

May 24, 2017

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 Municipality of South Huron for the year ended December 31, 2016, Canadian generally accepted audit standards require that we communicate the following information with you in relation to our audit.

### **Evaluation of Internal Controls**

Audits include 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.

### **Electronic Fund Transfer (EFT)**

#### *Observation*

The municipality pays a portion of its purchases through EFT's. There is a concern that the Accounts Payable Clerk can independently initiate new vendors and make changes to existing ones. It would be ideal if a vendor change report could be generated, so that any changes to the vendor listing could be reviewed.

#### *Implication*

Misappropriation of funds could occur.

#### *Management Response*

The Manager of Financial Services / Treasurer will determine if a vendor change report can be created. To increase controls, changes to vendor details are entered by the accounts payable clerk and confirmed by another Finance employee. EFT payments are reviewed and authorized by the Treasurer before issuance. There are now random internal audits conducted, matching vendor and accounts information to appropriate forms.

### **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 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.

### **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:

A handwritten signature in dark ink, appearing to read "Paul Seebach", written over a light blue horizontal line.

Paul Seebach CPA, CA