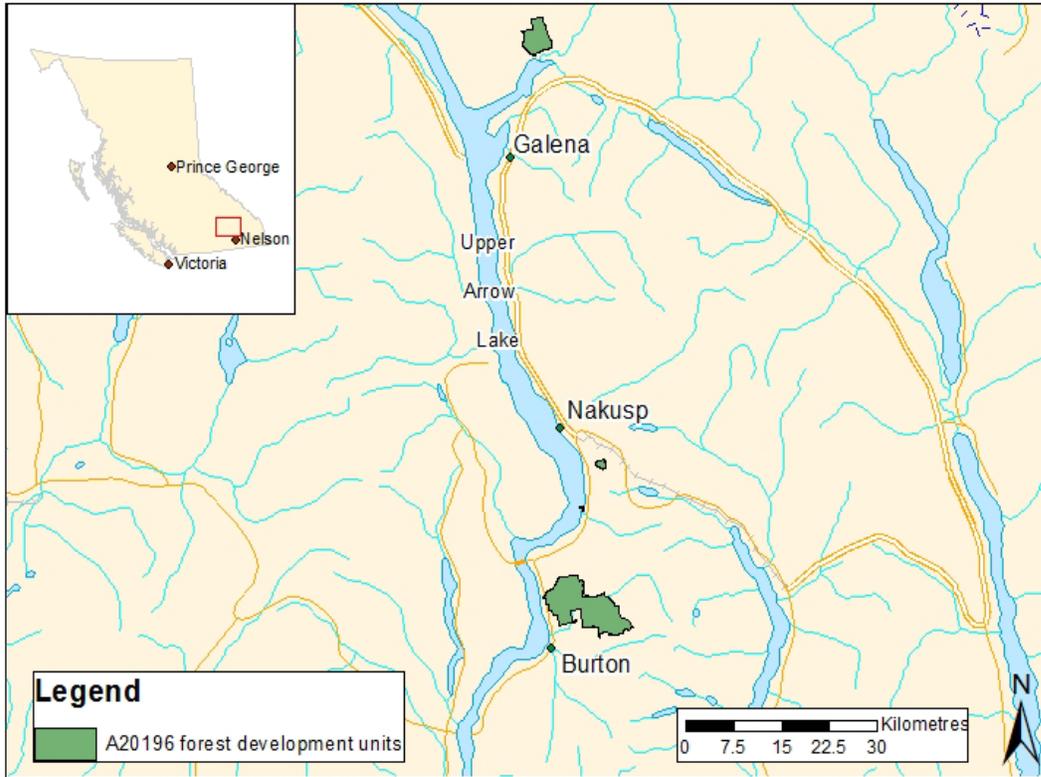
Audit Approach and Scope

The Board conducted a full scope compliance audit, in which all harvesting, roads, silviculture, protection activities and associated planning done between August 1, 2010, and August 9, 2012, were included in the audit. These activities were assessed for compliance with the *Forest and Range Practices Act* (FRPA) and the *Wildfire Act* (WA), and related regulations.

The Board's Compliance Audit Reference Manual, Version 6.0, May 2003, and the addendum to the manual for the 2012 audit season set out the standards and procedures that were used to carry out this audit.

¹ Although the volume harvest during the audit period may appear high in relation to the allowable annual cut for FL A20196, Stella-Jones is still within the *Forest Act* cut control provisions as the previous cut control period for FL A20196 ended in November 2011, with 59 400 cubic metres cut during the previous cut control period and 12 600 cubic metres cut during the current cut control period.

Forest Licence A20196 Stella Jones Ltd.



Planning and Practices Examined

Operational Planning

Stella-Jones' activities are subject to the Kootenay Boundary Higher Level Plan Order (KBHLPO). The KBHLPO guides management of public lands and resources within the plan area and provides for the creation of resource management zones and objectives. KBHLPO objectives apply to a broad landscape and have limited application for specific harvesting blocks or roads within the audit area. Key aspects of the order include:

- scenic areas
- retention targets for old and mature timber
- caribou and grizzly bear retention zones
- special management for streams licensed for consumptive use

Stella-Jones planned activities in its 2008-2012 forest stewardship plan (FSP).² The FSP and stand level plans (site plans) were examined to ensure that they were consistent with legislated

² 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.

requirements. Site level plans were also evaluated to ensure that they accurately identified site conditions through harvesting, road and silviculture field sampling.

