



**Forest
Practices
Board**

Audit of Forest Planning and Practices

*Selkirk Natural Resource District
Woodlot Licence W1644*

FPB/ARC/189

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Introduction

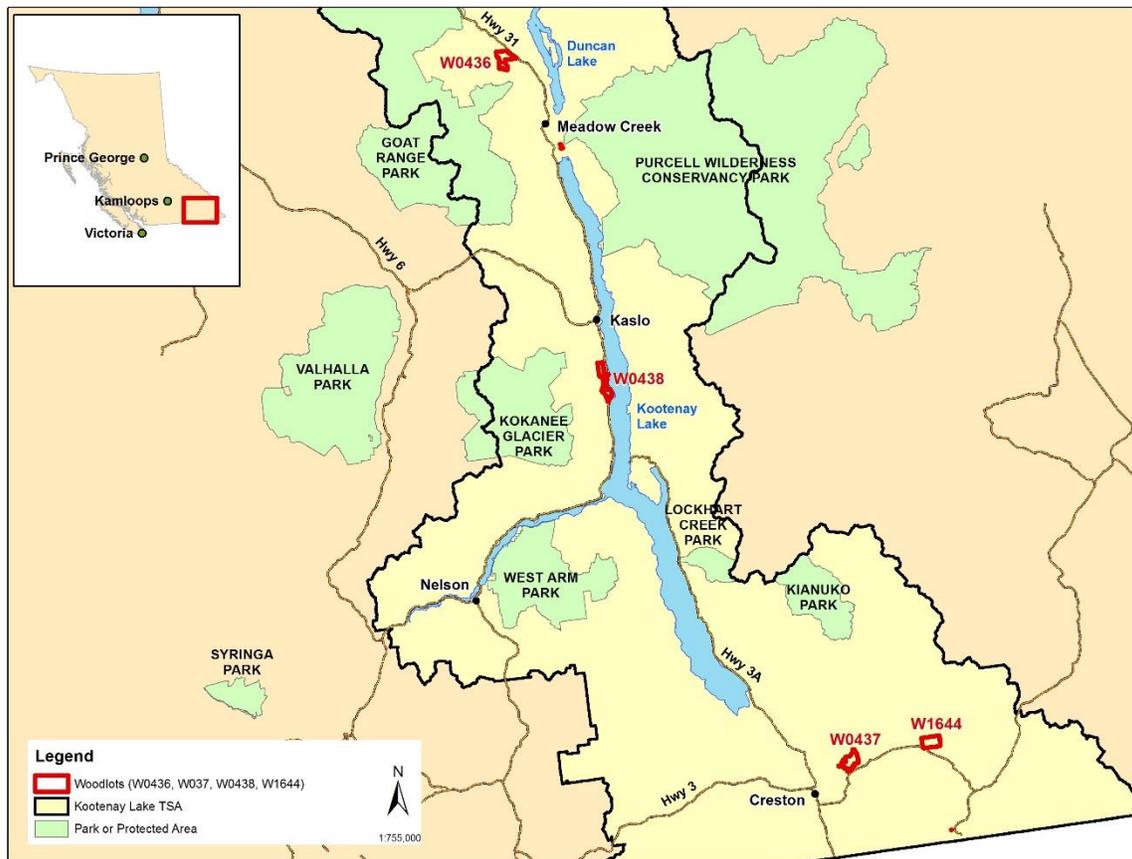
The Forest Practices Board is the public's watchdog for sound forest practices in British Columbia. One of the Board's roles is to audit the practices of the forest industry to ensure compliance with the *Forest and Range Practices Act* and the *Wildfire Act*.

As part of the Forest Practices Board's 2015 compliance audit program, the Board randomly selected the Kootenay Lake TSA portion of the Selkirk Natural Resource District as the location for a full scope compliance audit. Within the district, the Board selected four woodlot licences for audit: W0436, W0437, W0438 and W1644.

The individual woodlot licences were selected based on the level of harvest activity occurring between September 2013 and September 2015, and not on past performance. The Board selected two woodlot licences with a timber harvest of greater than 7000 cubic metres and two with a harvest less than 5000 cubic metres since September 2013. Two of the woodlots are located near the community of Creston, one near Kaslo and the other near Meadow Creek, as shown in Figure 1.

This report explains what the Board audited and the findings for woodlot W1644. Results for the other woodlots are reported separately. Detailed information about the Board's compliance audit process is provided in Appendix 1.

