

File: 280-30

June 12, 2006

To: Regional Managers

From: Bob Friesen
Assistant Deputy Minister
Tenure and Revenue

Tim Sheldan
Assistant Deputy Minister
Operations Division

Re: Professional Reliance and Appraisal Data Submissions (ADS)

Since the Coast grade setting controversy in 2000/01, ADS have been required to be signed by a Registered Professional Forester (RPF) or, more recently, a Registered Forest Technologist (RFT). This requirement was imposed as a financial control on the revenue system and was intended to ensure greater protection of the public interest. Since then, the definition of the "practice of professional forestry" in the *Foresters Act* has been broadened to capture the preparation of appraisal data.



Sections 105.1 and 105.2 of the *Forest Act* provide remedies for government in the event an agreement holder submits "inaccurate" appraisal data. Because of the availability of these remedies, and because of the movement towards professional reliance in our forest practices legislation, some have suggested that professional reliance principles should also apply to significantly reduce scrutiny of ADS by Revenue staff.

However, as noted by the Forest Appeals Commission in Decision Nos. 2005-FA-111(a), 112(a) and 113(a), "the stumpage appraisal system...and the regulatory regime created by the *Forest and Range Practices Act* have different purposes: the [stumpage appraisal system] is primarily aimed at asserting the financial interests of the Crown in relation to the harvesting of Crown timber, whereas the *Forest and Range Practices Act* is primarily concerned with regulating how harvesting and other forest practices are conducted on Crown lands."

Reflecting these different purposes, forest practices and revenue are not treated the same when it comes to risks and controls. The Auditor General and the Office of the Comptroller General require government agencies to have sufficient controls in place to provide "reasonable assurance that the revenue is complete and accurate". This is the standard the Forest Service has to meet and the standard we are judged by with respect to financial audits.

By way of examples and context, our financial controls include, among other things:

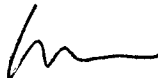
- Transportation documentation to accompany timber being moved within the Province.
- Computer applications that regularly check to ensure that there is an invoice produced for every scale return we receive.

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- “Anomaly” checks and audit of logs of changes to data.

RPF/RFT sign off of ADS is also one control; however, neither financial management principles nor experience to date with RPF/RFT sign off support the notion that other financial controls – such as review of ADS – can be foregone. Given the risks inherent in financial management and the standards required by our financial auditors under the “reasonable assurance” test, the professional reliance model can not be applied to revenue in the same way that it is to forest practices. RPF/RFT sign off may be an adjunct to, rather than a replacement for, other financial controls.

The Revenue program is considering ways to change the ADS reviews it conducts, but this has to be done on the basis of a defensible risk analysis and in a way that will satisfy the “reasonable assurance” test. For example, there has been a pilot project done on a risk rating process for reviewing ADS on the Coast with promising results. The Forest Service is also proactively working with the Association of British Columbia Forest Professionals to enhance professional reliance and professional accountability, but there will continue to be a need for a strong financial controls, including a fairly significant level of review of ADS by Revenue staff, and concomitant follow up by Compliance and Enforcement staff where potential problems are detected.



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