Timber Harvesting

Twelve cutblocks covering 200 hectares were harvested during the audit period, all of which were sampled as part of the audit.

Road Construction, Maintenance, Deactivation

Stella-Jones is responsible for maintaining approximately 68 kilometres of roads, of which auditors examined 60 kilometres. The licensee also built five kilometres of road, deactivated one kilometre and maintained four bridges, all of which were examined.

Silviculture Activities and Obligations

Stella-Jones planted three cutblocks during the audit period. Auditors examined all of those cutblocks for planting practices and compliance with seed transfer guidelines. Auditors examined the two cutblocks that were brushed during the audit period.

There were 4 cutblocks where regeneration delay and 14 cutblocks where free growing was due or declared during the audit period, all of which auditors examined.

Fire Protection

Hazard assessment and abatement activities were examined on 12 cutblocks in conjunction with harvest auditing. The two active operations were examined during the audit.

Findings

The auditors found that the planning and forest activities undertaken by Stella-Jones complied with legal requirements, as of August 2012.

Operational Planning

Stella-Jones' FSP was consistent with legislated requirements. Planning at the landscape and stand levels was consistent with the FSP, the KBHLPO and legal requirements.

Stella-Jones' site plans were thorough and detailed and each referred to applicable FRPA and KBHLPO objectives. For each of the relevant objectives, the site plans detailed the result and/or strategy that Stella-Jones has in place to address the objective. Site-specific resources were addressed in the site plans by accurately identifying and prescribing practices for resource features, including streams and wetlands, scenic areas and a community watershed.

Timber Harvesting

Harvesting practices were consistent with site level plans. Soil disturbance was well managed and within FRPA limits and natural drainage patterns were maintained. Wildlife tree patches were reserved as planned and were situated to protect resources such as streams and trails. Bladed skid trails were rehabilitated well, leaving little evidence that the structures previously existed. Also, cutblocks were well designed to reduce visual impacts in scenic areas.



Rehabilitation of a bladed skid trail.

Road Construction, Maintenance and Deactivation

No concerns were identified with road and bridge construction, maintenance or deactivation. Roads were stable and stream crossings were well maintained and in good condition. Roads were deactivated soon after harvesting while equipment was still on site.

Stella-Jones demonstrated that it has a process in place to track the roads and drainage structures that it is responsible for and to ensure that the maintenance obligations on these roads and structures are met.



Drainage restoration of a washout on Caribou FSR.

Silviculture Activities and Obligations

There were no issues identified with brushing, planting and regeneration or free-to-grow obligations. Stella-Jones maintained accurate silviculture records and conducted timely silviculture activities. The licensee met government seed transfer requirements as well as free-to-grow and regeneration obligations, which were completed and reported within the required time frames.

Fire Protection Activities

No concerns were identified with respect to hazard assessment and abatement. Fire hazard was assessed at the completion of harvesting and slash was either piled or piled and burned on all blocks.

The two active operations audited were found to have adequate firefighting equipment on site.

Audit Opinion

In my opinion, the operational planning; timber harvesting; road construction, maintenance and deactivation; silviculture; and fire protection activities carried out by Stella-Jones Canada Incorporated on forest licence A20196 between August 1, 2010, and August 9, 2012, complied in all significant respects with the requirements of the *Forest and Range Practices Act*, the *Wildfire Act* and related regulations as of August 2012.

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
December 3, 2012

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.

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 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 2010, the Board randomly selected the Mackenzie district as a location for an audit. After assessing the activities within that area, we discovered that a large licensee 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, and we knew that some of the licence area is very remote, the new licence holder was selected for audit.

For BCTS audits, a 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 Canadian 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 week in the field.

Evaluating the Results

The Board recognizes that compliance with the many requirements of 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 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, Lands and Natural Resource Operations.

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.



**Forest
Practices
Board**

PO Box 9905 Stn Prov Govt

Victoria, BC V8X 9R1 Canada

Tel. 250.213.4700 | Fax 250.213.4725 | Toll Free 1.800.994.5899

For more information on the Board, please visit our website at: www.fpb.gov.bc.ca