Figure 1. Location of Woodlot Licences W0436, W0437, W0438 and W1644



Audit Results

Background

Woodlot licence W1644 was initially awarded in 1998 and transferred to Rojo Contracting Ltd. (Rojo) in November 2014. The woodlot is located about 23 kilometres east of Creston, north of Highway 33. The woodlot has a total area of 601 hectares, of which 600 hectares is Crown land and 1 hectare is private land. The woodlot licence has an allowable annual cut of 850 cubic metres per year. During the two-year audit period, Rojo harvested about 7336 cubic metres of timber.¹ When Rojo assumed responsibility for the licence, it also assumed any outstanding obligations and it recognized the previous licensee had created several deficiencies with road maintenance, silviculture and annual reporting practices. Rojo plans to address the deficiencies, as described in the findings section of this report.

Audit Approach and Scope

This was a full scope compliance audit with a two-year timeframe. All harvesting, road, silviculture, and protection activities, carried out between September 1, 2013, and September 24, 2015, were included in the scope of the audit. All associated planning was also examined. Auditors assessed these activities for compliance with the *Forest and Range Practices Act (FRPA)*, the *Wildfire Act (WA)*, and applicable regulations, in particular, the *Woodlot Licence Planning and Practices Regulation (WLPPR)*.

The standards and procedures used to carry out this audit are set out in the Board's *Compliance Audit Reference Manual, Version 7.0*, (September 2012).

Two professional foresters and a chartered professional accountant made up the audit team. Fieldwork took place on September 24, 2015.

Planning and Practices Examined and Findings

The following describes the activities and obligations audited and the findings.

Operational Planning

Auditors examined the approved woodlot licence plan (WLP)ⁱ covering the period 2011 to 2021.

The auditors also evaluated site plans² through office reviews and fieldwork to ensure that they accurately identified site conditions and met legal requirements.

The WLP and site plans for W1644 were consistent with legislated requirements and site plans were consistent with the WLP.

¹ Although most woodlots have a relatively small allowable annual cut, it is possible for woodlot holders to harvest up to 120 percent of their five-year cut control cycle in just one or two years, creating the appearance of a larger than actual allowable annual cut. In this situation, Rojo was permitted to exceed this amount in order to salvage insect damaged trees.

² A site plan is not a legal requirement for woodlot licences. A site plan identifies the approximate locations of cutblocks and roads, is consistent with legislation, and identifies how the intended results or strategies described in the woodlot licence plan apply to the site.

Timber Harvesting

Rojo harvested timber from four cutblocks during the audit period, all of which auditors examined. The auditors observed that the cutblocks were harvested as planned, and no concerns were noted.

Rojo protected on-site resources by processing wood at roadsides to minimize soil disturbance and rehabilitating temporary skid trails to reduce soil disturbance. Rojo retained wildlife trees in patches and individual stems and met the obligations in the WLP.

The four cutblocks were located in a scenic area with a visual quality objective of partial retention. Rojo created small irregular shaped openings and used visual design techniques, such as tree retention, to meet partial retention requirements.

Road Construction, Maintenance and Deactivation

Rojo constructed 1.7 kilometres of road, deactivated 1.9 kilometres of road, and had maintenance obligations on 19.4 kilometres of road. Auditors examined all of the constructed and deactivated roads and 11.2 kilometres of the roads with maintenance obligations. Rojo did not install or maintain any bridges during the audit period.

The auditors did not identify any issues with road construction, deactivation or maintenance. There was no evidence of siltation or road failures, running surfaces were stable and natural drainage patterns were maintained.

Rojo was awarded the woodlot licence a year prior to the audit. When reviewing the woodlot, Rojo developed a total chance plan and found that the woodlot contained many legacy roads, built by the previous licensee, that are no longer needed to access timber within the woodlot. To reduce the risk of erosion and increase productive land within the woodlot, Rojo is rehabilitating (de-compact, re-contour, armour and grass seed) the roads that do not meet total chance plan needs.

Silviculture Activities and Obligations

Rojo had regeneration delay obligations due on two cutblocks and free-growing obligations due on another two cutblocks during the audit period. No silviculture activities were conducted. Auditors examined all four of the cutblocks with obligations due.

Auditors found that the previous licensee did not meet regeneration, free growing and annual reporting requirements. Rojo has identified these deficiencies and is working with the government to develop a plan to remedy them, including surveying plantations within the woodlot and developing stand tending prescriptions to ensure free-growing requirements are met and correcting annual report information by May 31, 2016. The findings are described in the following sections.

Annual Reporting

The WLPPR requires that a licensee report information to the government for activities that occurred during the previous reporting period, before May 31 of each year. Auditors found that the previous licensee did not submit annual reports on time for all four of the cutblocks audited. The previous licensee had not reported free growing or regeneration delay milestones nor amended the milestone due dates if not achievable. Auditors also found the previous licensee

did not conform to reporting standards³ on the four cutblocks because it had not reported forest cover updates nor silviculture activities in all cutblocks.

