

This registry procedure should be read in conjunction with Ontario Regulation 225/18: Tires and the document entitled Registry Procedure - Audit. See Appendix B for links to documents that contain definitions and criteria that are essential for the completion of audits.

Purpose

Tire producers are required to report their tire supply data as specified in the Tires Regulation. New tires are supplied into Ontario in two ways: on new vehicles or separately.

The required supply data has two components:

1. The number of tires supplied and
2. The weight of those tires in kilograms.

Producers can choose to provide the actual weight of the tires they supplied or use the Weight Conversion Factors provided to calculate the weight. In this audit procedure, the weight of tires can mean either the actual weight of tires or the corresponding weight of tires determined in accordance with the [Registry Procedure – Weight Conversion Factors \(Tires\)](#).

The Tires Regulation also requires producers to verify their supply data, unless a producer is reporting supply data previously reported to Ontario Tire Stewardship (OTS). This registry procedure is intended to provide more detailed guidance on how to meet the audit requirements set out in the Tires Regulation and the Registry Procedure – Audit, ensure consistency of verification reporting by producers and provide sufficient guidance to allow auditors to provide a consistent level of assurance in a consistent format.

Application

2021 will be the first year in which producers will be reporting tire supply data that was not previously reported to OTS. This registry procedure applies to the verification of that data, beginning with supply data reported in 2021.

Review

In 2023, the Registrar will carry out a review of this registry procedure to determine whether there is a need to consider changes to it, including the frequency of the verification process.

Definitions

“Large producer” – a producer with a collection target exceeding 500,000 kilograms in the previous calendar year.

“Medium producer” – a producer with a collection target greater than 100,000 kilograms and less than or equal to 500,000 kilograms in the previous calendar year.

“Small producer” – a producer with a collection target less than or equal to 100,000 kilograms in the previous calendar year.

A. Large Producers

Audit Standard for Large Producers

Large producers are expected to provide an audit report prepared in accordance with the Canadian Standard on Assurance Engagements 3000 (CSAE 3000), Attestation Engagements other than Audits or Reviews of Historical Financial Information, published by the Auditing and Assurance Standards Board. The assurance report must explicitly reference conformance with CSAE 3000.

A verification statement in line with this standard must include details of or reference to:

- The auditor, the entity engaging the auditor and intended users
- Planning for the verification
- Materiality and level of assurance
- The reporting obligation and subject matter being verified
- A description of the verification processes
- Information on the company's data flow and data quality assurance procedures
- Strategic analysis and risk assessments to establish sampling requirements consistent with the level of assurance and the risk to material misstatements identified when reviewing the data flow and control/assurance procedures
- A written assurance report in the form appropriate to an assurance engagement
- The auditor's accreditation

For compliance purposes:

(a) The requirement to include a description of the verification processes in the verification statement will be met by a reference to this procedure if the auditor completes the procedures set out below and provides an assurance opinion based on carrying out those procedures. Where these procedures were carried out and the auditor is able to give a clean opinion, no other procedures are required.

(b) It is recognized that in a particular engagement,

- it may not be possible for the auditor to carry out one or more of these procedures, or
- performing work under this procedure may put the auditor out of compliance with the CPA Code of Professional Conduct, as published by CPA Ontario

and as a result, the auditor may carry out other procedures. If so, the verification statement must identify the procedures that could not be carried out, the reason why and a description of the procedures that were carried out instead, or in addition to these procedures.

(c) In the event that an auditor is unable to give a clean opinion after carrying out the procedures below, a producer has the option of providing a report that reflects that outcome and a description of the exceptions, or retaining the auditor to carry out additional procedures as may be recommended and prepare a report that includes a description of those additional procedures.

(d) Nothing in this Registry Procedure limits the ability of an inspector to carry out a separate compliance inspection.

