



## INFORMATION ONLY

### Audit Results for Exhibition Place – December 31, 2011

<b>Date:</b>	May 31, 2012
<b>To:</b>	Audit Committee
<b>From:</b>	Dianne Young, Chief Executive Officer, Exhibition Place
<b>Wards:</b>	N/A
<b>Reference Number:</b>	

#### SUMMARY

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This report presents for the information of the Audit Committee and City Council the audit results and Year End Report for the year ended December 31, 2011. The auditor of record for the Exhibition Place, Price Waterhouse Coopers LLP, audits these statements in accordance with generally accepted auditing 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 2011 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 can be found in full in the Attachment.

#### Financial Impact

There are no financial implications to this report.

#### DECISION HISTORY

Audit Results for Exhibition Place are required to be submitted on an annual basis to the Board of Governors of Exhibition Place ("the Board"), and ultimately to the City of Toronto.

At its meeting of May 25, 2012, the Board of Governors of Exhibition Place received this report and referred it to Audit Committee and City Council for its information.

## **ISSUE BACKGROUND**

As part of their audit engagement for Exhibition Place, Price Waterhouse Coopers LLP provide a report to the Board assist in its review of the consolidated financial statements. This document is a direct communication from the auditors to the Board and ultimately to City Council. 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 Price Waterhouse Coopers LLP 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 2011 overall audit approach compared to the one outlined in the audit planning document sent to the Board's Finance & Audit Committee members on December 21, 2011.
- 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 three reclassification adjustments.
- There were four recorded audit differences but these adjustments had no impact to the Board's net income. The major recordings consisted of correcting a step up lease for one tenant and reclassifying revenues on a gross up basis that was previously reported on a net basis.
- 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 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:

- (1) Transition and conversion to Canadian public sector accounting standards (PSAS) - The Board has determined that it is classified as an Other Government Organization (OGO) and has adopted PSAS. Commencing with the 2011 fiscal year these financial statements are the first to which the Board has applied Canadian PSAS. To comply with the new standards, accounting changes have been applied retroactively with the restatement of prior periods;
- (2) Revenue Recognition - The auditors noted the significant revenue streams related to the CNEA and their audit approach and test of controls performed;
- (3) Related Party Transactions with the City - The Board has many ongoing transactions with various City Departments such as trade receivables, trade payables 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; and
- (4) Employee Future Benefits - In the actuarial projections developed by Buck Consultants on the City's behalf to estimate the future costs of employee benefits, there is no distinction made between employees of the CNEA and the Board. 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 2011 audit, the auditors did not discover any significant deficiencies in internal controls, but made one recommendation for improvement in the current control environment which management is receptive to and will implement. The auditors have also provided an update on the status of the 2010 prior year internal control recommendations for the benefit of the Board's Finance & Audit Committee.

#### Summary of Adjusted and Unadjusted Audit Differences (Appendix B)

There were three unrecorded audit differences for 2011. The unrecorded audit differences for the Exhibition Place Program if recorded in the financial statements would have the impact of increasing net income by \$429,564. The unrecorded audit differences that were recorded and accounted for in the books in previous years are primarily related to potential liability for legal issues.

There were four adjusted items, one of which is for reclassification of a balance sheet item related to tenants step-up leases; two items for BMO Field reclassifying revenues from third party billings and suite rental on a gross up basis that was previously reported on a net basis; and one entry to correct and reclassify service revenue and expenses. None of these four entries has any impact to the income statement.

Independence Letter from Price Waterhouse Coopers (Appendix D)

Price Waterhouse Coopers 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.

**CONTACT**

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Dianne Young, Chief Executive Officer  
Exhibition Place

**ATTACHMENTS**

Price Waterhouse Coopers LLP – 2011 Audit Results for Exhibition Place