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# *Board of Governors of Exhibition Place*

*2014 year-end report to  
the Audit Committee*

*Prepared as of  
April 22, 2015*





April 22, 2015

Members of the Finance and Audit Committee of  
Board of Governors of Exhibition Place

Dear Members of the Finance and Audit Committee:

We have substantially completed our audit of the financial statements of Board of Governors of Exhibition Place (the Board) prepared in accordance with Public Sector Accounting Standards (PSAS) for the year ended December 31, 2014. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included in Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

We will review the key elements of this report and discuss our findings with you at the upcoming meeting.

We would like to express our sincere thanks to the management and staff who have assisted us in carrying out our work, and we look forward to your meeting on April 29, 2015. If you have any questions or concerns prior to the Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

*PricewaterhouseCoopers LLP*

Terri McKinnon  
Partner  
Assurance

c.c.: Dianne Young, Chief Executive Officer  
Hardat Persaud, Chief Financial Officer

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## Communications to the Audit Committee

<b>Key matters for discussion</b>	<b>Comments</b>
Status of the audit	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> <li>• Comfort letter from Buck Consultants Limited</li> <li>• Management representation letter</li> <li>• Subsequent events procedures</li> <li>• Review of final financial statements and approval by the Board</li> </ul>
<b>Significant reporting matters</b>	<b>Our response</b>
<p><b>Revenue recognition</b></p> <p>The Board has several significant revenue streams including (but not limited to):</p> <ul style="list-style-type: none"> <li>• Building rentals;</li> <li>• Services; and</li> <li>• Parking</li> </ul>	<p>We have performed, where possible, tests of controls and detailed testing over each of the different revenue streams as follows:</p> <p>Building rentals:</p> <ul style="list-style-type: none"> <li>• Detailed testing over a sample of tenants and exhibitors to agree amounts recorded to their respective agreements and/or cash settlement.</li> <li>• Testing to ensure appropriate lease accounting for step rents and revenue recognition in accordance with PSAS.</li> </ul> <p>Services:</p> <ul style="list-style-type: none"> <li>• Detailed testing over a sample of services sold by agreeing amounts recorded to their respective agreement and/or cash settlement.</li> </ul> <p>Parking:</p> <ul style="list-style-type: none"> <li>• Controls over the reconciliation of cash collected to amounts deposited for attended lots were tested with no exceptions noted.</li> <li>• Detailed testing over parking lot revenues through reconciliations to cash deposited.</li> </ul>
<p><b>Completeness and accuracy of transactions recorded with the City</b></p> <p>The Board engages in many transactions with the City of Toronto and its various Agencies, Boards, and Commissions (the City).</p>	<p>We have obtained and tested management's reconciliation of amounts due to/from the City. We have confirmed loan balances as well as amounts due to and from the City, and have investigated all significant reconciling items.</p> <p>Confirmations have also been obtained in relation to the reserve balances that are disclosed in the notes to the financial statements.</p>

<b>Key matters for discussion</b>	<b>Comments</b>
<p><b>Employee future benefits payable</b></p> <p>The Board sponsors a defined benefit pension plan to its employees, for which the City fund this obligation.</p>	<p>We have obtained the actuarial report as of December 31, 2014 from the Board's external actuary, Buck Consultants. Using this report, we tested the accuracy of information provided by management to the actuary to use in their report.</p> <p>We also utilized our internal expert to assess the appropriateness of the assumptions and estimates used by the actuary in developing their conclusions.</p>
<p><b>Management override of controls</b></p> <p>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p> <p>This represents the risk that internal controls of the Board may be circumvented to achieve desired financial results or gain inappropriate access to financial resources.</p>	<p>Using computer assisted auditing techniques, we have assessed significant and non-standard manual journal entries recorded in the year and selected a sample of items for testing to ensure that the entries represent valid and appropriately authorized transactions. No exceptions were noted from our testing.</p> <p>We also incorporated unpredictable procedures into our audit by validating employee existence for a sample of employees and noted no exceptions.</p>
<p>Fraud and illegal acts</p>	<p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures.</p> <p>We wish to reconfirm that the Audit Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
<p>Summary of unadjusted items</p>	<p>As noted in our audit plan, materiality was calculated based on 3% of revenue for the year. Using the final revenue for the year, overall materiality was revised to \$1,300,000 with a threshold for reporting unadjusted and adjusted items of \$130,000.</p> <p>As a result of our audit, we did not identify any unadjusted items above our threshold.</p> <p>In our opinion, the financial statements, taken as a whole, are free of material misstatement.</p>
<p>Internal controls recommendations</p>	<p>We have noted one new internal control recommendation as a result of our audit and have included an update to prior year recommendations made, which are included in Appendix B.</p>
<p>Subsequent events</p>	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to reconfirm that the Audit Committee is not aware of any other subsequent events that might affect the financial statements.</p>
<p>Management representations</p>	<p>Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the draft management representation letter is included in Appendix C.</p>

