INTERNAL AUDIT OF:

MINISTRY OF FORESTS: FOREST REVENUE

IAAS | INTERNAL AUDIT & ADVISORY SERVICES

BRITISH COLUMBIA | Ministry of Finance

June 9, 2026

Deputy Minister Audit Committee
Government of British Columbia

Dear Committee Members:

I am pleased to transmit the report, Ministry of Forests: Forest Revenue.

We conducted this engagement under the authority of sections 4, 8 and 9 of the *Financial Administration Act* and in accordance with Chapter 17, Internal Audit, of the Core Policy and Procedures Manual.

This internal audit engagement was completed in conformance with the Global Internal Audit Standards.

We thank the staff and management at the Ministry of Forests for their cooperation and support throughout this engagement.

Sincerely

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EXECUTIVE SUMMARY

PURPOSE & SCOPE

Internal Audit and Advisory Services (IAAS) assessed the design and operating effectiveness of forest revenue controls, with a primary focus on stumpage revenue.

The audit focused on the Ministry of Forests (the Ministry) and examined the governance, monitoring controls including revenue collection, policy compliance, and IT system controls.

CONCLUSION

The Ministry's controls over forest revenue are generally operating as intended for the billing, recording, and collection of revenue.

The audit identified weaknesses in the design of select controls, and execution of processes, that provide opportunities for improvement.

Addressing the control and process deficiencies will help mitigate future forest revenue slippage.

OBSERVATIONS

Governance: The decentralized structure lacks an integrated reporting framework which limits end-to-end visibility of revenue risks across policy, operational reviews, and collections.

Monitoring: There are backlogs in post-harvest reviews. Tools and processes that support effective monitoring, including guidance, training and mentorship, are not sufficiently designed and implemented.

Systems: Required privacy and security risk assessments for the revenue systems have not been updated in accordance with established policy requirements. The systems lack appropriate reporting.

RECOMMENDATIONS

There are **13 recommendations** to strengthen forest revenue controls across four key areas: Oversight, Monitoring, Collection and Compliance, and Information Systems. The recommendations are included in **Appendix A**.

These recommendations are aimed at strengthening the management of forest revenue, closing identified gaps, and improving the Ministry's ability to identify and respond to revenue risks.

The Ministry has agreed to address all recommendations.

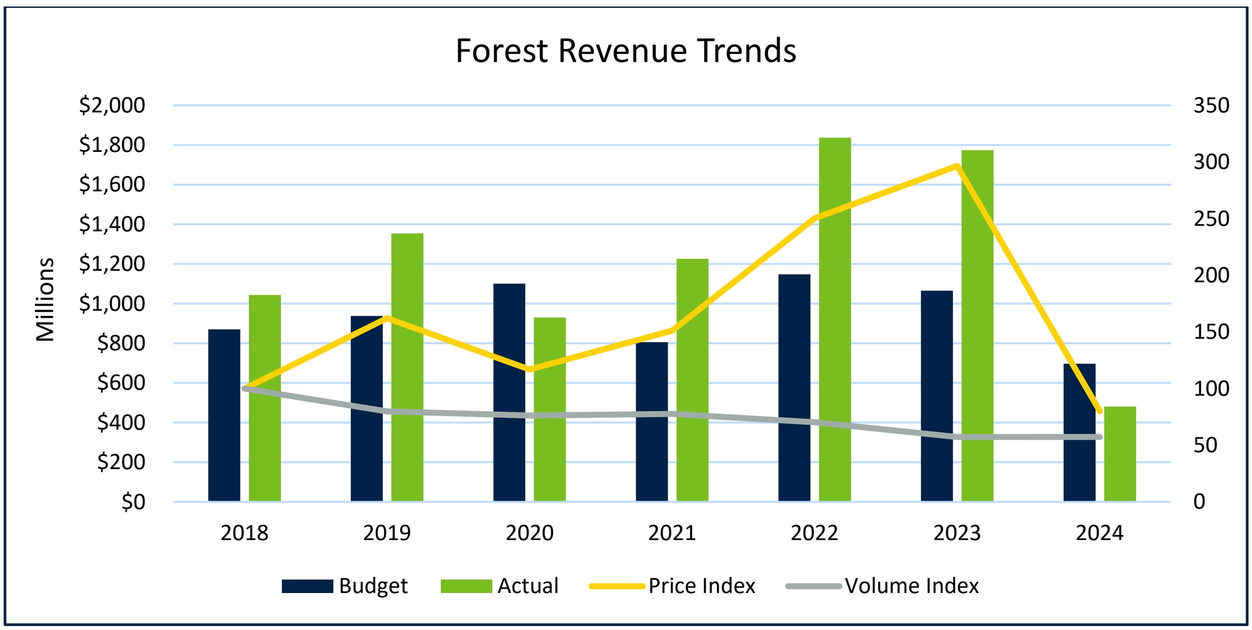
INTRODUCTION

Forest revenue remains a strategic revenue source for the Government of British Columbia (the Government or Province). In the 2025 Public Accounts, the Government reported actual net forest revenue of $328 million, compared to a budgeted amount of $502 million.

