

TIRE STEWARDSHIP B.C. ASSOCIATION

**Report on the Results of Applying Test
Procedures to Certain Non-Financial Information
For the Year Ended December 31, 2011**



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To: Ministry of Environment, Province of British Columbia

As specifically agreed, we have performed test procedures at Tire Stewardship B.C. Association ("the Agency") as described in the attached Appendix for the year ended December 31, 2011 over certain non-financial information related to:

1. B.C. Reg. 449/2004, 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. B.C. Reg. 449/2004, Section 8 (2) (d) - a description of how the recovered product was managed in accordance with the pollution prevention hierarchy; and,
3. B.C. Reg. 449/2004, 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, 2011.

This letter is intended solely for the use of the Ministry of Environment, Province of British Columbia, in connection with their consideration of the accuracy and completeness of certain non-financial information as reported by the Agency for the year ended December 31, 2011.

Norgaard Neale Camden Ltd.

Chartered Accountants

Victoria, B.C.
June 27, 2012

For the following procedures, test samples were selected from the 2011 calendar year, unless otherwise noted.

Non-Financial Information Requirement: B.C. Reg. 449/2004, 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 (if applicable). 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 25 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. 	<ol style="list-style-type: none"> 1. Received two listings of collection facilities from Tire Stewardship British Columbia's ("TSBC") Operations Manager, which stated 2,260 retailer facilities and 1,092 generator facilities. 2. The total number of registered participants from the listings (3,352 = 2,260 + 1,092) agreed with the Annual Report. 3. NNC selected 25 collection facilities and obtained evidence of their existence through review of their registration form or physical inquiry with the facility. Our testing identified the following: <ol style="list-style-type: none"> a. A registration form existed for all collection facilities tested. b. Other than the below exception, the contact information and location from the registration forms agreed to the detailed listing provided.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<p>c. The registration form is signed by the Collection Facility.</p> <p>4. Using contact information on the Facility listing provided in #1 above, phone each randomly selected Collection Facility to verify their existence and that they have an</p>	<ul style="list-style-type: none"> • One facility had a change of address since the initial completion of the registration form. TSBC stated that they were aware of the address change within their system. There is no effect on the number of collection facilities reported by TSBC. <p>c. The generators tested in the sample did not have their forms signed. Per discussion with TSBC, generators do not have to sign their registration forms. A signature is only required to confirm agreement with the Terms and Conditions. The Terms and Conditions relate only to retailers. TSBC requires only contact information for generators. NNC confirmed existence of the generators in step 1.1.4 below. The remaining collection facilities had their registration forms signed.</p> <p>4. Using the contact information on the Facility listing provided in #1 above, NNC phoned each randomly selected Collection Facility to verify their existence and that they have an</p>

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		adequate understanding of the program.	<p>adequate understanding of the program. Other than the below exception, the existence of each Collection Facility was verified and each had an adequate understanding of the program.</p> <ul style="list-style-type: none"> • One Collection Facility contact number was no longer in service. TSBC stated that this retailer was taken over by another Collection Facility during the year, without informing them. This Collection Facility has not been included in the listing of registered participants in the annual report.
1.2	In order 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 3 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. NNC obtained the 2009, 2010, and 2011 total number of collection facilities in TSBC's Annual Reports. 2. From 2010 to 2011, total collection facilities increased 6%. TSBC stated that the 6% increase is mainly in the generator category because TSBC registers any generators requiring tire pick up based on individual locations. No other fluctuations greater than 5% were noted.

