



Tire Performance Audit Procedure

Consultation Report

May 2019

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Introduction and context

From January 15, 2019 to March 31, 2019 the Authority consulted on the development of an audit procedure to be used to verify the tire collection and management (reuse, retreading or processing) performance data that producers, or producer responsibility organizations (PROs) working on their behalf, will be required to submit to the Authority.

The Authority retained BDO to develop the audit procedure and consult with stakeholders as part of this development.

The Authority and BDO considered the feedback received during the consultation to develop the final draft procedure, which has been submitted to the Ministry of Environment, Conservation and Parks along with a copy of this consultation report. Once the Ministry has completed its review, the final procedure will be posted on RPRA's website under "Registry Procedures".

Questions about this report can be emailed to consultations@rpra.ca.

About the Authority

The Authority is a regulatory body created by the Ontario government in November 2016 to enforce the requirements of the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and the *Waste Diversion Transition Act, 2016* (WDTA). The RRCEA establishes a new resource management regime where producers are responsible and accountable for their products and packaging, recovering resources, and reducing waste. The WDTA allows for the continuation of waste diversion programs and sets out provisions to wind up those programs as directed by the Minister of the Environment, Conservation and Parks.

The Authority does not receive any government funding. The WDTA and RRCEA allow the Authority to set and collect fees to recover its costs from regulated parties. The Authority's revenues come from two sources:

- **WDTA:** Charges to industry funding organizations and industry stewardship organizations for the Authority's oversight of programs.
- **RRCEA:** Charges to parties required to register or report to the Authority to cover the development and operation of the Registry and compliance and enforcement costs.

About the Audit Procedures

As of January 1, 2019, the Used Tires Program operated by Ontario Tire Stewardship (OTS) was replaced by a new individual producer responsibility framework for tires overseen by the Authority. This new framework is outlined in the Tires Regulation, O. Reg. 225/18.

Under the Tires Regulation, tire producers are required to meet mandatory collection and management targets, where "collection" refers to collecting used tires at their end of life and "management" refers to reusing, retreading, or processing used tires after they have been collected. A producer's annual collection target is based on the producer's tire supply and the tire management target is calculated based on what a producer actually collects in the year. The tire collection and management targets must be met in accordance with the Tires Regulation.

Producers have the option of setting up and managing their own collection and management systems to achieve their targets or engaging the services of a producer responsibility organization (PRO) to set up and manage the required collection and management systems.

Section 26 of the Tires Regulation requires that an audit of the performance of each producer's management system be completed by an independent auditor who is licensed or holds a certificate of authorization under the Public Accounting Act, 2004 and in accordance with the procedures set out in the Registry Procedure: Performance Verification Audit Procedure for The first audit report must be submitted by producers on or before October 31, 2020, for the 2019 performance year, and audit reports must be submitted annually after that.

Principles for public consultation

The Authority's consultations are guided by the following principles developed by the Organization for Economic Cooperation and Development:

Inclusiveness and openness: Engage broadly with a wide variety of stakeholders, provide clear and understandable information, and make the consultation process accessible, comprehensible and responsive.

Timeliness: Engage stakeholders early before decisions are made and provide regular opportunities for engagement on key program and policy matters.

Accessible and cost effective: Consider a variety of tools and methods to gather feedback that promote efficient and cost-effective consultations.

Balance: Provide opportunities for diverse perspectives and opinions to be heard and considered.

Transparent: Record feedback, report back a summary to stakeholders, and synthesize feedback into programs and policies as appropriate.

