

June 21, 2011

To: Ministry of Environment

As specifically agreed, we have performed test procedures at Encorp Pacific (Canada) (“the Agency” or “Encorp”) as described in this letter for the year ended December 31, 2010 over certain non-financial information related to:

1. BC Reg449/2004, Section 8 (2) (b) - the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report;
2. BC Reg449/2004, Section 8 (2) (d) - a description of how the recovered product was managed in accordance with the pollution prevention hierarchy; and,
3. BC Reg449/2004, Section 8 (2) (e) - the total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate.

The results of applying the procedures are detailed in the attached Appendix. These procedures do not constitute an audit of the Agency's non-financial information and therefore, we express no opinion on the overall accuracy or completeness of the non-financial information of the Agency for the year ended December 31, 2010.

This letter is for use solely by the British Columbia Ministry of Environment in connection with their consideration of the accuracy and completeness of certain non-financial information as reported by Encorp for the year ended December 31, 2010.

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For the following procedures, test samples were selected from the 2010 calendar year, unless otherwise noted.

Non-Financial Information Requirement: BC Reg449/2004, Section 8 (2) (b) - the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report;

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
1.1	To obtain comfort over the existence and accuracy of the collection facilities reported in the Agency's annual report.	<ol style="list-style-type: none"> 1. For the period under review, obtain a listing of all collection facilities from the Agency broken out by type. 2. Compare total count of collection facilities from the listing with the annual report; investigate any discrepancies with the Agency as applicable. 3. Randomly select a sample of collection facilities and obtain the business file for each. Review each file to determine that a registration form meets the following criteria: <ol style="list-style-type: none"> a. A registration form exists for the collection facility. b. The registration form lists contact information and location, which agrees with the detailed listing. c. The registration form is signed by the collection facility. 4. Using contact information on the facility listing provided in #3b above, phone each randomly selected collection facility to verify their existence and that they have an adequate understanding of the program. 	<ol style="list-style-type: none"> 1. Received a listing of collection facilities (depots) from Encorp's Assistant Controller. The listing specified the type of depot. 2. Compared the total count of depots from the listing with the annual report and noted that the listing generated and the 2010 annual report both stated 171 depots. 3. Selected a sample of 20 depots from the listing. <ol style="list-style-type: none"> a. Obtained the depot registration form (contract form) for each sample selected. b. Tested the forms for the accuracy of the contact information and location by comparing to the signed contracts. No exceptions noted. c. Reviewed the forms for signatures from both the depot and Encorp. No exceptions noted. 4. Phoned each of the selected depots to verify their existence. Each depot was asked a basic question regarding the recycling program and the types of materials they recycled to test their understanding. No exceptions noted.

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Testing Procedure #	Objective and Purpose	Testing Procedures	Results
1.2	To obtain comfort over the completeness, consistency, and validity of the number of collection facilities.	<ol style="list-style-type: none"> 1. Obtain the historical data for the total number of collection facilities for the past three years as reported by the Agency in their annual reports. 2. Investigate any fluctuations greater than 5% to understand the reason for the fluctuation in the number of collection facilities. 	<ol style="list-style-type: none"> 1. Done. Encorp's annual reports were posted on the website of the Ministry of Environment as well as their own website. Reports are available for 2001 - 2010. 2. Reviewed data from 2003-2010 for any fluctuations in total depots greater than 5%. For all years reviewed, there were no changes to the number of depots greater than 5%.

Non-Financial Information Requirement: BC Reg449/2004, Section 8 (2)(d) - A description of how the recovered product was managed in accordance with the pollution prevention hierarchy

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
<p><i>[Where Processors/Manufacturers etc. are subject to audit around their product management practices, only Step 2.1 as well as sub-steps 1 – 3 in test 2.2 should be completed. Where Processors/Manufacturers etc. are not subject to audit, Test 2.1 is not relevant, but Test 2.2 should be completed in its entirety.]</i></p>			
<p>2.1</p>	<p>To obtain comfort over the effective weight¹ of end-use product collected and the accuracy of the manufacturer’s receipt of weight of product.</p>	<ol style="list-style-type: none"> 1. Where available, obtain the third party auditor’s opinion over registered processors/manufacturers compliance with waste management or program specific guidelines for managing product appropriately. 2. Ensure the auditor’s opinion is unqualified. 	<p>There are no third party audit opinions available over processors and/or manufacturers.</p>
<p>2.2</p>	<p>To obtain comfort over the accuracy, completeness and existence of end-use of the product collected and the accuracy of the manufacturer’s or processor’s receipt of weight of product, test on a sample basis the deliveries of product recovered to their end-use (or next along the custody chain).</p>	<ol style="list-style-type: none"> 1. Obtain a schedule/listing of products shipped to processors/manufacturer for the period under review. The listing should provide: <ol style="list-style-type: none"> a. The processor/manufacturer name/address. b. The total weight of the product weighed at the collection site or consolidation site (where applicable). c. The total weight of the product weighed at the processor/manufacturer. d. The date of delivery to the processor/manufacturer. 	<ol style="list-style-type: none"> 1. Obtained listings of product shipped for the period under review. <ol style="list-style-type: none"> a. These listings provide the processor name. The addresses were cross referenced by PwC to a detailed listing of processors described in #2 below. b. The listings provide the total weight shipped to the processors (weighed at the collection site). c. The listings do not contain the amount weighed at the processor. The weight at the processor was obtained through the testing performed in # 4, 5 and 6 below. d. The listings contain the date of delivery.

¹ The term “weight” includes “volume” or “quantity,” with respect to the type of product managed by the Agency.