Non-Financial Information Requirement: B.C. Reg. 449/2004, 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
[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.]			
2.1	To obtain comfort over the effective weight of end-use product collected and the accuracy of the manufacturer's receipt of weight of product.	<ol style="list-style-type: none"> 1. Where available, obtain the 3rd party auditors 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. 	N/A – TSBC's Financial Statement auditors do not perform testing over registered processors/manufacturers compliance with the program; therefore, this procedure does not apply to this agency.
2.2	To obtain comfort over the accuracy, completeness and existence of product collected, test on a sample basis the collection of product recovered.	<ol style="list-style-type: none"> 1. Obtain the "Summary of Program Costs & Volumes" spreadsheet. 2. Obtain the 2011 Transportation Incentive Detailed Listing. The listing should provide: <ol style="list-style-type: none"> a. Claim number and Type (Transportation, Processing or Manufacturing, and Tire-Derived Fuel or Tire-Derived Product) b. Date of Claim c. The processor/manufacturer name 	1-3. Obtained the "Summary of Product Costs & Volumes" spreadsheet and a detailed listing of all product shipped to processors in 2011. Summed and compared the rounded PTEs from the "Summary of Program Costs & Volumes" to the Transportation Incentive Summary detailed listing. No discrepancies were noted.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<ul style="list-style-type: none"> d. The total weight of the product in kilograms and Partial Tire Equivalents (PTEs) 3. Sum up the PTEs for each claim type (processing vs. transportation) from the detail listing and compare the total to the "Summary of Program Costs & Volumes" spreadsheet. 4. Randomly select 10¹ Transportation Incentive claims (each claim consisting of multiple shipments) and obtain the "Spending Authority Approval Note" which summarizes the claims. 5. Compare the date, company, claim type, and weight from the Spending Authority Approval Note to the Transportation Incentive Listing. 6. Obtain the "Application for Transportation Assistance" (i.e. Form C) and compare the weight (in kg) of TDP/TDF to the Spending 	<ul style="list-style-type: none"> 4. Selected a sample of 10 claims and obtained the Spending Authority Approval Note for each claim. 5. Compared the date, company, claim type, and weight from the Spending Authority Approval Note with the "2011 program costs and volumes" (i.e. Transportation Incentive Detail Listing). No discrepancies were noted. 6. Obtained the "Application for Transportation Assistance" and compared the weight of TDP/TDF with the Spending Authority Approval Note.

¹ Total transportation incentive claims in 2011 were 140.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<p>Authority Approval Note.</p> <p>7. Select 4 shipments per claim and compare the amounts collected from the weight ticket (Form A) to the "application for transportation assistance" Summary Listing.</p>	<p>No discrepancies were noted.</p> <p>7. Selected 4 shipments per claim and compared the amounts collected from the weight ticket (Form A) to the "application for transportation assistance" Summary Listing. No discrepancies were noted.</p>
2.3	<p>To obtain comfort over the accuracy, completeness and existence of end-use of the product collected and the accuracy of the manufacturer's receipt of weight/quantity of product, test on a sample basis the deliveries of product recovered to their end-use (or next along the custody chain).</p>	<p>1. Obtain the "Summary of Program Costs & Volumes" spreadsheet.</p> <p>2. Recalculate the percentage of Tire Derived Product ("TDP") and Tire Derived Fuel ("TDF") of the total Processing Incentive Volume (in PTEs) and compare the results of the recalculations above to the TSBC Annual Report.</p> <p>3. Obtain the 2011 Processing Incentive Detailed Listing. The listing should provide:</p>	<p>1. Obtained the "Summary of Product Costs & Volumes" spreadsheet for 2011.</p> <p>2. Recalculated the percentage of TDP and TDF of the total Processing Incentive Volume (in PTEs) from the "Summary of Product Costs & Volumes" spreadsheet. TDP: $3,101/3,529 = 88\%$ TDF: $428/3,529 = 12\%$</p> <p>Recalculated percentages agreed with TSBC claims stated in their 2011 Annual report on pages 12 and 14. No discrepancies were noted.</p> <p>3. Obtained the 2011 Processing Incentive Detailed Listing stating the requisite information.</p>