Audit Procedures for Large Producers

(a) The following audit procedures apply to large producers that are tire manufacturers or tire wholesalers:

1. Walk through the producer's business and obtain an understanding of the following:
 - What is the producer's tire marketing process? (e.g. online sales, phone sales, etc.)
 - How were tires marketed in Ontario tracked separately from tires supplied in other provinces?
 - How is a SKU (Stock Keeping Unit) set up in the producer's ERP/database/system and what tire specifications are included (e.g. tire type, size or tire weight)?
 - Locations of the producer's tire retail locations and warehouses in Ontario
2. Assess and document the producer's obligation based on the definition of a producer (refer to Ontario Regulation 225/18: Tires)
 - What are the brands of tires for which the producer has collection and resource recovery obligations?
3. Assess and document the producer's methodology to determine how the tires were supplied or marketed in Ontario (refer to the definition of "market" in s. 59 of the *Resource Recovery and Circular Economy Act, 2016*)
4. Inquire and document the producer's methodology to prepare the tire supply report
 - Document what system or applications are used to track tire supply
 - Document what reports are used
 - Document detailed step-by-step procedures that demonstrate how tire supply report is prepared
5. Document the producer's methodology to determine the weight of tires supplied in Ontario
6. Select samples in accordance with Appendix A of tire supply transactions to validate the accuracy of tire weight reported
 - If actual weight is selected, compare to tire manufacturer's specifications to validate tire weight; if calculated weight is selected, compare to RPRA's Weight Conversion Factors to validate tire weight
 - If the producer chooses to use the Weight Conversion Factors, the auditor must determine if they were applied correctly and that the tires were reported in the correct categories
7. Obtain a complete listing of SKUs and document how the producer determines which tires are included in the tire supply report and which ones, if any, are excluded, based on the definition of "tire" in Ontario Regulation 225/18: Tires
8. Select samples in accordance with Appendix A of non-obligated SKUs and assess if they are indeed not within the definition of "tire"
9. Conduct an analysis to assess the reasonableness of the selected tire supply transactions
 - Investigate and document any tire retail locations with zero tire sales or any tire products with zero sales in the year

10. Confirm the accuracy and completeness of the recording of the obligated tire supply to the Ontario market by sampling one month's data to compare the raw sales report and the tire supply report submitted to RPRA. Select samples in accordance with Appendix A and investigate the variances and validate if they are reasonable.
11. Select samples in accordance with Appendix A of manual adjustments made to the tire supply report and assess if they are reasonable
 - For example, tires supplied into Ontario and subsequently shipped out of Ontario will result in an adjustment to the tire supply report. Obtain a representative sample of sales invoices or shipment documentations to validate the adjustment.

(b) The following audit procedures apply to large producers that are vehicle manufacturers:

1. Walk through the producer's business and obtain an understanding of the following:
 - Obtain a complete list of vehicle models and understand if any models come equipped with a spare tire
 - Inquire about employee leasing program and confirm that those tires are included
 - Inquire about national account vehicle transactions (e.g. rental companies and municipal government) and confirm if those tires are included
 - Inquire about any other vehicle supply programs and confirm if those tires are included
2. Assess and document the producer's obligation based on the definition of a producer (refer to Ontario Regulation 225/18: Tires)
 - Inquire and document the producer's treatment of tires mounted on vehicles and tires supplied separately from vehicles (e.g. winter tires supplied with a new vehicle and replacement tires) in relation to the tire supply report submitted to RPRA
3. Assess and document the producer's methodology to determine how the tires were supplied or marketed in Ontario (refer to the definition of "market" in s. 59 of the *Resource Recovery and Circular Economy Act, 2016*). Inquire and document the producer's methodology to prepare the new tire supply report
 - Document what system or applications are used to track tire supply
 - Document what reports are used
 - Document detailed step-by-step procedures that demonstrate how tire supply report is prepared
4. Document the producer's methodology to determine the weight of tires supplied in Ontario
5. Select samples in accordance with Appendix A of tire supply transactions to validate the accuracy of tire weight reported
 - If actual weight is selected, compare to the tire manufacturer's specifications to validate tire weight; if calculated weight is selected, compare to RPRA's Weight Conversion Factors to validate tire weight
 - If the producer chooses to use the Weight Conversion Factors, the auditor must determine if they were applied correctly and that the tires were reported

in the correct categories

6. Select samples in accordance with Appendix A of vehicles and validate the types and number of tires reported
7. Conduct analysis to assess the reasonableness of the selected transactions
 - Investigate any retail vehicle dealers with zero car transactions or any vehicle models with zero transactions in the year
8. Confirm the accuracy and completeness of the recording of the obligated tire supply to the Ontario market by sampling one month's data to compare the raw sales report and the tire supply report submitted to RPRA. Select samples in accordance with Appendix A and investigate the variances and validate if they are reasonable.
9. Select samples in accordance with Appendix A of manual adjustments made to the tire supply report and assess if they are reasonable
 - For example, vehicles supplied into Ontario and subsequently shipped out of Ontario will result in an adjustment to the tire supply report. Obtain a representative sample of sales invoices or shipment documentations to validate the adjustment.

