

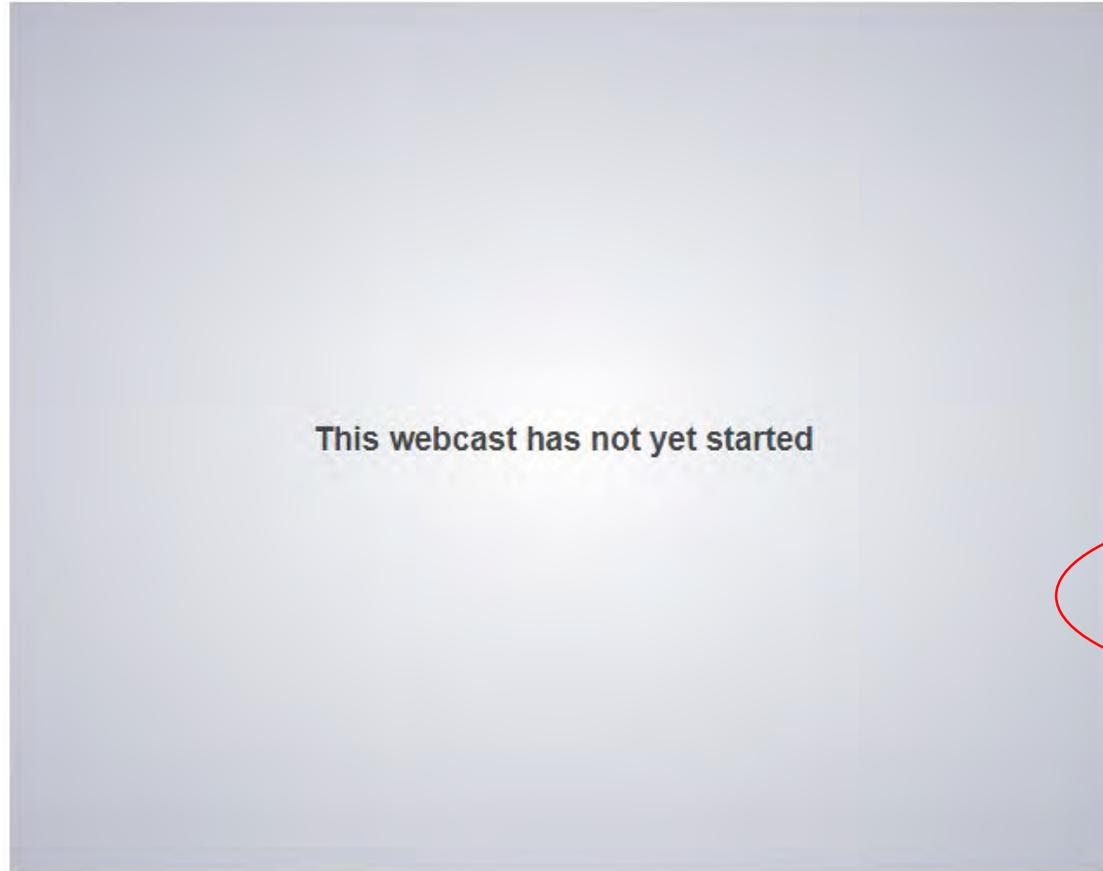
RPRA Webinar

Development of a Tire Performance Verification Audit Procedure

January 22, 2019



Webinar Interface



Questions and Answers

Question : test
Answer pending

Type a question and press 'Enter'.

To ask a question at any time during the presentation or for technical assistance, type your question in the text box and press 'Enter.'

Agenda

1. Purpose of today's webinar
2. Performance reporting requirements
3. Performance audit requirements
4. Developing the performance audit procedure
5. Next Steps

Purpose of this webinar

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

Performance reporting requirements



Who has annual reporting requirements?

