



PRIVATE
MANAGED
FOREST LAND
COUNCIL

Audit Guidance Manual

Managed Forest Program

October 2010
Version 2.0

TABLE OF CONTENTS

1.0	INTRODUCTION	1
2.0	PRIVATE FOREST LAND	2
2.1	Background	2
2.1.1	Forest Management Objectives	3
2.2	Private Forest Land Audits	3
2.3	Scope of Audits	4
2.4	Council Responsibilities	4
2.5	Overview of Audit Process	4
3.0	SELECTION AND SAMPLING	6
3.1	Property Selection	6
3.2	Audit Sampling	6
4.0	AUDITING CONCEPTS	7
4.1	Audit Assurance	7
4.2	Significance	7
4.3	Audit Evidence	8
4.3.1	Types of Evidence	8
4.3.2	Evidence Package	8
4.4	Supervision and Review	9
4.5	Professional Judgement	9
4.6	Objectivity, Independence, Confidentiality	9
5.0	AUDIT TEAM	10
5.1	Composition	10
5.2	Knowledge and Competence Requirements	10
5.3	Specific Responsibilities	11
6.0	OWNER ROLES AND RESPONSIBILITIES	11
7.0	PROCESS AND PROCEDURES	11
7.1	Preparation	12
7.1.1	Communications	12
7.1.2	Sampling	12
7.1.3	Audit plan	12
7.1.4	Preparation	12
7.2	Performance of the Audit	13
7.2.1	Opening Meeting	13
7.2.2	Collecting Evidence	13
7.2.3	Field Assessment	13
7.2.4	Field Audit Procedures	15
7.2.5	Identifying Findings	15
7.2.6	Potential Non-compliance	15
7.2.7	Closing Meeting	16

7.3	Reporting.....	16
	7.3.1. Sample and Property Summaries.....	16
	7.3.2. Audit Report	17
	7.3.3. Review and Comment Process.....	17
8.0	DOCUMENTATION STANDARDS.....	17
	8.1 Forms and Checklists	17
	8.2 Evidence Binder	19

APPENDICES

- Appendix I Audit Terms**
- Appendix II Preparation Forms**
- Appendix III Performance Forms**
- Appendix IV Reporting Forms**

1.0 INTRODUCTION

This audit manual provides guidance for the conduct of audits of properties in the Managed Forest Program. It outlines the audit process and procedures for parties involved to follow, and contains checklists to assess compliance with the *Private Managed Forest Land Act* and regulations.

This manual is organized into eight major sections:

Sections 1 and 2 introduce the manual, the mandate, and the approach of the council in the conduct of audits and definitions of audit terms.

Section 3 describes the process for selection of properties to audit and sampling approaches.

Section 4 describes basic auditing concepts and standards integral to performing audits of managed forests.

Sections 5 outlines audit team composition and the roles and responsibilities of the lead auditor, auditors and resource specialists.

Section 6 outlines the roles and responsibilities of managed forest owners or their representatives and observers.

Section 7 outlines the specific steps of an audit by each of the main phases: audit preparation; conduct of the audit; and reporting; and describes audit procedures.

Section 8 provides standards for documentation of audit evidence.

Appendices contain audit forms, checklists and templates for use by the audit team. There are separate checklists for compliance questions divided into soil conservation, general streams, specific fish streams, critical wildlife habitat and reforestation, referenced to each section of the regulation.

Throughout the manual, frequent use is made of the terms “auditee” and “council”. Auditee refers to an owner whose managed forest is subject to an audit. Council refers to the Private Managed Forest Land Council and its staff.

2.0 PRIVATE MANAGED FOREST LAND

2.1 Background

In August 2004, the British Columbia provincial government repealed the *Forest Land Reserve Act* and brought into effect the private managed forest land legislation that includes the *Private Managed Forest Land Act* (the *Act*); the Private Managed Forest Land Council Regulation; and the Private Managed Forest Land Regulation. This legislation enables regulation of forest practices on private land in the Managed Forest Program, which is private land that is assessed as managed forest land under the *Assessment Act* by BC Assessment. It excludes managed forest land in a tree farm licence area, woodlot licence area or a community forest agreement area. These other lands are subject to the provincial *Forest and Range Practices Act*.

The *Act* establishes objectives for the key public environmental values, which are fish habitat, water quality, critical wildlife habitat, soil conservation, and reforestation. The Private Managed Forest Land Council Regulation (regulation) sets minimum standards of practice for the protection of water quality and fish habitat, soil conservation and reforestation. Provision is made in the Private Managed Forest Land Regulation for the wildlife minister to designate land as critical for the survival of one or more species at risk.

The *Act* also established the Private Managed Forest Land Council (council) as the agency responsible for administration of private managed forest land legislation. The object of the council is to encourage forest management on private managed forest land, taking into account the social, environmental and economic benefits of those practices.