B. Medium Producers

Audit Standard for Medium Producers

Medium producers are expected to provide a report prepared in accordance with the International Standard on Related Services (ISRS) 4400, Engagements to Perform Agreed-Upon Procedures published by the International Federation of Accountants. As the auditor simply provides a report of the factual findings from agreed upon procedures, no assurance opinion is expressed. The auditor shall conduct this engagement in accordance with ISRS 4400 and the terms of the engagement.

This report should include:

- The name of the auditor, the entity engaging the auditor and intended users
- The auditor's accreditation
- The agreed-upon procedures
- The results of carrying out the agreed-upon procedures

For compliance purposes:

- (a) The requirement to include the agreed-upon procedures will be met by a reference to this procedure if the auditor completes the procedures set out below. If these procedures are carried out, there is no requirement to carry out any additional procedures.
- (b) It is recognized that in a particular engagement, it may not be possible for the auditor to carry out one or more of these procedures. If so, the report must identify the procedures that could not be carried out, the reason why and a description of the procedures that were carried out instead.
- (c) Nothing in this Registry Procedure limits the ability of an inspector to carry out a separate compliance inspection.

Verification Procedures for Medium Producers

(a) The following procedures apply to medium producers that are tire manufacturers or tire wholesalers:

1. Inquire and document the producer's methodology to prepare the tire supply report (refer to the definition of "market" in s. 59 of *Resource Recovery and Circular Economy Act, 2016*)
2. Evaluate the producer's methodology to determine the weight of tires supplied in Ontario
3. Select ten non-obligated SKUs and assess if they are indeed not within the definition of "tire"
4. Select ten tire supply transactions to ensure the correct tire weight is reported (i.e. validate tire classification and unit tire weight per manufacturer's specification)
5. Confirm the accuracy and completeness of the recording of supply to the Ontario market by sampling one month's data to compare the raw sales report and the tire supply report. If any variances are identified, investigate five and validate if they are reasonable.

(b) The following procedures apply to medium producers that are vehicle manufacturers:

1. Inquire and document the producer's methodology to prepare the tire supply report (refer to the definition of "market" in s. 59 of *Resource Recovery and Circular Economy Act, 2016*)
2. Evaluate the producer's methodology to determine the weight of tires supplied in Ontario
3. Select ten vehicles from the tire supply report and validate the types and number of tires reported
4. Select ten vehicle supply transactions to ensure the correct tire weight is reported (i.e. validate tire classification and unit tire weight per manufacturer's specification)
5. Confirm the accuracy and completeness of the recording of the supply to the Ontario market by sampling one month's data to compare the raw sales report and the tire supply report. If any variances are identified, investigate five and validate if they are reasonable.

C. Small Producers

Procedures for Small Producers

Small producers will not be required to submit an audit report. A percentage of small producers selected annually by the Registrar will be subject to an inspection procedure. If exceptions are identified during the inspection, a comprehensive review may be carried out.

Appendix A – Sampling Methodology

Variable sampling is a statistical sampling method that estimates the amount of misstatement in an account balance or class of transactions and compares it to an allowable level of tolerable misstatement.

Sample sizes obtained through this sampling methodology are based on three variables: population size, confidence level and tolerable deviation rate.

For this audit procedure, the variables have been defined as the following:

Confidence Level = 95%

Tolerable Deviation Rate = 5%

The following table sets out the sample sizes required:

Population	Sample size required
500+	60
250	50
100	40
50	30
10	10

Note that these sample sizes are relevant for each control or data set being tested to complete the ISAE 3000 report.

Appendix B – Links

Tires Regulation (O. REG. 225/18): <https://www.ontario.ca/laws/regulation/r18225>

[Registry Procedure – Audit](#)

[Compliance Bulletin 3 – Supply Data Audits](#)

[Registry Procedure – Weight Conversion Factors \(Tires\)](#)