



Item No. 7

Exhibition Place

May 9, 2014

To: Board of Governors of Exhibition Place

FOR INFORMATION

From: Finance and Audit Committee

Subject: **Audit Results & Year End report for the Consolidated Financial Statements for Exhibition Place for the Year Ended December 31, 2013**

Summary:

This report presents for the information of the Finance & Audit Committee the audit results and Year End Report for the year ended December 31, 2013. The auditor of record for the Board, PricewaterhouseCoopers LLP (PWC), 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. 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. As noted in the full attached Audit Results, during the 2013 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 details can be found in full in the Attachment.

Financial Impact:

There are no financial implications to this report.

Decision History:

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.

A meeting of the Finance & Audit Committee was held on May 9, 2014 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.

Issue Background:

As part of their audit engagement for the Board, PWC 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 PWC 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 2013 overall audit approach compared to the one outlined in the audit planning document sent to the members of the Finance & Audit Committee on January 26, 2014.
- 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 proposed reclassification entry.
- 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 BMO Field 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:

- a) Revenue Recognition - The auditors noted the significant revenue streams. They include Building rentals, Food concessions, show services and parking;
- b) Completeness and accuracy of transactions with the City - The Board has many ongoing transactions with various City Departments such as trade receivables, trade payables, contribution to and from various reserve funds 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;
- c) Management Override of Controls – The auditors used computer assisted audited techniques to review significant and non-standard entries. PWC noted that based on their testing all entries are valid and properly authorized. There were no exceptions noted;
- d) 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 2013 audit, the auditors did not discover any significant deficiencies in internal controls, but made one recommendation (page 7 of the 2013 Year-End report) for improvement in the current control environment with BMO Field which management is receptive to and will implement. The auditors have also provided an update on the status of the 2012 prior year internal control recommendations for the benefit of the Finance & Audit Committee.

Summary of Adjusted and Unadjusted Audit Differences (Appendix B)

There was one unrecorded audit differences for 2013. This was for reclassification purposes. This entry has no impact on net income.

Independence Letter from PricewaterhouseCoopers (Appendix D)

PWC 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