The forest revenue environment is highly technical and complex. It has become more challenging over time. The combination of reduced harvest volumes, lower lumber prices, and an aging timber inventory has contributed to sustained downward pressure on forest revenue. Over the past several years, forest revenue has also demonstrated significant volatility, with actual results fluctuating significantly from budget. While actual net forest revenue exceeded budget in select years, the overall trend shows increasing uncertainty in both forecasting and actual revenue.

Figure 1 is a combined chart that shows trends in actual revenue, average price per cubic metre, and harvest volume over time. Price and volume are represented using indices, developed by setting 2018 as the base year at 100 and expressing subsequent years relative to that baseline to allow comparison across measures.

Figure 1: Forest Revenue Trends



Source: IAAS generated, based on Ministry data.

Actual revenue generally moves in the same direction as average price per cubic metre, indicating that price was the primary factor associated with revenue volatility over the period. Harvest volume also contributed to revenue changes, although its trend is more gradual over time. Overall, forest revenue appears highly sensitive to market driven price movements, while volume changes represent a secondary contributing factor.

How Forest Revenue Is Determined and Billed

A key function of Ministry of Forests (the Ministry) is the administration of forest tenures, which grant rights to harvest timber on Crown land. These tenures can be issued to companies, communities, and individuals.

The Ministry is responsible for forecasting and billing forest revenues. This includes the calculation of stumpage fees, which is complex and based on several input factors. Select input factors are self-reported by the forest tenure holder. The combination of technical complexity and reliance on self-reported information underlines the importance of strong processes and controls to protect forest revenue.

Forest revenue is primarily generated through stumpage fees, which are payments made by forest tenure holders for harvesting timber. The revenue process includes several related stages.

Before harvest: licensees submit cruise information, which estimates timber attributes and supports appraisal inputs. In appraisal, the Ministry uses cruise and other submission information to determine the stumpage rate that applies to the harvest.

Harvest: scaling measures the volume, species, and grade of harvested timber and provides the primary billing inputs to the Harvest Billing System (HBS). These inputs are used with appraisal information to determine the amounts billed for the main harvest revenue stream.

After Harvest: licensees may be billed for waste, which relates to merchantable timber left on site after harvesting and is assessed and billed through the separate waste billing process.

Roles and Responsibilities

Timber Pricing Branch (TPB): is responsible for stumpage appraisal, timber pricing policy, and the billing, collection, and forecasting of revenue from Crown timber. The TPB also establishes policy direction and oversight for the provincial timber measurement program.

CFO Office: provides oversight of financial management, internal controls, forecasting, reporting, and compliance for forest revenue in accordance with government financial policy and legislation.

Forest Tenures Branch: administers the licences and agreements that govern harvesting rights on Crown land.

BC Timber Sales: is a program within the Ministry that auctions a portion of the provincial timber supply to establish market-based pricing benchmarks.

Revenue Management Office: within the Ministry of Finance, is responsible for collecting accounts receivable including for forest revenue.

Together, these functions support the integrity, consistency, and transparency of forest revenue collected on behalf of the Province.

The Ministry delivers its programs through three geographic Areas known as the Coast, North, and South. These areas are made up of 23 Districts. Area staff provide regional oversight, technical expertise, and guidance to promote consistent program delivery across districts District staff are responsible for implementing Ministry legislation and policy in the field, including reviewing timber measurements submitted by licensees and carrying out compliance and enforcement activities.

PURPOSE, SCOPE, AND APPROACH

Purpose

The Ministry requested Internal Audit and Advisory Services (IAAS) conduct an audit on forest revenue. The Ministry identified financial risks, including revenue oversight weaknesses, risk of fraudulent measurements, compliance challenges, and revenue slippage.

The purpose of this audit was to test the design and operating effectiveness of Ministry controls over forest revenue in response to the request.

The engagement **objectives** were to:

- Evaluate whether forest revenue practices comply with Government Core Policy requirements; and
- Assess the design and operating effectiveness of revenue process controls and identify opportunities for improvement.

Scope and approach

IAAS assessed the Ministry's controls regarding forest revenue. Audit work focused on stumpage revenue as it represents the largest proportion of revenue. Data analytics were leveraged for a trend analysis and risk assessment of forest revenue processes.

Audit work included analysis and testing of transactions recorded in the most recent fiscal years. Audit work included interviews with staff involved in the forest revenue collections process, documentation review, and process mapping.