The legislation provides the council with powers to set, monitor, investigate and enforce forest practices standards for land assessed as managed forest throughout the Province. The council conducts forest practices audits with respect to the legislated standards and requirements as part of their administrative role.

The intent of forest practices audits is to provide assurance that standards for the protection of public resource values on private managed forest land are being met. The values are expressed in the *Act* as forest management objectives. In addition the council may at times audit to determine the effectiveness of the regulations and its administration as well as broader performance of the Managed Forest Program.

2.1.1. Forest Management Objectives

Excerpts from the *Act*

Soil Conservation

The forest management objective with respect to conservation of soil for areas where harvesting has been carried out is to protect soil productivity on those areas by minimizing the amount of area occupied by permanent roads, landings and excavated or bladed trails.

Water Quality

The forest management objective with respect to water quality is to protect human drinking water, both during and after harvesting.

Fish Habitat

The forest management objective with respect to the protection of fish habitat, both during and after harvesting, is to retain sufficient streamside mature trees and understory vegetation to protect all of the following:

- (a) a natural variation in water temperatures;
- (b) sufficient cover for fish;
- (c) a continual source of large woody debris for stream channel stability purposes;
- (d) a vigorous mass of roots capable of controlling stream bank erosion;
- (e) a filter to prevent the transport of sediment into stream channels;
- (f) woody debris sufficient for in-stream habitat;
- (g) a source of nutrients to the stream through litter fall.

Critical Wildlife Habitat

The forest management objective with respect to critical wildlife habitat is to facilitate the long term protection of that habitat by

- (a) providing a reasonable opportunity for a person designated in writing by the deputy minister to the minister responsible for the administration of the *Wildlife Act* to assess whether critical wildlife habitat is present on private managed forest land, and
- (b) fostering efforts of the government and the owners to enter into agreements for the protection of any critical wildlife habitat identified under paragraph (a).

Reforestation

The forest management objective with respect to reforestation of areas where timber has been harvested or destroyed is to promptly regenerate the areas with a healthy, commercially valuable stand of trees that is not impeded by competition from plants or shrubs.

2.2 Managed Forest Program Audits

A managed forest land audit is a methodical, documented process of objectively collecting and evaluating evidence to determine if an owner's forest management activities comply with the regulatory requirements, and communicating the audit results to the council and the public. Auditors form their opinion of an owner's performance based on objective evidence collected and the

conclusions they develop. The audit findings are presented in an audit report usually without recommendations unless they have been expressly requested prior to the audit. Any follow-up action is between the council and an auditee.

The council maintains a periodic audit program. The number of properties selected for an audit may depend on any issues identified by the council and resources budgeted. A compliance audit assesses the state of compliance of an owner's forest practices based on activities during a defined audit period.

2.3 Scope of Audits

Audits cover properties in the Managed Forest Program. The scope will vary depending on the purpose of the audit as decided by the council. It may be full scope, which assesses all activities, or limited scope that focuses on selected activities. For example, the audit may evaluate activities in licensed water supply areas or stream protection practices required by the regulation

Activities subject to audit that impact on soil conservation, water quality, fish habitat, critical wildlife habitat and reforestation may include road construction, maintenance and deactivation, harvesting operations, restocking, fertilization and regeneration practices.

2.4 Council Responsibilities

The council provides the framework for audits by defining the scope; that is what will be audited, who will conduct the audit, and how audit results will be presented. Audits may be carried out using independent third party auditors, council staff or other qualified individuals. The council accepts an audit team's report and approves its release to the public.

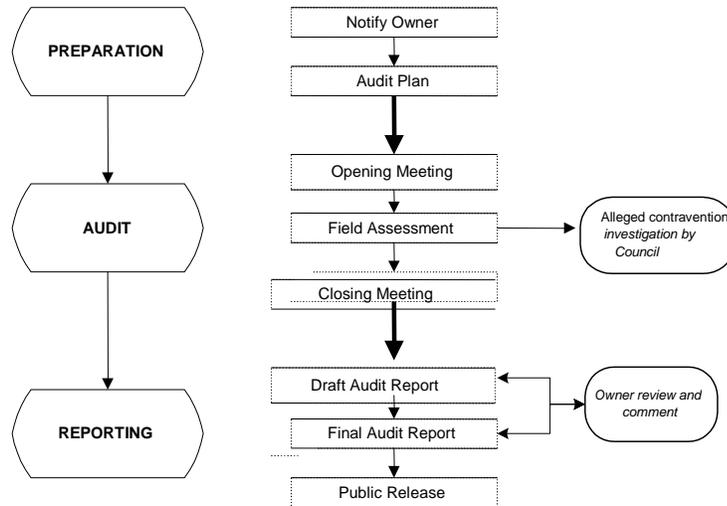
The role of the executive director is to:

- establish audit standards and standards for the conduct of audits;
- determine the frequency of audits;
- allocate the financial resources required to conduct audits;
- select properties to audit;
- appoint qualified auditors;
- ensure auditor(s) competency in:
 - required *Acts* and regulations,
 - independence and objectivity,
 - relevant forest practices being audited,
 - ability to meet established audit standards;
- notify owners of an audit and the audit process;
- require auditors to develop findings in consideration of forest management objectives and to prepare draft and final audit reports after providing an auditee with a reasonable opportunity to review and comment on the report;
- ensure that an owner has an opportunity to review and comment on the audit report prior to public release.

