

DATE: November 30, 2021

TO: Chair and Directors
Regional District Board

FROM: Russell Dyson
Chief Administrative Officer

RE: **Audit service plan**
For the year ending December 31, 2021

FILE: 1680-20/2021

Supported by Russell Dyson
Chief Administrative Officer

R. Dyson

Purpose

To present the 2021 audit service plan for the Comox Valley Regional District (CVRD) to the Board as submitted by the audit firm of MNP LLP.

Recommendation from the Chief Administrative Officer:

This report is provided for information.

Executive Summary

- MNP LLP has prepared the attached 2021 audit service plan (Appendix A) for the CVRD Board's review, including the engagement letter.
- The audit service plan covers the audit for the CVRD from January 1, 2021 to December 31, 2021 and identifies an overview of the audit approach, proposed engagement team, the scope of the audit, and the timeline for deliverables.
- Additionally, the audit service plan identifies upcoming changes to accounting standards that may affect the financial statements as well as changes to audit standards. For the 2023 fiscal year the CVRD will be required to implement new accounting standard PS 3280 Asset Retirement Obligations. Implementation will require assessment and valuation of the costs of legal obligations associated with the retirement of certain tangible capital assets and solid waste landfills, used by the CVRD to provide services, upon the end of their productive life. This new standard will result in significant workflow impacts to the finance and operational staff through 2022 and 2023, as well as an expectation to utilize external experts as necessary to complete this assessment for all CVRD owned infrastructure assets.
- The year-end process will occur over the first few months of 2021 with staff compiling the year-end balances and the audit team completing an independent review of the financial statements and related supporting documentation in the spring. A final audit report will be presented to the Board with the draft financial statements once the audit is completed in early May; submission of the audited financial statements is due to the Province by May 15 each year.
- The CVRD Board exercises its independent authority relating to the external auditor by receiving and reviewing the annual audit service plan and the final audit report.

Prepared by:

K. Douville

Kevin Douville, B.Comm
Acting Chief Financial Officer

Background/Current Situation

Annually, the appointed audit firm prepares and submits an audit service plan to the Board, providing an overview of the audit approach, the proposed engagement team, the scope of the audit and the timeline for the deliverables. The report also includes information regarding potential changes in reporting developments that may impact the audit scope or the financial statement presentation.

As noted in the audit service plan, the new Public Sector Accounting Board standard PS 3280 Asset Retirement Obligations will have an impact on workflows for finance and operational staff in 2022 and 2023, as well as require the use of external consultants as necessary. This new standard establishes how to account for and report a liability for asset retirement obligations (ARO). An ARO represents a legal obligation associated with the retirement of tangible capital assets; the CVRD will be required to evaluate any potential liabilities associated with its assets and estimate the value to remediate those liabilities upon retirement of those assets. These estimated remediation liabilities will be added to the carrying value of the tangible capital assets on the CVRD financial statements and will be expensed either over the life of the asset or when the asset is no longer in productive use.

The assessment of these remediation costs which include decommissioning or dismantling, decontamination and post-retirement monitoring is expected to align with the asset management work occurring in 2022 and 2023. While the standard allows for the use of internal staff knowledge and existing studies and assessments to determine estimated liabilities, it is expected the use of external expertise will also be required through this process. A \$50,000 budget for external consultant support has been added to the financial services budget for 2022 to facilitate this work.

Examples of AROs which would fall under the scope of PS3280 include buildings with asbestos, wastewater or sewage treatment facilities, firewater holding tanks, and closure and post-closure obligations associated with landfills. The current PS3270 section for landfills, which will be withdrawn, currently requires valuation of the liability to close and monitor landfills, however the calculation method under PS 3280 is different; the new method requires full valuation up front versus incrementally based on remaining capacity in the landfill.

The benefit of this new accounting standard is that valuing the remediation costs on the expansive assets being utilized to provide service by local governments, will allow entities to better plan and fund future remediation costs while providing services for those assets. This will allow for the establishment of reserve funds to balance the costs of remediation with current and future taxpayers and reduce future volatility in requisition and user fees for ratepayers.

Audit requirements of the Chartered Professional Accountants of Canada require the auditor to communicate with those, other than management, having oversight responsibility for the financial statements.

The CVRD Board governance policy speaks to the Board exercising its independent authority in relationship to the external auditor by meeting with the auditor. The audit firm has recognized this authority by submitting the 2021 audit service plan and attending the Board meeting upon completion of the 2021 audit to present the final audit report.

Options

Not relevant

Financial Factors

The 2021 audit fees of \$28,350 (same as 2020) noted in the audit service plan are as quoted in the proposal received from MNP LLP for their audit engagement term 2021-2026.

Strategic Considerations: Strategic Drivers and Regional Growth Strategy

CVRD Board Strategic Drivers:							
Fiscal Responsibility	✓	Climate Crisis and Environmental Stewardship and Protection		Community Partnerships		Indigenous Relations	

It is the duty of management to maintain accurate and enduring records of all financial and related transactions and to ensure the preparation and presentation of the organization’s annual financial statements in a timely and transparent manner and in accordance with Canadian public sector accounting standards. This year-end process is part of a continuum of effort that begins with the CVRD’s annual financial planning (budget) process and includes ongoing strategic asset management, all of which is essential to providing affordable and reliable regional district services throughout the Comox Valley as part of a long-term financial sustainability lens.

