

ASI-ACCREDITATION SERVICES INTERNATIONAL GmbH

Charles-de-Gaulle-Str. 5 • 53113 Bonn, Germany • Tel.: +49 - 228 - 367 66 0 • info@accreditation-services.com

FSC Surveillance of
KPMG Forest Certification Services Inc. (KF)
Forest Management Surveillance Assessment
to
Mistik Management Ltd, Canada (CAN)
Date of assessment: 21-24 October 2008

(FINAL)

	NAME	DATE
Report drafted by:	Paolo Tranquillini	20 February 2009
Reviewed by ASI:	Frank Katto	25 February 2009
Reviewed by CAB:	Gregor Macintosh	16 March 2009
Finalized by ASI:	Paolo Tranquillini	19 March 2009
Report last updated:		

Credits

The author would like to thank Mr. David Bebb from KPMG and Al Balisky from Mistik Management, and all their staff, for preparing and making the arrangements that made this assessment possible and efficient.

1 Background

The operation audited by KPMG Forest Certification Services Inc. (KF)

Name of operation	Mistik Management Ltd. (Mistik)
Total area	1,831,964 ha (1,570,505 ha of forested area)
Type of management	Forest Management Agreement (FMA); natural and semi-natural boreal forest (aspen and jack pine main timber species)
Name of contact person	Mr. Al Balisky
Address	Box 9060 Meadow Lake, Sask., Canada S9X 1V7
Country	Canada
Phone number	(306) 236-9708
Fax number	
URL	www.mistik.ca
E-mail address	al.balisky@mistik.ca
Brief description of the operation	Mistik is a FM company 50% owned by First Nation (MLTC), and one single Crown-owned and privately managed FMU (FMA), composed of 12 management sections. Forested area is 1,570,000 ha and operable forest is 820,000 ha, with 1.2 M m ³ annual harvest volume. Staff changes in the last years were minor (2 people)

The certification history

Pre-audit	20-24 February 2006
Main audit:	18-22 September 2006
(follow-up)	24-26 October 2007 (witnessed by ASI – see ASI-REP-44-KF-2007 Mistik CAN)
Date of certificate issue	16 November 2007
Date of 1st surveillance	20-24 October 2008 (this audit)
Date of 2nd surveillance	-

ASI Assessment Details

Purpose of audit	FM surveillance audit for KF, Canada, on behalf of FSC AC
ASI lead auditor	Paolo Tranquillini
ASI auditor	-
Local Expert/ translator	Karen Tam Wu (off-site stakeholder consultation)
Audit language	English
Sites audited	Office and sampled sites in the forest
Note	ASI had audited KF at Mistik in October 2007, as FM assessment for the KF re-accreditation. The ASI report recommendations for re-accreditation stated <i>KF shall inform ASI of the next available FM evaluation, in order to negotiate ASI's participation.</i> Mistik surveillance was the next available FM evaluation. Thus - thanks also to the cooperation of the KF certificate holder - ASI returned on site for the 2008 surveillance.

FSC FM surveillance assessment KF 2008: Mistik CAN

ASI Assessment agenda

Mon 20 October 2008	
0800	Opening meeting for Mistik and MLMP audits. Presentations
0815-0900	Confirmation of audit plans and Big Island Lake Cree Nation (BIL) complaint update
Rest of the day: COC assessment at MLPM (see separate ASI report)	
Tue 21 October 2008	
0800	Labor Union – S/holder phone interview Review of Mistik/BIL communications
0930	Annual report
1000-1400	KF interviews with stakeholders (Waterhen First Nation, Canoe Lake, Dillon Tribal Council)
Rest of the day: COC assessment at MLPM (see separate ASI report)	
Wed 22 October 2008	
0830	Evaluation of NCs and FSC checklist requirements
1030	Interview with corporate solicitor
1100	Evaluation of NCs and FSC checklist requirements
1700-1715	KF daily feedback to company
Thu 23 October 2008	
0800	Helicopter field trip. Stops: <ol style="list-style-type: none"> 1. Aubichon North (EMS) 2. Gallant Lake (Road – EMS) 3. Keeley Lake North (EMS) 4. Booth Bay Road (Harvest) 5. Pringle Lake (harvest) 6. Niska Lake / Beaver Creek (harvest) 7. Little Point (harvest) 8. S/holder interview (Earl Peltier, CMB Ile-a-La-Crosse) 9. S/holder interview (Carl Hood, CMB Beauval)
1700-1720	KF daily feedback to company
Fri 24 October 2008	
0800	KF document evaluation and review of findings
1000-1030: COC assessment at MLPM (see separate ASI report)	
1100	Closing meeting
1130-1200	ASI adjourn to KF

