

6

April 28, 1999

## EXHIBITION PLACE

TO: Finance Review and Audit Committee

FROM: Robert Hicks  
Director of Finance

SUBJECT: 1998 Auditor's Management Letter

### Recommendation:

**It is recommended that this report be received for information.**

### Discussion:

As an element of the annual review of the financial statements the Auditor will evaluate adequacy of controls and identify areas for potential improvement within a management letter.

The 1998 Management Letter from the Auditor, Ernst and Young, which is included as Item 2 of this Agenda, has identified four areas for potential improvement. We have reviewed these matters with the Auditor and provide the following comments:

### Auditor's Recommendation:

1. It is recommended that bank reconciliations be prepared on a more timely basis. A senior officer should also review the monthly bank reconciliations to ensure they are done on a timely basis and should follow up on any unusual items noted. It is also recommended that Exhibition Place implement better controls for the completeness of data sent to and received from Coverall.

### Management Response:

1. Agreed. The bank reconciliation is currently being undertaken on a monthly basis and has been completed for the period ending March 31, 1999. In order to ensure appropriate segregation of responsibility the reconciliation will be undertaken by the Supervisor, Cost Accounting, and approved by the Director of Finance on a monthly basis throughout the year.

### Auditor's Recommendation:

2. It is recommended that Annual Exhibition transactions be posted on a daily basis.

Management Response:

2. Agreed. Transactions shall be posted to the General Ledger on a daily basis for the 1999 Exhibition. It should be noted that information (e.g. daily attendance, concession sales, cash and casino deposits, etc.) was available and presented to senior management of the CNEA during scheduled daily meetings throughout the 1998 exhibition.

Auditor's Recommendation:

3. It is recommended that a policy be implemented that ensures the accounting department is responsible for outstanding receivables and the ageing be reviewed by group sales.

Management Response:

3. Agreed. A policy has recently been developed in conjunction with staff of the CNEA to ensure that all group sales are invoiced when tickets are issued on consignment. Accounting staff shall continue to provide CNEA staff with aged receivable listings to identify accounts which remain outstanding.

Auditor's Recommendation:

4. It is recommended that deferred revenue be recognized only for cash received in advance.

Management Response:

4. The auditors have agreed to remove Point 4, as it is not material.

**Conclusion:**

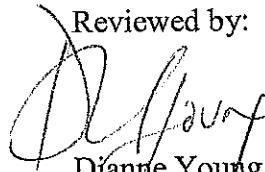
The observations and recommendations outlined in the Management Letter have and/or shall be integrated into the practices of the Exhibition Place Finance Division. These actions will complement ongoing initiatives designed to strengthen internal controls, timeliness of transaction processing and distribution of comprehensive financial information to management staff and the Board of Governors.

Submitted by:



Robert Hicks  
Director of Finance

Reviewed by:



Dianne Young  
Interim General Manager

The foregoing report was reviewed by the Finance Committee at its meeting held April 30, 1999 and is recommended to the Executive Committee for INFORMATION.



Board of Governors of Exhibition Place  
Exhibition Place  
Toronto, Ontario  
M6K 3C3

To the Board of Governors:

During our study and evaluation of Exhibition Place's system of internal accounting control, some opportunities for improvement came to our attention. These matters are discussed below for your information and further consideration.

These comments outlined below concern controls and areas for potential improvement and are not intended to reflect in any way upon your personnel. The purpose of this letter is to document our observations and recommendations arising from the audit.

#### 1. Observation

During the audit it was noted that bank reconciliations were not prepared on a timely basis. Bank reconciliations were 2-3 months behind. As a result, several errors were noted on the reconciliations. For example there was improper segregation of CNEA and BOG cash activities. Also, this impacted the data given to "Coverall", the third party company who processes cheque reconciliations. In many instances, Coverall did not have the most recent cheque data and the information received back from Coverall was not totally reliable. This made decisions related to customer credit and other financial matters difficult.

#### Recommendation

It is recommended that bank reconciliations be prepared on a more timely basis. A senior officer should also review the monthly bank reconciliations to ensure they are done on a timely basis and should follow up on any unusual items noted. It is also recommended that Exhibition Place implement better controls for the completeness of data sent to and received from Coverall.

#### 2. Observation

During the audit it was noted that there were significant delays in the journalizing and posting of Annual Exhibition transactions. Deposits were made daily, however, they were not posted until December. As a result, up to date information was not always available and any items requiring follow-up were difficult to resolve.

#### Recommendation

It is recommended that Annual Exhibition transactions be posted daily throughout the fair.

#### 3. Observation

During the audit it was noted that there was not adequate follow-up of outstanding receivables related to group sales' accounts. Group sales personnel were not communicating with accounting personnel. This increased the risk of uncollected cash and unrecorded revenues.



#### Recommendation

It is recommended that a policy be implemented that ensures the accounting department is responsible for outstanding receivables and the ageing be reviewed by group sales.

#### 4. Observation

During the audit it was noted that the National Trade Centre recorded deferred revenue for advanced billings. The implication is that an accounts receivable and corresponding liability are recorded. For the current year this represented approximately \$500,000. It was concluded that for the current year these amounts were not significant, however if the practice continues and the amounts increase, this practice could result in a misleading presentation of the balance sheet.

#### Recommendation

It is recommended that deferred revenue be recognized only for cash received in advance.