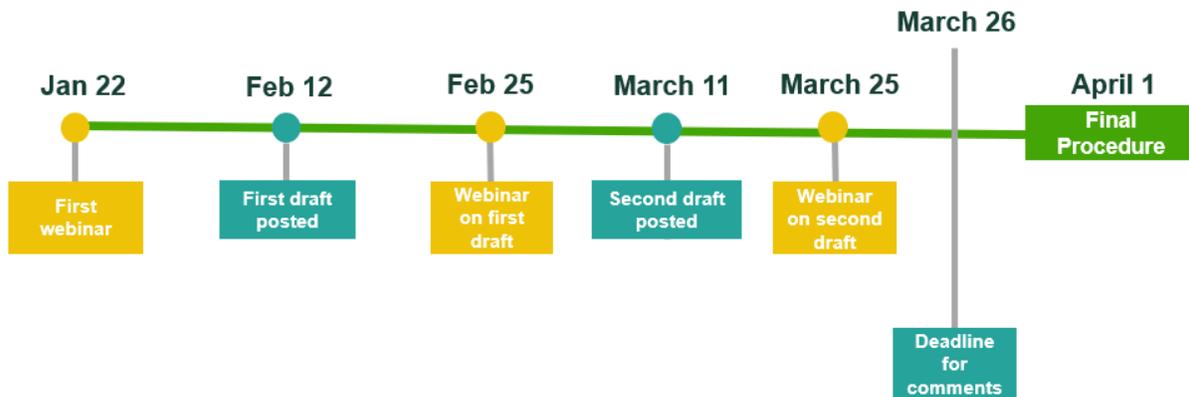
Evaluation: Demonstrate the impact of public consultations on program delivery and policy development.

Consultation process

The Authority emailed all tire registrants (producers, collectors, haulers, retreaders and processors) notice of the consultation on December 19, 2018. A [dedicated page](#) on the Authority's website was created to promote the consultation. Stakeholders were invited to submit feedback via one of three webinars (dates below), one-on-one meetings with the Authority and BDO, or via email to consultations@rpra.ca.

Below is the timeline for the consultation.

January 15 to March 31



The objectives of the first webinar were to:

1. Review the performance reporting requirements in Compliance Bulletin No. 7: Annual Reporting Requirements
2. Review the performance audit requirements under the Tires Regulation
3. Start the process to develop a performance verification procedure to meet those requirements

Following the first webinar and one-on-one meetings, the Authority published the first draft of the audit procedures for comment and hosted a webinar to receive feedback. Using the feedback gained from the webinar on the first draft, the Authority published the revised draft of the audit procedures for comment and hosted the second webinar to receive feedback.

Following the deadline for comments, the Authority completed the final draft and submitted it to the Ministry.

Stakeholder Participation

There were five meetings with stakeholders, three written submissions and three webinars. The webinar presentation and recordings can be found [here](#).

January 22, 2019 – Introduction Webinar

84 individual people signed up to attend the introduction webinar, of those, 54 attended.

February 25, 2019 – First Draft Webinar

39 individual people signed up to attend the first draft webinar, of those, 25 attended.

March 25, 2019 – Second Draft Webinar

41 individual people signed up to attend the first draft webinar, of those, 26 attended.

What we heard

The following incorporates written feedback, one-on-one meeting feedback and webinar feedback received during and in-between each webinar.

The questions were edited for clarity. Any questions not relevant to this consultation have not been included.

Phase One – Pre-draft Consultation Process	
Question	Response
Where can I learn more about the tires program in general?	The are several reference documents and useful links on the Authority's website .
If a producer changes PROs after 2019, will there be an issue obtaining the information necessary for the Producer Audit requirements in 2020?	This should not be an issue if the contract between the producer and PRO has appropriate audit provisions.
We are a processor based out of the US; can we use any licensed CPA?	Processors are not required to complete an audit. However they will be required to provide supporting documentation to the PROs they work with so that the PROs can complete the audits on behalf of their producer customers. The audits must be completed by an independent auditor who is licensed or holds a certificate of authorization under the Public Accounting Act, 2004.
We are a producer. Can we assume that our PRO is, in fact, qualified to perform our audit?	This should not be an issue if the contract between the producer and PRO has appropriate audit provisions. The PRO does not complete the audit but can arrange for it to be done on behalf of its producer clients. The audits must be completed by an independent auditor who is licensed or holds a certificate of authorization under the Public Accounting Act, 2004.
Are there specific firms who we should retain to complete the audit?	The audits must be completed by an independent auditor who is licensed or holds a certificate of authorization under the Public Accounting Act, 2004.

