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CALGARY CONVENTION CENTRE AUTHORITY

2013 AUDIT GOVERNANCE STATUS OVERVIEW

Mandate and Responsibilities:

To manage, market and operate the Calgary TELUS Convention Centre in an efficient and market-competitive manner in order to maximize overall economic benefits to the City of Calgary while maintaining financial performance within an acceptable range.

The Calgary TELUS Convention Centre is owned by the City of Calgary. It is operated by the Calgary Convention Centre Authority (CCCA), which was incorporated through an Act of the Legislative Assembly of Alberta in 1974. The CCCA operates the facility on behalf of the City under the terms of the mandate passed by City Council in 2005.

Pursuant to the Glenbow Museum Agreement signed in 1973, the CCCA entered into an agreement with the City to provide maintenance, repairs, cleaning and janitorial services to the Glenbow Museum. The CCCA provides maintenance and repairs to the retail spaces which are owned by the City in the North Building. Through an agreement between the City and Balboa Land Investments Inc. signed in 1999, the CCCA operates and maintains the shared loading dock in the North Building. A Food and Beverage Services Agreement gives the exclusive rights to all food and beverage services in the CTCC to the attached hotel (currently the Calgary Marriott). The CCCA has a contractual agreement with the Calgary Hotel Association whereby the CCCA manages destination sales and marketing services for the meetings, conventions and incentive travel sector. Through a joint agreement among the City, the CCCA and TELUS, the CCCA manages the TELUS Naming and Business Rights contract.

The Calgary TELUS Convention Centre takes great pride in providing a market competitive building product designed to maximize utilization and revenue generation while supporting operating efficiencies. The CTCC is committed to a long term, proactive 10 year capital plan process that incorporates and addresses growth to ensure life safety and longevity of the building and equipment at the CTCC.

In 2013, the Authority incurred \$838,872 in expenditures for major capital additions, which have been capitalized as renovations, building enhancements and equipment. Of this amount, \$247,737 was funded by the Authority's operating reserve and \$229,142 was funded by the Authority's major replacement reserve. The balance was funded through the City of Calgary's CPRiiP (Culture Parks Recreation Infrastructure investment Fund) Program (\$72,053), Western Economic Diversification (\$100,050) and MSI (\$189,890). The Calgary TELUS Convention Centre also worked in conjunction with the City of Calgary to complete capital projects for the Glenbow Museum.

In 2013 the Calgary TELUS Convention Centre completed an updated Economic Impact Study through SENTIS Market Research Inc. The study concluded that over the 5 year period from 2009 to 2013, total direct expenditures of \$192.6M from non-resident delegates can be attributed to the CTCC. This spending contributed \$104.9M in GDP (\$57.7M directly, \$27.6M indirectly, and \$19.6M induced), supported 320 jobs on average per year and generated an estimated \$19.4M in tax revenue.

Terms of Reference:

The Audit & Finance Committee (the “Committee”) is a standing committee of the Board of the Calgary Convention Centre Authority (“CCCA”) and is responsible for;

- monitoring that effective audit systems are in place;
- informing the Board of the integrity of the financial statements and that accounting practices are in compliance with applicable laws and appropriate accounting principles;
- reviewing the financial reporting process, including the system of internal control, the system for managing risk, the audit process, and the CCCA’s process for monitoring compliance with laws and regulations;
- recommending to the Board approval of the annual operating and capital budgets;
- monitoring ongoing business and financial activity.

In performing its duties, the Committee maintains effective working relationships with the Board, management, and the external auditors.

The committee meets four times each year to review quarterly financial statements. They also approve the annual operating and capital budgets and monitor ongoing business and financial activity. The Chair of the Committee meets on a monthly basis with the General Manager and Controller to review financial statements. Audit & Finance Committee meetings are called as required if there are any financial matters which require discussion outside of the regular quarterly meetings. The external auditors report to the Committee on an annual basis, which in turn is reported to the full Board.

The Calgary Convention Centre Authority’s Terms of Reference for the Audit & Finance Committee, the meeting schedules and the 2013/2014 Audit Work Plan are attached.

Overview of Risk Management Processes at CTCC:

The Calgary TELUS Convention Centre continues the practice of safeguarding its assets by identifying the risks to which they are exposed. The CTCC encourages its employees to manage risks proactively and openly, corporate-wide. The success behind CTCC’s risk management system is principally attributable to keen participation and ownership by employees at all levels of the organization.