Compliance bulletin has been issued to address annual reporting for:

- Producers
- Producer responsibility organizations
- Processors
- Retreaders
- Haulers
- Collectors

Producers have two major reporting obligations

1. New tire supply data:

- Initial registration required three years of historical supply data which was used to set the 2019 used tire collection target
- Additional supply data is required every year
- 2017 supply data is required by May 31, 2019, to set the 2020 collection target
- **Only producers can report supply data** and they pay their registry fees when they report

Producers have two major reporting obligations

2. Used tire recovery performance:

- Producers (or PROs working on their behalf) must report on their performance against their individual tire collection and tire management targets:
 - Actual tires collected
 - Tires processed
 - Tires retreaded
 - Tires reused

All registrants have performance reporting obligations

PROs (on their own activities):

- Total tires collected
- Total tires processed
- Total tires sent for retreading
- Total tires sold for reuse
- Allocation to producers

All registrants have performance reporting obligations

Processors:

- Tires collected, by hauler
- Total tires processed
- Total tires sold for reuse
- Total tires disposed
- Processed materials used to make products

All registrants have performance reporting obligations

Retreaders:

- Tires received
- Tires retreaded
- Tires sent for processing
- Shavings, strips, buffings and trimmings sent for processing
- Tires sold for reuse
- Tires disposed

All registrants have performance reporting obligations

Haulers:

- Tires picked up
- Tires picked up from outside Ontario
- Tires delivered to a processor
- Total tires sent for retreading
- Total tires sold for reuse

All registrants have performance reporting obligations

Collectors:

- Tires collected from outside Ontario
- Total tires sold for reuse
- Number of times received more than 10 tires from same person in a day

Compliance with reporting requirements

Provided that registrants comply with the reporting requirements in the Registry, the Authority will not enforce any of the reporting requirements that exist in the Tires Regulation that are in addition to what is established in the Registry until further notice.

This does not change any obligation to maintain records which must be available for inspection as required.





Questions?



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Performance Audit Requirements



Audit of the performance of the management system

- Section 26 of the Tires Regulation requires every producer to cause an audit of the performance of each producer's management system to be carried out.
- The audit must be carried out by an independent auditor who is licensed or holds a certificate of authorization under the *Public Accounting Act, 2004*.
- The first audit report must be submitted on or before October 31, 2020, for the 2019 performance year, and audit reports must be submitted annually after that.

Producer audit requirements

On or before October 31, 2020 (and subsequent years thereafter) producers or their PROs must submit an audit on:

1. The number and calculated weight of tires, for each tire type, that were reused.
2. The number and calculated weight of tires, for each tire type, that were retreaded.
3. The weight of processed materials, by material type, that resulted from the processing of tires.
4. A list of types of products and packaging that were made with the processed materials by material type.
5. The number and calculated weight of tires and the weight of processed materials, by material type, that were land disposed, incinerated, used as a fuel or a fuel supplement, or stored, stockpiled or otherwise deposited on land.
6. A statement confirming whether the producer met their resource recovery standard of 85% of what was collected.

Questions?



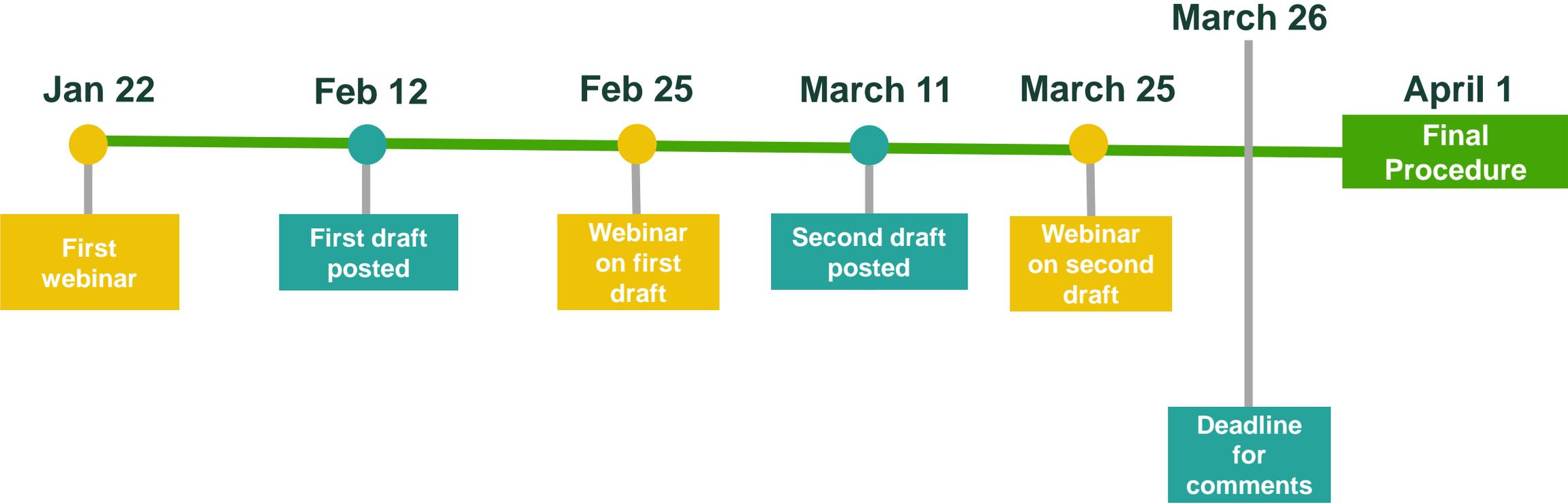
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Performance Audit Procedure