Phase Two – First Draft Consultation Process

Question	Response
Determining the weight of non-eligible (dirt, ice etc.) for mass balance is often a best guess, can we utilize a factor?	Yes, you can utilize a factor. It will be up to the auditor to determine if the factor is reasonable.
Who will be the auditing body and how will that work?	The audits must be completed by an independent auditor who is licensed or holds a certificate of authorization under the Public Accounting Act, 2004.
I would like to see a document to outline the audit process and a tire flow map to help auditor?	<p>We are in the process of developing the audit procedure which will outline the audit process.</p> <p>BDO and the Authority are also developing tire and processed material flow maps to be included in a supporting material for auditors.</p>
A hauler or processor can be associated with more than one PRO. How will the audit ensure the same transaction have not been repeatedly reported across different PROs? How will the auditor figure it out?	<p>There are many parties, and therefore many documents, involved in the collection and management of a used tire (e.g., collectors, haulers, processors, and retreaders). One shipment of tires or material being reported by multiple PROs would therefore require collusion between several parties and would constitute fraud.</p> <p>Once the Authority reviews all the audits, if the Authority is concerned about this, further inspection may occur.</p>
How much will the audit cost?	<p>The Authority is unable to respond to that as every auditor has different rates. The Authority would advise that producers and PROs ask their auditor.</p> <p>However, the creation of an audit procedure will mean that auditors should be able to compete on cost, but it will be up the PRO to negotiate their rates with their auditor.</p>
How will I know if my auditor will understand this procedure?	We encourage you to provide this draft procedure to auditors so they can provide feedback.

	<i>NOTE: Several audit firms signed up for the Authority's final webinar.</i>
If a PRO uses a processor that processes non-Ontario tires or processes tires for other PROs would the representative sample for that PRO's audit only be transactions recorded by that PRO?	Yes, each Audit Procedure specifically states, "obtain a listing of all transactions for the PRO".
If tires collected in the calendar year are not processed by March 31 of the following year, but processed afterwards, can this count towards the following year's target.	No. Consistent with the Tires Regulation, under the audit procedure "any tires collected in the Collection Year that have not been processed and / or ownership of processed material has not been transferred to an End Market or RPM by March 31 of the following year must be reported as "stockpiled" and cannot count towards the Resource Recovery target."
The term 'hauler' should be defined to differentiate a hauler that is hauling tires (thus, a requirement to be registered with RPRA and has a RPRA Unique ID number), vs. a hauler that is hauling processed material (not required to be a RPRA registered hauler)	This clarification was made on page 9 in the final audit procedure. A tire hauler, who is required to be registered with the Authority, is a person who transports tires in Ontario to a site for processing, reuse, retreading or disposal, but does not include a person who transports tires for private domestic purposes.
"Processed Material" currently not defined	The Ontario Tire Regulations 225/18 defines "processed materials" as materials that result from the processing of tires.
"Tire Type" currently not defined	In accordance with "RPRA's Compliance Bulletin No. 7 – Annual Reporting Requirements" on page 2 of the audit procedure it states "for the purposes of annual reporting, only two categories will be required for reporting in the Registry: <ul style="list-style-type: none"> • Tires greater than 700 kg (the large tire category) • Tires less than or equal to 700 kg (everything other than large tires)"
Audit procedure 4 - To expect there to be a contract between the Processor and RPM is too onerous.	An amendment was made on page 6 in the final audit procedure: Originally: "For each RPM, obtain a supporting document signed by the RPM that states the products and packaging types manufactured by those RPMs.

	Amended to: “For each RPM, obtain the contractual documents relating to the delivery of processed materials to each RPM and a supporting document signed by the RPM that states the products and packaging types manufactured by the RPM from the processed material received from the processor.”
The list of acceptable products and packaging types (19 + other) is more specific than what is contained in the Tires Regulation.	That is correct, the list is based on the categories which can be reported in RPRA’s online registry system.
Audit procedure 6 - The role of the Auditor is to determine whether individual Producers (and PRO’s) have met the requirements under the regulation. It is not in the Auditor’s purview to determine / make a finding whether commercial terms between parties are met.	<p>This clarification was made on page 8 in the final audit procedure:</p> <ul style="list-style-type: none"> • Procedure 6(b) was moved to 6(a), this means that the determination of whether a PRO has met their 85% performance target will be the first step completed by the auditor and if the PRO has met their target there is no need to determine how material was allocated. This means that procedure b, c and d only have to be completed if the PRO has not met its aggregate performance target. • Auditors will not need to use contracts/SLAs/SOWs to determine allocation methods. The auditor would simply obtain the PRO’s allocation method and the volumes allocated to each of their producers with which they can confirm whether any of the producers met their 85% resource recovery standard. It was and is not the intention to ensure PROs are compliant with contracts between them and the producers.
“Used in Ontario” what is an acceptable level of proof?	Collectors, haulers, processors and retreaders are required to report used tires they received from outside Ontario. PROs will need to ensure they have controls in place to ensure they are not counting used tires from outside Ontario to meet producer performance targets. The Authority will also be carrying out inspections to monitor for this.
For transfers from processors to RPMs or end markets, the types of	If the documentation is so limited that the auditor being unable to obtain reasonable assurance that the material was used in a product or packaging allowable under the Ontario Tire Regulations 225/18 then auditor will be unable to

