



Board of Governors of Exhibition Place

(A Board controlled by the City of Toronto)

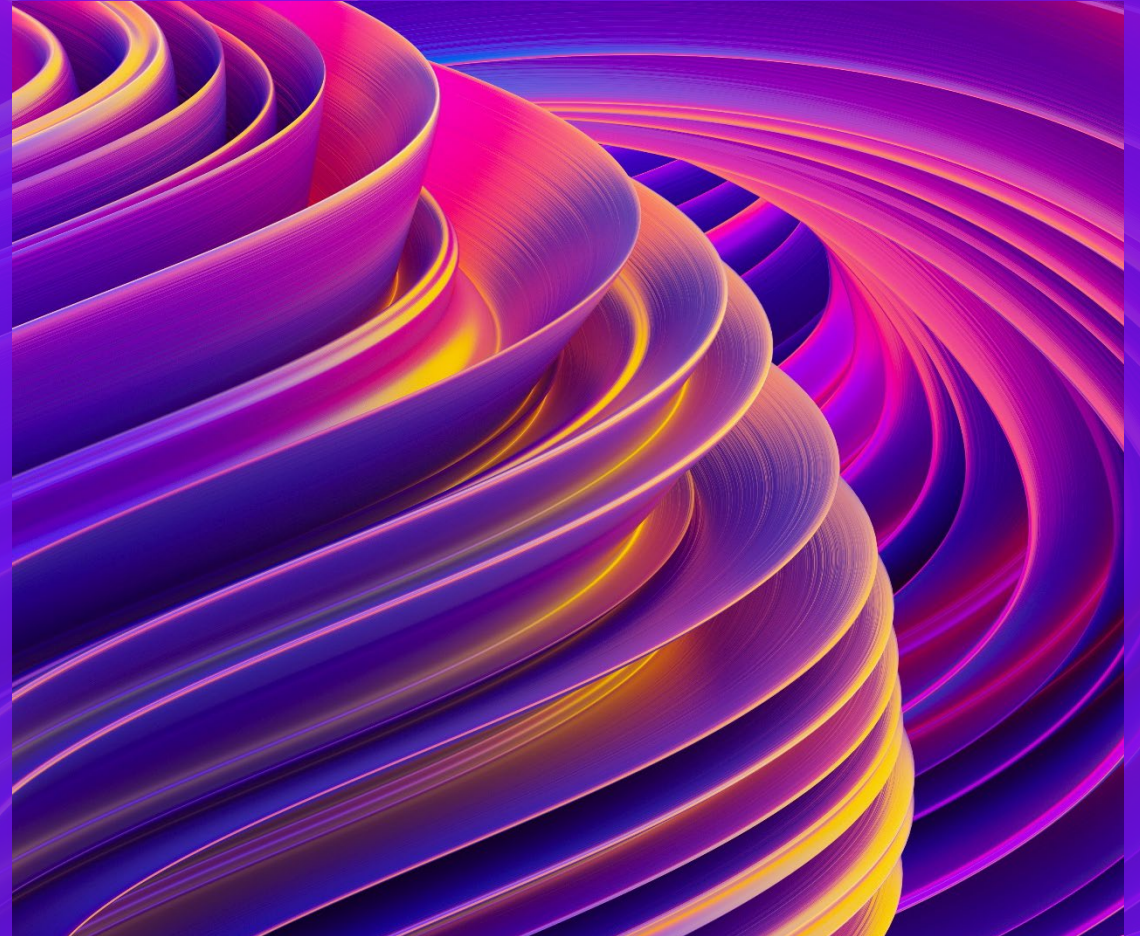
**Audit Findings Report
for the year ended December 31, 2023**

KPMG LLP

Licensed Public Accountants

Prepared as of March 28, 2024

kpmg.ca/audit



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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



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The purpose of this report is to assist you, as a member of the Board of Governors, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management and the Board of Governors, and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights



No matters to report



Matters to report – see link for details

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.



