



**Forest  
Practices  
Board**

## **Audit of Forest Planning and Practices**

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*Selkirk Natural Resource District  
Woodlot Licence W0437*

**FPB/ARC/192**

July 2016

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## Board Commentary

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As part of its 2015 annual audit program, the Board chose to audit four woodlot licences in the Kootenay Lake Timber Supply Area. Woodlot Licence 0437, held by Arrow Glenn Ltd., located near Creston, BC, is the last of the four woodlots to be reported.

Although this licence was not active during the audit period, there are continuing obligations from past harvesting that a woodlot licence holder must meet. The outstanding silviculture obligations were not met on this licence. Auditors identified concerns with regeneration delay, free growing and annual reporting, and concluded that Arrow Glenn Ltd. did not comply with the silviculture requirements of the *Forest and Range Practices Act* (FRPA). This is considered a failed audit.

Such an audit outcome is very concerning to the Board. Even when a woodlot licensee is not actively harvesting, they must continue to actively manage their woodlot to ensure a viable future crop of trees, and that was not done in this case.

As a result of these findings, and in accordance with section 131 of FRPA, the Board makes the following recommendations to Arrow Glenn Ltd.:

1. Update the government database (RESULTS) to address the issues identified in the audit.
2. Work with district staff to develop a plan to address the silviculture issues identified in the audit.

In accordance with section 132 of FRPA, the Board requests that Arrow Glenn Ltd. advise it of the steps taken to implement these recommendations by December 31, 2016.

# Introduction

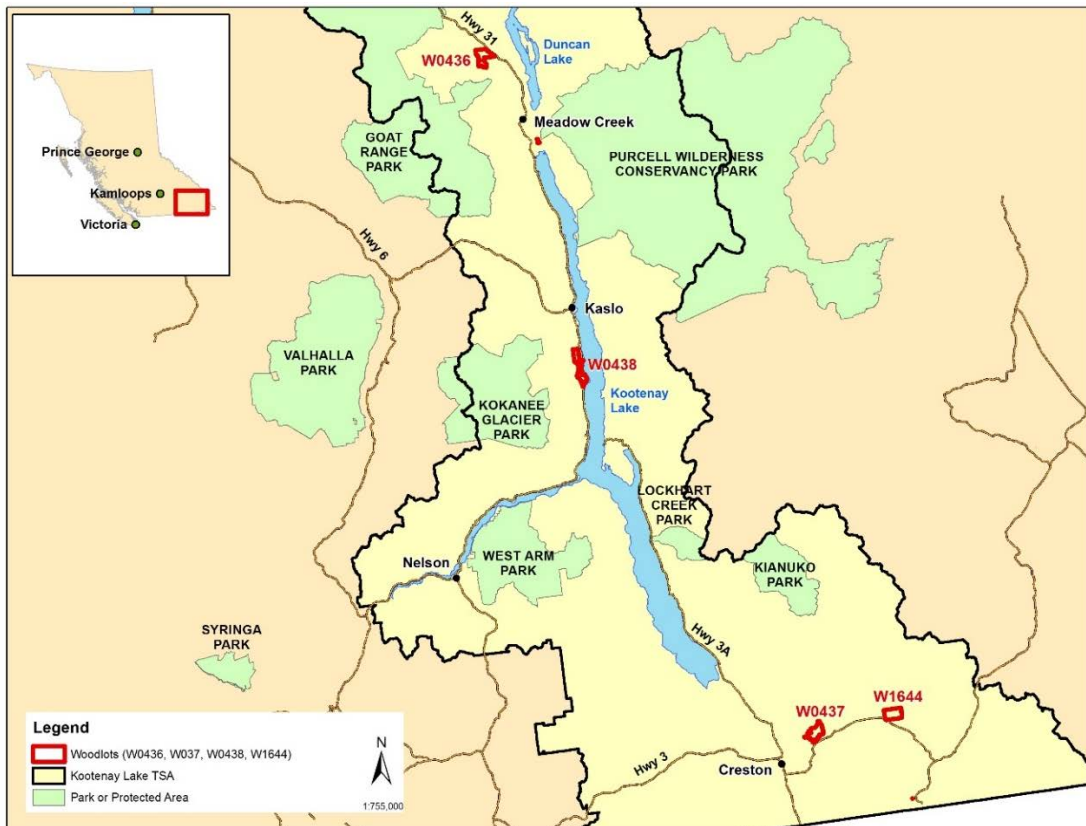
The Forest Practices Board is the public's watchdog for sound forest practices in British Columbia. One of the Board's roles is to audit the practices of the forest industry to ensure compliance with the *Forest and Range Practices Act* (FRPA) and the *Wildfire Act* (WA).

