



Exhibition Place

Item 9

May 6, 2013

To: Board of Governors of Exhibition Place

FOR INFORMATION

From: Finance & Audit Committee

Subject: **Audit Results & Year End report for the Consolidated Financial Statements for Exhibition Place for the Year Ended December 31, 2012**

Summary:

This report presents for the information of the Board the audit results and Year End Report for the year ended December 31, 2012. The auditor of record for the Board, Price Waterhouse Coopers LLP, audits these statements in accordance with Canadian public sector accounting standards and summarizes issues of audit significance and provides the communications required by their professional standards. As noted in the full attached Audit Results, during the 2012 audit, the auditors did not find any significant weaknesses in the internal controls, but made one recommendation for improvement in the current control environment which management will implement. This report summarizes the auditor's comments which can be found in full in the Attachment.

Financial Impact:

There are no financial implications to this report.

Decision History:

A meeting of the Finance & Audit Committee was held on May 6, 2013 wherein a briefing was conducted with those members in attendance, namely, the Chair of the Finance & Audit Committee, Councillor Gloria Lindsay Luby, Committee members Wayne Copeland and Sean Webster, who were all in agreement with referring this report directly to the Board for information at which the external auditor will be in attendance to respond to questions.

Audit Results for the Board of Governors of Exhibition Place are required to be submitted on an annual basis to the Finance & Audit Committee, the Board, and ultimately to the City of Toronto.

Issue Background:

As part of their audit engagement for the Board, Price Waterhouse Coopers LLP provides a report to the Finance & Audit Committee to assist in its review of the consolidated financial statements. This document is a direct communication from the auditors to the Committee and ultimately to the Board. It summarizes the scope of the audit work, describes the audit objectives, identifies issues of audit significance discussed with management and provides the communications required by Canadian Generally Accepted Auditing Standards and is designed to express an opinion on the consolidated financial statements of the Board.

Comments:

The Audit Results report from Price Waterhouse Coopers LLP is divided into various sections and these are described in the balance of this report.

Required Communications and Key Issues

This section covers a wide variety of topics such as the auditors' responsibilities under Generally Accepted Auditing Standards, internal control structure, accounting estimates, discussions with management, auditors' independence and fees charged on this engagement. Some of the key communications in this section are as follows:

- There were no significant changes in the 2012 overall audit approach compared to the one outlined in the audit planning document sent to the members of the Finance & Audit Committee on January 25, 2013.
- There were no significant unusual transactions related to the current year.
- The quality of Exhibition Place's accounting principles as applied in its financial reporting are consistent, complete and reasonable in relation to industry practice.
- There were no significant audit adjustments for the Board, except for a reclassification entry.
- There was one recorded audit item but these adjustments had no impact to the Board's net income. The entry was a re-classification entry on the income statement.
- There were no disagreements with management on financial accounting and reporting matters.
- There were no significant deficiencies in internal controls. There was one internal control recommendation identified for the current environment. The financial statements taken as a whole are free of material misstatement.

Items of Audit Significance Discussed with Management

The following audit, accounting and significant financial reporting issues were discussed with management:

- (1) Revenue Recognition - The auditors noted the significant revenue streams related to the CNEA and their audit approach and test of controls performed;
- (2) Related Party Transactions with the City - The Board has many ongoing transactions with various City Departments such as trade receivables, trade payables and loans payables. As is consistent in the prior year's audit, staff has provided a listing of all payables due to the City at year end for confirmation;
- (3) Management Controls – The auditors noted through using computer audit assisted techniques that there were two entries by system administrators. In performing these tests the auditors communicated that entries were valid and appropriately signed off. The auditors made note of this in our discussion.
- (4) Employee Future Benefits - The auditors agree with the work of the outside specialists and noted that the accounting and recording approach used by management in presenting this information on the Exhibition Place financial statements as an expenditure and confirmed that the assumptions used by Buck in its evaluation is reasonable and all

disclosures are appropriate for financial statement purposes. In addition, the auditors utilized their own internal expert to assess the appropriateness of the assumptions and estimates used by the actuary.

Memorandum/Letter of Recommendations (Section 5)

This is the section of the audit results where the auditors make their suggestions and recommendations, based on audit findings, to improve the accounting and internal control procedures. During the 2012 audit, the auditors did not discover any significant deficiencies in internal controls, but made one recommendation for improvement in the current control environment which management is receptive to and will implement. The auditors have also provided an update on the status of the 2011 prior year internal control recommendations for the benefit of the Finance & Audit Committee.

Summary of Adjusted and Unadjusted Audit Differences (Appendix B)

There were three unrecorded audit differences for 2012. Two for reclassification purposes and the other unrecorded audit difference for the Exhibition Place program if recorded in the financial statements would have the impact of increasing net income by \$38,329.

Independence Letter from Price Waterhouse Coopers (Appendix D)

Price Waterhouse Coopers confirm their independence as required by Canadian generally accepted auditing standards with respect to this audit engagement and state that there are no personal or business relationships that could impair this independence.

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Finance & Audit Committee