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Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<ol style="list-style-type: none"> 2. Obtain a listing of all registered processors/ manufacturers. 3. Scan listing to ensure that all receivers of product were approved processors/ manufacturers. If there is not a listing of approved manufacturers/processors, ensure that the manufacturer is not a related party to the processor by researching the related parties of each organization and ensuring that the transaction was made at arm's length. 4. Randomly select shipments and obtain a copy of the invoice or other supporting documentation. 5. Verify that each invoice or other supporting document has evidence of the weight of the product shipped by the depot and received by the processor. 6. Compare the total weight listed on the invoice or other supporting documentation with the weight listed on the detailed listing received in #1 and note any discrepancies. 	<ol style="list-style-type: none"> 2. Obtained a listing of all processors used for the period under review. 3. Confirmed through inquiry with the Controller that all processors used are not related to Encorp. 4. Selected a sample of 60 shipments and obtained a copy of the invoice or movement authorization form (MA). 5. Verified that each invoice or MA has evidence of the weight of the product shipped by the depot and received by the processor. Also verified that each document has evidence of proper authorization (signed by 2 of the depot, transporter or processor). 6. Compared the total weight listed on the invoice or MA with the weight listed on the detailed listings received in #1 above and did not note any discrepancies.

Non-Financial Information Requirement: BC Reg449/2004, Section 8 (2)(e) - The total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
<i>[If a third party audits the Agency's schedule of product collected (recovery rate), complete only step 3.1; If no audit is performed, complete steps 3.2 through 3.4]</i>			
3.1	To ensure that there were no qualifications within the auditor's opinion over the schedule of product recovered.	<ol style="list-style-type: none"> 1. Obtain the Auditor's Opinion over the Schedule of Product Recovered for the most recent fiscal year. 2. Review the opinion to ensure that there are no qualifications. 3. Check the mathematical accuracy of the calculated recovery rate (where applicable), as reported in the audited financial statements. 4. Compare calculated recovery rate to the recovery rate reported by the agency in their annual audited report. Note any discrepancies. 	<ol style="list-style-type: none"> 1. PwC performed the 2010 audit and provided the Auditor's Opinion. Obtained the "Schedule of Deposits Received and Refunds Paid – December 31, 2010" from Encorp for the period under review. 2. Noted that the auditors' report dated May 4, 2011, completed by PwC contained no qualifications. 3. Reperformed the calculation of the recovery rate as stated in the "Schedule of Deposits Received and Refunds Paid – December 31, 2010" and the 2010 Annual Report. Also tested the schedule for mathematical accuracy. 4. The recovery rate of 80.4% per the Annual Report is based on units collected and recycled divided by units sold. The recalculated amount agreed to the recovery rate of 80.4% per the Annual Report. No discrepancies noted.
3.2	To ensure the accuracy and completeness of total product sold as reported by the brand owners to Encorp.	Note that the financial statements, in the case of most agencies, include revenues from container recycling fees, which are tied to the total product sales.	N/A. Encorp's Financial Statement auditors perform testing over the Schedule of Deposits Received and Refunds Paid as noted in procedure #3.1 above.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<ol style="list-style-type: none"> 1. Obtain the Financial Statement Auditor’s Opinion for the most recent fiscal year. 2. Review the opinion to ensure that there are no qualifications. 3. Obtain a schedule of container recycling fees by product type from the agency (in total and by unit). 4. Compare the total container recycling fee collected from the above schedule to the total reported in the Agency’s financial statements (as opined by the financial statement auditor). 5. Recalculate the product sold by unit by dividing the total fees by product type by the per unit fee to arrive at total product sold for each unit. 6. Compare calculated total product sold to the amounts reported by the Agency in their annual report. Note any discrepancies. 	<p>The auditors gave an unqualified opinion; therefore this procedure does not apply to this agency.</p>

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
3.3	To obtain comfort over the completeness, accuracy, cut-off and validity of the total product recovered, test on a sample basis, the collection of product recovered.	<ol style="list-style-type: none"> 1. Obtain a listing of product shipments (for each product the Agency manages) from depots for the period under review with the following details: <ol style="list-style-type: none"> a. The depot name/address. b. The date of collection from the facility. c. The consolidation site or processor to which the product was delivered. d. The date of delivery to the consolidation site or processor. The amount of product collected (in units and in weight, where applicable). 2. Compare the total weight of product collected from the detailed listing to the report total of product recovered from the Agency's annual report. 3. Scan the detailed listing to ensure that there were no collections that were outside of the organization's fiscal year. 4. Randomly select shipments and obtain the supporting document (Bill of Lading or other support) to verify the amount of product shipped. 	N/A. Encorp's Financial Statement auditors perform testing over the Schedule of Deposits Received and Refunds Paid as noted in procedure 3.1 above. The auditors gave an unqualified opinion; therefore this procedure does not apply to this agency.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<ol style="list-style-type: none"> 5. Verify that each of the supporting documents received has appropriate evidence of the total product shipped and weight of product received by the consolidation site supported by a scale ticket or like support, and signatures by the collection facility, consolidation site and hauler/transporter. 6. Confirm that the total product (in units/weight etc.) listed on the supporting document matches the total listed on the detailed listing. 	
3.4	To obtain comfort over the calculated recovery rate, by product type (where applicable).	<ol style="list-style-type: none"> 1. Check the mathematical accuracy of the calculated recovery rate (where applicable) by dividing product recovered by product sold, as reported in the audited financial statements. 2. Compare calculated recovery rate to the recovery rate reported by the Agency in their annual report. Note any discrepancies. 	N/A. Encorp’s Financial Statement auditors perform testing over the Schedule of Deposits Received and Refunds Paid as noted in procedure 3.1 above. The auditors gave an unqualified opinion; therefore this procedure does not apply to this agency.