Intergovernmental Factors

Not relevant

Citizen/Public Relations

Not relevant

- Attachments: Appendix A – Comox Valley Regional District, Audit Service Plan Year Ending December 31, 2021
 Appendix B – Comox Valley Regional District, Engagement Letter Year Ending December 31, 2021



Comox Valley Regional District

2021 Audit Service Plan
Report to the Board of Directors
December 31, 2021

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CANADA 2019



November 3, 2021

Members of the Board of Directors of the Comox Valley Regional District

Dear Directors:

We are pleased to present our Audit Service Plan for the Comox Valley Regional District ("the Regional District"). In this plan we describe MNP's audit approach, our engagement team, the scope of our audit and a timeline of anticipated deliverables. We are providing this Audit Service Plan to the Board of Directors on a confidential basis. It is intended solely for the use of the Board of Directors and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on this report.

Our audit will include an audit of the Regional District's financial statements for the year ended December 31, 2021, prepared in accordance with Canadian public sector accounting standards. Our audit will be conducted in accordance with Canadian generally accepted auditing standards.

At MNP, our objective is to perform an efficient, high quality audit which focuses on those areas that are considered higher risk. We adhere to the highest level of integrity and professionalism. We are dedicated to maintaining open channels of communication throughout this engagement and will work with management to coordinate the effective performance of the engagement. Our goal is to exceed the Board of Directors's expectations and ensure you receive outstanding service.

Additional material provided along with this report includes our Engagement Letter. Our Engagement Letter is the formal written agreement of the terms of our audit engagement as negotiated with management and outlines our responsibilities under Canadian generally accepted auditing standards.

We look forward to discussing our Audit Service Plan with you and look forward to responding to any questions you may have.

Sincerely,



MNP LLP

Chartered Professional Accountants



CONTENTS

OVERVIEW.....	1
TOPICS FOR DISCUSSION.....	1
KEY CHANGES AND DEVELOPMENTS.....	1
MNP'S AUDIT PROCESS.....	2
AUDIT MATERIALITY.....	2
RISK ASSESSMENT.....	2
TIMING OF THE AUDIT.....	3
AUDIT TEAM.....	3
FEEES AND ASSUMPTIONS.....	4
APPENDIX A - KEY CHANGES AND DEVELOPMENTS.....	5
APPENDIX B – THE AUDIT PROCESS.....	8

AUDIT SERVICE PLAN OVERVIEW

To make strategic business decisions with confidence, your stakeholders and the Board of Directors of the Regional District need relevant, reliable and independently audited financial information. But that's not all. You need an audit team that can deliver insight beyond the numbers and enhance the Regional District's strategic planning and implementation processes so you can embrace new opportunities while effectively managing risk. Our audit strategy is risk based, and considers the limitations and opportunities you encounter each day, allowing our recommendations to be implemented with greater ease. Committed to your success, MNP delivers meaningful, reliable financial information to not only help you fulfill your compliance obligations, but also to achieve your key strategic goals.

Our Audit Service Plan outlines the strategy we will follow to provide the Regional District's Board of Directors with our Independent Auditor's Report on the December 31, 2021 financial statements.




TOPICS FOR DISCUSSION

We are committed to providing superior client service by maintaining effective two-way communication. Topics for discussion include, but are not limited to:

- Changes to your business operations and developments in the financial reporting and regulatory environment
- Business plans and strategies
- Any other issues and/or concerns
- Documents comprising the annual report, and their timing of issuance
- Fraud, including how fraud could occur, the risk of fraud and misstatement, and any actual, suspected or alleged fraud
- The management oversight process
- Your specific needs and expectations

KEY CHANGES AND DEVELOPMENTS

Based on our knowledge of the Regional District and our discussions with management, we have noted the recent developments set out below. Our audit strategy has been developed considering these factors.

ISSUES AND DEVELOPMENTS	SUMMARY
 ENTITY SPECIFIC	The previous Chief Financial Officer, Myriah Foort, left in September 2021, and the current acting Chief Financial Officer, Kevin Douville, started in that position as of September 2021.
 NEW REPORTING DEVELOPMENTS	<ul style="list-style-type: none"> • PS 3280 Asset Retirement Obligations (New) • PS 3400 Revenue (New) • PS 3450 Financial Instruments (New and Amendment) • PS 3450 Financial Instruments (Amendment)
 IMPACT OF COVID-19 ON OUR AUDIT	COVID protocols

Detailed information on Key Changes and Developments are included as Appendix A.

THE MNP AUDIT APPROACH

The Board of Directors is responsible for approval of the financial statements and Regional District policies, and for monitoring management's performance. The Board of Directors should consider the potential for management override of controls or other inappropriate influences, such as earnings management, over the financial reporting process. The Board of Directors, together with management, is also responsible for the integrity of the accounting and financial reporting systems, including controls to prevent and detect fraud and misstatement, and to monitor compliance with relevant laws and regulations.

Effective discharge of these respective responsibilities is directed toward a common duty to provide appropriate and adequate financial accountability, and quality financial disclosure.

Key responsibilities of MNP and management are outlined in the Engagement Letter (see attached). More detailed discussion about MNP's audit process is provided in Appendix B.

AUDIT MATERIALITY

Materiality is an important audit concept. It is used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. Specifically, a misstatement or the aggregate of all misstatements in financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures) is considered to be material if it is probable that the decision of the party relying on the financial statements, who has reasonable understanding of business and economic activities, will be changed or influenced by such a misstatement or the aggregate of all misstatements.

The scope of our audit work is tailored to reflect the relative size of operations of the Regional District and our assessment of the potential for material misstatements in the Regional District's financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures). In determining the scope, we emphasize relative audit risk and materiality, and consider a number of factors, including:

- The size, complexity, and growth of the Regional District;
- Changes within the organization, management or accounting systems; and
- Concerns expressed by management.

