



## STAFF REPORT ACTION REQUIRED

### Report Title **2006 Audit Results for Exhibition Place**

<b>Date:</b>	May 29, 2007
<b>To:</b>	Audit Committee
<b>From:</b>	Dianne Young, Chief Executive Officer/Exhibition Place
<b>Wards:</b>	<b>19</b>
<b>Reference Number:</b>	

#### **SUMMARY**

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This report presents the “Audit Results” Document for the Consolidated Financial Statements for Exhibition Place from Ernst & Young, LLP, the external auditors for 2006.

#### **RECOMMENDATIONS**

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The Chief Executive Officer of Exhibition Place recommends that City Council receive the audit results attached as Appendix “A” to this report which pertain to Exhibition Place for year ended December 31, 2006 for information.

#### **FINANCIAL IMPACT**

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There are no financial implications to this report.

#### **DECISION HISTORY**

At its meeting of May 4, 2007, The Board of Governors of Exhibition Place reviewed the audit results for Exhibition Place for the year ended December 31, 2006 and referred subject report to City Council for its information and review.

#### **ISSUE BACKGROUND**

As a local board of the City of Toronto, the Board of Governors is required to approve its year-end financial statements and related communications from the auditors for submission to the City.

## **COMMENTS**

As part of their audit engagement for the Board of Governors of Exhibition Place, Ernst and Young, the external auditors, provide a comprehensive reporting document to the Finance & Audit Committee of Exhibition Place.

This document is a direct communication from the auditors to the Committee and ultimately to the governing body of the organization. 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 professional accounting standards.

The financial statements package contain the auditor's opinion that the financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2006 and the results of its operations for the year ending December 31, 2006 in accordance with Canadian generally accepted accounting principles.

The Audit Results report from Ernst & Young is divided into various sections and these are described in the balance of this report.

### Required Communications

This section covers a wide variety of topics such as the auditors' responsibilities, accounting estimates, discussions with management, auditors' independence and fees charged on this engagement. Some of the key communications in this section are that:

- There were no significant changes in 2006 in the overall audit approach compared to the audit planning document
- There were no significant audit adjustments related to the current year
- There were no significant unusual transactions related to the current year
- There were no disagreements with management on financial accounting and reporting matters
- No material weaknesses in internal control were identified

### Items of Audit Significance Discussed with Management

The following issues were discussed with management:

#### (i) Contingencies – 2005 Injured Workers

It was agreed in 2005 that the electricians involved in a serious workplace accident in August 2005 prior to the CNE were employees of the Board of Governors. During 2006, charges were laid under the Occupational Health and Safety Act against the Board. The claim is still being remediated, however, an amount has been provided for the potential outcome in the Board's statements. The auditors has also communicated with City legal on this matter and agree with the accounting and reporting treatment used to record the potential costs.

(ii) Direct Energy Sponsorship Agreement

During 2005 the Board entered into a sponsorship agreement with Direct Energy in regards to the naming rights of the previous National Trade Centre. The agreement is effective for the year commencing in 2006. The Board also has an agreement with the City to set aside revenues from the naming rights into the Exhibition Place Reserve Fund to fund environmental initiatives and specifically funding such initiatives as part of the Automotive Building Conference Centre. The auditor is bringing to the attention of the Board that the accounting and reporting treatment for the naming deal and its related reserve have been transacted properly.

(iii) Energy Retrofitting Program

During August 2006, the Board completed a lighting retrofit program within the Direct Energy Centre. The project is part of a City wide program called the "Energy Retrofit Program" where the City funds the costs through their own capital program. The arrangement with the City is such that any energy savings realized from the retrofitting will be transferred back to the City to repay its capital costs. The auditors concur with the accounting and reporting treatment within the 2006 financial statements.

(iv) Lieu Time

The Board and the CNEA allows its employees to accumulate time to be taken off later which is an accrued liability as at December 31, 2006. An adjustment of \$45,993 was made in the current year statements to record the costs and to reflect the liability; the employees had all used their outstanding lieu time by April 30th of the following calendar year at which time it will expires.

(v) Employee Future Benefits

The auditors confirmed that there have not been any significant changes in 2006 in the employee benefit programs offered by the organization that would have an impact on the previously prepared actuarial evaluations.

(vi) Internal Reorganization

During 2006, the Board underwent a review of its governance and reporting structure. The result of the review was a reorganization of management reporting effective January 1, 2007. The auditors are bringing to the Board's attention that all costs, including termination packages related to the reorganization have been accounted for properly.

(vii) Changes to the 2006 Financial Statements

In the 2006 financial statements various notes to the financial statements have been updated or changed. The auditors are in agreement with these changes to the notes to the 2006 financial statements.

Summary of Audit Differences

There were no differences noted for Exhibition Place in 2006.

Independence Letter from Ernst & Young

Ernst & Young confirm their independence with respect to this audit engagement and state that there are no personal or business relationships that could impair this independence.

Memorandum of Recommendations

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 2006 audit, the auditors did not discover any significant opportunities for improvements in the current control environment

**CONTACT**

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**SIGNATURE**

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**ATTACHMENTS**

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