

U.S. Perspective

on auditing practices of FMU-level
& risk-based approaches
to forest certification

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My talk

- Audit Basics
- Due Diligence Systems (DDS)
- How U.S. auditors look at risk assessments, and at programs that use a DDS
- My concerns (and those of some colleagues)
- I'll start with my background, which includes a warning...

Mike's Background - 42 years in forestry

- 22 years managing forests, or advising on their management
- 25 years teaching (Adjunct at Yale School of Forestry)
- 18+ years in forest certification
 - Auditor Program Manager, Lead Auditor, Team Auditor
- 15+ years in Chain of Custody
- 10+ years working with risk assessments
- Currently: 80% consulting, 10% auditing, 10% teaching

The promised warning

- I'm not a member of the SBP fan club
- I don't like to audit against it
- Providing consulting services for SBP is challenging
- My clients who have SBP are often under stress, and
- I tried to avoid taking this speaking assignment.

So, given the previous 2 slides (my 40+ years experience + this slide)...
I thought I'd title my talk ...

~~U.S.~~ A Curmudgeon's Perspective on auditing practices of FMU-level & risk-based approaches to forest certification

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curmudgeon



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Dictionary

Search for a word



cur·mudg·eon

/kər' məjən/

noun

a bad-tempered person, especially an old one.

synonyms: bad-tempered person; [More](#)

Audit Basics

- **Ethical conduct** - the foundation of professionalism.
- **Fair presentation** - the obligation to report truthfully and accurately.
- **Due professional care** - the application of diligence and judgment in auditing.
- **Independence** - the basis for the impartiality of the audit and objectivity of the audit conclusions.
- **Evidence-based approach** - the rational method for reaching reliable and reproducible audit conclusions in a systematic audit process.

How Audits Work in Practice

- Limited time and resources (including energy and attention)
- Heavy reliance on “management systems”
- Focus on key areas, move quickly through the rest
- Give the certificate holder benefit of the doubt
- For new/revised standards – “light touch” initially
- Tendency to “tighten the screws” over time

A Good Audit

- Findings understood and (generally) accepted
- Auditor didn't miss anything important (C.H. knows)
- Audit contributes to improvement (indirectly)
- A different auditor / audit team would have same findings

Forestry Audits ...

... Work Best When

- The standard is clear & concise
- Evidence is readily available
- Management systems capture most aspects
- Issues considered are supported by scientific information

... Struggle With

- Highly Contentious issues
- Long standards
- Repetition in the standard
- Too Many “Performance-based” requirements
- Key Issues are values-based

Forestry audits are conducted by experienced professionals

- Not robots
- Not remote sensing data
- Not algorithms or formulas
-

**Due professional care –
the application of diligence
and judgment in auditing**

Due diligence system (DDS):

FSC:

A system of measures and procedures to minimize the risk of sourcing material from unacceptable sources.

A DDS contains three elements:

1. obtaining information
2. risk assessment
3. risk mitigation (when needed)

SBP:

Supply Base Evaluation comprises both:

- a. Risk Assessment (RA) and
- b. Supplier Verification Programme (SVP)

And, when using Company Risk Assessments, Locally Applicable Verifiers (LAVs) are needed

Who does the risk assessment?

Program	Initial Practice -> Done by “certificate holder”	Emerging Practice -> Larger Scales
FSC	Company R.A.	<u>National R.A.</u>
SBP	<u>Biomass Producer</u>	Regional R.A.

In the U.S., FSC Certificate holders operating FSC Controlled Wood programs must implement the FSC U.S. National Risk Assessment by Oct. 5, 2019.

Auditing Company Risk Assessments

- Has been challenging for all involved
 - Most FSC certificate holders used consultants
 - Consultants mostly concluded “low risk”
 - Auditors/CBs didn’t push back
 - Stakeholders both unhappy and fairly quiet
-
- My view: The FSC U.S. NRA is a big improvement in most regards

Audits When Risk Assessment Included

- Assessing the risk assessment –
FSC has taken auditors out of this ... “Brilliant”!
- Audit should focus on systems to ensure that the RA is appropriate, and that conclusions about the inputs are supportable
 - Risk of Mixing
 - Evidence of geography of Source (within risk area)
 - Implementation of Mitigation
- Company Risk Assessments – Inefficient, Misaligned Incentives...
 - I don't think this is as credible an approach

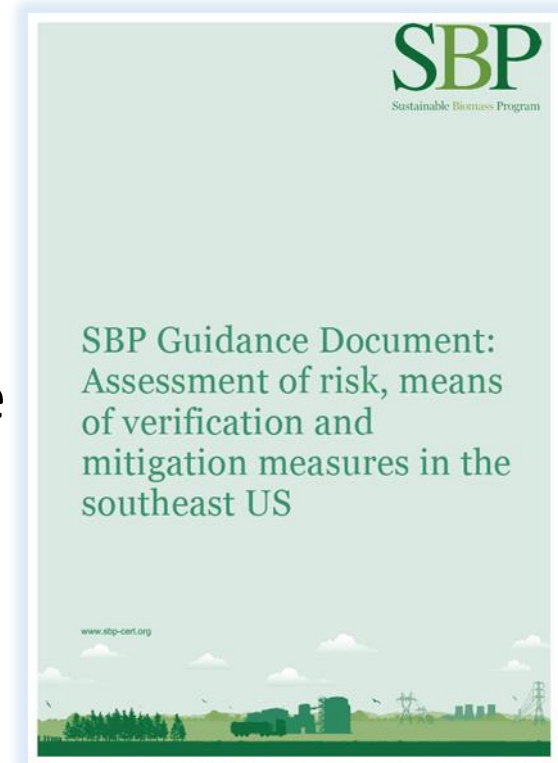
Regional or National Risk Assessments

- This is the way to go
- FSC: Instead of reviews by auditors or Certification Bodies
 - Political (Value) Decisions (example: old-growth on public lands in US West)
 - Stakeholders
 - Governance Systems
 - Peer (scientific review)
- SBP: Moving to Regional Risk Assessments?



Using U.S. NRA in SBP

- “If a BP is referencing a publicly available third party multi-stakeholder risk assessment such as the FSC US Controlled Wood National Risk Assessment V1-0 D3-0 (FSC US CWNRA), and where the nature and location of the specified risk are located within the BP’s Supply Base, and the assessment of risk has been completed, the risk rating assigned by the authors should be used unless the BP can provide additional new verification data to prove low risk.”
- “If a BP is using a third party multi-stakeholder risk assessment that includes suggested mitigation measures, the suggested mitigation measures could be considered adequate to address the specified risk outlined by the authors and use by the BP to demonstrate low risk for specific criterion is acceptable.”



Other Issues

- Consulting stakeholders (SBP): Lack of response. Why?
 - Unlikely to add sufficient value at this scale (time vs. response)
 - Works well on a FM review: the stakeholder IDs issue, then it becomes the auditor's problem (stakeholder invests little time, superb response)
- Pursuing issues too far along supply chains
 - Value proposition for residuals
 - “Work-arounds” of dubious value
- Conflicting Risk Assessments (AHEC)
- “Conversion” sources

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