‘documentation of proof’ may be limited depending on the RPM.	provide an opinion on whether the producers in question have met their resource recovery standard of 85 per cent.
Appendix D – Validating Outbound Shipments: Is this a complete list of suitable end markets and evidence? Is all evidence required or just some?	The lists of suitable end markets and suitable evidence in Appendix D is not exhaustive, the audit procedure clearly states they are examples.
What is reasonable assurance?	Reasonable assurance in this audit procedure is the level of confidence that the Auditor would have that the non-financial information reported is free from material misstatement
Given the realities of how the system (Collection, Hauling, Processing, Retreading/Manufacturing) flows, capturing data related to residuals/non-eligible materials assigned to individual PROs may be difficult.	Residuals and non-eligible materials should not be “assigned” to an individual PRO. The mass balance audit procedure defined in audit procedure 5 describes how non-eligible materials would be validated.
What would the testing of “material sent to an end market to be disposed” look like in practice? What would the ‘proof’ consist of?	Appendix E – Validating Outbound Shipments provides examples of what evidence would be required.
Under the Tires Regulations, only collectors are required to accept tires attached to rims.	<p>An amendment was made on page 17 in the final audit procedure: Appendix G: “Producers are obligated to collect tires regardless of whether they are attached to rims. Therefore, if a processor receives tires attached to rims, the weight of the rims cannot count towards collection performance nor can the weight of the rims be counted towards resource recovery performance”. Previously it read that processors are obligated to accept tires attached to rims, but this is not the case – this is a producer obligation.</p> <p>Under section 5 of the Tire regulations, it is the producer’s responsibility to establish and operate a collection system for tires in accordance with section 10. This includes the obligation that the tire collection site must accept tires that are</p>

	still attached to rims. So, although it is the collectors that actually receive the tires it is the Producer's ultimate obligation.
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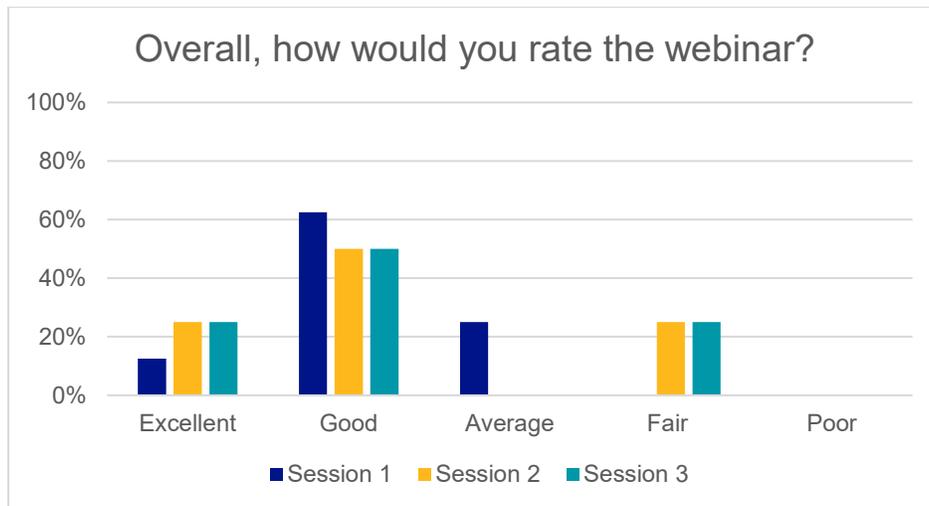
Phase Three – Second Draft Consultation Process	
Question	Response
Section 6: The new verbiage from the webinar appears to have addressed the concern about allocation of recovery attainment, rather than focusing on SLA/SOW/contract that may exist between a PRO and the Producer.	Thank you
Please clarify the application of the “Population”, and the subsequent sample sizes. Is this by ‘actor’ in the process (i.e. collector, hauler, processor, RPM?) or is it an overall view?	Population, and therefore sample size, is generally determined based on the number of transactions in the PRO's system. The mass balance calculation at Processors and Retreaders requires each Processor and Retreader in the PRO's system to be sample tested individually.
Please clarify “more detailed substantive procedures need to be applied”.	The substantive procedures would be at the discretion of the auditor. They would need to continue testing until they can conclude that they have reasonable assurance that the data reported does not include a material misstatement.
What level of detail is required for proof of end use?	Appendix F clearly describes the methods that could be used by the auditor to validate actual use. The level of detail required always comes down to the auditor obtaining reasonable assurance and that is the responsibility of the auditor to determine.
Metal that is sold by the Processor to a scrap metal dealer, is this an acceptable end-use that could be used towards 85% recovery?	The end market in this scenario would be the company that buys the metal derived from used tires (not rims) not the scrap metal dealer. Validation methods have been described in Appendix F.
Please clarify that only Collectors (not	Under section 10 of the Tires Regulation, a tire collection site must accept used tires on rims. Furthermore, undersection 5 of the Tire regulations, it is the