As part of the Forest Practices Board's 2015 compliance audit program, the Board randomly selected the Kootenay Lake Timber Supply Area 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 of 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 W0437. 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

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## Background

Woodlot Licence W0437 is held by Arrow Glenn Ltd. and was issued in 1987. The woodlot is located about 8 kilometres east of Creston, north of Highway 3. The woodlot has a total area of 613 hectares, of which 600 hectares is Crown land and 13 hectares is private land. The woodlot licence provides an allowable annual cut of 836 cubic metres per year. The licensee did not harvest any timber during the two-year audit period.

## Audit Approach and Scope

This was a full scope compliance audit with a two-year timeframe. All road maintenance, silviculture, and fire protection activities, carried out between September 1, 2013, and September 25, 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)*. There were no harvesting, road construction, road deactivation or fire preparedness activities during the audit period.

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 25, 2015.

## Planning and Practices Examined

### Operational Planning

Auditors examined the approved woodlot licence plan (WLP),<sup>i</sup> which covers the period 2009-2019.

### Timber Harvesting

The licensee did not harvest any timber during the audit period.

### Road Construction, Maintenance and Deactivation

The licensee had maintenance obligations on 11.2 kilometres of road and the auditors field reviewed 10.1 kilometres. The licensee did not construct or deactivate any roads, and did not install or maintain any bridges during the audit period.

## **Silviculture Activities and Obligations**

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

## **Fire Protection Activities**

No fire hazard assessment or abatement obligations were due during the audit period, however auditors assessed if any previous abatement obligations had not yet been completed. Fire tool inspections were not conducted since there were no active operations.

## **Findings**

The auditors found that the silviculture obligations and annual reporting carried out by Arrow Glenn Ltd. on woodlot W0437 did not comply in all significant respects with the requirements of FRPA and related regulations, as of September 2015. This is an adverse opinion for these activities and is discussed below.

Auditors found planning, protection and road maintenance activities examined were in compliance, in all significant respects, with the requirements of FRPA and WA and related regulations, as of September 2015.

## **Silviculture Activities and Obligations**

### *Regeneration Delay*

The WLPPR requires a licensee to meet regeneration requirements within the time frame specified in its WLP. In this case, the stocking requirements specified in the WLP must be met within seven years after harvesting. Auditors found that, due to forest health, aridity and browse challenges, the licensee did not establish the required number and species of trees within the required timeframe for all three cutblocks.

### *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, due to moisture, brush, and forest health challenges, the licensee did not meet free-growing requirements nor could it provide surveys to demonstrate whether it had established the required number and species of trees, within the required timeframe for all four of the cutblocks.

### *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 licensee did not submit annual reports on time for all seven of the cutblocks audited. The licensee had not reported free-growing or regeneration-delay milestones nor amended the milestone due dates if not achievable. Auditors also found the licensee did not conform to reporting standards<sup>1</sup> on the seven cutblocks because it reported: stocking standards that did not conform to the WLP or district standards; information that did not match silviculture surveys; and forest cover updates that were not supported by survey information. In addition, the licensee did not always report forest cover updates for all standards units, silviculture activities, and spatial information.

Arrow Glenn Ltd. did not meet FRPA (WLPPR<sup>ii</sup>) requirements for regeneration delay, free growing or annual reporting on any of the cutblocks audited on woodlot W0437. These combined significant non-compliances are of sufficient magnitude to warrant an overall negative conclusion.

### **Operational Planning**

The woodlot licence plan for W0437 was consistent with legislated requirements.

### **Road Maintenance**

Auditors did not identify any issues with road maintenance.

There was no evidence of siltation or road failures, running surfaces were stable and natural drainage patterns were maintained. Culverts and cross-ditches were adequately installed where required.

### **Fire Protection Activities**

The licensee complied with the *Wildfire Act*. Auditors found no outstanding abatement obligations.

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<sup>1</sup> The WLPPR requires a licensee to submit annual reports in the form specified by the chief forester, using RESULTS and conforming with the [Results Information Submission Specifications \(RISS\) for Woodlot Licensees \(Nov. 20, 2012\)](#).

## Audit Opinion

In my opinion, the silviculture activities carried out by Arrow Glenn Ltd. on woodlot W0437 between September 1, 2013, and September 25, 2015, did not comply in all significant respects with the requirements of the *Forest and Range Practices Act* and related regulations, as of September 2015.

As described in the *Silviculture Activities and Obligations* section of this report, the concerns identified regarding silviculture activities are representative of the activities audited and are found to not be in compliance with FRPA.

In my opinion, the operational planning road maintenance and fire protection activities carried out by Arrow Glenn Ltd. on woodlot licence W0437 between September 1, 2013, and September 22, 2015, complied in all significant respects with the requirements of the *Forest and Range Practices Act*, the *Wildfire Act* and related regulations, as of September 2015. There is no opinion provided for road construction, road deactivation, timber harvesting or fire preparedness.

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 CPA, CA, EP(CEA)  
Director, Audits

Victoria, British Columbia  
June 2, 2016



# Appendix 1:

## Forest Practices Board Compliance Audit Process

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### 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 it is 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.

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<sup>i</sup> 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.

<sup>ii</sup> **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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