Regeneration Delay

The WLPPR requires a licensee to meet regeneration requirements within the time frame specified in its WLP. In this case, the stocking standards required to meet regeneration requirements must be met within seven years after harvesting, unless otherwise approved by the minister. Auditors found that the previous licensee did not meet stocking requirements within the required timeframe for both cutblocks sampled. Prior to the audit, Rojo recognized the regeneration challenges, surveyed the cutblocks to identify stocking deficiencies and plans to fix them.

Free Growing

The WLPPR requires a licensee to meet free-growing requirements within the timeframe specified in its WLP. In this case, the requirements must be met within 15 years after harvesting. Auditors found that the previous licensee did not meet free-growing requirements within the required timeframe for both of the cutblocks sampled. Prior to the audit, Rojo recognized the free-growing challenges and surveyed the cutblocks to identify stocking deficiencies and plans to fix them.

Rojo is in non-compliance with the WLPPRⁱ, related to annual reporting, regeneration delay as well as free growing, because the previous licensee did not meet these obligations. However, because Rojo identified these deficiencies created by the previous licensee and is implementing a plan to correct them, the finding is considered an area requiring improvement.

Fire Protection Activities

Rojo complied with the *Wildfire Act*.

Auditors did not inspect fire tools since there were no active operations during the audit field work.

Auditors reviewed hazard assessment and abatement practices on the four cutblocks harvested by Rojo during the audit period, and found Rojo completed hazard assessments and abatement within the required time frames.

The auditors also reviewed hazard assessment and abatement practices within plantations and along roads, where the previous licensee may not have fulfilled its obligations. Prior to the audit, Rojo completed a hazard assessment for these locations and has abated any outstanding hazards.

Where burning had taken place, the piles were completely burned and there were no outstanding abatement obligations. Auditors did not identify any concerns with fire protection activities.

³ The WLPPR requires a licensee to submit annual reports in the form specified by the chief forester, using RESULTS and confirming with the [Results Information Submission Specifications \(RISS\) for Woodlot Licensees \(November 20, 2012\)](#).

Audit Opinion

In my opinion, the operational planning, timber harvesting, road construction, maintenance and deactivation, silviculture, and fire protection activities carried out under woodlot licence W1644, held by Rojo Contracting Ltd., between September 1, 2013, and September 24, 2015, complied in all significant respects with the requirements of the *Forest and Range Practices Act*, the *Wildfire Act* and related regulations, as of October 2014. No opinion is provided regarding fire-fighting equipment requirements.

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 *Silviculture Activities and 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.



Christopher R. Mosher, CPA, CA, EP(CEA)
Director, Audits

Victoria, British Columbia
April 15, 2016

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.

Unsound Practice – where the auditor identifies a significant practice that, although found to be in compliance with FRPA or WA, is considered to not be sound management.

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.

ⁱ A **Woodlot Licence Plan** is a key planning element in the *Forest and Range Practices Act* framework and the only plan for woodlots subject to public review and comment and government approval. In WLPs, licensees are required to identify results and strategies or alternative performance requirements consistent with government objectives for values such as water, wildlife and soils, except under prescribed circumstances. These results, strategies and performance requirements must be measurable and once approved are subject to government enforcement. WLPs identify areas within which road construction and harvesting may occur, be avoided or be modified, but are not required to show the specific locations of future roads and cutblocks. WLPs can have a term of up to ten years.

ⁱⁱ **WLPPR Section 76**

(2) The chief forester may specify the form of, and the information to be included in, an annual report required under subsection (3).

(3) A woodlot licence holder must, on or before May 31 each year, submit to the minister, in accordance with the requirements of subsection (2), an annual report respecting activities completed within the reporting period.

WLPPR Section 35

(2) A woodlot licence holder who is required to establish a free growing stand on an area must,

(a) by the applicable regeneration date, establish a stand that conforms to the stocking standards that relate to the biogeoclimatic ecosystem classification for the area.

WLPPR Section 35.1

(1) Subject to section 108 of the Act, a woodlot licence holder who

(a) is required to establish a free growing stand under section 35 of this regulation, and

(b) knows that the requirements of sections 35 and 36 of this regulation cannot be met must

(c) give notice to the minister that the requirements to establish a free growing stand cannot be met, giving the reasons, and

(d) submit to the minister a proposal for establishing a free growing stand on the area, including the stocking standards, the free growing height and the latest date by which the stocking standards and free growing height will be achieved.



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