2.5 Overview of Audit Process

The audit process is initiated once the council has determined the number and type of audits and has selected the properties to be audited. An audit commences once the council has notified the owners of the pending audit. The audit process consists of three phases. These are illustrated in the audit process diagram.

Managed Forest Land Audit Process



The detailed audit processes and procedures are in section 7 of this manual. The key steps followed by the audit team in each of the three phases are:

Preparation

- The lead auditor usually prepares an audit plan based on information provided by the owner through the owner's annual declaration as well as other sources as dictated by circumstances. It is reviewed by the executive director. The council accepts the audit plan.
- A request for information is made to the auditee. The selection of audit samples is made.
- Logistics and scheduling for the audit are coordinated with the co-operation of the auditee.

Audit

- Normally an audit commences with an opening meeting to review the audit plan with the owner or owner's representative and to confirm arrangements for the observers to accompany the auditors.
- Field audits are carried out, with periodic briefings to the owner on progress and potential findings.
- The auditors complete their working papers for each sample and complete an assessment summary.
- The lead auditor may adjust the audit plan depending on preliminary findings that develop.

- A closing meeting is held before leaving the site to present preliminary results and potential non-compliance findings to the owner or their representative.

Reporting

- The audit team evaluates their assessment and potential findings and draws their conclusions.
- A draft audit report is prepared. This is forwarded to the owner for review and comment.
- After considering comments from the owner, the auditor completes the audit report and submits it to the executive director who forwards it to council.
- Once the council accepts the report it is released to the public.

3.0 SELECTION AND SAMPLING

The procedure for selection of which properties to audit will depend on the audit objectives. Selection may be random, or directed based on inquiry history, or other issues important to the council.

3.1 Property Selection

Selection may be random or directed. Random selection will be made from a population of all managed forests. Prior to the selection the population may be stratified based on several criteria:

- harvesting activity during the audit period as reported by annual declaration;
- region or geographic location;
- property size;
- previous audit;
- amount of road constructed;
- other quantifiable operational activities;
- financial / personnel resources.

Directed selection will be made from a population of properties that have attributes consistent with the council's predetermined audit scope or objective. Following the selection of the audit properties either the executive director or council staff review the relevant documentation such as annual declarations on file, and council and/or agency reports, to verify that each property to be audited meets the selection criteria.

3.2 Audit Sampling

Normally an audit is based on a sampling of activities undertaken on the selected managed forests during the audit period. An auditor needs to choose enough samples and carry out sufficient testing in the field to form an opinion of the owner's performance with respect to the legislation. When the population of activities for a property is small, all units may be audited.

There is no set number or sample percentage. The amount of testing and size of sampling should be based on an assessment of environmental risk. This is determined during the audit planning phase. Populations of activities, i.e., harvested units, roads, reforested units, are developed. The auditor assigns a risk of high, moderate or low (based on hazard and consequence) to each unit. A

selection of samples to audit is then made. When making the sample selection the auditor must consider:

- environmental risk rating assigned;
- location of activities on the property;
- range of practices and harvesting systems;
- a mix of contractors;
- budget and resources allocated.

High risk units require more field assessment than low risk units. Selection is made predominantly from high risk units. For properties where the characteristics are relatively homogenous and where there is low environmental risk, sampling would be less than for properties where the operating conditions are diverse. The decision as to the number of samples to select is the prerogative of the lead auditor. There needs to be enough sampling such that the level of testing will detect potential non-compliance issues. Sampling should be sufficient to ensure confidence in the audit conclusions.

4.0 AUDITING CONCEPTS

4.1 Audit Assurance

As the auditor's opinion on an owner's performance is based on evidence collected from a sample of forestry activities, an auditor needs to have confidence that the opinion formed is an accurate reflection of the standard of forest practices employed on a managed forest.

Adequate assessment and testing in the field must be carried out and documented as per the evidence collection procedure. By having each auditor document the facts and prepare evidence packages in a consistent manner, there can be confidence that the forest practices reported represent the performance on the property. Another auditor should be able to use the same procedure and independently derive the same conclusion as the previous auditor.

4.2 Significance

Significance is a concept applied by an auditor when evaluating a potential finding. This is formed through professional judgement or opinion expressed by an auditor based on an assessment of an auditee's activity in relation to the audit criteria. The auditor needs to make a judgement on whether the circumstances of the issue warrant reporting as an alleged contravention of the *Act* or regulation. Once a potential contravention is detected, the auditor must decide whether the situation should be deemed significant. Factors that need to be considered include:

- the scope and extent of environmental damage,
- the severity and consequence of environmental impacts,
- whether the incident was intentional or accidental,
- whether the incident compromises any of the forest management objectives in the *Act*.