The scope of our audit work is tailored to reflect the relative size of operations of the Regional District and our assessment of the potential for material misstatements in the Regional District's financial statements as a whole

Judgment is applied separately to the determination of materiality in the audit of each set of financial statements (and, if applicable, for particular classes of transactions, account balances or disclosures) and is affected by our perception of the financial information needs of users of the financial statements. In this context, it is reasonable to assume that users understand that financial statements are prepared, presented and audited to levels of materiality; recognize uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and consideration of future events; and make reasonable economic decisions based on the financial statements. The foregoing factors are taken into account in establishing the materiality level.

We propose to use \$2,500,000 as overall materiality for audit planning purposes.

RISK ASSESSMENT

Our audit process focuses on significant risks identified during the pre-planning and planning and risk assessment stage, ensuring that audit procedures are **tailored to your specific circumstances** and appropriately address those risks.

TIMING OF THE AUDIT

Based on the audit planning performed and areas of audit risks identified, the following timelines for key deliverables have been discussed and agreed upon with management:

KEY DELIVERABLE	EXPECTED DATE
Delivery of December 31, 2021 Audit Service Plan to the Board of Directors	November 2021
Interim procedures	November 8, 2021 to November 9, 2021
Year-end fieldwork procedures	March 14, 2022 to March 18, 2022
Draft year-end financial statements to be discussed with management	May 2022
Presentation of December 31, 2021 Audit Findings Report to the Board of Directors	May 2022
Presentation of Management Letter to the Board of Directors	May 2022
Issuance of Independent Auditor's Report	May 2022

AUDIT TEAM

In order to ensure effective communication between the Board of Directors and MNP, we outline below the key members of our audit team that will be responsible for the audit of the Regional District and the role they will play:

TEAM MEMBERS	CONTACT INFORMATION
Cory Vanderhorst, CPA, CA, Engagement Partner	E: Cory.Vanderhorst@mnp.ca
Graham Roberts, CPA, CA, Senior Manager	E: Graham.Roberts@mnp.ca
Jane Lumb, CPA, Engagement Manager	E: Jane.Lumb@mnp.ca
Jesse Melnychyn, CPA, Audit Senior	E: Jesse.Melnichyn@mnp.ca
James Kungel, CPA, CA, Tax Specialist	E: James.Kungel@mnp.ca

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other MNP professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit.

Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.



FEEES AND ASSUMPTIONS

DESCRIPTION	2021 ESTIMATE	2020 ACTUAL
Base audit fee	\$ 27,000	\$ 27,000
Administrative - 5%	\$ 1,350	\$ 1,350
Total	\$ 28,350	\$ 28,350

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the engagement partner, so a mutually agreeable solution can be reached. Our audit fee quote above is based on an estimate of 250 hours of audit and bookkeeping work. Significant delays in responding to requests for information may result in additional fees.

Invoices will be rendered as work progresses in accordance with the following schedule:

DESCRIPTION	AMOUNT
On delivery of the audit service plan 50% of the estimated fee	\$ 13,500
At the start of year-end field work, 25% of the estimated fee	\$ 6,750
Final billing – upon release of auditor's report	\$ 6,750
Total	\$ 27,000

APPENDIX A – KEY CHANGES AND DEVELOPMENTS

We would like to bring to your attention the following accounting and auditing developments, which may have some impact on your financial reporting.

ISSUES AND DEVELOPMENTS SUMMARY

ENTITY SPECIFIC

The previous Chief Financial Officer, Myriah Foort, left in September 2021, and the current acting Chief Financial Officer, Kevin Douville, started as of September 2021.

NEW REPORTING DEVELOPMENTS

PS 3280 Asset Retirement Obligations (New)

In August 2018, new PS 3280 *Asset Retirement Obligations* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of new PS 3280, PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability* will be withdrawn.

The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.
- The best method to estimate the liability is often a present value technique.

This standard was to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PS 3400 Revenue (New)

In November 2018, new PS 3400 *Revenue* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3400 establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:

- Performance obligations are enforceable promises to provide specific goods or services to a specific payor.
- Performance obligations can be satisfied at a point in time or over a period of time.
- The new standard outlines five indicators to determine if the revenue would be recognized over a period of time.
- Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s).
- Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event that gives rise to a claim of economic resources has occurred.

Further editorial changes have also been made to other standards as a result of the issuance of PS 3400.

This Section was to be effective for fiscal years beginning on or after April 1, 2022. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2023. Early application continues to be permitted.

APPENDIX A – KEY CHANGES AND DEVELOPMENTS (continued from previous page)

PS 3450 Financial Instruments (New and Amendment)

In June 2011, the Public Sector Accounting Board (PSAB) issued new PS 3450 *Financial Instruments*. The new standard establishes requirements for recognition, measurement, derecognition, presentation and disclosure of financial assets and financial liabilities, including derivatives. The main features of the new standard are:

- Financial instruments are classified into two measurement categories: fair value, or cost or amortized cost.
 - Almost all derivatives, including embedded derivatives not closely related to the host contract, are measured at fair value.
 - Portfolio investments in equity instruments quoted in an active market are measured at fair value.
 - Other financial assets and financial liabilities are generally measured at cost or amortized cost.
 - An entity may elect to measure any group of financial assets or financial liabilities (or both) at fair value when the entity has a risk management or investment strategy to manage those items on a fair value basis.
- Remeasurement gains and losses on financial instruments measured at fair value are reported in the statement of remeasurement gains and losses until the financial instrument is derecognized.
- Budget to actual comparisons are not required within the statement of remeasurement gains and losses;
- Financial liabilities are derecognized when, and only when, they are extinguished.
- Financial assets and financial liabilities are only offset and reported on a net basis if a legally enforceable right to set off the recognized amounts exists, and the entity intends to settle on a net basis or realize/settle the amounts simultaneously.