Ministry action plan and follow-up

The engagement was conducted by IAAS, Ministry of Finance, and fieldwork was completed in April 2026. IAAS met with the relevant program area to discuss the engagement findings. This report consolidates those findings.

Ministry responses to the recommendations are included in **Appendix A.** The Ministry is required to develop and submit an action plan in response to the recommendations provided, including the timeframe for implementation.

IAAS conducts an annual follow-up process to assess the Ministry's progress to address its action plan in response to the audit recommendations.

FINDINGS AND RECOMMENDATIONS

1.0 Governance and Oversight Controls

Effective oversight of forest revenue requires clear accountability across policy, operational review, and collections functions, supported by timely communication and management reporting.

IAAS assessed whether the Ministry has governance structures in place to support oversight of forest revenue activities, including defined roles and responsibilities, effective structures for strategic decision-making, and established escalation and reporting channels.

SUMMARY OF KEY FINDINGS

The Ministry has established foundational governance and oversight controls for forest revenue. However, revenue policy, operational review, and receivables monitoring are performed across separate functions and reporting lines, increasing inherent revenue risk. This requires mature communication, escalation, and reporting processes to provide timely end-to-end visibility of revenue slippage, including risks arising from decisions outside the Ministry.

- Revenue policy, operational verification, and receivables monitoring do not share a common oversight structure, limiting integrated escalation and decision-making.
- Communication and reporting between the TPB, Area and District offices, and collections functions are not yet sufficiently standardized or consolidated to support timely executive oversight.
- Decisions made by other ministries or agencies can affect stumpage revenue or harvest rights without a formal notification or consultation process with the Ministry.

Organizational Structure and Oversight Reporting

Effective governance of a complex, decentralized revenue function requires that the organizations responsible for revenue policy, operational oversight, and collections have clear roles, communication channels, and oversight arrangements.

IAAS assessed whether the Ministry has an organizational structure that supports integrated oversight of forest revenue and timely escalation of systemic issues.

The audit found that the Ministry has established foundational elements of a governance framework for forest revenue oversight. The Ministry has developed the Provincial Revenue Oversight Framework (PROF), which sets out oversight expectations for revenue processes, including reporting roles, prescribed metrics, reporting frequency, and escalation procedures. The TPB distributed the first annual report under PROF to Ministry executives. This is a positive step toward more formal, transparent, and structured oversight of forest revenue.

PROF Reporting

IAAS reviewed the fiscal year (FY) 2024/25 annual report against the reporting requirements in PROF. The report appropriately covers all revenue processes, applies the prescribed risk-based targets, and presents Area and District-level results with analysis. However, several required metrics were missing or only partially reported. In addition, interim quarterly and monthly dashboard reporting was still under development at the time of the audit. The TPB also advised that monthly reporting may not be operationally feasible given that all reporting targets are annual, and that quarterly reporting may be a more realistic interval.

In a more volatile revenue environment, and with oversight distributed across multiple functions, timely interim reporting is important to support early identification of emerging risks. This includes visibility into backlogs, recurring exceptions, regional trends, overdue receivables, and other indicators of potential revenue slippage while corrective action remains practical.

There are opportunities to further refine PROF reporting requirements and practices through ongoing review and continual improvement, helping ensure reporting remains complete, practical, and responsive to changes in the forest revenue risk environment.

Decentralized Governance Structure

The audit found that responsibility for forest revenue remains decentralized, with accountability for revenue policy, operational verification, billing, and receivables monitoring distributed across separate functions and reporting lines.

This decentralized structure is not unusual for revenue streams where program expertise resides outside the central finance function. However, it increases the coordination required to maintain an end-to-end view of revenue risk. Without mature communication, escalation, and reporting processes, systemic issues identified by District staff, emerging receivables issues managed by Revenue Management Office (RMO) at the Ministry of Finance, or weaknesses in operational review may not be visible to the right decision-makers in time to support coordinated action.

The Ministry has taken steps to improve information sharing, including increased information sharing between functions. However, the current governance structure still increases inherent revenue risk because no single function has complete visibility across assessment, billing, collection, and follow-up.

Recommendations:

1. The Ministry should refine the Provincial Revenue Oversight Framework reporting requirements and reporting practices through ongoing review and continual improvement to support timely and complete oversight of revenue risks.
2. The Ministry should strengthen communication, escalation, and consolidated reporting processes between Timber Pricing Branch, Area and District offices, and the Revenue Management Office to support integrated oversight of forest revenue risks across the revenue lifecycle.

Inter-Ministerial Coordination on Stumpage Decisions

Stumpage revenue and harvest rights may be affected by decisions made by ministries and agencies outside the Ministry. For example, decisions related to land use, resource access, or special use permits may alter the basis for stumpage calculations or the volume of timber available for harvest.