The significance of a potential contravention finding would normally be reviewed by the audit team and discussed with the auditee.

4.3 Audit Evidence

Audit evidence is obtained by way of observations, inspections, measurements and interviews. The main source of evidence comes from an auditor's assessment of activities observed or measured in the field. The auditor must ensure that sufficient evidence is collected to permit an adequate assessment of the level of compliance.

The amount of evidence required is a judgement decision made by the auditor. It is normal to collect more evidence to support a finding that is being considered as a potential contravention. The auditor must ensure that audit evidence is collected and evaluated from activities that occurred during the audit period. However there may be instances where the evidence collected for review beyond the scope or audit period is required in order to substantiate a potential contravention.

4.3.1. Types of Evidence

Observations

Observations are made during on-site evaluation of forest practices either during or subsequent to an activity being carried out. In both cases, reliable conclusions/evidence of current or past practices can be from observations. They are recorded in checklists, audit notes and by taking photographs. Observations may also be derived from reviewing documents and records.

Making observations is used extensively as an audit technique and is commonly the way that a potential finding is initially identified.

Measurements

In the course of completing an audit of an activity, an auditor may need to make various measurements. This may include for example: road widths, landing size, tree retention and stream widths in riparian zones, and restocking levels. Detailed calculations may be needed to assess soil disturbance observed or to estimate the amount of soil erosion. Measurements are commonly recorded on the checklists or audit field cards.

Interviews

Information obtained through interviewing is another source of evidence for an auditor. Nevertheless, answers provided by an auditee should be verified. This may be through the auditor's own observation and examinations of documents and records that the auditor asks to be provided. Interviews must be documented on audit report forms and note how verification was obtained.

4.3.2. Evidence Package

The auditor must assemble all evidence acquired for an audit sample into an evidence package. This consists of:

- completed audit checklists,
- supporting photographs and maps,
- audit sample records,
- completed field cards,
- copies of other relevant documents.

4.4 Supervision and Review

The lead auditor is responsible for the successful completion of the audit and directs the audit team in the execution of their tasks. Once the auditors have been assigned their audit tasks, it is incumbent on the lead auditor to ensure that the audit procedures, tests and standards in this manual are followed. This may include reviewing an auditor's approach and requiring further testing or analysis before reaching a conclusion.

The lead auditor or his designate, i.e. another audit team member, reviews the evidence package for each audit sample. Potential findings and conclusions are discussed. In some situations, the lead auditor may require additional testing be completed to confirm a potential finding.

4.5 Professional Judgement

Auditors are required to exercise professional judgement in collecting and evaluating audit evidence and in determining if a practice observed is acceptable. Audit criteria provided in the checklists provide the framework for assessing compliance with the legislation. These checklists include additional prompts or points for consideration to assist the auditor in collecting audit evidence. An auditor will rely on professional judgement when determining whether a finding is a potential non-compliance.

4.6 Objectivity, Independence, Confidentiality

At all times auditors must be objective in evaluating evidence, determining findings and drawing conclusions. Auditors shall be and appear to be objective and independent from all managed forest owners. The council will assess the independence of auditors prior to confirming the composition of the audit team. Prior to commencing an audit, auditors must disclose all existing and previous working relationships with a managed forest owner, as well as any actual, potential, or perceived conflict of interest, in writing to the council. As a general rule auditors must not have provided consulting services to the auditee for the two years prior to the audit period.

Auditors must treat all written, verbal and photographic information acquired during the course of an audit as confidential. Confidentiality is covered in an auditor's engagement agreement.

Auditors must not disclose any information relating to the audit process or audit report to the public or other third parties prior to the council's release of the audit report to the public. The council is bound by the *Freedom of Information and Protection of Privacy Act* concerning the release of information obtained during audits.

5.0 AUDIT TEAM

5.1 Composition

An audit team may consist of auditors, technical specialists and observers. The council appoints the auditors whereas observers are invited and may be from the council, partner agencies, owners or other interested parties. Council staff may provide support to the audit team as advisors to provide legislative interpretation and administration information.

The composition of the audit team will be dependent on the experience and expertise needed to carry out the audit. Auditors will be selected based on the nature and scope of the audit, individual qualifications and experience.

Auditors will be qualified individuals with a variety of knowledge, skills and expertise. Furthermore, at least one auditor is preferably a member in good standing of an audit professional organisation acceptable to the council

Technical specialists may be required to provide specific expertise to an audit team. This could be with respect to a situation during an audit that requires expertise outside the competencies of the audit team to assess a potential non-compliance under consideration. - These specialists could be for example biologists, hydrologists or geoscientists. Usually they will be independent consultants.

Observers may include the owner or owner's representatives. Their role is to provide background information relating to the property and to provide their opinions relating to issues and potential findings when requested. Other observers may include council staff or other interested parties as required.

