



**Forest  
Practices  
Board**

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

---

*Chu Cho Industries LP*  
*Non-Replaceable Forest Licence A62375*

**FPB/ARC/198**

January 2017

# Table of Contents

---

<b>Audit Results .....</b>	<b>1</b>
Introduction.....	1
Background .....	1
Audit Approach and Scope .....	2
Planning and Practices Examined and Findings .....	3
Audit Opinion .....	5
<b>Appendix 1: Forest Practices Board Compliance Audit Process .....</b>	<b>6</b>

# Audit Results

---

## Introduction

The Forest Practices Board is the public's watchdog for sound forest and range 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 its 2016 compliance audit program, the Board randomly selected the Mackenzie Natural Resource District for the location of a full scope compliance audit. Within the district, the Board selected non-replaceable forest licence (NRFL) A62375, held by Chu Cho Industries LP (Chu Cho), for audit.

This report describes what the Board audited and the results. Detailed information about the Board's compliance audit process is provided in Appendix 1.



*Chu Cho cutblocks in the Mugaha drainage, northeast of Mackenzie.*

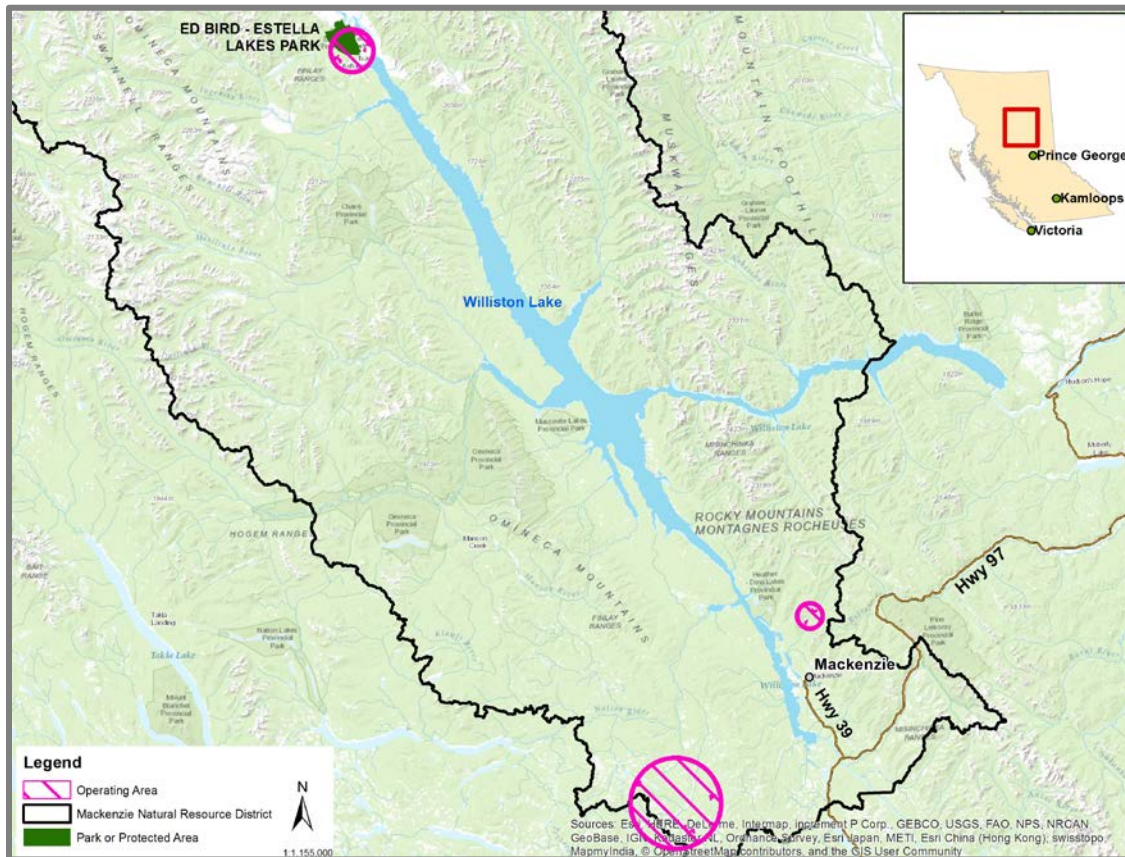
## Background

The Tsay Keh Dene First Nation own Chu Cho Industries LP. NRFL A62375 was originally issued to the Tsay Keh Dene in August 2000 for a term of 15 years. In 2012, the Tsay Keh Dene formed Chu Cho Industries LP (Chu Cho) and transferred the licence, which expired on August 15, 2015, to Chu Cho. NRFL A62375 had an allowable annual cut of 53,404 cubic metres of timber. During the two-year audit period, Chu Cho harvested 92,179 cubic metres.

The audit area falls within the Mackenzie Timber Supply Area (TSA) and includes the community of Mackenzie (see map page 2). The Mackenzie District lies within the Omineca Region and covers approximately 6.1 million hectares. Williston Lake is the dominant geographic feature of the area.

Chu Cho harvested in three distinct operating areas within the district. The most recent harvesting, including all harvest activity during the audit period, is located in the Philip Creek area, southwest of Mackenzie. The other two operating areas, where harvesting occurred prior to the audit period, are the Mugaha drainage, located a short distance northeast of Mackenzie, and the Pelly area, near the north end of Williston Lake.