<p>Processors nor Producers) are obligated to accept tires attached to rims.</p>	<p>producer’s responsibility to establish and operate a collection system for tires in accordance with section 10. This includes the obligation that the tire collection site must accept tires that are still attached to rims. So, although it is the collectors that actually receive tires on rims it is the Producer’s ultimate obligation.</p>
<p>Must be recognized that mass balance calculations done on a frequent basis (i.e. monthly, quarterly) may not provide a fulsome picture of the mass balance depending on timing of processing vs. inbound and outbound supply.</p>	<p>This has been considered in the procedure and the auditor will verify the mass balance based on whatever frequency the mass balance was calculated.</p>
<p>Slide 12 of Second Draft Webinar: Further guidance is required in order to outline what the actual impact of this sampling methodology would have on various PRO’s, e.g., a large PRO with 100’s of thousands of transactions.</p>	<p>Please see the appendix on sampling in the audit procedure to understand the sample impact depending on population.</p>
<p>Slides 13 of the Second Draft Webinar: Reuse, “validate the inbound and outbound for each sample” this may be impossible to determine. Individual tires are not ‘tracked’ through the system. Collector may collect many tires (several batches) over the week and consolidate for hauling. Hauler picks up and then ‘culls’ 15 tires for reuse – there is no way to track what ‘batch’ of tires the culled tires were from.</p>	<p>This will be addressed in supporting material for auditors</p>
<p>Slides 13 of the Second Draft Webinar: Retread, “validate the inbound and outbound for each sample” this may be</p>	<p>Correct, as a result the procedure recognizes that there must be a mass balance for the retreader.</p>

impossible to determine. Individual tires may not be ‘tracked’ through the system.	
Slides 14 of the Second Draft Webinar: ‘all product and packaging types must be validated’ <ul style="list-style-type: none"> • What is the validation list? • What if “all” cannot be validated? 	A list of valid product and packaging types is included in audit procedure 4. It is clear from the audit procedure that if the auditor is unable to validate what product or packaging has been created by the processed material then they may be unable to validate whether the processed material was in fact used in a manner compliant with the Tire Regulations and the transaction would fail the audit procedure.
Tire and Material Flow Maps: ‘culling’ for reuse can happen from a Tire Hauler which is missing from the micro and macro flow maps.	This additional flow was added to Micro and Macro Tire and Material Flow Maps which will be included in supporting material for auditors.
We would like to have a guidance document and an audit template to standardize this audit procedure as much as possible.	We will be providing supporting material for auditors.
Please clarify “more detailed substantive procedures need to be applied”	The substantive procedures would be at the discretion of the auditor working with the PRO or producer who retained the auditor. They would need to continue testing until they can conclude whether they have reasonable assurance that the data reported does not include a material misstatement.
What level of detail is required for proof of end use?	Appendix F describes the methods that could be used by the auditor to validate actual use. The level of detail required always comes down to the auditor obtaining reasonable assurance and that is the responsibility of the auditor to determine.
Metal that is sold by the Processor to a scrap metal dealer, is this an acceptable end-use that could be used towards 85% recovery?	The end market in this scenario would be the company that buys the scrap metal not the scrap metal dealer. Validation methods have been described in Appendix F. This will be further addressed in supporting material for auditors.