IAAS assessed whether the Ministry had established processes to identify and respond to decisions made by other ministries or agencies that may directly or indirectly affect stumpage revenue or harvest rights.

No Formal Process to Assess Revenue Impact of Other Ministries' Decisions

The audit identified instances where decisions made by other ministries directly or indirectly affected stumpage calculations or harvest authority, and where notification to or involvement of the Ministry was not consistently evident.

While the financial impact identified is not material, the results highlight opportunities to strengthen how decisions that may affect forest revenue are identified, communicated, and assessed across ministries. Without consistent inter-ministerial coordination, the Ministry may only become aware of decisions affecting stumpage entitlements after they have been made, limiting the ability to respond proactively. More broadly, this limits visibility into the financial effects of external decisions and increases the risk that revenue impacts are not identified or addressed on a timely basis.

Recommendation:

3. The Ministry should work with central agencies and relevant ministries to strengthen processes to identify, communicate, and assess decisions that may affect stumpage revenue or harvest rights.

2.0 Monitoring Controls

The Ministry's revenue model relies extensively on self-reporting from licensees. Stumpage calculations depend directly on information submitted by timber licensees. Verification activities performed by Ministry staff, including office and field reviews, check cruises, check scales, and waste audits, are therefore a key safeguard against revenue slippage.

IAAS assessed whether monitoring controls were designed and operating effectively to support risk-based review of licensee submissions, consistent application of monitoring processes, timely completion of reviews, and sufficient staff capacity, tools, and guidance.

SUMMARY OF KEY FINDINGS

Monitoring controls are generally in place and operating at an acceptable level; however, gaps in risk assessment, process consistency, timeliness, and capacity reduce their effectiveness and increases the risk of revenue slippage.

- The risk-based framework is in place, but system and data limitations reduces the Ministry's ability to validate whether risk classifications accurately reflect true risk.
- Monitoring processes are applied differently across regions, and variations are not always clearly documented or supported by provincial guidance.
- Review backlogs exist in post-harvest appraisal and waste processes, reducing timeliness of billing and increasing collection risk.
- Variation in tools, experience, and technical guidance increases reliance on professional judgment and reduces consistency across the province.

Risk-Based Framework

The Ministry has adopted a risk-based framework, as prescribed by the PROF, to prioritize which submissions receive office or field review across the cruise, scale, appraisal, and waste streams. IAAS assessed whether the framework provides sufficient review coverage to identify revenue risks.

A **risk-based framework** is a structured process used by organizations to identify, assess, and mitigate risks, ensuring that resources are focused on the highest-priority risk areas.

The audit found that the framework appropriately directs review effort toward submissions assessed as higher risk, while submissions assessed as low risk generally receive limited or administrative review. However, the effectiveness of this approach depends on the reliability of the underlying risk classification.

Limitations in systems and data reduce the Ministry's ability to perform comprehensive, data-driven analysis of risk factors across submissions. Reliance on legacy systems, manual processes, and fragmented data limits the Ministry's ability to validate whether risk classifications remain appropriate over time.

As a result, there is a risk that submissions classified as low risk may not reflect their actual risk level. Without sufficient visibility into the low-risk population, emerging trends, patterns of non-compliance, or data anomalies may not be identified in a timely manner.

While focusing resources on higher-risk submissions is appropriate, limited visibility into the low-risk population reduces the overall effectiveness of monitoring controls.

Recommendation:

4. The Ministry should strengthen its risk-based framework by enhancing its ability to validate and reassess risk classifications, including improving visibility into the low-risk population to ensure emerging risks are identified.

Process Consistency

Forest revenue activities are governed by a common set of provincial manuals. However, day-to-day implementation is delegated to the Coast, North, and South Areas and their respective Districts. Consistent application of monitoring processes is important to support equitable treatment of licensees and consistent revenue protection across the province. IAAS assessed whether monitoring and review activities are applied consistently across revenue streams and regions.

The audit found that staff were generally familiar with the documented processes, however, meaningful differences were identified in how areas and districts operationalize monitoring and review activities, including differences in review triggers, forms, sequencing, and local tools.

Regional variation may be appropriate given geographic and operational differences. However, IAAS found insufficient evidence that all differences were intentional, documented, or supported by provincial guidance. Where similar risks are treated differently across regions, comparable submissions may not receive comparable scrutiny, and systemic issues may be harder to identify at a provincial level. This increases the risk of revenue slippage as monitoring activities are not completed in a consistent and repeatable manner across the province.

Recommendation:

5. The Ministry should document regional process variations and resolve unexplained differences through updated provincial guidance.

Review Backlogs and Timeliness

Timely completion of post-harvest reviews is important to prevent revenue slippage. There are two key post-harvest reviews that must be completed in a timely manner to mitigate the risk of incomplete recoveries. Reappraisals that are not finalized within a reasonable period and waste assessments that are not billed on time.

