

April 12, 2022

South Nation River Conservation Authority  
38 Victoria Street  
P.O. Box 29  
Finch ON K0C 1K0

Attention: Members of the Board of Directors

Dear Sir / Madam:

**Re: Audit of the Financial Statements of South Nation River Conservation Authority**

We have been engaged to express an audit opinion on the financial statements of South Nation River Conservation Authority ("the Authority") for the year ended December 31, 2021. We have substantially completed our audit and are pleased to report on the following items.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the Board of Directors. This report should be read in conjunction with the draft financial statements and our report thereon, as well as our Audit Planning letter previously forwarded to you.

**Auditor Independence**

As communicated previously in a separate letter to the Board of Directors, we are not aware of any relationship between the Authority and us that, in our professional judgement, may reasonably be thought to bear on our independence.

Accordingly, we hereby re-confirm that our engagement team, our Firm and the other Baker Tilly Canada offices are independent with respect to the Authority within the meaning of the Code of Professional Conduct Rule 204 of the Chartered Professional Accountants of Ontario.

**Independent Auditors' Report**

We anticipate that our Independent Auditors' Report will be issued without modification.

Our Independent Auditors' Report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that all the statements and disclosures that comprise the financial statements have been prepared and the Board has approved the financial statements.

**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 or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

During the course of our audit, we encountered the following specific internal control matters that we wish to bring to your attention:

1. Expense cut off issue

Due to the late receipt of invoice from a vendor, an expense was incorrectly recorded in 2021 that should have been recorded in 2020.

This resulted in an overstatement of expenses in the current fiscal year as well an overstatement of revenue given it was related to a externally funded project preivously set up in deferred revenue.

We recommend that the Authority implements new procedures that would entail team leads to follow up with vendors of all ongoing projects at year end to ensure they have received all the invoices for the reporting period.

**Illegal Acts, Fraud, Intentional Misstatements and Errors**

Our auditing procedures, including tests of your accounting records, were limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under CAS, we consider the Authority's control environment, governance structure, circumstances encountered during the audit and the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor will they necessarily detect such acts or recognize them as such, even if the effect on the financial statements is material. However, should we become aware that an illegal or possible illegal act or an act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate directly to the Board of Directors.

It is management's responsibility to detect and prevent illegal actions. If such acts are discovered or the Board of Directors members become aware of circumstances under which the Authority may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of assets or misrepresentation of financial information.

**Related Party Transactions**

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.

There were no related party transactions identified during the audit that required disclosure in the notes to the financial statements.

**Significant Accounting Principles and Policies**

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The significant accounting principles and policies are disclosed in the notes to the financial statements.

The Board of Directors has a responsibility to review the accounting policies adopted by the Authority, and where alternative policies are available, make determinations as to the most appropriate policies to be adopted in the circumstances. If members of the Board of Directors believe that the adoption or change in accounting policy may produce an inappropriate or misleading result in financial reporting or disclosure, this concern must be discussed with management and us.

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

### **Accounting Estimates**

Management is responsible for the accounting estimates included in the financial statements. Estimates and the related judgements and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analysing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

### **Significant Matters Discussed with Management**

There were no significant matters arising from the audit discussed with management.

### **Written Representation Requested from Management**

As part of our audit, we request that management prepare a letter to us to re-affirm various representations that they have provided to us and we have relied upon. A copy of this letter is attached for your convenience.

### **Significant Misstatements**

In the course of our audit, we have not found any material misstatements or unadjusted items that, in aggregate, exceed materiality thresholds established for the audit, nor have we found significant misstatements that would likely cause future financial statements to be materially misstated.

### **Key Audit Matters**

There are no key audit matters to be communicated in the auditor's report.

### **Uncorrected Misstatements**

In the course of our audit, we have not identified any uncorrected financial statement misstatements.

### **Significant Unusual Transactions**

We are not aware of any significant transactions entered into by the Authority 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 Authority's financial statements or auditors' report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgements for accounting estimates;
- Financial statement disclosures;
- Scope of the audit: or
- Wording of the auditors' report.

In the course of our audit, we did not have any significant disagreements with management, nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the financial statements.

## **Difficulties Encountered During the Audit**

We encountered no significant difficulties during our audit that should be brought to the attention of the Board of Directors.

## **Management Letter**

During our audit, we did not note any significant issues on internal controls to report to management.

## **In Closing**

We wish to express our appreciation for the co-operation we received during the audit from the Authority's management.

Should any member of the Board of Directors wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

To ensure there is a clear understanding and record of the matters discussed, we ask that members of the Board of Directors sign their acknowledgement in the spaces provided below.

Yours truly,

**BAKER TILLY REO LLP**

Benjamin Mann, CPA, CA  
Partner  
Phone: 613-774-9889

Acknowledgement of Board of Directors:

We have read and reviewed the above disclosures and understand and agree with the comments therein.

**South Nation River Conservation Authority**

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Print Name

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Signature

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Date signed

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Print Name

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Signature

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Date signed