Group reporting

The Board of Governors of Exhibition Place (“Exhibition Place”) is controlled by the City of Toronto (the “City”) and thus Exhibition Place’s financial results are consolidated into the City’s consolidated financial statements. The audit engagement team for the City (the “Group auditor”) has noted that they will use the work of our audit and the auditor’s report related to Exhibition Place’s financial statements (“financial statements”). Exhibition Place is considered a non-significant component for the audit of the City, i.e. the group audit. In accordance with Canadian auditing standards, we will be communicating matters of significance to the group auditor throughout the audit including planning and risk assessment, execution and reporting

Uncorrected misstatements



Uncorrected misstatements

No matters to report.

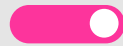
Corrected misstatements



Corrected misstatements

No matters to report

Risks and results



Significant risks



- Risk of Fraud from Management Override of Controls



Other risks of material misstatement



- Valuation of Accounts Receivables
- Employee Future Benefits
- Contingent Liabilities



Going concern matters

Control deficiencies



Significant deficiencies

No matters to report

Policies and practices & Specific topics



Significant unusual transactions



Accounting policies and practices



Other financial reporting matters



Specific topics



Audit strategy

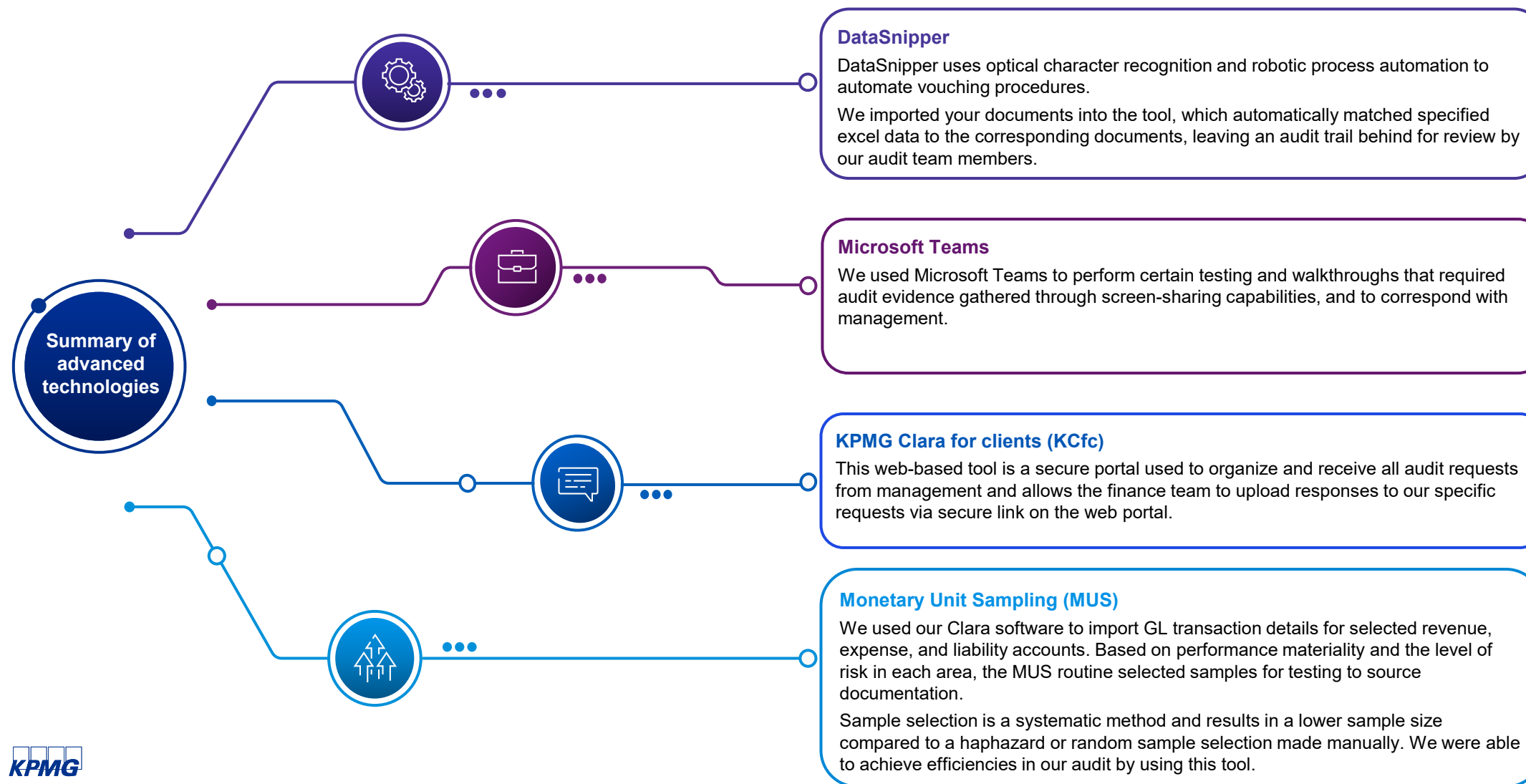
Materiality - see pg.7





Technology highlights

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.





Status

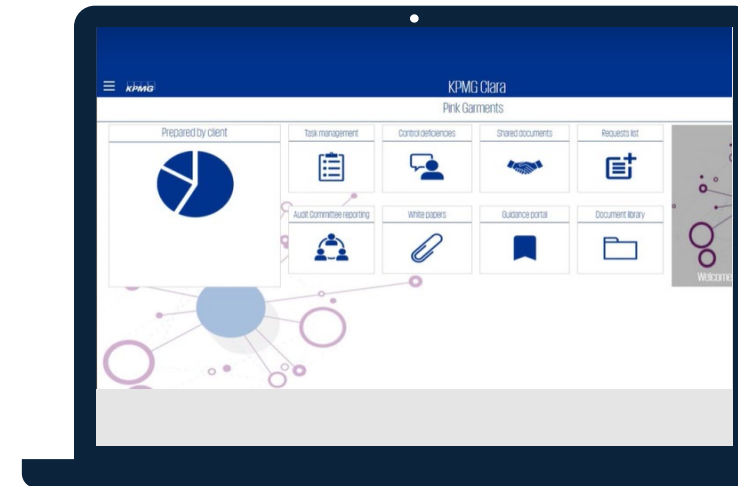
As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Board of Governors
- Obtaining evidence of the Board's approval of the financial statements,
- Completing subsequent events review, including legal updates, up to the date of approval of the financial statements
- Obtaining a signed management representation letter (to be signed upon financial statement approval to coincide with the audit report date);

We will update the Board, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is referenced in Appendix: Draft Auditor's Report (provided under separate cover)

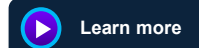
KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency

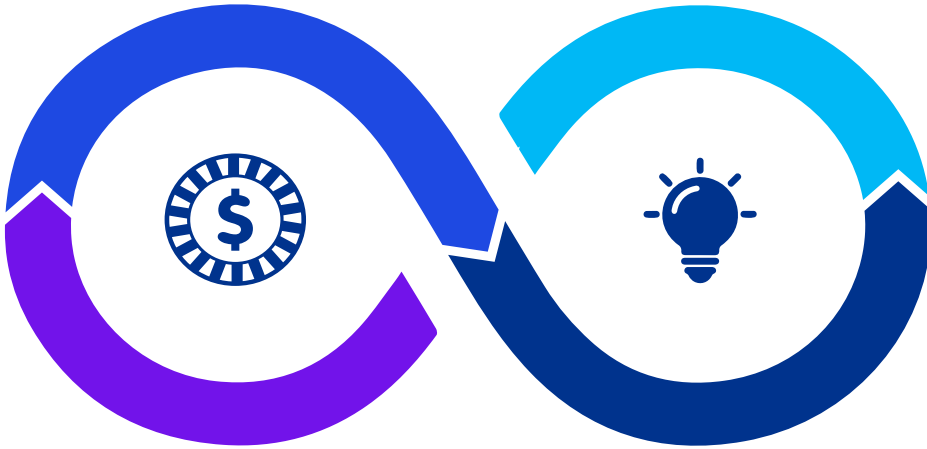
We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests from management.





Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

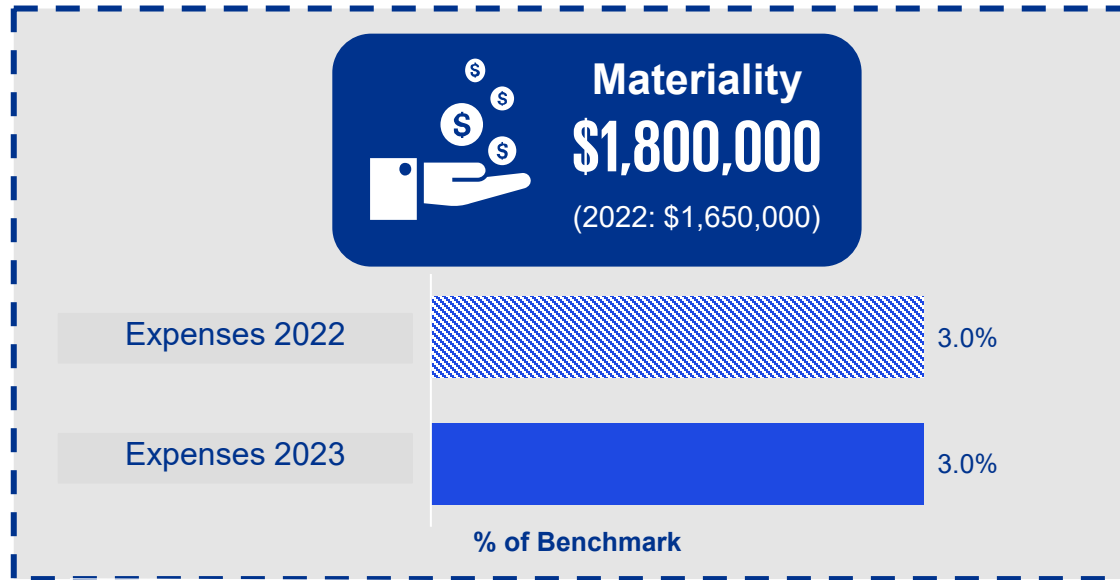
Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Materiality



Benchmark: Total Preliminary Expenses

\$61 million

(2022: \$55 million)

Audit Misstatement Posting Threshold

\$90,000

(2022: \$82,500)



Significant risks and results

We highlight our significant findings in respect of **significant risk**.



Presumption of the risk of fraud resulting from management override of controls

RISK OF



FRAUD

Significant risk

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Estimate?

No

Our response

As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

- To test journal entries, we utilized Data & Analytics (“D&A”) to enhance the quality and effectiveness of the audit;
- Evaluated the completeness of the journal entry population through a roll-forward of all accounts;
- Analyzed journal entries and determined sub-populations for more focused and risk-based testing;
- Applied certain criteria to sub-populations to identify potential high-risk journal entries to verify if they were supported by proper documentation and followed the journal entry initiation and approval controls and processes in place.
- Additionally, we incorporated an element of unpredictability whereby we perform an unpredictable procedure, or make changes to a standard procedure, to address the potential risk of fraud and management override.

Our findings

- We found that management’s process for identifying accounting estimates is appropriate.
- We did not identify any issues through our roll-forward procedures.
- We did not identify any issues with journal entries meeting high-risk criteria.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.
- We did not identify any issues after completing our element of unpredictability.



Other risks of material misstatement and results



Valuation of Accounts Receivable

Other risk of material misstatement

Accounts receivable are required to be recorded at their expected realizable value in accordance with Public Sector Accounting Standards (PSAS).

Estimate?

Yes, there is estimation uncertainty regarding collectability of receivable balances.

Our response

- Obtaining management's analysis of collectability of receivable balances and obtaining corroborative evidence of collectability for amounts not provided for.
- Performing a retrospective review of the estimate for doubtful accounts.
- Direct confirmation with a sample of tenants and debtors.
- Subsequent receipts testing.