5.2 Knowledge and Competence Requirements

The knowledge and competence of individual auditors is critical to the success of an audit. Auditors are required to be knowledgeable of the *Act* and associated legislation. They should have extensive experience in forestry operational activities and resource management including:

- operational planning
- road construction, maintenance and deactivation
- timber harvesting
- human drinking water quality
- reforestation
- fisheries
- biology
- soil conservation

Auditors are required to be knowledgeable with general environmental auditing procedures requirements including:

- audit management,
- audit planning,
- obtaining, evaluating and documenting audit evidence,
- drawing conclusions and reporting on evidence.

The reliability of an audit is dependent on the competence of the audit team members. Auditors should have the appropriate skill, training and experience relevant to the assigned tasks. Auditors must be able to objectively collect and evaluate evidence and to apply sound professional judgement.

5.3 Specific Responsibilities

Members of an audit team have complimentary responsibilities.

Lead auditor

- review audit scope and objectives with the council,
- conduct document review of auditee records,
- establish and maintain communication with the auditee,
- prepare audit plan in consultation with the council and auditee,
- assign auditors' responsibilities and tasks,
- assign tasks to technical specialists and review their opinions,
- manage audit process and budget,
- conduct opening and closing meetings,
- issue potential non-compliance advisory notes,
- review audit evidence packages and ensure that audit findings are accurate,
- prepare draft and final audit reports,
- review and respond to auditee comments on draft reports.

Auditor

- undertake assigned tasks,
- gather and evaluate sufficient audit evidence to reach conclusions,
- complete audit evidence packages, checklists and forms,
- assist the lead auditor in preparing the audit report.

Technical specialist

- provide expertise and professional opinion in assessing a potential non-compliance,
- provide a written professional report if required.

6.0 OWNER ROLES AND RESPONSIBILITIES

It is anticipated that owners of properties selected to be audited will cooperate with the auditor team and may participate in the audit as observers. Specific roles and responsibilities are to:

- provide information as requested by the lead auditor,
- provide a work area for the audit team, if needed
- ensure knowledgeable and competent personnel accompany the auditors during the audit,
- ensure auditors have access to relevant records,
- review the draft and final audit reports and provide written comments.

7.0 PROCESS AND PROCEDURES

The audit process involves three stages: preparation, performance of the audit and reporting.

7.1 Preparation

7.1.1. Communications

The council will notify an owner of the pending audit. The notice includes the names of the audit team, scope of the audit, the audit period, the auditors' right to enter the property and the right of the owner to comment on the audit report. Subsequent to this notice the lead auditor contacts the owner to establish communication and to begin planning and scheduling. The lead auditor will provide information on the audit, explain requirements for preparation of an audit plan and obtain contact names. The auditee will be requested to provide some general background information on the property; this is followed by the lead auditor sending out an Owner Information Request form for completion.

7.1.2. Sampling

It is not usually necessary to audit all activities that occurred within an audit period. For most audits a sample of activities is selected. The sample needs to be representative of the activities and consider the factors identified in section 3.2. The lead auditor completes the audit population forms, entering activities listed from the completed Owner Information Request form and/or the annual declaration for the property. Audit samples are then selected.

7.1.3. Audit plan

The audit plan provides the framework for conducting an audit. A well-prepared audit plan ensures an efficient and effective use of resources in conducting the audit. The schedule in the plan should be flexible to permit adjustments in scheduling as the audit progresses due to possible changes in sampling intensity, progress in completing the audit samples or for efficient use of audit resources.

The lead auditor prepares an audit plan guided by the template. The plan is to include as appropriate:

- objectives,
- scope,
- names of auditors and responsibilities,
- audit activity schedule,
- audit criteria,
- times and dates of opening and closing meeting,
- logistics and scheduling arrangements, prepared in discussion with the auditee.

Once an audit plan has been prepared it is sent to the executive director.

7.1.4. Preparation

Prior to the audit the lead auditor:

- distributes copies of the audit plan to auditors and the auditee,
- confirms auditor assignments and responsibilities,
- prepares any additional questions to add to the checklists and obtains adequate supplies of checklists, forms and field cards,
- assembles supplies needed for the audit,
- makes accommodation reservations and arranges transportation bookings,

- prepares the opening meeting agenda,
- arranges for the auditee to prepare or make available specific information on the audit samples.

Prior to the audit the auditors:

- familiarise themselves with the audit objectives and the audit plan,
- understand the audit procedures and checklists to be completed,
- review document safe guarding, retention and confidentiality requirements.

7.2 Performance of the Audit

Performing an audit involves four stages:

- opening meeting,
- collecting evidence,
- identifying audit findings and conclusions,
- closing meeting.

7.2.1. Opening Meeting

An audit commences with an opening meeting. It is attended by the audit team, owner representatives, and observers. The meeting is held to review and confirm the details in the audit plan. The topics covered may include:

- Scope and objectives,
- timetable and logistics,
- audit procedures,
- lines of communication between auditee and audit team,
- auditor roles and responsibilities,
- facilities and resources available to the audit team,
- relevant safety, communication and emergency procedures.