In May 2012, the transitional provisions for this Section were amended, effective at the time the standard is initially applied, to clarify that the measurement provisions are applied prospectively. Adjustments to previous carrying amounts are recognized in opening accumulated remeasurement gains or losses. Additionally, a new transitional provision has been added that applies to government organizations transitioning from the standards in Part V of the CPA Canada Handbook – Accounting with items classified as available for sale. Accumulated other comprehensive income (OCI) from items classified as available for sale is recognized in accumulated remeasurement gains or losses on transition.

PS 3450 was to be effective for fiscal years beginning on or after April 1, 2019. In March 2018, the Public Sector Accounting Board (PSAB) approved an extension of the effective date to fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section and amendments are now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted. In the period that a public sector entity applies PS 3450, it also applies PS 1201 and PS 2601.

PS 3450 Financial Instruments (Amendment)

In April 2020, the Public Sector Accounting Board (PSAB) issued amendments to PS 3450 *Financial Instruments*. The main features of the amendments include:

Bond Repurchase Transactions

- Bond repurchase transactions are only to be treated as extinguishments when they are either:
 - Legally discharged;
 - An exchange of debt instruments with substantially different terms; or
 - A substantial modification of the terms of an existing financial liability or part of it.

Section Application

- Clarification that PS 3450 does not apply unless a contractual right or a contractual obligation underlies a receivable or payable. By definition, there must be a contract for there to be a financial instrument.
- Clarification for how to account for a transfer of collateral pursuant to a credit risk management mechanism in a derivative contract.
- Addition of application guidance explaining that derecognition of a financial asset does not occur if the transferor of a financial asset retains substantially all the risks and benefits of ownership.

Transitional Provisions

- Clarification that a controlling government should use carrying values of the financial assets and liabilities in the records of its government organizations when consolidating a government organization.
- For financial assets or financial liabilities in the cost or amortized cost category which have an associated unamortized discount, premium or transaction costs, the unamortized discount, premium or transaction costs should be included in the item's opening carrying value.

APPENDIX A – KEY CHANGES AND DEVELOPMENTS (continued from previous page)

- For derivatives which may not have been recognized or may not have been measured at fair value prior to the adoption of PS 3450, any difference between the previous carrying value and fair value should be recognized in the opening balance of accumulated remeasurement gains and losses.

The amendments were to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section and amendments are now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

IMPACT OF COVID-19 ON OUR AUDIT

MNP's COVID protocols are based on recommendations by the Province of British Columbia. At the date of this Audit Service Plan we are adhering to the following:

Social Distancing;

No Non-Essential Attendance at External Business Development, Conferences or Training;

No Non-Essential Business Travel and;

International Travel - Self-Isolation for 14 days.

Wherever possible, we use our Client Portal website to facilitate transfer of documents and requests for information. This allows for ease of sharing documents without a file size restriction, while maintaining security and confidentiality over your documents and information. During the height of COVID, we performed our audits remotely, using email, phone, and the Client Portal to share information. Meetings were held virtually on a variety of platforms, including Teams and Zoom, and we were able to complete and deliver our usual high-quality audits.

In the current "reopening" scenario, we have started doing fieldwork visits again. Before our team members attend field work, we will be sending out a questionnaire to ascertain if it is safe for our team to be onsite as well as to learn your current COVID protocols. The safety of your team and ours is paramount at all times. All team members will be apprised of the Regional District's protocols before we arrive onsite. If the Province increases restrictions related to COVID we are prepared to perform field work remotely.

APPENDIX B – THE AUDIT PROCESS

OUR PLAN

Our overall audit strategy is risk-based and controls-oriented. Assessment and identification of risk is performed continuously throughout the audit process. We focus on the risks that have a potential impact on the financial accounting systems and subsequent financial reporting.

Our overall audit strategy does not, and is not intended to involve the authentication of documents, nor are our team members trained or expected to be experts in such authentication. Unless we have reason to believe otherwise, we accept records and documents as genuine. The subsequent discovery of a material misstatement resulting from fraud does not, in and of itself, indicate a failure to comply with Canadian generally accepted auditing standards.

AUDIT PROCEDURES


To meet our responsibilities in accordance with Canadian generally accepted auditing standards, our audit examination includes:

- Obtaining an understanding of the entity and its environment, including its controls, in order to identify and assess the risk that the financial statements contain material misstatements due to fraud or misstatement;
- Assessing the adequacy of and examining, on a test basis, the key controls over significant transaction streams and over the general organizational and computer environments;
- Assessing the systems used to ensure compliance with applicable legislative and related authorities pertaining to financial reporting, revenue raising, borrowing, and investing activities;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the appropriateness and consistency of accounting principles used and their application;
- Assessing the significant estimates used by management; and,
- Assessing the entity's use of the going concern basis of accounting in the preparation of the financial statements.

As part of our planning process, we will also undertake to inform the Board of Directors of concerns relating to management's implementation and maintenance of controls, and the effects of any such concerns on the overall strategy and scope of the audit. These concerns might arise from the nature, extent and frequency of management's assessments of controls in place to detect fraud and misstatement, and of the risk that the financial statements may be misstated; from a failure by management to appropriately address significant deficiencies in controls identified in prior audits; and, from our evaluation of the Regional District's control environment, and management's competence and integrity.