Risk increases when supporting evidence has aged, or the licensee's financial position has changed. IAAS assessed whether post-harvest reviews are completed on a timely basis.

The audit found that review activities are not always completed on a timely basis. In the waste assessment process, select practices have been introduced to manage backlog and billing risk. In the appraisal process, backlogs of unprocessed post-harvest reappraisals were identified. These backlogs contribute to unbilled scale, as reappraisals must be completed before invoices can be cancelled and reissued.

The Ministry sets an internal target for unbilled scale of less than 15 percent. The audit reviewed unbilled scale reports prepared at the end of each month in FY 2025/26. Most reports showed unbilled scale within the internal target. However, unbilled scale at the end of November 2025 was 18 percent, and 21 percent at the end of February 2026. Delayed reviews increase the risk that supporting documentation is no longer available and that revenue assessed later may be more difficult to collect.

The absence of formal turnaround standards and backlog reporting limits management's ability to oversee this risk. Delayed review also creates compounding risks, including weaker support in the event of dispute and a reduced likelihood of collection where the licensee's legal or financial status changes over time.

Recommendation:

6. The Ministry should establish and monitor turnaround time standards for post-harvest reviews and implement processes to monitor and manage review backlogs.

Tools and Resources

Monitoring activities depend on staff having appropriate tools, sufficient experience, and access to objective guidance. This is particularly important where field audits are used to verify licensee-reported information and where stumpage decisions involve complex variables and professional judgment. IAAS assessed whether staff capacity, tools, and provided guidance support effective monitoring activities.

IAAS interviewed staff involved in cruise, scale, waste, and appraisal review activities regarding the tools they use, the training they receive, and the guidance available to support their work. The audit noted that staff use different tools when conducting field audit activities, and IAAS found instance of staff not using equipment in accordance with the province-wide prescribed minimum standard. IAAS also noted variation in field audit practices across Areas and Districts.

The audit also found that stumpage decisions are technically specialized and often rely on professional judgment. Licensees and their subcontractors are often highly experienced and familiar with Ministry review processes, which may enable them to influence staff interpretations of ambiguous criteria or support lower-cost assumptions that reduce stumpage. This risk increases where complex decisions are made under capacity pressure, where in-field training is limited, or where less experienced staff are reviewing more complex files.

Overall, the Ministry has foundational tools and resources to carry out monitoring activities. However, inconsistent equipment, variation in field practices, limited in-field training, and reliance on professional judgment in complex files increase the risk that monitoring activities are not performed consistently and effectively across the province.

Recommendation:

7. The Ministry should strengthen monitoring capability by ensuring staff have the equipment, technical guidance, training, mentorship, and support needed to conduct consistent and effective reviews, particularly for complex or high-value stumpage files.

3.0 Revenue Collection and CPPM Compliance

Core Policy and Procedures Manual (CPPM) Chapter 7 establishes requirements for the timely identification, recording, billing, collection, and monitoring of public money, as well as the safeguarding of supporting records.

In the forest revenue context, the Ministry is responsible for establishing and monitoring receivables arising from forest revenue activities, while the RMO is responsible for the collection of amounts owing under a service arrangement. Under this arrangement, the RMO provides receivables reporting to the Ministry, including standard accounts receivable aging reports. This reporting supports Ministry oversight, including the work of the CFO Office and TPB in monitoring receivables and making write-off decisions. The arrangement depends on effective communication and reporting to support oversight of receivables from billing through to collection.

IAAS assessed whether the Ministry's practices for billing, recording, collecting, and monitoring forest revenue and receivables complied with CPPM.

SUMMARY OF KEY FINDINGS

The Ministry's foundational controls for billing and recording forest revenue are generally operating in alignment with CPPM. However, gaps in waste billing follow-up and limited visibility on overdue receivables and collection outcomes reduce end-to-end oversight and increase the risk of revenue slippage.

- Delays in completing and following up on waste billings increase the risk that waste obligations are not captured, billed, or collected in full.
- The Ministry does not consistently receive sufficient reporting on overdue receivables, disputed amounts, adjustments, and collection outcomes specific to forest revenue.

Billing Controls

CPPM requires ministries to issue invoices or other debit notes as soon as possible after the triggering event and to provide debtors with meaningful and concise information regarding the status of their debts. In the forest revenue context, this includes timely billings for harvested timber and waste.

IAAS assessed whether forest revenue billings were issued promptly for harvested timber and through the waste billing process. For harvested timber, IAAS tested a sample of invoices and statements of account by comparing the issuance date to the date of the underlying transaction or triggering event. The audit found that most invoices were issued within one business day, with limited exceptions that were related to system outages. This indicates that billing for harvested timber is very timely and operating effectively. Overall, the billing process for harvested timbers is considered effective.

