

The following report was reviewed by the Finance & Audit Committee at its meeting of April 19, 2002 and is referred the Board of Governors for INFORMATION.

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April 16, 2002



EXHIBITION PLACE

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

From: Dianne Young
General Manger & CEO

Subject: 2001 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 provide their clients with a management letter or memorandum of recommendations. This management letter usually contains recommendations for the improvement of financial and accounting internal control procedures.

The attached 2001 management letter dated April 15, 2002, from Exhibition Place's external auditors, Ernst & Young LLP, identifies four areas where potential improvements could be made. These areas have been reviewed with Ernst & Young audit staff and Exhibition Place management have provided the responses as noted in the letter under "Management's Response".

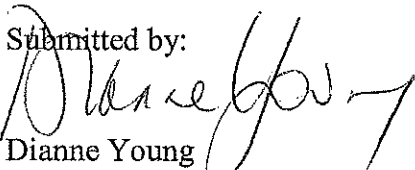
Conclusion

This report attaches for consideration of the Board the Management Letter provided by Ernst & Young LLP and Exhibition Place's response to the issues raised.

Contact:

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Submitted by:



Dianne Young
General Manager & CEO

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April 12, 2002

Mr. Paul Egli
Director of Finance
The Board of Governors of Exhibition Place
Exhibition Place
Toronto, Ontario
M6K 3C3

Dear Paul:

Re: 2001 Memorandum of Recommendations

Our examination of the consolidated financial statements of The Board of Governors of Exhibition place and non-consolidated financial statements of The Canadian National Exhibition Association for the year ended December 31, 2001 has been completed. As part of our examination we studied and evaluated each entity's internal controls to the extent we considered necessary under Canadian 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 companies' 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 companies' internal controls. The attached memorandum of recommendations is enclosed for your information.

The comments outlined in the memorandum concern controls and areas for potential improvements and are not intended to reflect in any way upon the companies' personnel. The purpose of this memorandum is to document our observations and recommendations arising from the 2001 audit. Should you wish to discuss the memorandum in further detail, we would be pleased to do so.

Yours sincerely,

Ernst & Young LLP

Carla Jones/Diana Brouwer
Encl.

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE/CNEA
DECEMBER 31, 2001
MANAGEMENT LETTER POINTS**

Banking Procedures – Exhibition Place/CNEA

Observation

During our review of the bank reconciliations, we noted a significant adjusting entry made to reconcile the bank balance in August 2001. This amount was not subsequently reconciled and remained an adjustment on the reconciliation at year-end. Management was aware of non-reconciling item when the difference occurred. However, follow up and reconciliation of this particular difference did not occur until year-end when senior management became aware of it.

Implication

Failing to reconcile the bank balance and follow up on significant reconciling items creates difficulties in proper reporting and recording of financial information.

Recommendation

Formal procedures should be established regarding monthly bank reconciliations.

Management's response

The Finance Division is committed to timely bank reconciliations and these have been satisfactorily carried out for the other months of the year in 2001 and in previous years.

The August 2001 bank reconciliation was reported to the manager overseeing this function who failed to bring it to the attention of senior management. Since November 2001, the oversight mechanism for this function is with the new Accounting Manager

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE/CNEA
DECEMBER 31, 2001
MANAGEMENT LETTER POINTS**

Credit Accounts Receivable Balances – Exhibition Place/CNEA

Observation

During our review of your records, we noted a material amount of credit balances in the accounts receivable sub-ledger.

Implication

These amounts are not appropriately reflected in accounts receivable and the true asset/liability may not be appropriately stated for financial statement reporting purposes.

Recommendation

A detailed review of accounts receivable should be performed to ensure all true receivables/payables are recorded appropriately. A detailed review of all credit balances in accounts receivable should be made at each month end for financial reporting purposes. Monthly financial statements should show the gross amount of accounts receivable, as well as the amounts received in advance of an event.

Management's response

In the normal course of business for the BOG and the CNEA various customers and clients make advance deposits on account pursuant to agreements but before invoicing.

Examples for the CNEA are new clients who are reserving exhibit space and make a deposit upon signing the contract and the invoice for the balance follows shortly. An example on the BOG side is the Liberty Entertainment Group, which carried a large credit balance for most of 2001 because of the advance rental payment prior to construction.

As of December 31, 2001 these credit balances represented \$85,505 on the CNEA side and \$301,693 on the Board's statements or approximately 10% to 15% of the net value of the receivables. However, given the audit concern, in future the credit balances will be disclosed separately for financial reporting purposes and any long- standing dormant credit balances will be addressed in a timely manner.

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE/CNEA
DECEMBER 31, 2001
MANAGEMENT LETTER POINTS**

***Accounts Receivable Sub ledger/General Ledger Reconciliation –
Exhibition Place/CNEA***

Observation

During our review of your records, management made us aware that the sub-ledger and general ledger did not balance.

Implication

It is difficult to determine if the accounts receivable balance is correct.

Recommendation

The sub-ledger and general ledger should be reconciled on a monthly basis.

Management's response

It has not been the customary practice of the organization to reconcile account receivable on a monthly basis but in light of the auditors' concerns about this activity, a member of the Finance staff has been assigned this task and monthly reconciliations will be implemented in 2002.

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE/CNEA
DECEMBER 31, 2001
MANAGEMENT LETTER POINTS**

Miscellaneous Accounts – Exhibition Place/CNEA

Observation

During our review of your records, we noted numerous entries to various asset and liability accounts. Although this practice is not new to the organization, the use of the accounts has increased over prior years:

Implication

Having accounts that house a variety of unrelated accounting entries makes it difficult to reconcile them on a monthly basis in order to determine whether or not the balances are accurate for accounting purposes.

Recommendation

Procedures should be put in place to limit the entries that can be booked through these accounts. New accounts should be established for significant entries (terminations, etc.) so that they can be tracked appropriately. This will help improve the speed of monthly reconciliation's and minimize the analysis time when preparing financial reports.

Management's response

Management will review the transactions that are being put through these accounts on a regular basis. This will determine which new accounts are needed to be set up to better track transactions. In addition, we will be reconciling these on a monthly basis to ensure they are clearing appropriately.