

Supplement to 2022 Audit Service Plan for Regional District of Nanaimo
Prepared by MNP LLP
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- 1) How has the revised CAS 315 influenced the risk assessment for the current year audit? Has the scope changed from the prior year?

Risk assessments for all assets, liabilities, revenues and expenses are being revisited within the framework of CAS 315. In prior years, we used a 3-point scale (low, medium, high) to drive the amount of audit testing. Under CAS 315, our assessments now consider magnitude and likelihood of possible misstatements in an account and use a 4-point scale (low, medium, high, significant). There may be scope changes in the year-end testing procedures, but I expect they would have minor impact on the actual year-end fieldwork procedures (for example, if an account was previously ranked as high under the old approach, it may now be classified as significant, which would result in either an additional audit procedure this year or expanding a sample size and testing more items). For most accounts, where there has been no change in the type and volume of transactions from 2021, I would expect little change in the audit scope for YE fieldwork (ultimately, if the RD's processes or transactions have not changed significantly from 2021 in a specific transaction stream, I wouldn't expect the audit approach to change much).

- 2) How has the assessed risks of material misstatement related to the Regional District's information technology systems affected the audit and how have you addressed these potential risks?

Our risk assessment updates are in progress as of December 2022. We would be happy to report back in the spring on any changes to the assessed risks of material misstatement related to IT systems and how we addressed the potential risks in our audit.

- 3) To what extent did you engage IT specialists to be involved in the audit of financial statements? If so, how were the specialists used, and did the use of specialists change in the current year?

Given our current understanding of the RD's IT systems and structure, we do not expect to engage an IT specialist for your audit, although once we complete the analysis of IT systems and processes, it is still possible that one may be needed. The key factor for needing an IT specialist is the software and processes around it. If you are using an "off the shelf" software, with no active modification by the RD, and we can test inputs and outputs separately, then no Specialist is needed. However, we may need to use an IT specialist if you are using custom software (i.e., RD designed and/or the RD has access to the code and can make changes directly to the software itself), or if you are using software where we cannot test inputs or outputs separately (i.e., all data, processing, and reports are in the software, and there is no evidence external to the software that we can audit). If we need to use an IT specialist, they will be engaged to review the software in detail, including design, user inputs, system security and access, processing, and outputs to assess if the software is reliable.

I should also note that we are primarily concerned with software that would affect finances. If a department is using a custom piece of software, but it has no bearing on the financial results, we would scope it out as not relevant to the audit (for example, a department may be using a scheduling software for staff, but if it doesn't tie into or affect

the payroll system, then it doesn't affect your financial results and we would not need to bring in the IT specialist).

- 4) How has your risk assessment of the internal control policies and procedures impacted the audit strategy for the current year?

Our risk assessment updates are in progress as of December 2022. We would be happy to report back in the spring on any changes to the risk assessment of internal control policies and procedures. Note that unless there are significant changes in the RD's activities and business processes in 2022, we do not expect a significant impact on the year-end audit strategy.

- 5) Are there any areas where management could be of greater assistance to reduce the amount of time spent by you?

The biggest assistance we can ask for is timely responses to requests for information. The faster we get answers, the easier it is for us to process, review and complete our re-assessment of risks. Full and complete answers will also reduce the "pick up/put down" effect, which will reduce our time spent. As we are working through the CAS 315 updates for many audit clients this year, the ability to have all info at hand, instead of piece meal, will greatly assist us to reduce the time spent on CAS 315 implementation. Setting times for interview/discussion may also help us reduce time. Emailing CAS 315 questions back and forth can be inefficient and time consuming. It will be more effective if we need to talk to certain RD staff (i.e., IT) if we can get full and complete answers or schedule a time for an interview to allow for natural flow of questions and follow-up questions.

- 6) Were there any challenges in applying the new requirements to the audit?

Currently there have been no unexpected challenges in applying the new requirements. As we expected, there has been significant time invested in applying the new requirements, both from our audit team and RD staff. We would like to express our sincere appreciation to your staff, particularly in the Finance and IT departments, for their assistance with the changes.