Our findings

- Trade receivables at the end of 2023 are \$5.8M (2022-\$9.5M).
- The allowance of doubtful accounts increased by \$1.058M from 2022 (2022 – decrease by \$638K from 2021).
- Management completed a detailed assessment by customer, with consideration of the age of the receivable.
- As this is an area of estimate, we evaluated management's analysis and concur with management's assessment. Trade accounts receivable is fairly stated as at December 31, 2023.



Other risks of material misstatement and results



Employee Future Benefits (EFB)

Other risk of material misstatement

Management is required to disclose information in the financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year.

Estimate?

Yes, there is estimation uncertainty due to assumptions used by the actuary to calculate the liability for employee future benefits.

Our response

- Reliance on actuaries (management specialist) engaged by the City; obtaining an understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates.
- Assessing the method, data, and assumptions used by the actuary and management in the calculation of the EFB liability for reasonableness.
- Communicating with actuaries and testing the HR data provided to the actuaries.
- Utilizing KPMG specialists (KPMG Life & Pensions Actuarial Practice), we reviewed and evaluated the assumptions used in the actuarial reports.
- Assessing the disclosures in the financial statements in accordance with the requirements of PSAS.

Our findings

- On behalf of Exhibition Place, the City engaged an external actuarial consultant (the "Actuary") to undertake a valuation of the City's non-pension retirement benefits and accumulated sick leave liability as at December 31, 2023. A valuation was performed to determine the liability as reported in the 2023 financial statements. Discount rates ranging from 3.5% to 4.2% (2022 – 3.8% to 4.6%) were used for the determination of the liability.
- The employee future benefits liability as at December 31, 2023 is described in note 6 to the financial statements.
- Based on our review of the Actuary's report, we noted that the method applied for the estimate is acceptable per CIA and PSAS 3250 Retirement Benefits.
- We engaged KPMG Actuarial Specialists to assess the reasonableness of the key assumptions used in the valuation.
- We note that the discount rate used by the Actuary is a key assumption. We evaluated the discount rate used against the discount rate curve issued by different reliable sources including CIA, FIERA and KPMG LLP. Based on this evaluation, we conclude that the discount rate used is reasonable.
- The disclosures included in the financial statements are in accordance with the requirements of PSAS.
- We did not note any issues related to the calculation of Exhibition Place's non-pension retirement benefits and accumulated sick leave liability as at December 31, 2023.



Other risks of material misstatement and results



Contingent Liabilities

Other risk of material misstatement

PSAS 3300 Contingent Liabilities requires that Exhibition Place recognize a liability when it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated.

Estimate?

Estimation uncertainty exists related to the likelihood and measurement of the contingent liability. However, this estimation uncertainty does not result in a risk of material misstatement.

Our response

- Obtained a listing of active litigation and potential claims from management and reviewed management's assessments of each matter and the process employed to develop and record the related estimated liabilities.
- Obtained legal confirmations from City legal and external counsel and evaluated the assessments made by management on the advice of legal counsel on the pending legal matters in terms of determination of likelihood and measurability.
- Reviewed Board meeting minutes to determine the completeness of contingencies and held discussions thereon with management.

Our findings

- At any point in time, Exhibition Place is subject to a number of employment grievances and other matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, etc.
- Based on the audit work performed, we are satisfied that the method, data, and assumptions used by management are reasonable and consistent with industry norms, and there are no issues to report.



Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.



Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter

Finding

Related Parties

As part of our audit procedures, we assess related party transactions and balances, and verify appropriate note disclosure in the financial statements. We did not identify significant related party transactions that have not been appropriately authorized and approved.

Material transactions with related parties, all of which are in the normal course of operations, are adequately disclosed in the notes to the financial statements.

Other than \$6.5M cash equivalents held on deposit with the City (2022 – \$3M), there are no new significant related party transactions. There are no significant unusual transactions.