People involved in the audit

CAB	David Bebb, KF lead auditor Bodo von Schilling, KF auditor Chris Ridley-Thomas (off-site document evaluation)
Operation	Al Balisky, General Manager Roger Nesdoly, Planning Coordinator Kevin Gillis, Certification Coordinator Bill Murray, North District Superintendent
Others	V.N. Brock Folkersen, Corporate Solicitor (assisting Mistik in the Big Island Lake dispute)

Assessment objectives and planning

The objectives of this forest management assessment are:

1. Evaluation of certification body's performance in implementing its certification system in accordance with FSC accreditation requirements.
2. Witness an audit team to determine whether or not the team:
 - a) adequately applies the procedures and instructions of the certification body;
 - b) members exhibit the characteristics of an auditor as detailed in ISO 19011;
 - c) has the required expertise of the sector in which the audit is being undertaken;
 - d) applies appropriate expertise in the correct sense;
 - e) undertakes the audit effectively and draws correct conclusions.
3. Evaluation of the conformity of the certificate holder with FSC and certification body's certification requirements in so far as this is necessary to verify the performance of the certification body.
4. Evaluation of stakeholder comments or complaints ASI received in relation to this operation.

The assessment evidence is only based on a sample of the information available and therefore there is always an element of uncertainty in the assessment findings.

3 ASI stakeholder consultation process

The stakeholder consultation process employed by ASI consists of 2 parts:

1. public announcement of the assessment on the FSC electronic fora and on the ASI website about one month prior to the audit to solicit stakeholder comments;
2. direct interviews with selected key-stakeholders mainly conducted by the contracted local expert prior, during and after the audit.

Stakeholder comments	ASI response
Appeal to KF certification decision from the Big Island Lake Cree Nation (BIL).	See CAR.KF.FM.CAN.2008.01 and CAR.KF.FM.CAN.2008.02

Please note that some stakeholders provided their comments in confidence. ASI and FSC are respecting these requests.

4 Assessment findings

CAB AUDIT PERFORMANCE	
FSC requirements	Findings and conclusions
Standard adaptation (20-003)	NA
Auditor qualification (20-004)	Addressed in the previous audit
Stakeholder consultation (20-006)	<p>KF has closed the two previous Conditions related to stakeholder consultation, issued by ASI at the time of the 2007 re-accreditation assessment of KPMG at Mistik. The stakeholder consultation of KF for this audit was carried out according to the FSC requirements.</p> <p>ASI found non-compliances regarding the management of complaints.</p> <p>Following Mistik evaluation audit 2007 and certification, KF had an appeal from the Big Island Lake Cree Nation (BIL). The reaction of KF was not timely in appointing the dispute resolver and in communicating with the complainant. This can be ascribed to the fact that the KF appeal procedure is not completely in line with the FSC requirements.</p> <p>The KF procedure does not commit to correspond with the complainant in short time (four weeks).</p> <p>Term for investigating the allegations and specifying all its proposed actions in response to the complaint or appeal is within six (6) months of receiving the complaint or appeal.</p> <p>CAR.KF.FM.CAN.2008.01</p> <p>KF did not communicate the name of dispute resolver to the complainant. KF dispute resolver did not communicate with complainant in a timely and effective manner (only on 10 October 08, after eight months). ASI requests to KF to bring up to date on the outcome of the appeal.</p> <p>CAR.KF.FM.CAN.2008.02</p>
Evaluation process (20-007; ISO 19011)	<p>The audit procedures used were those outlined in the KPMG FCSI Forest Stewardship Evaluation Handbook (version 3.0 dated December 2007).</p>
Pre-evaluation (20-005)	See ASI-REP-44-KF-2007 Mistik CAN
Audit report (20-008)	
Public summary (20-009)	Published on KF site on time
Decision making (20-002, Part 2)	<p>KF defines minor non-conformities as instances of failure to conform to the requirements of an indicator. In ISO terms these are Category 2 findings.</p> <p>KF defines opportunities for improvement as weaknesses in systems or procedures at the individual indicator level. <i>Opportunities for improvement [...] are not non-conformities.</i> In ISO terms these are Category 3 findings.</p> <p>These definitions are in line with FSC requirements on certification decision making (FSC-STD-20-002, section 8, FSC-STD-20-007, section 3.5, FSC-STD-20-011, section 4).</p> <p>OFIs issued by KF request a corrective action to the client. According to the definitions above, these OFIs shall be non-conformities, not recommendations.</p> <p>CAR.KF.FM.CAN.2008.03</p>
Application of FSC policies and guidelines	Mistik buys CW from external suppliers and sells CW to Meadow Lake Mechanical Pulp (MLMP). Mistik does not have a COC certificate for this trader's activity. (See ASI MLPM report)