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<ul style="list-style-type: none"> a. Claim number and Type (Tire-Derived Fuel or Tire-Derived Product) b. Date of Claim c. The processor/manufacturer name d. The total weight of the product in kilograms and Partial Tire Equivalents (PTEs) 4. Sum up the PTEs for each claim type from the detail listing and compare the total to the "Summary of Program Costs & Volumes" spreadsheet. 5. Obtain a listing of all registered processors. 6. Scan the 2011 Processing Incentive Detail Listing (2011 program costs and volumes.pdf) to ensure that all incentives paid go to approved processors. 	<ul style="list-style-type: none"> 4. Summed the PTE's for each claim type and compared the detailed listing to the rounded figures in the "Summary of Program Costs & Volumes" Spreadsheet. No discrepancies were noted. 5. Obtained a listing of all registered processors and reviewed the contracts for the two approved processors and two approved manufacturers to ensure that they were signed and appropriately dated. No exceptions were noted. 6. Scanned the Processing Incentive Detail Listing noting no incentives paid to unapproved processors.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<p>7. Randomly select 10^2 processing incentive claims (each claim consisting of multiple shipments) and obtain the "Spending Authority Approval Note" which summarizes the claim.</p> <p>8. Compare the date, company, claim type, and weight from the Spending Authority Approval Note with the "2011 program costs and volumes.pdf" (i.e. Processing Incentive Detail Listing).</p> <p>9. Obtain the "Application for End Use Credit" (i.e. Form D) and compare the weight (in kg) of TDP/TDF to the Spending Authority Approval Note.</p> <p>10. Select 4^2 shipments to an "End-User" per claim to trace weight ticket or sales invoices to the "Application for End Use Credit"</p>	<p>7. Selected a sample of 10 Processing Incentive claims and obtained the Spending Authority Approval Note for each claim.</p> <p>8. Compared the date, company, claim type, and weight from the Spending Authority Approval Note with the "2011 program costs and volumes." No discrepancies were noted.</p> <p>9. Obtained the "Application for End Use Credit" (i.e. Form D) and compared the weight of TDP/TDF to the Spending Authority Approval Note. Total weight processes from the "Application for End Use Credit" matched the total kgs per claim summary. No discrepancies were noted.</p> <p>10. Selected 4 shipments per claim and compared the amounts collected from the weight ticket (Form A) to the "Application for End Use Credit"</p>

² Total processing incentive claims in 2011 were 92.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		Summary Listing.	Summary Listing. No discrepancies were noted.

Non-Financial Information Requirement: B.C. Reg. 449/2004, 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
[If a 3 rd 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]			
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) by dividing product recovered by product sold, 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. 	N/A – TSBC's Financial Statement auditors do not audit a Schedule of Product Recovered.
3.2	To ensure the accuracy and completeness of total product sold.	<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. 	<ol style="list-style-type: none"> 1. Obtained the Financial Statement Auditor's Opinion for 2011. 2. Reviewed the opinion of Norgaard Neale Camden Ltd. dated April 25, 2012. No qualifications were noted.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results										
		<p>3. Obtain a schedule of Advance Disposal Fees ("ADF") collected entitled "Income Statement Fiscal Year 2011" from TSBC's Simply Accounting system that lists out ADF by product type.</p> <p>4. Compare the total advance disposal fees collected from the "Income Statement Fiscal Year 2011" to the audited Statement of Operations for the year under review.</p> <p>5. Recalculate the total product sold in units using the appropriate advance disposal fee conversion.</p>	<p>3. Obtained a schedule of Advance Disposal Fees collected entitled "Income Statement Fiscal Year 2011" from TSBC's Simply Accounting system that lists out ADF by product type.</p> <p>4. Compared the total Advance Disposal Fees collected from the "Income Statement Fiscal Year 2011" with the audited Statement of Operations for the year ended December 31, 2011. No discrepancies were noted.</p> <p>5. Recalculated the total product sold in units using the appropriate advance disposal fee conversion. For 2011, the fees for different tire types were:</p> <table border="1" data-bbox="1347 1013 1797 1380"> <thead> <tr> <th data-bbox="1347 1013 1501 1054">Product</th><th data-bbox="1501 1013 1797 1054">Fee per unit</th></tr> </thead> <tbody> <tr> <td data-bbox="1347 1054 1501 1152">Passenger & Light Tire ("PLT")</td><td data-bbox="1501 1054 1797 1152">\$5</td></tr> <tr> <td data-bbox="1347 1152 1501 1217">Medium Truck Tire ("MT")</td><td data-bbox="1501 1152 1797 1217">\$9</td></tr> <tr> <td data-bbox="1347 1217 1501 1315">Agricultural Drive Tire ("AG")</td><td data-bbox="1501 1217 1797 1315">\$15</td></tr> <tr> <td data-bbox="1347 1315 1501 1380">Logger/Skidder Tire ("LS")</td><td data-bbox="1501 1315 1797 1380">\$35</td></tr> </tbody> </table>	Product	Fee per unit	Passenger & Light Tire ("PLT")	\$5	Medium Truck Tire ("MT")	\$9	Agricultural Drive Tire ("AG")	\$15	Logger/Skidder Tire ("LS")	\$35
Product	Fee per unit												
Passenger & Light Tire ("PLT")	\$5												
Medium Truck Tire ("MT")	\$9												
Agricultural Drive Tire ("AG")	\$15												
Logger/Skidder Tire ("LS")	\$35												

