
The North York Performing Arts Centre Corporation

*2016 year-end report
to the Finance, Audit
and Risk Management
Committee*

*Prepared as of
May 25, 2017*



pwc



May 25, 2017

Members of the Finance, Audit and Risk Management Committee of the Board of Directors
The Toronto Centre for the Arts

Dear Members:

We have substantially completed our audit of the financial statements of The Toronto Centre for the Arts (the organization or the Centre) prepared in accordance with Public Sector Accounting standards including standards that apply only to government not-for-profit organizations (PSAS +4200) for the year ended December 31, 2016. 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 as 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 at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work, and we look forward to our meeting on June 8, 2017. If you have any questions or concerns prior to the meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Michael Hawtin
Partner
Assurance

c.c.: Hayde Boccia, Chief Financial Officer
Clyde Wagner, President and CEO Civic Theatres Toronto

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

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

Communications to the Finance, Audit and Risk Management Committee

<i>Key matters for discussion</i>	<i>Comments</i>
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"> • Legal updates and subsequent events procedures; • Signed management representation letter; and • Review and approval of the financial statements by the Board of Directors.
Service deliverables	<p>We performed an audit of the organization's financial statements as of December 31, 2016 and for the year then ended prepared in accordance with PSAS + 4200.</p> <p>Our engagement letter, which has been signed by the City of Toronto (the City), sets out the terms and conditions for the audit as the independent auditor of the Centre for the above-mentioned year.</p>
Audit timeline	<p>We worked with management to develop this project timeline:</p> <ul style="list-style-type: none"> – Interim visit: November 23-24, 2016 – Year-end visit: April 3-7, 2017 – Year-end Finance, Audit and Risk Management Committee meeting: June 8, 2017 – Delivery of financial statements: upon resolution of above items and Board of Director's approval
Audit approach	<p>Our audit approach is a mixture of tests of internal controls and substantive testing. In the current year, our work included testing of key controls in the following areas:</p> <ul style="list-style-type: none"> • Purchases, payables and disbursements • Payroll <p>All material areas were subject to tests of detail and substantive analytical testing.</p>
Materiality	<p>Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements.</p> <p>We set our materiality of \$166,000 and are reporting unadjusted and adjusted items over \$8,300 to the Finance, Audit and Risk Management Committee as a result of the audit.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Significant accounting, auditing and reporting matters discussed with management	
Revenue recognition	<p>Management recognizes revenue based on separate criteria per revenue stream and ensures processes are in place to record revenue accurately and in the proper period.</p> <p>We selected a sample of revenue transactions for the year and agreed amounts recorded in the general ledger to supporting documentation, including dates of shows held during the year or other available evidence, to test for proper cut-off and accuracy of the amounts recorded.</p> <p>Amounts deferred on the statement of financial position were also tested using the same testing methodology. We noted no exceptions as a result of our testing.</p>
Risk of management override of controls	<p>Canadian auditing standards require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p> <p>We have assessed significant and non-standard manual journal entries recorded in the year and selected a sample of items for testing to test 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 and noted no exceptions.</p>
Related party transactions-City of Toronto	<p>As a significant amount of activity occurs between the Centre and the City, we requested a confirmation from the City of all amounts received during the year and balances outstanding at the year-end.</p> <p>We received an independent confirmation from the City of Toronto confirming the transactions and balances between City of Toronto and the Centre at year-end and were able to fully reconcile the amounts per confirmation to the financial statements.</p> <p>We have reviewed the financial statements note disclosure with respect to the relationship, transactions and balances with the City and have no matters to report. .</p>
Budgeted figures	<p>Currently, under PSAS for government not-for-profit organizations, presentation of the budgeted figures is not a requirement. This budgeted information has been presented and audited to comply with the City audit team's reporting requirements. We agreed the budgeted figures per the statement of operations to the City of Toronto's approved budget for the Centre. No issues were noted.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Other required communications	
Summary of unadjusted and adjusted items	As a result of our audit, we did not identify any adjusted or unadjusted misstatements.
Internal control recommendations	During the audit, we did not note any significant deficiencies. Our internal control recommendations are summarized in Appendix B.
Fraud and illegal acts	<p>We discuss fraud risk annually with management and Finance, Audit and Risk Management Committee. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes and have designed our audit procedures to address these risks.</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 Finance, Audit and Risk Management Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
Management's representations	Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter has been circulated separately to the Finance, Audit and Risk Management Committee.
Subsequent events	<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 Finance, Audit and Risk Management Committee is not aware of any other subsequent events that might affect the financial statements.</p>

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

Appendix A: Draft auditor's report



Independent Auditor's Report

To the Board of Directors of The North York Performing Arts Centre Corporation (operating as The Toronto Centre for the Arts)

We have audited the accompanying financial statements of The North York Performing Arts Centre Corporation (operating as The Toronto Centre for the Arts), which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets (liabilities) and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The North York Performing Arts Centre Corporation (operating as The Toronto Centre for the Arts) as at December 31, 2016 and the results of its operations, changes in its net financial assets (liabilities) and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Appendix B: Internal control recommendations

Internal control observation	Recommendation	Management's response
<p>Review of journal entries</p> <p>During the audit, we noted certain instances where manual entries were prepared and posted by the same individuals. A secondary review or approval was not obtained from another staff member or supervisor before posting to the general ledger.</p> <p>Absence of a review of manual entries prior to posting increases the possibility of error and/or fraud and can lead to inaccurate financial records.</p>	<p>We recommend that all entries pass through a proper preparation and review process where accounting staff prepare entries and the CFO or Senior Accountant review entries before they are posted to the general ledger.</p>	<p>The organization has a process in place requiring the review of journal entries prior to posting; however, management experienced challenges this year with significant staff turnover and flexibility was given during the past year in an effort to deliver timely financial information. Management will continue to reinforce procedures and reviews on a going forward basis given the extent of resources available to them.</p>