APPENDIX B – THE AUDIT PROCESS (continued from previous page)

OVERALL RELIANCE

CONTROL RELIANCE LEVEL	LOW/NONE	MODERATE	HIGH
DESCRIPTION	Where we cannot rely on controls because they are weak or absent, or where it is deemed to be more efficient to carry out a high level of direct substantive tests of transactions and balances. Audit evidence is primarily obtained through detailed verification procedures and sufficient substantive tests of details and transactions.	Where there are some deficiencies in systems application or procedural controls, or where it is deemed to be inefficient to test systems application controls, but where we can test and rely on the management monitoring systems in place to detect and correct material misstatements in the financial reporting systems. Testing of controls is supplemented with a moderate level of substantive tests of details and transactions.	Where a high degree of control is in place in the areas of management monitoring controls AND systems application and procedural controls. Our audit work focuses on testing both management monitoring and systems application and procedural controls, and is supplemented with a low level of substantive tests of details and transactions.
PLANNED RELIANCE		—	—

For the December 31, 2021 audit, we are planning to place low reliance on the Regional District’s accounting systems. This level of reliance is consistent with the prior year, and will involve mainly substantive tests of transactions and balances.

The amount of substantive work will be reduced for cycles where there are controls in place that MNP can test and rely on.

As part of our audit work we will update our understanding of the entity and its environment, including the controls relevant to our audit of the principal transaction cycles, sufficient to identify and assess the risks of material misstatement of the financial statements resulting from fraud or misstatement. This will be accomplished through inquiries with management and others within the entity, analytical procedures and observation and inspection. Furthermore, we will consider whether effective controls have been established to adequately respond to the risks arising from the use of IT or manual systems and test the operation of those controls to an extent sufficient to enable us to reduce our substantive work. Our review of the Regional District’s controls will not be sufficient to express an opinion as to their effectiveness or efficiency.



Although we will provide the Board of Directors with any information about significant deficiencies in internal control that have come to our attention, we may not be aware of all the significant deficiencies in internal control that do, in fact, exist.

APPENDIX B – THE AUDIT PROCESS (continued from previous page)

INHERENT LIMITATIONS IN THE AUDITING PROCESS

An auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected due to factors such as the use of significant judgment regarding the gathering of evidence and the drawing of conclusions based on the audit evidence acquired; the use of testing of the data underlying the financial statements; inherent limitations of controls; and, the fact that much of the audit evidence available to the auditor is persuasive, rather than conclusive in nature.

Because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, the auditor cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The likelihood of not detecting material misstatements resulting from management fraud is greater than for employee fraud, because management is in a position to manipulate records, present fraudulent information or override controls.

We will inform the appropriate level of management or the Board of Directors with respect to identified:

- Misstatements resulting from errors, other than clearly trivial misstatements;
- Fraud, or any information obtained that indicates that fraud may exist;
- Evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations, other than that considered inconsequential;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatement; and
- Related party transactions that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

Our concern as auditors is with material misstatements, and thus, we are not responsible for the detection of misstatements that are not material to the financial statements taken as a whole.

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About MNP LLP

MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.





October 7, 2021

Jason den Otter
Comox Valley Regional District
770 Harmston Avenue
Courtenay, BC V9N 0G8

Dear Mr. den Otter:

This letter will confirm the arrangements discussed with you regarding the services we will render to Comox Valley Regional District (the "Regional District") commencing with the fiscal year ending December 31, 2021.

Our responsibilities

We will audit the financial statements of Comox Valley Regional District for the year ended December 31, 2021.

Our audit will be conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we will plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error.

Our responsibilities, objective, scope, independence and the inherent limitations of an audit conducted in accordance with Canadian generally accepted auditing standards are detailed in Appendix A, which forms part of our mutual understanding of the terms of this engagement.

Management's responsibilities

The operations of the Regional District are under the control of management, which has responsibility for the accurate recording of transactions and the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards. This includes the design, implementation and maintenance of internal control relating to the preparation and presentation of the financial statements.

Appendix B, which describes in detail management's responsibilities with respect to this engagement, forms part of our mutual understanding of the terms of this engagement.

Reporting

Unless unanticipated difficulties are encountered, our report will be substantially in the form illustrated in Appendix C.

Fees and expenses

Our fees and expenses are discussed in detail in Appendix D.

Other matters

We will, as permitted by the Rules of Professional Conduct, provide additional services upon request, in areas such as taxation, leadership and human resource management, communication, marketing, strategic planning, financial management and technology consulting.

Our standard terms and conditions, included as Appendix E, form part of our mutual understanding of the terms of this engagement. In the event that you choose to terminate this engagement based on the terms outlined in Appendix E, we reserve the right to notify all financial statement users of the change.

The privacy and security of the personal information you provide is important to us. We strive to ensure the strictest compliance with all applicable provincial and federal standards of protection and disclosure of personal information by any and all of our employees, agents, divisions and/or affiliates (referred to collectively as "MNP"). You may review our privacy policy at www.mnp.ca. We will not collect, use, or disclose any of your personal information without your knowledge and consent, unless required to do so by legal authority or the applicable provincial Rules of Professional Conduct.

We believe the foregoing correctly sets forth our understanding, but if you have any questions, please let us know. If you find the arrangements acceptable, please acknowledge your agreement to the understanding by signing and returning the second copy of this engagement letter to us.

It is a pleasure for us to be of service to you. We look forward to many years of association with you and Comox Valley Regional District.


Sincerely,

MNP LLP

MNP LLP
Chartered Professional Accountants

RESPONSE:

This letter correctly sets forth the understanding of Comox Valley Regional District.



Officer Signature
Kevin Douville

Acting Chief

Title Financial officer

November 11, 2021

Date

Appendix A: Our Audit Responsibilities, Objective, Scope and Limitations

The following details our responsibilities as auditors and the objective, scope, independence and inherent limitations of an audit conducted in accordance with Canadian generally accepted auditing standards.