7.2.2. Collecting Evidence

Audit evidence may be collected through interviews, observations, measurements and reviews of documents. Information obtained through interviews should be verified where possible.

7.2.3. Field Assessment

Prior to auditing a sample, the auditor collects and reviews all relevant information and predetermines features to assess in the field. It is only necessary to audit those aspects or features that are relevant to the resource values in the regulation and the audit scope. An auditor assesses all activities within the audit scope. The emphasis during the field assessment is prioritised on a risk basis.

For example, harvesting or road activity near a stream would pose a greater environmental risk and therefore should be assigned a higher priority for assessment as opposed to the same activity on mid or upper slopes. Similarly soil disturbance from machine traffic such as on skid trails, around landings or along roadsides carries a higher risk of soil compaction.

Examples of features that an auditor should consider for each of the key resource values are:

Soil Conservation

When auditing soil conservation, consideration should be given to:

- length, area of road and landings constructed,
- area of road and landings rehabilitated,
- re-vegetation of exposed mineral soils,
- road and landing widths,
- road right of way width,
- stability of road surface and road prism,
- maintenance of natural drainage patterns,
- adequacy of ditching and culverts (location and sizing).

Streams and Water Quality

When auditing streams and water quality, consideration should be given to:

- the assigned stream class,
- maintenance of natural drainage patterns,
- adequacy of ditching and culverts (location and sizing),
- stability of road surface and road prism,
- proximity of streams to road and harvesting activities,
- re-vegetation of exposed mineral soils,
- tree/understory vegetation retained adjacent to streams, depending on stream class
- adequacy of harvesting/ road practices near/ across streams,
- presence of community watersheds or licensed water supply intakes,
- application of broadcast fertilizers,
- skid trail, and landing construction and rehabilitation,
- timing of harvesting and road construction.

Reforestation

When auditing restocking and successful regeneration areas consideration should be given to:

- year of harvesting,
- distribution of regeneration,
- voids or non-restocked areas,
- applicable stocking standards,
- size of area restocked,
- suitability and vigour of tree species,
- presence of disease and insect infestations,
- presence of competing vegetation,
- stock type, size and year of planting,
- timing of planting,
- site preparation treatments,
- other stand tending treatments.

7.2.4. Field Audit Procedures

During the field assessment the evidence is collected through interviews, observations and measurements. Sufficient evidence should be collected to provide a level of assurance that an auditee's activity conform to the audit criteria. Interviews and observations are noted in an Audit Sample Record (form PMFLC-18).

The auditor should take sufficient field measurements to provide objective evidence in support of any finding of non-compliance or to verify conformance. This may include measurements of road surface and right of way widths, stream widths, length of roads constructed and rehabilitated and areas of landings constructed and rehabilitated.

For operations adjacent to streams, the auditor completes a Stream Assessment Card (PMFLC-15) and a Tree Retention Assessment Card (PMFLC-13) to assess practices within a riparian zone.

Measurements, descriptive observations and photographs should be taken to support observations of soil erosion or sedimentation.

When auditing the adequacy of restocked or successfully regenerated areas, it may be necessary to quantify the stocking level by establishing silviculture stocking plots.

In all cases observations should be supported with photographs. This will provide additional support to any documented evidence and reduce the potential need to revisit the site in the event of any unresolved questions from the auditee.

During the field assessment phase situations may arise when additional technical input may be required to provide specific knowledge or expertise before a conclusion on compliance can be formed. For example a fisheries biologist may be needed to determine the presence of fish in a suspected fish stream or a geoscientist may be needed to assess unstable terrain that resulted in a road failure. In such circumstances the lead auditor will assess the need for a technical specialist and obtain approval from the executive director.

Following the field assessment and the collection of evidence the auditor completes the appropriate compliance checklist(s), identifies potential findings and makes his conclusions for the audit sample.

7.2.5. Identifying Findings

Audit findings may be categorized as compliance, potential non-compliance and opportunity for improvement. The auditors will review all evidence to ensure that there is sufficient evidence to support all findings and that there has been adequate sampling of an auditee's activities to support the findings. In some cases additional sampling may be needed before an auditor can conclude on a question of non-compliance.

7.2.6. Potential Non-compliance

In instances where a potential non-compliance is detected the auditor will notify the lead auditor. Auditors must ensure that sufficient documented evidence is collected to enable a conclusion of potential non-compliance to be reached. Prior to reaching a conclusion the auditors must consider the harm to the environment and whether the forest management objectives have been compromised.

After reviewing the evidence collected, a potential non-compliance identified during the audit will be documented in a Potential Contravention Advisory Note (form PMFLC-16). This is discussed with the auditee, who acknowledges the notification by completing the mitigation action section and signing. Note it is not the role of the auditor to recommend what action should be taken on a potential non-compliance; deciding on the action is the prerogative of the council.

