

May 18, 2018

The Mayor and Council
Municipality of South Huron
PO Box 759
Exeter, ON
N0M 1S6

To the Members of Council:

As part of our engagement to audit the financial statements of the Municipality of South Huron for the year ended December 31, 2017, Canadian generally accepted auditing standards require that we communicate the following information with you in relation to our audit.

Evaluation of Internal Controls

An audit includes a review and evaluation of the system of internal controls to assist in determining the level of reliance that may be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

In planning an audit, an assessment is made of the risk that a material misstatement due to error or fraud could occur in the financial statements. Key to that assessment is the reliability of internal controls which have been planned and implemented to prevent and identify error or fraud. In accordance with Canadian generally accepted auditing standards, we reviewed the system of internal control as it related to audit procedures but not for the purpose of expressing an audit opinion on the effectiveness of the internal controls. We have discussed with management and made tests of the control procedures in effect including authorizations, internal review, approvals, adherence to policies and, within limits of staff numbers, segregation of duties.

Current Year's Issues

During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Prior Year's Issues

Attention was drawn to the fact that misappropriation of funds could occur given the increased use of Electronic Funds Transfers (EFT's). The concern was that the Accounts Payable Clerk could independently initiate new vendors and make changes to existing ones. As a result, The Manager of Financial Services / Treasurer now generates a report showing the vendor details and compares a sample of vendors from this report to the information kept on file provided from the vendor. The issue is therefore deemed to be resolved and no further points were noted.

Significant Accounting Principles

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application of the policies. The accounting policies used by the municipality are described in note 1 in the financial statements.

There were no new accounting policies adopted or changes to the application of accounting policies during the year.

Significant Unusual Transactions

We are not aware of any significant unusual transactions entered into during the year that you should be informed about.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the municipality's financial statements or the auditor's report. Disagreements may arise over:

- Selection or application of accounting policies;
- Assumptions and related judgements for accounting estimates;
- Financial statement disclosure;
- Scope of the audit; or
- Wording of the auditor's report

We are pleased to inform you that we had no disagreements with management during the course of our audit.

We would like to thank management and the finance department for their assistance and co-operation during the audit.

Issues Discussed

The auditor generally discusses among other matters, the application of accounting principles and auditing standards with management. There were no major issues discussed that were not in the normal course of business.

Difficulties Encountered During the Audit

During our audit, we encountered no significant difficulties that should be brought to the attention of council.

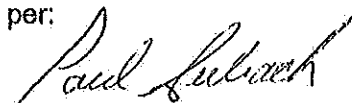
This communication is prepared solely for the information of council and is not intended for any other purpose. We accept no responsibility to a third party who may use this communication.

We will be pleased to discuss with you at your convenience, any matters mentioned above.

Yours very truly

Vodden, Bender & Seebach LLP

per:



Paul Seebach CPA, CA