Our responsibilities, objective and scope

Our audit will be planned and performed to obtain reasonable assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error. If any of the following matters are identified, they will be communicated to the appropriate level of management:

- Misstatements, resulting from error, other than immaterial misstatements;
- Fraud or any information obtained that indicates that a fraud may exist;
- Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern;
- Any evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations has occurred;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatements; and
- Related party transactions identified that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed.

Furthermore, we will consider the Regional District's controls over financial reporting for the purpose of identifying types of potential misstatement, considering factors that affect the risks of material misstatement, and determining the nature, timing and extent of auditing procedures necessary for expressing our opinion on the financial statements.

Independence

The Rules of Professional Conduct require that we are independent when conducting this engagement. We will communicate to the Board of Directors any relationships between the Regional District (including related entities) and MNP LLP ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence.

Further, we will confirm in writing our independence with respect to the Regional District.

If matters should arise during this engagement that can reasonably be assumed to have impaired our independence, we may need to withdraw from this engagement.

Audit limitations

An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. This includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

It is important to recognize that an auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of factors such as the use of judgment, selective testing of data, inherent limitations of controls, and the fact that much of the audit evidence available is persuasive rather than conclusive in nature.

Appendix A: Our Audit Responsibilities, Objective, Scope and Limitations *(continued from previous page)*

Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material misstatement due to fraud.

While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, we cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The audit of the financial statements and the issuance of our audit opinion are solely for the use of the Regional District and those to whom our report is specifically addressed. We make no representations of any kind to any third party in respect of these financial statements and we accept no responsibility for their use by any third party. If our name is to be used in connection with the financial statements, you will attach our independent audit report when distributing the financial statements to third parties.

We ask that our names be used only with our consent and that any information to which we have attached a communication be issued with that communication unless otherwise agreed to by us.

Appendix B: Management Responsibilities

During the course of our audit, you will be required to provide and make available complete information that is relevant to the preparation and presentation of the financial statements, including:

- Financial records and related data;
- Copies of all minutes of meetings of directors and committees of directors;
- Access to personnel to whom we may direct our inquiries;
- Information relating to any known or possible instances of non-compliance with laws, legislative or regulatory requirements (including financial reporting requirements);
- Information relating to all related parties and related party transactions; and
- Allowing access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

Management's responsibility with respect to fraud and misstatement includes:

- The design and implementation of controls for its prevention and detection;
- An assessment of the risk that the financial statements may be materially misstated;
- Disclosure of situations where fraud or suspected fraud involving management, employees who have significant roles in controls, or others, where the fraud could have a material effect on the financial statements, have been identified or allegations have been made; and
- Communicating your belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In accordance with Canadian generally accepted auditing standards, we will request a letter of representation from management at the close of our audit in order to confirm oral representations given to us and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. These representations are used as evidence to assist us in deriving reasonable conclusions upon which our audit opinion is based.

If the Regional District plans any reproduction or publication of our report, or a portion thereof, printer's proofs of the complete documents should be submitted to us in sufficient time for our review, prior to making such documents publicly available. It will also be necessary for you to furnish us with a copy of the printed report. Further, it is agreed that in any electronic distribution, for example on Comox Valley Regional District's website, management is solely responsible for the accurate and complete reproduction of our report and the subject matter on which we reported, and for informing us of any subsequent changes to such documents. However, we are responsible to read the documents to ensure accuracy, and consider the appropriateness of other information accompanying the audited financial statements, upon initial posting.

Appendix C: Illustrative Independent Auditor's Report

To the Board of Comox Valley Regional District:

Opinion

We have audited the financial statements of Comox Valley Regional District (the "Regional District"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Regional District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional District's internal control.

Appendix C: Illustrative Independent Auditor's Report *(continued from previous page)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Courtenay, British Columbia

Chartered Professional Accountants

Appendix D: Fees and Expenses

Our fees are determined on the basis of time spent on the engagement at the tariff rates of various members of our team. Any disbursements will be added to the billing.

The estimate of fees for the audit services to be provided is \$27,000, excluding disbursements.

Pursuant to our billing policy, we will issue interim bills as follows:

- a) On delivery of the audit service plan 50% of the estimated fee;
- b) At the start of year-end field work, 25% of the estimated fee;
- c) Upon the delivery of the final financial statements and independent auditor's report, 25% of the estimated fee.

In signing this letter, you acknowledge your approval of the above billing schedule and amounts. Invoices expected to be issued that do not adhere to this schedule, or are in excess of the amounts noted above, will be discussed with you for your approval. Fees collected will be applied to overdue invoices first, followed by subsequently issued invoices in order of issuance. If payment is not received in accordance with the above schedule, we will at our discretion cease all work until the scheduled payments are received.

Our estimated fees are based on our past experience and our knowledge of the Regional District. This estimate relies on the following assumptions:

- No significant deficiencies in internal controls which cause procedures to be extended;
- No major unadjusted misstatement(s) or un-reconciled balances;
- Significantly all adjusting entries are completed prior to trial balance and journal entries being provided to the audit team;
- All management and required staff are available as needed;
- Information and working papers required, as outlined in our letter of fiscal year-end requirements, are provided in the mutually agreed form and timing; and
- There are no changes to the agreed upon engagement timetable and reporting requirements.

We will ask that your personnel, to the extent possible, prepare various schedules and analysis, and make various invoices and other documents available to our team. This assistance will facilitate the progress of our work and minimize the cost of our service to you.

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the practitioner leading your engagement so a mutually agreeable solution can be reached. In accordance with our standard terms and conditions, included as Appendix E, if significant changes to the arrangements set forth in this engagement letter are required, any change in scope of the engagement will need to be agreed in writing, in a "Change Order" agreement.