The lead auditor forwards a completed Potential Contravention Advisory Note to the executive director. After considering the circumstances the executive director has several options: whether to investigate the matter further; accept any action proposed by the auditee; or to issue an instruction for mitigation action.

7.2.7. Closing Meeting

Upon completion of the field audit phase and before the audit team leaves the site a closing meeting between the auditee and auditor team should be held. Observers may also attend. The purpose of the meeting is to ensure that the owner has a clear understanding of the audit findings including any potential non-compliance findings under consideration and has an opportunity to understand the factual basis of the findings. Additional information required to complete the audit or clarify audit findings may be identified at the closing meeting. In the event of a dispute over a finding the issue should be presented to the executive director for resolution.

7.3 Reporting

The reporting stage commences by summarising and evaluating the evidence collected and reviewing the potential findings and drawing conclusions. The auditors also consider comments made by the auditee at the closing meeting and other information that they may subsequently receive.

7.3.1. Sample and Property Summaries

Once a field assessment and the collection of evidence are completed the auditor assembles the evidence package for each audit sample. This includes completed compliance checklists, audit sample record, measurements and photographs.

The auditor responsible completes an Audit Sample Summary (form PMFLC-20). This form provides a detailed summary of the audit documentation, findings, observations and conclusions. The auditor ensures that all documentation relating to the audit sample is properly documented. (refer to Section 8.2 Evidence Binder.)

The lead auditor reviews the evidence package for each sample, particularly evidence relating to a finding, to ensure that evidence is accurate, clearly presented and complete.

Once all sample summaries are complete the lead auditor completes the Audit Sample Ledger (form PMFLC-19) and a Property Audit Summary (form PMFLC-21). The Audit Sample Ledger summarises all activities audited for the property. The Property Audit Summary form provides an overview of the physical and environmental features of the property and summarises the audit sample, potential non-compliance findings and conclusions.

7.3.2. Audit Report

Once the audit summaries are compiled, the findings evaluated and conclusions made, the audit report is drafted.

The lead auditor prepares the audit report within the time frames specified in the audit plan. In most cases the report should follow the Audit Report outline (form PMFLC-22) to ensure that all aspects of the audit are presented in a clear, concise and logical format.

The template covers objectives, scope, audit team, findings, opportunities for improvement and conclusions. The format of individual audit reports may vary depending on the audit objectives.

7.3.3. Review and Comment Process

An auditee is given an opportunity to review and comment on the draft audit report before it is finalized. An owner may provide written or verbal comments.

The audit report is finalized after considering any comments provided by the auditees. All written comments are considered and may result in edits before the final audit report is submitted to the council for acceptance.

8.0 DOCUMENTATION STANDARDS

8.1 Forms and Checklists

It is important to maintain audit documentation in a standard and consistent fashion. Audit working papers need to be completed and filed as a record of the audit work performed.

Auditors are responsible for preparing an audit evidence package for each audit sample. These provide evidence of the audit completed. Normally these consist of sample summaries, completed checklists, supporting notes and other documentation.

A set of forms, templates and checklists (listed in table 1) are to be used to ensure consistency and completeness of audit working papers. These documents are available in electronic format (Appendices II through IV).

Auditors may choose which forms and checklists they need depending on the purpose and scope of the audit. As listed in table 1 they are grouped into three functional areas; preparation, auditing and reporting, with a brief description of their purpose. Guidance for completing the forms is on the back of each form.

Table 1: Audit Forms, Checklists and Templates

Phase	No.	Title	Purpose
Preparation	01	Owner Information Request	Details relevant background and operational information as provided by the auditee for preparing audit plan
	02	Harvest Activity Summary	Auditee list of harvest activity
	03	Road Activity Summary	Auditee list of road activity
	04	Reforestation Activity Summary	Auditee list of reforestation activity
	05	Harvest Block Population	Lists population of harvest blocks provided by the auditee, and risk assessment
	06	Road Population	Lists population of road sections and bridges constructed, maintained and deactivated during the audit period as provided by the auditee, and risk assessment
	07	Reforestation Population	Lists population of areas reforested during the audit period as provided by the auditee, and risk assessment
	08	Audit Plan Outline	Template for content of audit plan
Performance	09	Opening Meeting Agenda	Checklist of topics to cover during the opening meeting
	10	Attendance List	Records those present at the opening and closing meetings
	11	Compliance Checklist	Checklist by activities referenced to parts and sections of the <i>Regulation</i> for assessing compliance
	12	Compliance Guidance	Links legislation and considerations to compliance checklist
	13	Tree Retention Assessment Card	Field card for measuring tree retention in a riparian <i>zone</i>
	14	Tree Selection Criteria	Summarizes regulatory requirements for tree retention beside large and small streams (for field use)
	15	Stream Assessment Card	Field card for recording physical features and dimensions of streams and riparian zones
	16	Potential Contravention Advisory Note	Details of potential contravention and summarises mitigation action required
	17	Closing Meeting Agenda	Checklist of topics to cover during the closing meeting
Reporting	18	Audit Sample Record	For recording observations, interviews, notes and measurements for an audit sample
	19	Audit Sample Ledger	Summarises samples audited
	20	Audit Sample Summary	Summarises the evidence from audit sample checklists, records, field cards, non-compliance advisory notes and conclusions
	21	Property Audit Summary	Summarises the physical features, compliance issues and opportunities for improvement
	22	Audit Report	Template for content of audit report

8.2 Evidence Binder

All of the audit documentation must be retained in an audit evidence binder; it will document the work completed. This includes preparation documents, the audit plan, audit sample evidence packages and the other supporting materials gathered or compiled during the course of the audit.