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		6. Compare the results to the total units sold from the Annual Report.	6. Compared the recalculated total rounded to the nearest 1,000 units with the total number of units sold as reported on page 11 of the 2011 Annual report. No discrepancies were noted.
3.3	To obtain comfort over the completeness and accuracy of the total product recovered and to obtain comfort over the cut-off and validity of the total product recovered.	1. Obtain the "Tire Capture by Type and Regional District (in Tonnes)" report from the T2 Claims Processing and Reporting System. 2. Obtain the "2011 program costs and volumes.pdf" used in the claims testing in 2.2 and 2.3. 3. Sum up the weight of product collected (in kgs, as paid through transportation incentives from the detail listing entitled "2011 program costs and volumes.pdf" and compare the total to the "Tire Capture by Type and Regional District (in Tonnes)."	1. Obtained the "Tire Capture by Type and Regional District (in Tonnes)" report from the T2 Claims Processing and Reporting System. 2. Obtained the "2011 program costs and volumes" used in the claims testing in 2.2 and 2.3. 3. Summed the weight of product collected (in kgs, as paid through transportation incentives from the detail listing entitled "2011 program costs and volumes.pdf" and compared the total to the "Tire Capture by Type and Regional District (in Tonnes)." <ul style="list-style-type: none"> • Transportation Incentive Detail Listing = 37,249,414 kgs. • "Tire Capture by Type and Regional District (in Tonnes)" = 37,249,400 kgs.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		<p>4. Recalculate the number of "units" collected for each tire type using the average weight.</p>	<p>A difference of 14kg is noted in the above re-calculation. As a result of the difference noted above, NNC performed a materiality test to determine what the above kg collected difference would be if converted into units collected.</p> <p>Using the smallest weight per tire type (10kg per PLT; as obtained through inquiry with TSBC", the difference converted from kg to "units" is equivalent to less than 2 tires or .0000816% of the total number of PLT tires collected (2/2,450,000).</p> <p>Using the largest weight per tire type (159kg per LS), the above difference results in approximately 1 tire or .05% of the total LS tires (1/2,000).</p> <p>There is no difference in the reported values as TSBC round the number of tires collected to the nearest 1,000 in their annual report.</p> <p>4. Recalculated the number of "units" collected for each tire type using the average weight obtained from TSBC for each tire type. No discrepancies were noted.</p>

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
		5. Compare the recalculated units collected with the amounts in TSBC's Annual Report.	5. Compared the recalculated units collected with the amounts shown in TSBC's 2011 Annual report on page 11. Note that for all product types, TSBC rounded to the nearest 1,000 unit in their annual report.
3.4	To obtain comfort over the calculated recovery rate, by product type (where applicable).	1. Check the mathematical accuracy of the calculated recovery rate 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.	1. NNC checked the mathematical accuracy of the calculated recovery rate by dividing product recovered as tested in 3.3 by product sold as tested in 3.2. 2. Compared the calculated recovery rate to the recovery rate reported by the Agency in their annual report. The recovery rate as stated in the 2011 Annual report agreed with the calculated rate. No discrepancies were noted.