As risk management facilitators, the CTCC risk management team is responsible for overseeing the Centre’s risk management plan and ensuring ongoing review of risks and submitting updates as needed. It also assists business units in business continuity planning to ensure that key CTCC services are maintained during major interruptions. Although the team is tasked with advancing a corporate culture that encourages CTCC employees to manage risks proactively and to communicate openly about risks, responsibility and accountability for risk management continues to reside at all levels, from the Authority down through the organization to each business unit. *Corporate Policy CP-004* is the guiding document that affirms CTCC’s commitment to risk management.

The Risk Management Team affirms its commitment to ensuring that:

- major risks faced by the CTCC are identified, prioritized, understood, and appropriately managed;
- risk management is integrated into CTCC's strategic business plan and consistently applied to the development and implementation of new systems, policies and future plans of the CTCC;
- the process includes CTCC-wide awareness of areas where risk management is needed;
- an environment exists where all CTCC staff assumes responsibility for identifying and managing risk within their area with requisite management oversight and control;
- risk management awareness is included in orientation briefings for new staff;
- management of risks are built into contracts, where applicable.

These objectives remain ongoing and are integral to a successful risk management program within the organization. All CTCC employees and its contractors are expected to contribute to minimizing risk, and it is the responsibility of directors and managers to promote risk awareness among their staff. They are to ensure that risk management controls and processes are included in the day-to-day operations and projects and shall, where applicable, identify any new risks.

Attached are the corporate risk management policy, the 2014 Risk Management Report and presentation. The report was discussed at the Audit & Finance Committee meeting on May 14, 2014.

An overview of Internal Control Environment at CTCC:

The CTCC has a strong control environment which is based on appropriate risk assessment, and policies and procedures which provide a system of formal controls (i.e. purchasing, investment, expense claim reimbursement policies, and signing authority). There is ongoing monitoring of the business plan and budget. Financial statements are produced on a monthly basis and reviewed by the Chair of the Audit & Finance Committee. Quarterly financial statements are reviewed by the Audit & Finance Committee and the full Board. Financial statements are disbursed to the management team on a monthly basis, and are discussed at the regular management meetings. The accounting team lead has a professional designation. The team is well trained and all members have been cross trained in all functions. There is appropriate segregation of duties.

Summary of the 2013 External Auditor Report to the Calgary Convention Centre Authority:

Audit Conclusions:

- An unqualified opinion was issued on the financial statements;
- No significant weaknesses in internal control were identified;
- No illegal or fraudulent acts, or significant transactions inconsistent with ordinary business, were identified;
- No unusual related party transactions were identified;
- No disagreements with management, limitations placed on scope, or other difficulties were encountered during the audit;
- There were no corrected or uncorrected misstatements noted for the audit of the December 31, 2013 financial statements.

In 2009 the CCCA adopted the provisions of Section 3150 of the Public Sector Accounting Board handbook which requires governments to record and amortize their tangible capital assets on their financial statements.

At 2013 year-end a total of \$11,192,435 in assets was recorded on the CCCA statement of financial position. This amount has been capitalized as renovations, building enhancements and equipment. Funding for the improvements is as follows;

Funded by:	2013 YTD
CTCC Operating Reserve	6,646,780
Major Replacement Reserve	1,938,615
CPRiiP Funding	2,360,000
City of Calgary MSI	147,000
WED	100,040
Total	11,192,435

2013 Annual Financial Statements:

Statement of Financial Operations and Accumulated Surplus – for year ended December 31, 2013

Results of Operations:

Our total revenue for the fiscal year 2013 was \$25,944,279 which included a City of Calgary grant of \$1,699,838. In addition the Centre received \$2,405,415 from the Calgary Hotel Association to support management of Meetings and Conventions Calgary. Total operating expenses were \$25,055,979(before amortization). In 2013 \$473,628 in net profit was contributed to the operating reserve fund.

The June 2013 flood disrupted business levels for a period of just over two weeks. Physical damage to the building was contained through the extraordinary efforts of our Facility Management team. The flood forced the cancellation of a number of events, including three conventions, resulting in substantial lost revenues. Insurance payments offset lost revenues and the cost of repairs to the building.

Impact of Flood

Lost business	\$754,378
Damage to building	137,408
Insurance:	
Gross Profit/Loss (Business Interruption)	350,562
Received	325,562
Deductible	25,000
Building/Plant/Equipment	
Received	17,608
Pending	119,800