Audit working papers become the property of the council. A suggested Evidence Binder table of contents outlined in table 2 would contain all essential information and documents.

Table 2: Evidence Binder Table of Contents

Category	Contents
1.0 Reporting	Final audit report Auditee comments Draft audit report
2.0 Preparation	Audit plan Owner information request Activity summaries Activity population samples Annual declaration Overview maps Auditee / agency correspondence
3.0 Audit	Audit sample ledger Opening / closing meetings Property audit summary Evidence packages by audit sample #____ <ul style="list-style-type: none"> • audit sample summary • checklists • audit sample record • photographs, maps and field cards • other relevant documents

APPENDIX I

Audit Terms

AUDIT TERMS

The definition of terms provides the reader (or layperson) with an explanation of audit terms used throughout this manual. Environmental auditing has a set of terms that has precise or definite meanings to professional environmental auditors.

Auditor: a person who has appropriate knowledge, competencies and experience to perform forestry environmental audits.

Auditee: a managed forest owner whose forest is selected to be audited.

Audit criteria: acts, regulations, procedures, practices or other information against which an auditor compares collected objective evidence to determine audit findings.

Audit period: the timeframe during which forest activities subject to audit occurred.

Audit risk: the risk that an auditor will develop incorrect conclusions concerning an auditee's conformity with the audit criteria as a consequence of the auditor not detecting non-compliance during the course of the audit.

Audit significance: a professional judgement or opinion expressed by an auditor of whether an event is important or significant in relation to an audit criteria. The auditor may consider legislated requirements, environmental impacts or other factors.

Compliance audit: an audit that assesses whether specific activities or forest practices comply with the applicable regulation or Act relating to those activities.

Conclusion: an auditor's opinion or judgment based on objective assessment of an audit finding.

Effectiveness audit: an audit to assess whether a forest practice performed in the field achieves the desired purpose of the Regulation or Act for that resource value.

Environmental risk: the chance of negative impact to the environment (soil, water quality, fish habitat, etc.) resulting from an owner's forest practices or activities i.e. timber harvesting, road work or reforestation.

Evidence: verifiable information that is collected during an audit through interviews, observations or measurements of timber harvesting, road works and reforestation activities or review of documents.

Finding: the result of evaluating audit evidence against the audit criteria.

Lead auditor: a person who meets council qualifications to manage and perform an audit.

Managed Forest land: private land that is assessed as managed forest by BC Assessment, except private managed forest land in a tree farm licence area, woodlot licence area or a community forest agreement area.

Managed Forest Program: the regulatory oversight of the Private Managed Forest Land Council for forest properties classed as managed forest land under the *Assessment Act*.

Observer: a person who observes the audit process and may provide additional/background information to an auditor when required.

Opportunity for improvement: A situation where an activity or practice that is in compliance, is at possible risk of becoming non-conforming in the future if the practice continues.

Non-compliance: is when an auditor finds that a forest practice observed in the field or through a document review does not meet a legislated requirement.

Risk assessment: is an assessment of the potential hazards and consequences of environmental incidents that may impact soil productivity, water quality, fish habitat and/or reforestation resulting from timber harvesting, road works and reforestation activities.

Sample: a portion of an owner's forest activities, for example timber harvesting, road works and reforestation, selected to be audited.

Technical expert: a qualified resource professional that provides specialized expertise in the assessment of forest practices, e.g, a geoscientist or a fisheries biologist.

APPENDIX II

Preparation Forms

No.	Title
01	Owner Information Request
02	Harvest Activity Summary
03	Road Activity Summary
04	Reforestation Activity Summary
05	Harvest Block Population
06	Road Population
07	Reforestation Population
08	Audit Plan Outline

APPENDIX III

Performance Forms

No.	Title
09	Opening Meeting Agenda
10	Attendance List
11	Compliance Checklist
12	Compliance Guidance
13	Tree Retention Assessment Card
14	Tree Selection Criteria
15	Stream Assessment Card
16	Potential Contravention Advisory Note
17	Closing Meeting Agenda

APPENDIX IV

Reporting Forms

No.	Title
18	Audit Sample Record
19	Audit Sample Ledger
20	Audit Sample Summary
21	Property Audit Summary
22	Audit Report