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The following report was reviewed by the Finance & Audit Committee at its meeting of May 17, 2001 and is referred to the Board of Governors for INFORMATION.

May 9, 2001

To: Finance and Audit Committee
Board of Governors for Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: 2000 Auditor's Management Letter

Recommendation:

It is recommended that this report be received for information.

Background/Discussion:

As an element of the annual review and audit of the financial statements, auditors normally provide their clients with a management letter or memorandum of recommendations which contains recommendations for the improvement of financial and accounting internal control procedures.

The 2000 management letter attached from Exhibition Place's external auditors, Ernst & Young LLP, identified three areas where potential improvements could be made. Exhibition Place Finance Division has reviewed the recommendations with Ernst & Young and the following comments are provided:

Auditor Recommendation # 1

During our review of bank reconciliations at Exhibition Place, we noted that that the CIBC has been consistently clearing the same cheque more than once.

The Board should review this problem with the bank and determine what action would best resolve the problem.

Exhibition Place Management Response

Agreed. This matter has been an ongoing problem with the CIBC in 2000 and a number of these situations have taken an unreasonably long period of time to resolve. All of the large dollar-value situations have been corrected. The CIBC branch manager has been contacted about this matter and Exhibition Place will be seeking assurances from the bank that this problem will not occur in the future.

Auditor Recommendation # 2

During our review of accruals, Ernst & Young noted that group sales owing to Conklins and Ontario Place were being accrued later in the year than compared to the same period before. This was a result of a delay in reconciliation of group sales admission tickets. Reconciliations were not performed until well after the end of the fiscal year.

Reconciliation should be made no later than 2 months after the CNE is closed.

Exhibition Place Management Response

Agreed. It is recognized that the identification of the amounts owing to the CNEA under the group sales program and the collection of such amounts was particularly difficult for 2000. One of the reasons for this difficulty is that the volume increased by 75% in 2000. Also the advance group sales are marketed on consignment which leads to delays in securing final payment after the CNE. However, all group sales contracts state that full payment is expected on September 30th.

A CNEA employee has been designated to be responsible for group sales in 2001 and the management of the CNEA, together with the Finance Division of Exhibition Place, will work together to ensure that the 2001 group sales reconciliation will be done within the time frame recommended by the auditor.

Auditor Recommendation # 3

During our review of the CNEA Foundation's accounts we noted a grant was made under the Foundation's name, however the cheque was issued and cleared through the Board of Governor's bank account and was recorded in both entity's accounting records as intercompany transactions.

Future donations should be made directly from the Foundation's bank account independent of the Board of Governors

Exhibition Place Management Response

It is agreed that this transaction was not handled in the proper manner and the donation should have made directly from the Foundation's bank account.

This particular case refers to the donation of \$2,000 to the Boy Scouts from the Foundation. The Finance Division of Exhibition Place will ensure that all future disbursements or receipts related to the Foundation will be reflected only in the Foundation's accounts.

Conclusion

This report describes the recommendations in the 2000 management letter and indicates how these recommendations will be integrated into the accounting practices of the Exhibition Place Finance Division.

Contact:

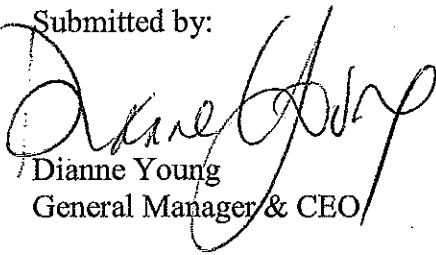
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Submitted by:



Dianne Young

General Manager & CEO

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May 7, 2001

Paul Egli
Director of Finance
The Canadian National Exhibition
Exhibition Place
Toronto, Ontario
M6K 3C3

Dear Paul:


Re: 2000 Memorandum of Recommendations

Our examination of the consolidated financial statements of The Canadian National Exhibition for the year ended December 31, 2000 has been completed. As part of our examination we studied and evaluated each entity's internal controls to the extent we considered necessary under generally accepted auditing standards. This was done to establish a basis for relying on such controls in determining the nature, timing and extent of the other auditing procedures necessary to enable us to express an opinion on the company's financial statements. The points that we have noted refer to observations that we believe are relevant during the year and during the period that we did our subsequent period testing and verification. The study was not designed to determine whether the company's internal controls are adequate for management's purposes.

Accordingly, our examination of the financial statements, including the study and evaluation of internal controls, will not necessarily disclose all conditions requiring attention because both the audit and the study involve selected tests of accounting records and related data. However, during our examination, we have discovered opportunities for improvements in certain of the company's internal controls. The attached memorandum of recommendations is enclosed for your information.

The comments outlines in the memorandum concern controls and areas for potential improvements and are not intended to reflect in any way upon the company's personnel. The purpose of this memorandum is to document our observations and recommendations arising from the 2000 audit. Should you wish to discuss the memorandum in further detail, we would be pleased to do so.

Yours sincerely,



Carla Jones/Diana Brouwer
Encl.

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
DECEMBER 31, 2000
MANAGEMENT LETTER POINTS**

Banking with CIBC – Exhibition Place

Observation

During our review of bank reconciliations at Exhibition Place, we noted that the CIBC has been consistently clearing the same cheque more than once.

Implication

This makes it more difficult for the reviewer of the bank reconciliation to review , creating the potential to overlook a potential fraud from occurring. Finally, cash flow of the CNE could suffer as the bank holds onto the funds until the matter is investigated. In some instances this investigation has taken over six months to be resolved.

Recommendation

The Board should review the problem with the bank and determine what action would best resolve the problem.

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
DECEMBER 31, 2000
MANAGEMENT LETTER POINTS**

Group Sales Reconciliation – CNEA

Observation

During our review of accruals, EY noted that portion of group sales owing to Conklins and Ontario Place were being accrued later in the year than compared to the same period before. This was a result of the delay in reconciliation of group sales admission tickets. Reconciliations were not performed until well after the end of the fiscal year.

Implication

The longer the group sales are unreconciled the less likelihood full collection of these amounts will be made. In addition, it significantly slows down the finalising of CNEA operating results for the year.

Recommendation

Reconciliation should be made no later than 2 months after the CNEA is closed

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
DECEMBER 31, 2000
MANAGEMENT LETTER POINTS**

CNE Foundation

Observation

During our review of CNE Foundation's accounts, we noted a grant was made under the Foundation's name, however, the cheque was issued and cleared through the Board of Governor's bank account and was recorded in both entity's accounting records as inter-company transactions.

Implication

The books of the foundation should stand on their own. It is not normal practice to operate a foundation in this manner. The recipient of the grant could be confused as to the donor. Depending on the funding source the recipient needs to complete certain field in their charity return differently. In addition, the independence of the foundation from the Board of Governors is not as apparent as it could be.

Recommendation

Future donations should be made directly from the Foundation's bank account independent of the Board of Governors.