Waste Billing Timeliness

The waste billing process is intended to ensure that waste obligations are identified, reviewed, and billed after harvesting is complete. Under the Provincial Logging Residue and Waste Measurement Procedures Manual, licensees are required to submit waste assessment within the defined period after harvest completion. Timely and complete waste billing is important into ensure on time billing and collection for waste revenues.

After harvesting is complete, licensees are required to submit a **waste assessment** that identifies timber left on site. District staff review the submission and once approved, initiate **waste billing**.

Waste revenue ranged from approximately $10 million to $20 million annually for the past five years, representing a small portion of total forest revenue, at approximately five percent. While not material in the context of overall forest revenue, timely billing remains important to ensure completeness and recoverability of these amounts.

IAAS performed data analytics over HBS invoice activity and waste ledger records to assess whether waste obligations were billed on a timely basis. IAAS identified instances where no corresponding waste invoice had been generated and no record existed in the waste ledger, even though harvest billing had ceased more than 12 months earlier. This suggests that some waste obligations that should have been billed were not submitted, processed, or recorded in the ledger.

The *Waste Assessment Regulation* establishes requirements for timely submission of waste assessments and includes enforcement and penalty mechanisms for non-compliance. However, the audit found that these mechanisms are not being consistently applied. Effective upstream enforcement can incentivize timely reporting of waste assessments and support earlier identification and billing of waste obligations. Insufficient enforcement increases the risk that files age, supporting evidence becomes more difficult to verify, and amounts owing are not billed or collected in full.

IAAS also noted that waste revenue increased over the review period while total forest revenue declined. As waste billings are based on assessed waste left after harvesting, this trend reflects an increase in waste being assessed and billed. While waste revenue represents a relatively small portion of total forest revenue, its growth heightens the importance of effective controls. Delays in billing and inconsistent enforcement increase the risk of revenue slippage and reduce the Ministry's ability to ensure that waste obligations are identified, billed, and collected in a timely and complete manner.

Recommendations:

8. The Ministry should reconcile HBS billing records to waste ledger records to identify licensee files where harvesting has been completed but waste invoices have not been generated within the required timeframe.
9. The Ministry should consistently apply the enforcement and penalty mechanisms set out in the *Waste Assessment Regulation* and related procedures manuals to support timely waste survey submission.

Recording of Revenue and Receivables

CPPM requires that all amounts determined to be due to government be promptly recorded as receivables and maintained until payment is received or the amount is otherwise resolved. CPPM also requires ministries to maintain control and subsidiary accounts that show balances owing by individual debtors and the individual amounts making up those balances. Together, these requirements are intended to support the completeness, accuracy, and traceability of receivables.

IAAS reviewed RMO reporting and a sample of overdue and written-off accounts to assess whether the Ministry had sufficient visibility over receivables status, collection activity, and approval of doubtful amounts. All sampled receivables matched HBS data by invoice number and amount, indicating that receivables were accurately recorded in the sample. Also, relevant systems maintain receivables at the individual debtor level with invoice-level detail, supporting visibility over balances owing by debtor.

These results indicate that the Ministry's foundational controls for recording and maintaining receivables are operating as intended. Accurate recording of receivables and maintenance of debtor-level records provide a sound basis for forest revenue receivables management.

Management of Accounts Receivable

CPPM requires ministries to monitor overdue amounts, take prompt collection action, and maintain appropriate communication and control over receivables. Even when collection functions are performed by another party, ministries remain accountable for monitoring receivables and overdue amounts, disputes, adjustments, and collection outcomes.

IAAS reviewed the standing reports provided by RMO to the Ministry, and:

- Asked Ministry executives and senior staff what receivables information they routinely receive and review.
- Traced a sample of overdue accounts to determine whether dispute status, adjustment activity, and collection outcomes were visible to the Ministry.
- Reviewed a sample of written-off accounts to assess whether doubtful amounts had been analysed and appropriately approved.

IAAS found that sampled write-offs were appropriately supported, analysed by the Ministry of Finance, identified as doubtful, and approved by the Ministry, indicating that receivables management activities performed by the RMO are operating in alignment with CPPM requirements.

However, reporting from RMO to the Ministry, including the CFO Office, is not at the level of detail that can support consistent and timely oversight. The CFO Office primarily receives information at the point when write-off approval is required due to statutory limits, with limited visibility into receivables status and collection risks earlier in the lifecycle.

In a revenue environment where responsibilities are distributed across multiple functions and ministries, this limits the ability to proactively identify and respond to collection risks. More structured and regular reporting from RMO would strengthen coordination across the revenue lifecycle, support earlier identification of collection risks, and reduce the risk that revenue slippage persists without timely management action.

Recommendation:

10. The Ministry should receive and review more frequent and detailed reporting from the Revenue Management Office on the status of forest revenue accounts receivable.