Asset Retirement Obligations (ARO)

This is a new accounting pronouncement that is effective for Exhibition Place's fiscal 2023 year-end. See also the new accounting standards in current developments in Appendix E on page 23.

We understand that the City has requested Exhibition Place management to assess the guidance in this accounting standard and determine the impact that it will have on Exhibition Place's financial statements.

Through the assessment performed, Exhibition Place has determined that they do not have any asset retirement obligations to account for in fiscal 2023.



Appendices

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Audit Quality

B

Other Required Communications

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Draft Auditor's Report

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Management Representation Letter

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New accounting standards

F

New audit standards

G

Insights





Appendix A: Audit quality - How do we deliver audit quality?

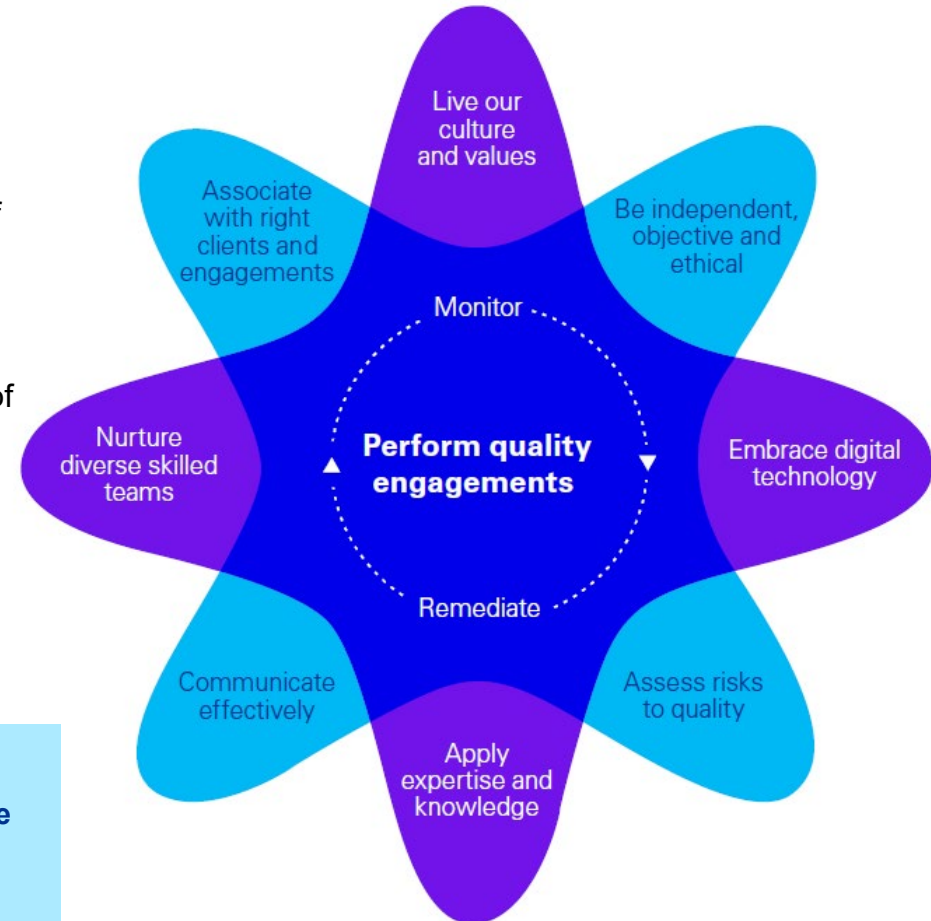
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG 2023 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.



Appendix B: Other required communications



Required Inquiries

Professional standards require that during the audit, we obtain your views on the identification and assessment of risks of material misstatement, whether due to fraud or error, your oversight over such risk assessment, identification of suspected, alleged or actual fraudulent behavior, and any significant unusual transactions during the period. Please refer to the following inquiries:

- How do you oversee fraud risk assessments and the establishment of controls to address fraud risks?
- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- What is the Audit & Finance Committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the Audit & Finance Committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Has the entity entered into any significant unusual transactions?