Consultation evaluation

Following each of the three consultation webinars, participants were invited to complete a short feedback survey. The following charts show how participants rated the consultation process.

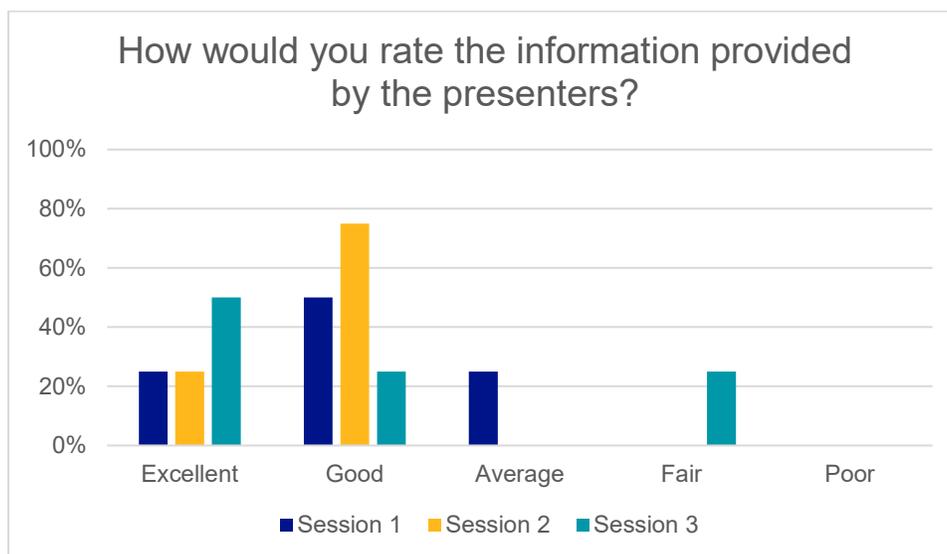


Comments on the overall satisfaction of the webinars included:

“Great information giving the mandate of RPRA. We were very impressed that RPRA reached out and presented this webinar!!”

“The material and speakers were excellent. The only improvement suggestion is the audio portion at the beginning of the webinar. This changed and was fine later in the session.”

“Hard to understand?”

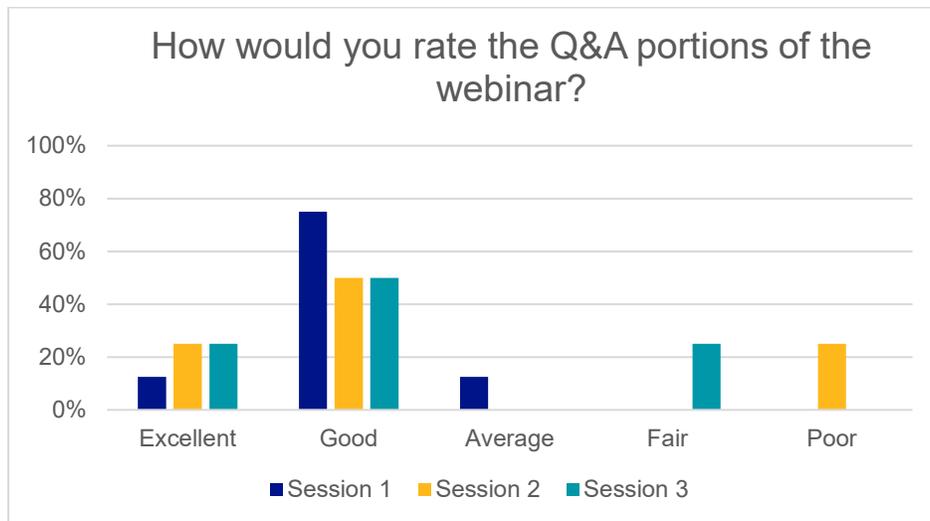


Comments on the information provided by presenters included:

“Information was great and delivered well. We are just impressed that RPRA reached out with this information.”

“Complete and easy to follow.”

“The print was small on my screen and sometimes you moved through each slide a little quickly.”



Comments on the question and answer portions of the webinars included:

“There were very few questions and they were well answered.”

“I asked about the cost of the new program format vs. the old system but the answer was not very convincing - "not much different" - we need to know the cost now.”

“Probably the best part to learn from others' questions. Thank you!”

“Please look into have additional tire categories for smaller tires like motorcycle, scooters and even off-road ATV and dirt bikes.”