OPERATION'S COMPLIANCE WITH CERTIFICATION REQUIREMENTS	
FSC requirements	Findings and conclusions
Principle 1	
Principle 2	KF addressed with a non-conformity the company's performance in achieving meaningful consultation with the major stakeholder BIL. KF addressed companies shortfalls like obtaining specific agreements and integrating community's concerns into planning processes
Principle 3	
Principle 4	
Principle 5	
Principle 6	KF addressed Mistik's Caribou Habitat – Forestry Impact Mitigation Plan and setting of disturbance targets for individual caribou ranges
Principle 7	
Principle 8	
Principle 9	KF addressed Mistik's revised HCVA document finalization and publication
Principle 10	NA

5 Nonconformities and observations

Major CAR(s)	Minor CAR(s)	Observations
-	03	-

See nonconformity reports (attached) for details.

6 Conclusion and recommendation

KF Canada conducted a good audit and addressed all the issues in a professional manner.

Based on the findings of this assessment, ASI conclusion is:

The witnessed FM exercise and the audit performance of KF were sufficient to demonstrate KF's ability to adequately implement their documented procedures in practice to the satisfaction of ASI.

KF can be recommended for the continuation of FSC forest management evaluation worldwide, subject to the timely closing of the nonconformities identified during the assessment and specified in the nonconformity reports (attached).

Attachments

- Nonconformity reports (NCRs)
- ASI feedback to CAB comments on report

ACCREDITATION SERVICES INTERNATIONAL GmbH

Charles-de-Gaulle-Str. 5 • 53113 Bonn, Germany • Tel.: +49 - 228 - 367 66 0 • info@accreditation-services.com

NONCONFORMITY / CORRECTIVE ACTION REQUEST

REF. No.	CAR.KF.FM.CAN.2008.01	Date	24 October 2008	
Nonconformity detected by (name of assessor)		Paolo Tranquillini		
Through (e.g. office assessment, document review)		FM Surveillance Assessment		
Nonconformity		Status	<input type="checkbox"/> MAJOR <input checked="" type="checkbox"/> MINOR <input type="checkbox"/> OBSERVATION	
KF procedure does not commit to correspond with the complainant in a short time (four weeks). Term for investigating the allegations and specifying all its proposed actions in response to the complaint or appeal is within six (6) months of receiving the complaint or appeal.				
Normative Reference(s)		FSC-STD-20-001, 14.2.1 and Note 4		
Corrective Action Request: KF shall implement appropriate measures to correct the nonconformity detected in this assessment and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence.				
Deadline for implementation		Next office audit		
Corrective Action implemented by Certification Body				
Here: describe action taken in detail				
Corrective Action evaluated by ASI				
Here: describe action taken in detail				
<input type="checkbox"/> CLOSED <input type="checkbox"/> UPGRADED <input type="checkbox"/> OTHER DECISION*		Name assessor:		Date:
Comments:				

ACCREDITATION SERVICES INTERNATIONAL GmbH

Charles-de-Gaulle-Str. 5 • 53113 Bonn, Germany • Tel.: +49 - 228 - 367 66 0 • info@accreditation-services.com