Appendix E: Standard Terms and Conditions

The following standard terms and conditions and the engagement letter to which they are attached form one agreement and set out the terms and conditions upon which MNP LLP ("MNP") will provide services to you (the "Regional District").

1. **Timely Performance** - MNP will use all reasonable efforts to complete, within any agreed-upon time frame, the performance of the services described in the engagement letter to which these terms and conditions are attached. However, MNP shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by the Regional District of its obligations as set out in the engagement letter.
2. **Right to Terminate Services** - The Regional District may terminate the engagement upon 30 days written notice. If this occurs, the Regional District shall pay for time and expenses incurred by MNP up to the termination date, together with reasonable time and expenses incurred to bring the services to a close in a prompt and orderly manner. Should the Regional District not fulfil its obligations as set out herein and in the engagement letter, and in the event that the Regional District fails to remedy such default within 30 days following receipt of notice from MNP to that effect, MNP may, upon written notification and without prejudice to its other rights and resources, terminate provision of our services as described in the engagement letter. In such case, MNP shall not be responsible for any loss, costs, expenses, or damages resulting from such termination.
3. **Change Order** - If, subsequent to the date of this engagement letter, the Regional District requires significant changes to the arrangements set forth in this engagement letter, the Regional District will be required to agree to the change in scope of the engagement in writing, in a "Change Order" agreement. The "Change Order" agreement will set forth the revised arrangements and scope of services to be performed and any related additional fees associated.
4. **Fees** - Any fee estimates by MNP take into account the agreed-upon level of preparation and assistance from the Regional District's personnel. MNP undertakes to advise the Regional District's management on a timely basis should this preparation and assistance not be provided, or should any other circumstances arise which cause actual time to exceed the estimate.
5. **Administrative Expenses** - Administrative expenses include costs such as long distance telephone and telecommunication charges, photocopying, delivery, postage, and clerical assistance. These expenses are based on a percentage of our fees for professional services (5%). Where applicable, federal, provincial, or other goods and services or sales taxes have been paid on these expenses. Other major costs such as travel, meals, accommodation and other significant expenses will be charged as incurred.
6. **Billing** - Bills will be rendered as indicated in the letter above. Accounts are due and payable upon receipt. Interest may be charged on the balance of any accounts remaining unpaid for more than 30 days, at a rate of 1.5% per month (19.56% per annum).
7. **Taxes** - All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. The Regional District shall assume and pay any such taxes or duties, without deduction from the fees and charges hereunder.
8. **Governing Law** - The engagement will be governed and construed in accordance with the laws of the Province of British Columbia, and shall be deemed in all respects to be a British Columbia contract. The Regional District and MNP submit to the courts of that jurisdiction with respect to all matters arising under or by virtue of this Agreement.

Appendix E: Standard Terms and Conditions *(continued from previous page)*

9. **Working Papers** - MNP owns all working papers and files, other materials, reports and work created, developed or performed during the course of the engagement, including intellectual property used in the preparation thereof. We will provide management with a copy of all practitioner-prepared working papers necessary for the Regional District's accounting records. MNP may develop software, including spreadsheets, documents, databases, and other electronic tools, to assist us with our assignment. As these tools and working papers were developed specifically for our purposes and without consideration of any purpose for which the Regional District might use them, any such tools which may be provided to the Regional District, will be made available on an "as is" basis only, at our discretion, and should not be distributed to or shared with any third party. Except as indicated in the Rules of Professional Conduct or by any legal proceeding, we have no responsibility to share our working papers with you or with any other parties.
10. **Data and Privacy** - The Regional District understands and agrees that you shall not provide us with information about any identifiable individual unless required for the purpose of the engagement, and in such event the Regional District shall only provide such information in compliance with applicable law, including obtaining consent where so required. Data received by MNP may be disclosed to vendors whose services are utilized by us in connection with the engagement. Some of these vendors are located outside Canada. Others, though located in Canada, may store or process your information outside the country. Data being uploaded and downloaded via vendor networks may reside on or transit servers located in or outside of Canada and in such cases, vendors may on occasion be required to disclose data in its custody to authorities of those jurisdictions. Additionally, in order to provide valuable insights on financial and other trends either (a) within your specific business organization over time, or (b) on an aggregated basis across an entire industry or sector, MNP may use relevant portions of data it receives from the Regional District for the purpose of conducting individualized (using your data only, for your eyes only) and aggregated analytics (using many data sources). Analytics involves the processing of anonymized data sets to draw conclusions about the information they contain. Even when using aggregated data sources, we only perform analytics on data that is disassociated from the identity of its source. None of the analysis generated from aggregated data processing contains any information which would identify those specific individuals or entities from which the underlying information was obtained. As such, none of the analytics reporting based on aggregated data will result in a disclosure of personal information. Finally, the Regional District acknowledges that our client files must be periodically reviewed by provincial or national practice inspectors and by other Firm personnel to ensure we are adhering to professional and Firm standards. MNP's privacy policy is posted on our website at <https://www.mnp.ca/en/privacy-policy> and may be updated from time to time.
11. **Nature of the Limited Liability Partnership (LLP)** - MNP is a registered limited liability partnership, as permitted by legislation enacted in our governing jurisdiction of the Province of Alberta. This legislation provides that a partner of an LLP is not personally liable for any of the debts, obligations, or liabilities of the LLP or any of the other partners which may arise as a result of any negligent act or omission of another partner of the LLP, or by any employee of the partnership, unless such act or omission is committed by the partner him or herself or by a person under the partner's direct supervision and control. All partners of an LLP remain personally liable for any acts or omissions arising as a result of their own negligence, and for the acts or omissions of those directly under their supervision or control, and shall continue to be subject to unlimited personal liability for all of the other liabilities of the partnership. The legislation does not reduce or limit in any way the liability of the partnership itself, and all of the partnership's assets and insurance coverage remain at risk.
12. **Release and Limitation of Liability** - The Regional District and MNP agree to the following with respect to MNP's liability to the Regional District:
 - a. In any action, claim, loss or damage arising out of the engagement, the Regional District agrees that MNP's liability will be several and not joint and the Regional District may only claim payment from MNP of MNP's proportionate share of the total liability based on the degree of fault of MNP as finally determined by a court of competent jurisdiction.

