

Audit Results - Woodlot Licence W1691

Background

Woodlot licence W1691, awarded in 1998, is held by Matthew Earl Nealis. The woodlot is located approximately 38 kilometres south-southwest of Burns Lake, just west of Takysie Lake, and contains 593 hectares of Crown land. The woodlot licence provides an allowable annual cut of 1100 cubic metres per year. During the two-year audit period, the licensee harvested about 1500 cubic metres of timber.

Audit Approach and Scope

This was a full scope compliance audit with a two-year timeframe. All activities carried out on W1691 in the Nadina Natural Resource District between October 1, 2015, and October 16, 2017, were subject to audit. These activities included all harvesting, road, silviculture, protection activities and associated planning.

Auditors assessed these activities for compliance with the *Forest and Range Practices Act*, the *Wildfire Act*, and applicable regulations, in particular the *Woodlot Licence Planning and Practices Regulation* (WLPPR). Auditors' work involved interviewing the woodlot licensee, reviewing the woodlot licence plan, assessing silviculture records, and field visits. Sites were accessed by truck.

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*.

Two forest professionals and a chartered professional accountant made up the audit team. The audit team was in the field on October 16, 2017.

Planning and Practices Examined

Operational Planning

The approved woodlot licence plan (WLP) covered the period 2011 to 2021. Auditors had no site plans to assess, as the WLPPR does not require the licensee to develop site plans for harvesting and road activities, but the licensee is still required to meet the requirements for activities and obligations contained in its WLP. Because the licensee adopted the one cutting permit approach,⁵ which does not require the licensee to spatially identify road and cutblock configurations prior to road construction or timber harvesting, the auditors often had limited mapping for harvest and road activities prior to the field visits. The audit team evaluated the WLP through office reviews and fieldwork to ensure that it accurately identified site conditions.

Auditors found that the WLP was consistent with legislated requirements.

⁵ The "One Cutting Permit" concept is that there would only be one cutting permit for an entire woodlot licence and the licensee would report on its activities after they were completed. This has the added advantage that the licensee would submit final cutblock boundaries once rather than the current practice where proposed cutblock boundaries are submitted at the outset and subsequent amendments submitted before a final cutblock boundary is realized, resulting in lower administration and data storage costs.

Timber Harvesting

The licensee harvested timber from one 6.4-hectare cutblock during the audit period. The cutblock was located near the southwest corner of the woodlot on flat ground with no streams or wetlands within or adjacent to the cutblock. The cutblock was outside of the scenic areas that are located elsewhere in the woodlot. Wildlife tree retention was outside the cutblock in patches. The licensee had not completed harvesting the cutblock at the time of the audit.

Auditors found that soil disturbance was minimized and well below the limits defined by regulation, and no concerns were noted.

Road Construction, Maintenance and Deactivation

The licensee maintained 5.5 kilometres and constructed 0.25 kilometres of road during the audit period. Auditors examined 3.7 kilometres of the maintained road and all of the constructed road. The licensee did not deactivate any roads or install or maintain any bridges during the audit period.

The licensee constructed winter road on flat ground and the auditors did not identify any issues with road construction.

The road maintenance included both all season road, providing main access to much of the woodlot from the northeast corner, and several shorter sections of winter road. The all season road was well maintained with adequately sized and well functioning culverts and ditches. There was no evidence of siltation or road failures and the running surfaces were stable. The winter road was maintained to a wilderness standard. The auditors did not identify any issues with road maintenance.

Silviculture Obligations and Activities

The licensee did not plant any cutblocks during the audit period and had free-growing obligations due on one cutblock, which the auditors examined.

Auditors did not identify any concerns with the free-growing cutblock and found annual reporting was completed within the required timeframe for activities and milestone declarations.

Wildfire Protection

Auditors did not conduct fire tool inspections since there were no active operations during the field work.

The licensee had one cutblock with hazard assessment obligations due during the audit period. There were no hazard abatement obligations due or activities conducted during the audit period and no outstanding abatement obligations were observed. However, auditors found that the licensee had not completed a fire hazard assessment and did not fully comply with the *Wildfire Act*.

The *Wildfire Act*⁶ requires licensees to assess the fire hazard at specified intervals, including an assessment of the fuel hazard and its associated risk of a fire starting or spreading. Furthermore, the licensees must provide a copy of a fire hazard assessment to an official when requested. If an assessment identifies a hazard, the licensee must abate it.

Assessing fire hazard is a legal requirement and must be completed at required intervals after harvest

⁶ Hazard Assessments: Section 7 (1) of the *Wildfire Act* states, "In prescribed circumstances and at prescribed intervals, a person carrying out an industrial activity or a prescribed activity on forest land or grass land or within 1 km of forest land or grass land must conduct fire hazard assessments."

has started, regardless of whether the hazard was abated. It is a reasonable step to take to determine if an industrial activity has created a fire hazard. If a licensee identifies a fire hazard and then abates it or schedules it for abatement, it could demonstrate to government that the licensee has been diligent should a fire start as a result of the industrial activity.

In this case, the licensee did not complete fire hazard assessments on time, which is a non-compliance with legislation, and cannot demonstrate that it has been diligent in assessing the hazard. Since fire hazards are being abated in an effective and timely manner, this is an area requiring improvement.

Audit Opinion

In my opinion, the operational planning, timber harvesting, road maintenance and construction, silviculture, and fire protection activities carried out under woodlot licence W1691, held by Matthew Earl Nealis between October 1, 2015, and October 16, 2017, complied in all significant respects with the requirements of the *Forest and Range Practices Act*, the *Wildfire Act* and related regulations, as of October 2017. There is no opinion provided for road deactivation.

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 *Wildfire Protection* 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, 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 *Forest and Range Practices Act*, and the *Wildfire Act*.



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

Victoria, British Columbia
May 17, 2018

Appendix 1: Forest Practices Board Compliance Audit Process

Background

The Forest Practices Board conducts audits of government and range 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 eight or nine compliance audits annually. Most of these are audits of range agreement holders. This section describes the process for selecting range agreement holders to audit. The Board also audits the government's BC Timber Sales Program (BCTS). This section describes the process for selecting range 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 not considered to 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 and Rural Development.

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.bcfpb.ca