**Map of the Audit Area**



## Audit Approach and Scope

This was a full scope compliance audit with a two-year timeframe. All activities carried out between October 1, 2014, and October 4, 2016, were subject to audit, including harvesting, roads, silviculture, wildfire protection and associated planning.

Auditors assessed these activities for compliance with FRPA, the WA and applicable regulations. Auditors' work involved interviewing staff, reviewing the forest stewardship plan<sup>i</sup> (FSP) and site plans, assessing silviculture records, and field visits. Field sites were accessed by truck and helicopter.

The standards and procedures used to carry out this audit are set out in the Board's *Compliance Audit Reference Manual, Version 7.1, July 2016*.

One professional forester and a chartered professional accountant made up the audit team. The team was in the field on October 3 and 4, 2016.

## Planning and Practices Examined and Findings

### Operational Planning

NRFL A62375 is covered by the Tsay Keh Dene Forest Stewardship Plan #1, approved January 11, 2013, for a 5-year term. The FSP was amended in January 2013 to reflect the transfer of the licence to Chu Cho Industries LP and to include additional area in the forest development unit.

Biodiversity objectives established by legal order provide non-spatial old growth requirements. Old growth management areas were established for some of the landscape units in the area covered by the FSP. The non-spatial old growth requirements apply to the landscape unit in which the audit population cutblocks are located. Patch size distribution targets for natural disturbance types, as specified in the *Mackenzie Land and Resource Management Plan*, are included in the FSP. Government objectives set out in FRPA and the *Forest Planning and Practices Regulation* are also legal requirements and are accounted for in the FSP.

Auditors examined the FSP and stand-level site plans to ensure that they met legislative requirements and government orders regarding old growth and wildlife habitat. Auditors also considered site plans during harvesting, road and silviculture field sampling to ensure that they accurately identified site conditions.

There were no concerns with operational planning. The FSP and site plans were consistent with FRPA requirements.

### Timber Harvesting

Chu Cho harvested seven cutblocks during the audit period. Auditors examined five of those cutblocks. Two of the cutblocks had significant components of beetle-killed pine; the other cutblocks were primarily spruce and balsam.

Harvesting conformed to operational plans. The site plans accurately identified resource features and specified how those features would be protected. Streams were accurately mapped and protected in accordance with requirements.

Deciduous trees and advanced natural regeneration were retained where safe and practicable, and wildlife tree patches were retained as prescribed.

Most harvesting took place on snow-covered and frozen ground and, as a result, there was minimal soil disturbance on sensitive soils.

No concerns were noted with harvesting.

### Road Construction, Maintenance and Deactivation

Chu Cho constructed 20 kilometres, maintained 18 kilometres and deactivated 5 kilometres of road during the audit period. Auditors examined 11 kilometres of the constructed road, 14 kilometres of the maintained road and 2 kilometres of the deactivated road. These roads were assessed on the ground and from the air.

Most in-block roads were built during the winter and disturbance was minimal. All roads were maintained in a fashion that protected the structural integrity of the road prism with functional drainage systems. Deactivation was well done—culverts were removed, natural drainage patterns were maintained and access was blocked with clearly visible access barriers.

One bridge was removed during the audit period and no issues were noted. There are currently no bridges within the operating areas.

There were no concerns with road construction, maintenance or deactivation.

## **Silviculture Activities and Obligations**

Chu Cho planted 481 000 trees during the audit period. Three cutblocks were manually brushed and 13 cutblocks were planted. Regeneration was declared on 4 cutblocks. Auditors examined 8 of the cutblocks that were planted, all 3 of the cutblocks where brushing was done, and 2 of the cutblocks where regeneration had been declared during the audit period. There were no blocks with free growing due or declared within the audit period.

All planted cutblocks met the chief forester's guidance for seed transfer, meaning that sites were planted with trees grown from an appropriate seed source.

Overall, there were no concerns with silviculture activities or obligations. Field observations and a review of relevant records indicate a well-run silviculture program.

## **Wildfire Protection**

### **Fire Preparedness**

There were no active sites at the time of the field audit, so fire preparedness could not be assessed.

### **Fire Hazard Assessment**

The *Wildfire Act* requires licensees to assess the fire hazard, including an assessment of the fuel hazard and its associated risk of a fire starting or spreading. Chu Cho assessed fire hazard for the cutblocks in the harvest population.

### **Fire Hazard Abatement**

Slash was either piled or piled and burned on all cutblocks. There were no issues with hazard abatement.

## Audit Opinion

In my opinion, the operational planning, timber harvesting, road construction, maintenance and deactivation, silviculture, and fire protection activities carried out by Chu Cho Industries LP on non-replaceable forest licence A62375 between October 1, 2014, and October 4, 2016, complied in all significant respects with the requirements of the *Forest and Range Practices Act*, the *Wildfire Act* and related regulations, as of October 2016.

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, including adherence to the auditor independence standards and the ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Such an audit includes examining sufficient forest planning and practices to support an overall evaluation of compliance with FRPA and the *Wildfire Act*.



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

Victoria, British Columbia  
January 16, 2017

# 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 they are found to be in compliance with FRPA or WA, are 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.

---

<sup>i</sup> 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 cut blocks. FSPs can have a term of up to five years.



**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.bcfpb.ca](http://www.bcfpb.ca)