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## ***Appendix A: Draft auditor's report and financial statements***

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## ***Appendix B: Internal control recommendations***

**Current year observations - 2014**

<b>Item</b>	<b>Recommendation</b>	<b>Management's response</b>
<p><b>Accuracy of employee data in Position Database</b></p> <p>The Board uses a Positions Database for the purposes of tracking employee vacation entitlement. This database includes information such as job class code which serves to automatically calculate vacation entitlement based on the Board's vacation policy as well as route vacation approvals to the employee's supervisor.</p> <p>In performing procedures over the vacation accrual, we noted that there was a credit vacation balance. Upon further investigation, we noted that upon the conversion to the automated vacation approval process that one employee was classified under the wrong job class code in the Positions Database, resulting in inaccurate vacation information. When HR found this in 2014, they corrected the employee vacation entitlement resulting in the credit vacation balance to this employee.</p> <p>This increases the risk that employees are potentially accruing vacation days at the incorrect rate or that vacation usage is potentially not being approved by the appropriate individual, which in turn increases the risk that vacation accruals are misstated. We noted this to be an isolated incident no other errors were noted in our expanded sample.</p>	<p>We recommend that HR perform regular checks over newly hired employees and employees with salary changes to ensure that their job class in the Positions Databases is in line with their job title.</p>	<p>We discussed this item with both the Board's HR and Finance staff. They have noted this as an exception. Annually, all new hires have their information in the employee Positions Database reviewed for accuracy by HR staff.</p>

## Update on prior year observations - 2013

Item	Recommendation	Management's response
<p><b>Unrestricted access to staff members</b></p> <p>As part of our assessment over IT general controls, it was noted that members of the Finance department were granted "poweruser" roles which allowed them access to all areas in Great Plains (including payroll).</p>	<p>As a best practice, we recommend the following:</p> <ul style="list-style-type: none"> <li>• A specific role (access profile) is given to each employee to ensure segregation of duties.</li> <li>• In particular, access to the Payroll module should be restricted to only those who need to access the Payroll module.</li> <li>• Management level staff should have read-only access.</li> <li>• If needed, only one member of finance should be granted access.</li> </ul>	<p>Microsoft Great Plains has templates for various roles. Given the nature of Exhibition Place business, the staff may have tasks that overlap with these pre-packaged roles. Poweruser status is only provided over the payroll accounting for time entry and not to the actual posting of payroll to the Board's payroll service provider, ADP. Only approved time entry batches can be posted to ADP by the Payroll Manager and only payroll staff have control over final posting to ADP.</p> <p>The information in the payroll module is used for job costing of shows so individuals were granted access to payroll module. This approach was also taken to reduce downtime when a staff member is away, which can occur due to the small payroll team.</p> <p>Compensating controls are in place to mitigate risk primarily through detailed review of accounts against budgets and historical information.</p> <p>It should be noted that a change in user's permissions for a particular item may affect their ability to update information that IT staff are not aware of (i.e. restriction in a particular field or table may prevent updates in some of the over 800 back-end system tables in Great Plains. Absolute documentation of all the fields, tables and permission settings are not readily available in Great Plains to guarantee a change or restriction does not impact other accounting or reporting functions.</p> <p>Despite many of the challenges discussed above, management has made an overall effort to restrict employee access to only the modules and tables needed for their respective job role. Employees in the accounting function have had their access to the payroll module removed and management is finalizing the process of implementing additional controls over preventing cheque writing ability for the employees in the payroll function.</p>

### 2014 Update

Based on our testing over IT general controls and through discussions with management, there continues to be individuals with "poweruser" access. In 2012, management incorporated new user roles to better segregate access within the Finance and Payroll functions. For example, an "ASR" role was created for members of Finance which does not allow for any payroll posting. Similarly, a "PSR" role was created for payroll personnel with the intention of providing access to the payroll modules while preventing access to cheque writing. In 2014, Finance and IT staff worked with the Board's service provider, TGO, to restrict employee access to only the modules and tables needed for their respective job role. TGO was able to streamline the security settings of each role with the back end tables and as such, did not require the use of any audit tool function. Poweruser access has been limited to an as required basis for trouble shooting issues as approved by the CFO's office. To address the risk of poweruser access, there are compensating controls surrounding journal entry approvals, cheque signing controls, and reconciliation processes.



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## ***Appendix C: Draft management representation letter***