4.0 Information Systems and Data Controls

Forest revenue management relies on a network of interconnected systems and supporting tools. Many of these are based on legacy technology and processes. IAAS assessed whether the Ministry's information systems adequately support the secure processing, reporting, and oversight of forest revenue.

SUMMARY OF KEY FINDINGS

The Ministry's current systems environment does not fully support secure, efficient, and well-governed forest revenue administration. Strengthening privacy and security risk assessments processes and improving interim controls over manual workarounds would improve the Ministry's ability to manage security, privacy, reporting, and oversight risks.

- Current Security Threat and Risk Assessment and Privacy Impact Assessment's were not done or updated in time for key forest revenue systems in accordance with security and privacy requirements.
- The Ministry's legacy revenue systems do not fully support current business needs for security, reporting, and oversight.
- Systems do not provide sufficient built-in management reporting functions, resulting in manual queries, spreadsheets, that are inefficient and prone to error.

Security and Privacy Risk Assessments

Regular risk assessments of IT systems allow security threats and system vulnerabilities to be identified and controls to be proactively implemented. Government policy requires ministries to conduct various risk assessments when developing a new system, when implementing major changes, and throughout the lifecycle of systems.

Privacy Impact Assessment (PIA) and Security Threat and Risk Assessment (STRA) are required to ensure that privacy and security risks are effectively identified, assessed and managed. Subsequent to audit fieldwork, responsibility for aspects of privacy and security risk assessment processes has been transitioning to Connected Services BC. While this may change how assessments are completed, documented, or approved in the future, the underlying requirement to assess and manage privacy and security risks throughout the system lifecycle continues to apply.

Privacy Impact Assessment

A PIA is a systematic review process to ensure that ministries protect the personal information they collect, use, store, and disclose during their activities. It involves working with privacy experts to identify, assess, and manage privacy risks and ensure compliance with privacy legislation.

IAAS assessed whether the Ministry had complied with PIA requirements. The audit found one instance where a PIA could not be provided for a selected system. In cases where PIAs were provided for system updates, the Ministry did not maintain a log of system changes, limiting IAAS's ability to determine whether subsequent changes had occurred that would have required updated PIAs.

Security Threat and Risk Assessment

A STRA is a comprehensive assessment of security risks to an information system that supports informed, risk-based decision-making. STRAs should be reviewed and updated throughout the lifecycle of a system when significant or material changes occur, considering previously identified risks. A review schedule should also be maintained to ensure that STRAs are completed periodically over the life of the system.

IAAS assessed whether the Ministry had complied with STRA requirements. The audit found that current STRA documentation was not available for the selected systems, indicating that STRAs had not been completed or updated in accordance with minimum review requirements.

Non-compliance with STRA requirements creates risks by limiting the timely identification and remediation of security vulnerabilities in key revenue systems. This lack of oversight increases the likelihood of unauthorized access, data breaches, and security incidents that can disrupt operational activities.

Recommendation:

11. The Ministry should strengthen its privacy and security risk assessments processes to ensure they meet core policy requirements, including maintaining a log of system changes and a system review schedule to support the timely consideration and periodic completion of required assessments.

System Capabilities

Effective oversight of forest revenue requires timely and consolidated reporting across the Ministry's revenue processes. IAAS assessed whether the Ministry's current systems environment adequately supports management reporting for billing, monitoring, and oversight activities.

The audit found that the current systems environment is fragmented and does not adequately support management reporting. As a result, staff rely on manual workarounds, duplicate data entry, and custom queries to compile information needed for billing, monitoring, and oversight. These activities reduce efficiency, increase the risk of error or omission, and limit the Ministry's ability to monitor performance and identify emerging revenue risks on a timely basis.

The Ministry's revenue systems are legacy systems, and replacement of the systems is anticipated. However, while management indicated that system replacement is underway, evidence of implementation timelines and project status was not made available to IAAS. In addition, interim risk mitigation measures for the existing systems were not documented in a centralized manner, which increase the risk of inconsistent forest revenue practices across the province.

Until system replacement occurs, the existing systems will continue to support revenue operations and manual workarounds will remain a necessary part of revenue administration. Without documented controls, these workarounds create avoidable risk in a revenue environment. As a result, existing reporting and control gaps remain relevant in the interim.

Recommendations:

12. The Ministry should document and periodically review manual workarounds used in forest revenue management until legacy systems are replaced.
13. The Ministry should ensure that system replacement planning includes requirements for management reporting, audit trail functionality, and security controls.

Appendix A Audit Observations and Recommendations

The table below summarizes IAAS observations identified in this review. The recommended actions strengthen the controls framework for the oversight of forests revenue.