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)



Appendix C: Draft auditor's report

Included under separate cover



Appendix D: Management representation letter

Included under separate cover.



Appendix E: Newly effective and upcoming changes to accounting standards

Asset Retirement Obligations

- The new standard PS 3280 *Asset retirement obligations* is effective for fiscal years beginning on or after April 1, 2022 (Exhibition Place's December 31, 2023 year-end).
- The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets.
- The asset retirement obligations ("ARO") standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use.
- As a result of the new standard, the public sector entity will:
 - Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
 - Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;
 - Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.

Revenue

- The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023.
- The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.
- The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.



Appendix E: Newly effective and upcoming changes to accounting standards

Purchased Intangibles

- The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.
- The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.
- Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized.
- The guideline can be applied retroactively or prospectively.

Public Private Partnerships

- The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023.
- The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.
- The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends.
- The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.
- The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.
- The standard can be applied retroactively or prospectively.



Appendix E: Newly effective and upcoming changes to accounting standards

Concepts Underlying Financial Performance

- The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.
- The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.
- The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation

- The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
- The proposed section includes the following:
 - Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
 - Separating liabilities into financial liabilities and non-financial liabilities.
 - Restructuring the statement of financial position to present total assets followed by total liabilities.
 - Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
 - Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
 - A new provision whereby an entity can use an amended budget in certain circumstances.
 - Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
- The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix E: Newly effective and upcoming changes to accounting standards

Employee Benefits

- The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*.
- The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard.
- Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.
- The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively.
- This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.
- The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.





Appendix F: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments



Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

.....
(Revised) Quality management for an audit of financial statements

Clarifies and strengthens the key elements of quality management at the engagement level, focusing on the critically important role of the engagement partner and reinforcing the importance of quality to all members of the engagement team.

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

.....
Revised special considerations – Audits of group financial statements

The new and revised requirements also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.



Appendix G: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2024

The key issues driving the audit committee agenda in 2024.

Momentum

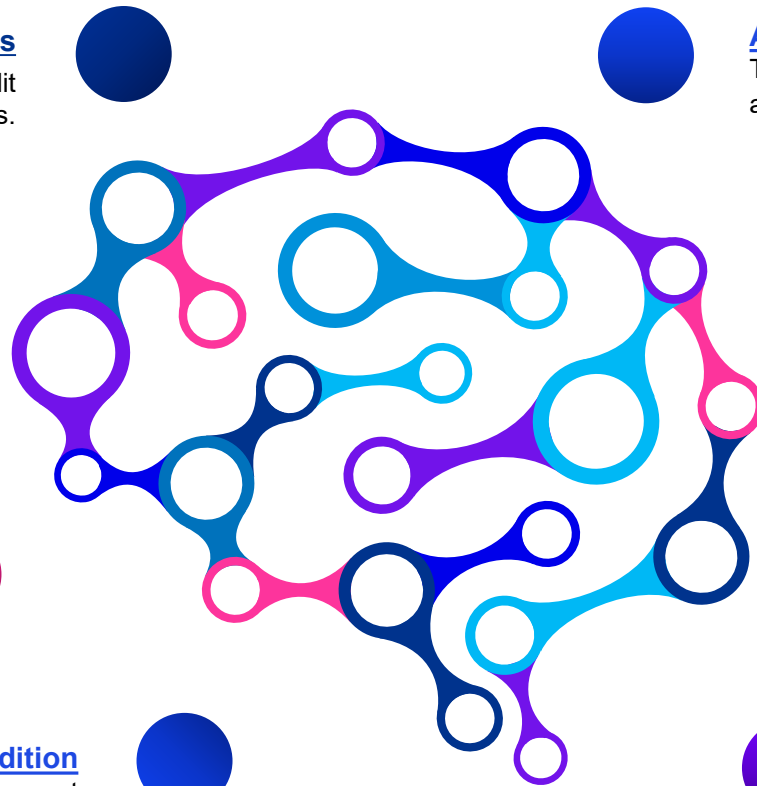
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.





<https://kpmg.com/ca/en/home.html>

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