NONCONFORMITY / CORRECTIVE ACTION REQUEST

REF. No.	CAR.KF.FM.CAN.2008.02	Date	24 October 2008	
Nonconformity detected by (name of assessor)		Paolo Tranquillini		
Through (e.g. office assessment, document review)		FM Surveillance Assessment		
Nonconformity	Status	<input type="checkbox"/> MAJOR <input checked="" type="checkbox"/> MINOR <input type="checkbox"/> OBSERVATION		
KF did not initially communicate the name of dispute resolver to the complainant. KF dispute resolver did not communicate with complainant in a timely and effective manner (only after eight months).				
Normative Reference(s)	ISO65, 7.2.b)			
Corrective Action Request: KF shall implement appropriate measures to correct the nonconformity detected in this assessment and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence.				
Deadline for implementation		Next office audit		
Corrective Action implemented by Certification Body				
Here: describe action taken in detail				
Corrective Action evaluated by ASI				
Here: describe action taken in detail				
<input type="checkbox"/> CLOSED <input type="checkbox"/> UPGRADED <input type="checkbox"/> OTHER DECISION*	Name assessor:		Date:	
Comments:				

ACCREDITATION SERVICES INTERNATIONAL GmbH

Charles-de-Gaulle-Str. 5 • 53113 Bonn, Germany • Tel.: +49 - 228 - 367 66 0 • info@accreditation-services.com

NONCONFORMITY / CORRECTIVE ACTION REQUEST

REF. No.	CAR.KF.FM.CAN.2008.03	Date	24 October 2008
Nonconformity detected by (name of assessor)		Paolo Tranquillini	
Through (e.g. office assessment, document review)		FM Surveillance Assessment	
Nonconformity	Status	<input type="checkbox"/> MAJOR <input checked="" type="checkbox"/> MINOR <input type="checkbox"/> OBSERVATION	
KF had issued opportunities for improvement (ISO Category 3) requesting corrective action to the client. This is not in line with FSC requirements and KF accredited procedures. When presenting the audit findings (closing meeting and audit report), it should be clear that OFIs are not binding (ISO Category 3).			
Normative Reference(s)	FSC-STD-20-007, section 3.5.3; KF FSC Evaluation Handbook.		
Corrective Action Request: KF shall implement appropriate measures to correct the nonconformity detected in this assessment and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence.			
Deadline for implementation		Next office audit	
Corrective Action implemented by Certification Body			
Here: describe action taken in detail			
Corrective Action evaluated by ASI			
Here: describe action taken in detail			
<input type="checkbox"/> CLOSED <input type="checkbox"/> UPGRADED <input type="checkbox"/> OTHER DECISION*	Name assessor:		Date:
Comments:			

ASI feedback to CAB comments on report

CB comments	ASI Response
<p>Minor CAR.KF.FM.CAN.2008-03 – No findings can be raised against the content of ISO 19011. ISO 19011 says that recommendations for improvement may be presented, but only if these are specified in the audit objectives. In our view (and that of every other Accreditation Body that we answer to), it is not appropriate for an external auditor to include recommendations for improvement in an audit report due to the potential for the loss of impartiality.</p> <p>You also indicate that we request that clients implement corrective actions to address OFIs. We do not actually require action plans for OFIs, although we strongly encourage clients to develop them to prevent OFIs from escalating into non-conformities during future assessments.</p> <p><i>C. Opportunities for Improvement Opportunities for improvement are not non-conformities. Hence, an action plan is not required of the auditee in relation to opportunities for improvement.</i></p>	<p>FSC-STD-20-007, section 3.5</p> <p>'Observations' equals 'recommendations for improvement' equals 'opportunities for improvement' (category 3 findings). This is what FSC allows and what KF and other CBs presently do.</p> <p>KF reporting of findings to the client does not distinguish between Conditions and OFIs when it comes to request for action. Evidence is:</p> <ul style="list-style-type: none"> - KF Mistik audit report, p. 2, p. 14, Tables 12 to 21, p. 119 - KF Mistik surv. report, p. 5, Table 1, p. 7, p. 8, Table 3, Condition 2, Table 5, p. 27, p. 28 <p>KF does not specify that OFIs are not binding.</p> <p>KF expects action from the client, and this does not follow KPMG FSCI Forest Stewardship Evaluation Handbook.</p> <p>Comment partially acknowledged and CAR reformulated accordingly.</p>
<p>Minor CAR.KF.FM.CAN.2008-04 – It is not appropriate for ASI to include it within a FM witness audit report. The Mistik FM surveillance audit that we conducted in October 2008 (and which you witnessed) applied to Mistik's operations on the FMA only. It is outside the scope of Mistik's FM certification and hence inappropriate for us to comment on (or raise any findings in relation to) in our 2008 Mistik FM surveillance audit report.</p>	<p>Comment acknowledged. CAR removed from this FM assessment report.</p>