

Revenue / Receivable Process Controls Audit

Date: September 13, 2017
To: The Board of Governors of Exhibition Place
From: Dianne Young, Chief Executive Officer
Wards: All Wards

SUMMARY

The City of Toronto Internal Audit Division was engaged by Exhibition Place in 2017 for the review of the Revenue and Receivable Process Controls. This audit is the second year of a three (3) year cycle in respect to overall risk assessment of operations.

Attached as Appendix "A" is the Internal Audit Report prepared by the Director, Internal Audit that summarizes issues of the review, the auditor's suggestions and recommendations. Management has provided responses to the audit findings which will help to improve the Board's overall accounting and internal control procedures.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board receive this report for information.

FINANCIAL IMPACT

There are no financial implications to this report.

DECISION HISTORY

The Exhibition Place 2017 - 2019 Strategic Plan has a Financial Goal to ensure the effective monitoring of costs and revenues and as a Strategy to support this goal we will seek to strengthen controls and processes through a review of our financial systems.

At its meeting of July 31, 2016, the Finance & Audit Committee approved a three-year cycle to undertake key business / operational audits at Exhibition Place.

COMMENTS

The three year plan for Exhibition Place approved by the Finance & Audit Committee identified audits in the following areas:

2016	Parking Operations (completed by PWC)
2017	Revenue/Receivable Process Controls
2018	Payroll, Benefits and related process and procedures

In addition to the Board's three year plan, a risk assessment by the City Auditor General Office ("AGO") is done every 5 years. The last AGO review of risk assessment of Exhibition Place operations was done in 2014. The risk assessment process is intended to provide the AGO with a risk ranking of Exhibition Place relative to other units across other City divisions, agencies, and corporations. In previous years, Exhibition Place may have been included on the AGO's annual Work Plan, however, based on other emerging issues at the City and audit demands by City Council, Exhibition Place is not on this annual Work Plan. Accordingly, in 2016 Exhibition Place met with the Director, City Internal Audit -Office to include in its 2017 Work Plan a review of the Exhibition Place revenue and receivable processes for Exhibition Place, Enercare Centre and Beanfield Centre.

As per the December 31, 2015 financial statements, combined annual revenues totaled approximately \$54.2M, of which revenues from events (which include meetings, conferences, festivals and trade and consumer shows) accounted for over 70% (\$38.8 million) broken down as follows:

Building rental	\$19.6 million
Sale of Services	\$19.2 million
Total Event Revenue	\$38.8 million

The report from the City attached as Appendix A includes:

- 1) Objectives
- 2) Audit Methodology
- 3) Findings with recommendations and management responses

Objectives of Review

The objective of this review by City Internal Audit staff was to assess whether:

- 1) Adequate controls and procedures exist and are working effectively to ensure accuracy and completeness of revenues, recovery of costs, including billings and collection;
- 2) Ensure consistency and compliance of actual practices with the documented policies and procedures and to identify any areas of potential weakness in design and /or operating effectiveness of controls, and

2) Potential opportunities for operational improvements and process efficiencies.

The review covered building rental and sales of service agreements and related transactions for the period from January 1, 2016 to May 31, 2017 (17 months).

Audit Methodology

- 1) An assessment of the processes and procedures with respect to event billings, collections and cash/cheque handling.
- 2) An examination on a sample basis of agreements and related transactions, such as deposits, invoice billings, collections and final settlement.
- 3) A review of the job costing system and processes used to determine charges for services provided by Exhibition Place.
- 4) Discussions with Exhibition Place staff responsible for negotiation of agreements and processing of revenue billings, collections and deposits.
- 5) A review and examination of other relevant documents and records as required.

Findings and Recommendations with Management Response

The City Internal Audit findings were that Exhibition Place has effective procedures and controls in place to ensure that:

- 1) Rental and sales of service revenue is invoiced to licensees accurately and timely;
- 2) Payments are received prior to events and properly recorded; and
- 3) Revenue is recognized in the proper period.

City Internal Audit also identified on pages 3 to 5 of its Report three (3) opportunities for further improvement:

- 1) Integration of Event Booking and Financial Systems.
- 2) Discounts provided at Management discretion.
- 3) Re-Assessment of Revenue Thresholds for Percentage Rent.

Management is receptive to the auditor suggestions and has since created a working group with appropriate departmental staff to further examine these opportunities and implement enhanced processes as detailed in Appendix A.

CONTACT

Hardat Persaud, Chief Financial Officer & Corporate Secretary, 416-263-3031,
hpersaud@explace.on.ca

SIGNATURE

Dianne Young
Chief Executive Officer

ATTACHMENTS

Appendix A - City Internal Audit Report, Revenue and Receivable Process Controls