Process for developing the audit procedure

January 15 to March 31



Key objectives of the audit procedure:

1. Reasonable assurance

Provides the Authority with reasonable assurance that a producer has met its performance targets.

Key considerations:

- Audit reports to be produced using International Standard on Assurance Engagements (ISAE) 3000, assurance engagements other than audits and reviews of historical financial information.
- Confidentiality: as the audit report itself does not look like a set of financial statements, there would be very limited “sensitive” information within it.
- Auditors would be contracted by the producer or PRO and would have no relationship with RPRA. They would follow strict confidentiality policies as they would for an annual financial audit.
- The evaluation criteria would include sample testing of supporting documentation for each of the performance data to confirm accuracy, completeness and validity.

Key objectives of the audit procedure:

1. Reasonable assurance

Key considerations (cont.):

- ISAE 3000 allows auditors to follow the same, or similar, procedures to provide the same level of reasonable assurance for all of the PROs and producers.
- If the method for collection and resource recovery allocation is pro-rated to the obligations of a PRO's producer clients, then an auditor could complete multiple processors' audits, simultaneously, at the PRO. Other allocation methods may require the development of separate reports for each producer.
- The standard itself is not prescriptive; therefore the procedure could allow for the auditor to apply judgement in selecting the best audit approach to obtain reasonable assurance.
- To streamline the audits, the performance data (section 26) to be tested will be the subject of the evaluation criteria. Objectives such as the completeness, accuracy and validity of the performance data will be the evaluation criteria.



Key objectives of the audit procedure:

2. Consistent verification reporting

Provides direction to allow for consistent verification of the performance data reported annually by producers or their PROs, including the performance data identified in section 26 of the Tires Regulation

Key questions:

- Should the procedure be prescriptive?
- How much discretion should be left to the auditor and what factors apply to the exercise of that discretion?

Key objectives of the audit procedure

3. Cost effective and efficient

Allow producers to fully meet the verification audit requirement with as little administrative burden as possible, taking into account the diversity of Ontario's new and used tire market.

Key questions:

- What data is being tracked by market participants in 2019 to meet reporting requirements?
- How is it being tracked?
- What controls and processes are market participants using to meet performance requirements?
- Are there any existing reporting requirements that may be relevant, for example, under environmental approvals?
- Are there any existing constraints in the marketplace?



Questions?



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Next steps

- BDO will be reaching out to market participants to understand processes and controls
- Consultation documents, including today's webinar recording, are available at <https://rpra.ca/consultations/current-consultations/development-of-tire-audit-procedures/>
- You can provide us with additional feedback on today's consultation at consultations@rpra.ca until **February 5**.
- Our next webinar will be held on **February 25**. You can register at the website listed above
- If you have any questions not related to this consultation, you can contact our Compliance and Registry team at registry@rpra.ca or 647-496-0530