Observations	Recommendations	Risk rating	Ministry response
Governance: Reporting requirements were not met in accordance with Provincial Revenue Oversight Framework.	1. The Ministry should refine the Provincial Revenue Oversight Framework reporting requirements and reporting practices through ongoing review and continual improvement to support timely and complete oversight of revenue risks.	Low	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
Governance: The current segregation of policy, operational review, and receivables monitoring responsibilities across different functions limits end-to-end visibility over revenue processes. This structure inherently increases the risk of revenue slippage, highlighting the need for more integrated communication, monitoring, and reporting mechanisms.	2. The Ministry should strengthen communication, escalation, and consolidated reporting processes between Timber Pricing Branch, Area and District offices, and the Revenue Management Office to support integrated oversight of forest revenue risks across the revenue lifecycle.	High	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
Governance: Notification to or involvement of the Ministry is not consistently evident for external decisions that may affect stumpage revenue or harvest rights.	3. The Ministry should work with central agencies and relevant ministries to strengthen processes to identify, communicate, and assess decisions that may affect stumpage revenue or harvest rights.	Medium	**Agree** The Ministry agrees with the recommendation and will develop an action plan.

Monitoring: Low-risk licensee submissions are excluded from substantive review. Although the risk-based framework appropriately directs review effort to higher-risk files, the exclusion of low-risk submissions may increase the risk of unidentified revenue slippage when risk ratings are not updated timely to reflect emerging risks.	4. The Ministry should strengthen its risk-based framework by enhancing its ability to validate and reassess risk classifications, including improving visibility into the low-risk population to ensure emerging risks are identified.	Medium	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
Monitoring: Review practices are not consistently applied across regions. Differences in triggers, forms, sequencing, and local tools are not always documented or supported by provincial guidance.	5. The Ministry should document regional process variations and resolve unexplained differences through updated provincial guidance.	Medium	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
Monitoring: Review backlogs and timeliness issues reduce assurance. Significant backlogs exist in some post-harvest review processes, including reappraisals and waste-related work.	6. The Ministry should establish and monitor turnaround time standards for post-harvest reviews and implement processes to monitor and manage review backlogs.	Medium	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
Monitoring: Staff tools, technical guidance, and experience are not **fully** consistent. Variation in field equipment, practices, and experience levels increases reliance on professional judgment in complex files.	7. The Ministry should strengthen monitoring capability by ensuring staff have the equipment, technical guidance, training, mentorship, and support needed to conduct consistent and effective reviews, particularly for complex or high-value stumpage files.	Medium	**Agree** The Ministry agrees with the recommendation and will develop an action plan.

Revenue Collection: Some files showed no waste invoice and no waste ledger record more than 12 months after harvest billing had ceased.	8. The Ministry should reconcile HBS billing records to waste ledger records to identify licensee files where harvesting has been completed but waste invoices have not been generated within the required timeframe.	Medium	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
	9. The Ministry should consistently apply the enforcement and penalty mechanisms set out in the *Waste Assessment Regulation* and related procedures manuals to support timely waste survey submission.	Medium	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
Revenue Collection: Reporting on aging, disputes, adjustments, and collection activity is not sufficient to the Ministry to oversee overdue receivables and collection outcomes.	10. The Ministry should receive and review more frequent and detailed reporting from the Revenue Management Office on the status of forest revenue accounts receivable.	High	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
Systems: Security Threat Risk Assessment and Privacy Impact Assessment are not completed in accordance with core policy.	11. The Ministry should strengthen its privacy and security risk assessments processes to ensure they meet core policy requirements, including maintaining a log of system changes and a system review schedule to support the timely consideration and periodic completion of required assessments.	High	**Agree** The Ministry agrees with the recommendation and will develop an action plan.
	12. The Ministry should document and periodically review manual workarounds used in forest revenue management until legacy systems are replaced.	High	**Agree** The Ministry agrees with the recommendation and will develop an action plan.

Systems: Legacy systems do not adequately support oversight and reporting. Staff rely on manual workarounds and custom queries to compile information for billing, monitoring, and oversight.	13. The Ministry should ensure that system replacement planning includes requirements for management reporting, audit trail functionality, and security controls.	High	**Agree** The Ministry agrees with the recommendation and will develop an action plan.

Risk rating legend

High: Significant risk exposure; immediate action required.

Medium: Moderate risk; action needed within a reasonable timeframe.

Low: Minor risk; monitor and address as resources allow.

Appendix B Abbreviations

CPPM	Core Policy and Procedures Manual
Government/Province	Government of British Columbia
HBS	Harvest Billing System
IAAS	Internal Audit and Advisory Services
Ministry	Ministry of Forests
PIA	Privacy Impact Assessment
PROF	Provincial Revenue Oversight Framework
RMO	Receivables Management Office
STRA	Security Threat and Risk Assessment
TPB	Timber Pricing Branch