Appendix E: Standard Terms and Conditions *(continued from previous page)*

- b. Other than for matters finally determined to have resulted from the gross negligence, fraud or willful misconduct of MNP, whether the claim be in tort, contract, or otherwise:
 - i. MNP shall not be liable to the Regional District and the Regional District releases MNP for all claims, damages, costs, charges and expenses (including legal fees and disbursements) incurred or suffered by the Regional District related to, arising out of, or in any way associated with the engagement to the extent that the aggregate of such amounts is in excess of the total professional fees paid by the Regional District to MNP in connection with this engagement during the 12 month period commencing from the date of the engagement letter to which these terms and conditions are attached; and,
 - ii. MNP shall not be liable to the Regional District for any consequential, indirect, lost profit or similar damages, or failure to realize expected savings, relating to MNP's services provided under the engagement letter to which these terms and conditions are attached.
13. **Indemnity** - The Regional District agrees to jointly and severally indemnify and hold harmless MNP against:
- a. All claims, damages, costs, charges and expenses (including legal fees and disbursements) which are related to, arise out of, or are in any way associated with the engagement, whether the claims are civil, penal, regulatory, or administrative in nature, other than those finally determined by a court of competent jurisdiction to have resulted from MNP's gross negligence, fraud or willful misconduct; and,
 - b. Notwithstanding "a.," all claims, damages, costs, charges and expenses (including legal fees and disbursements) which are related to, arise out of, or are in any way associated with the engagement, whether the claims are civil, penal, regulatory, or administrative in nature, that arise from or are based on any deliberate misstatement or omission in any material, information or representation supplied or approved by any officer or member of the Board of Directors of the Regional District.

For the purposes of paragraph 12. and 13., "MNP" shall mean MNP LLP and its directors, officers, partners, professional corporations, employees, subsidiaries and affiliates and to the extent providing services under the engagement letter to which these terms are attached, MNP LLP, its member firms, and all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee.

14. **Survival of Terms** - The Regional District and MNP agree that clauses 12. and 13. will survive termination of the engagement.
15. **Electronic Communications** - Unless the Regional District prefers we use a particular manner of communication and specifies as much in writing, MNP will use whatever form of communication it deems most efficient in the circumstances. In many instances, this will involve the use of internet e-mail. With respect to internet e-mail, MNP and the Regional District both acknowledge that neither party has control over the performance, reliability, availability, or security of internet e-mail. Additionally, MNP staff may be required or requested to work from your offices during which visits access to and use of and reliance upon your electronic environment (including but not limited to, your network, Internet, and extranet resources) is necessitated. The Regional District accepts that MNP shall not be liable for any loss, damage, expense, harm or inconvenience resulting from any loss, delay, interception, corruption, security breach, delivery failure, incompatibility, incompleteness or alteration of any document or transmission arising from the use of e-mail or the transmission of any document outside of MNP's electronic environment.

Appendix E: Standard Terms and Conditions *(continued from previous page)*

16. **Confirmation.com** - By signing this engagement letter, you agree to the use by MNP of Capital Confirmation Inc. ("CCI") as a third party service provider and the use of CCI's platform (the "Platform") to prepare, request and receive confirmations required to perform the engagement. You acknowledge and agree that data being uploaded/downloaded via the Platform may reside on servers located in the United States and that CCI could be required to disclose data, including personal information, in its custody to the United States government, government agencies, courts or law enforcement or regulatory agencies pursuant to the laws of the United States. MNP shall not be liable for any loss or damage arising from your or MNP's use of CCI as a service provider or use of the Platform, including any losses relating to CCI's collection, use, disclosure or loss of your data or personal information. You agree to pay all fees for requesting and receiving confirmations. For more information, you can review the third party service provider's Terms and Conditions and Privacy Policy on CCI's website at: <https://www.confirmation.com/>
17. **Praxity** - We are an independent accounting firm allowed to use the name "PRAXITY" in relation to our practice. We are not connected by ownership to any other firm using the name "PRAXITY" and we will be solely responsible for all work carried out by us on your behalf. In deciding to instruct us you acknowledge that we have not represented to you that any other firm using the name "PRAXITY" will in any way be responsible for the work we do.
18. **Solicitation** - The Regional District agrees that for a period of one year after completion of the services, it shall not, directly or indirectly, for itself or for any third party, solicit the services of, hire, contract for the services of, or otherwise entice away from their partnership, employment or contract of services with MNP or any MNP Person. In the event of a breach of this section by the Regional District, the Regional District shall be obliged to pay to MNP liquidated damages in the amount of one hundred fifty (150%) percent of the total compensation the Regional District or third party offered to pay the individual in their first year of service to such party, or one hundred fifty (150%) percent of total compensation the Regional District or third party actually paid to the individual in their first year of service to such party, whichever is greater. The Regional District further understands that any breach by the Regional District of this provision may result in a threat to our independence which may prevent us from accepting or continuing any engagement to provide assurance services to the Regional District. "MNP Person" means any and all partners, employees and contractors providing services to MNP, whether for a defined or indefinite period or on a part-time or full-time basis, and with whom the Regional District had contact during the term of this engagement.