



## **Maritime Electric Company, Limited.** Costs recoverable from customers audit service plan

For the year ended December 31, 2021



January 13, 2022

To the Management of Maritime Electric Company, Limited

**2021 Audit service plan**

Dear Management:

We are pleased to provide you with our costs recoverable from customers ("ECAM") audit service plan for Maritime Electric Company, Limited ("MECL") for the year ended December 31, 2021. This document describes the key features of our plan including our audit scope and approach.

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of specialists. Our professionals will continue providing you with best practices and insights to face the increasingly complex array of issues and challenges encountered by companies like MECL. At Deloitte, we are committed to helping MECL grow and successfully achieve its business objectives in today's ever-changing economy.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

*Deloitte LLP*

Chartered Professional Accountants

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# Executive summary

## Audit scope and terms of engagement

We have been asked to perform an audit of MECL’s energy cost adjustment mechanism (“ECAM”) schedule (the “Schedule”) in accordance with Island Regulatory and Appeals Commission requirements as at December 31, 2021. Our audit will be conducted in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”).

The terms and conditions of our engagement are described in the master service agreement, dated December 23, 2021 and signed on behalf of the Audit and Environment Committee (the “Committee”) and management.



We are responsible for providing reasonable assurance that your schedule as a whole is free from material misstatement.

Materiality level is determined on the basis of ECAM balance. Our materiality for the year ended December 31, 2021 has been set at \$166,000.

## Fraud risk

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Asking people involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from management’s effort to manage earnings.
5. Evaluating whether the judgements and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Company and their role in the oversight of management’s antifraud programs.

If we suspect fraud involving management, we will immediately inform the Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

# Audit approach

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing MECL.

The following steps are not necessarily sequential nor are they mutually exclusive. For example, once we have developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

1. We will evaluate the design and implementation of the internal controls around the account balances that are inputs to the ECAM balance. We plan to rely on controls.
2. We will perform a detail testing of inputs into the ECAM calculation. To perform this detail testing, we will send confirmations for purchased energy cost and perform invoice testing on a sample basis for the rest of the energy cost balance.

## Independence

We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditor to the MECL.

We are independent of the MECL and we will reconfirm our independence in our final report to the Committee.