

TORONTO WATERFRONT REVITALIZATION CORPORATION
(“Corporation”)
MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT THE OFFICES OF THE CORPORATION
ON MONDAY FEBRUARY 19, 2007 AT 10:30 A.M

Committee Members Present: Vivien Dzau (Chair), Bill Charnetski and John Ronson (ex-officio member).

Committee Members Absent: Mark Wilson

Also present with the consent of the Committee throughout the meeting were: Robert Siddall, Indra Latchu and Ann Marie Landry of the Corporation, Paula Jesty, Gordon Penley and Trevor Ferguson of Deloitte and Touche LLP, External Auditors, and Mike Harris and Trevor Levine of Price Waterhouse Coppers LLP, Internal Auditors.

Vivien Dzau took the chair and appointed Indra Latchu to act as secretary of the meeting.

At 11:00 a.m. the Chair, Vivien Dzau, declared the meeting to be duly constituted for the transaction of business.

1. Approval of Meeting Minutes – December 6, 2006

The minutes of the Audit Committee meeting held on December 6, 2006 were tabled. **ON MOTION** duly made, seconded and carried, it was **RESOLVED** that the meeting minutes be approved.

2. Action Items arising from the Previous Meeting – December 6, 2006

The Committee was satisfied with management responses and follow-ups on action items #49 to #58 inclusive from the previous meeting.

3. CFO Report for the 3rd Quarter Ended December 31, 2006

a. Unaudited Interim Financial Statements for the 3rd Quarter Ended December 31, 2006

Mr. Siddall referred the Committee to the slides in the package material of the financial statements which highlighted that the Corporation received \$38.5M to the end of the 3rd quarter and spent \$36.3M of which 50% was concentrated on construction activities.

Cash balance decreased by \$8.3M to \$33.1M in the three-month period to December 31, 2006 of which deferred contributions account for \$22.8M or 68.8%. Management is working with the three levels of Government to retain a reasonable cash float by managing the request for funding and cash position. Cash forecast to March 31, 2007 is expected to be \$37M. Funding request for Q1 2007/08 will occur in late April to reflect the actual results of Q4 2006/07.

b. Actual-to-Budget Variance Analysis

Under spending from the original budget to date of \$73.7M was mainly due to not securing funding or contribution agreements for land acquisitions (\$33.0M), from projects temporarily delayed (\$32.1M) through CA's, EA's, MOE'S and RA/RM's, and projects with delayed starts (\$6.0M) during the fiscal period.

The variance from the Q3 revised forecast was \$4.1M. The accounting-finance team is working with the operations group in refining the process to ensure that the quarterly revision of the "cash requirement budget" is more reflective of the projects current year's schedules.

4. External Auditor – Deloitte & Touche LLP

The Chair invited Paula Jesty (audit engagement partner), Gordon Penley (lead client service partner) and Trevor Ferguson (senior manager) of Deloitte & Touche LLP, the Corporation's external auditors, to present their findings regarding their review of the Corporation's interim financial statements for the 3rd quarter ended December 31, 2006. The auditor's report to the Audit Committee was included in the meeting package material.

Ms. Jesty and Mr. Penley and Mr. Ferguson reported on the following:

a. Scope of the quarterly review

- The scope of the quarterly review was the same as in the previous quarters, consistent with Section 7050 of the CICA Handbook for an interim review
- Deloitte does not express an opinion on an interim review
- Based on the review, Deloitte was not aware of any material modification that needed to be made to the interim financial statements to be in accordance with Generally Accepted Accounting Principles
- The report is solely for the use of the Audit Committee of the Corporation

b. Status of the engagement and findings

- Deloitte confirmed that nothing has come to their attention that caused them to believe the financial statements are materially misstated
- As in Q1 and Q2 2006/07 Interim Financial Statement, TWRC did not record the net pension expense for the President's pension as management believed the amount to be immaterial. Deloitte concurred with management's opinion and intention to monitor the expense throughout the year to determine if any adjustment may be necessary for subsequent quarterly financial statements

Action #1: Mr. Ronson requested that the financial statement "Note 4 - CAPITAL ASSETS - Land" be cross referenced to "Note 7, Foregone Net Lease Revenue" for the property at 7 Queens Quay East which explains why the Net Book Value of Land at December 31, 2006 decreased from March 31, 2006.

Mr. Siddall reminded the Committee that under the “Toronto Waterfront Revitalization Corporation Act, 2002, S.O. 2002, c.28 clause (7) Restriction re: revenue: *The Corporation shall not raise revenue unless it has the consent of the federal government, the provincial government and city council or unless it is authorized to do so by a regulation.*” Mr. Siddall emphasized that we will need authorization before March 31, 2007, if not, we have to create a new note to the year-end financial statements to disclose the revenues we are entitled to receive from February 14, 2007 from the property acquired at 7 Queens Quay East. In the interim TWRC must deposit the revenues into a trust account until the Corporation is legally entitled to raise revenues.

Action #2: *Management to obtain authorization from the three levels of Government to allow the Corporation to collect revenue.*

ON MOTION duly made, seconded and carried, it was **RESOLVED** that the Interim Financial Statements for the 3rd quarter ended December 31, 2006 be recommended for approval by the Board of Directors.

c. 2007 Audit Plan

The external auditors referred to the 2007 Audit Plan included in the package material and reviewed the various aspects including:

- i) The client service objectives
- ii) Financial reporting responsibilities of the Audit Committee, management and the external auditors
- iii) Auditor responsibilities
- iv) Significant change in accounting standards namely financial instruments and the impact on TWRC in the future
- v) Audit approach – risk-based audit
- vi) Areas of audit focus especially accrued liabilities and revenue recognition
- vii) Timing and communication – schedule of year end audit and presentation of financial statements
- viii) Auditor independence

The Audit Committee accepted the audit plan as presented.

Mr. Ronson left the meeting at 11:30 a.m.

5. Risk Assessment Report by Internal Auditors - PWC

Mr. Harris presented an update of the Risk Assessment audit. The full presentation was included in the Committee’s meeting package material. Detailed discussions will occur at the Finance and Risk Management Committee meeting on February 26th, 2006.

During the review of “The Three-year Strategic Audit Plan”, the Chair questioned the timing of the audit of Information Technology in Q3 2008/09. Based on the importance of IT support to the Corporation she cautioned that the audit should be prioritized appropriately.

Mr. Harris highlighted that from their assessment of the funding process, the CA approval is a complex process and in their assessment they will look at an efficient approach that is not compliance driven but efficiency driven for management effectiveness.

6. Revised Forecast

Mr. Siddall referred to the Q4 revised forecast to March 31, 2007. The corporation is expected to spend \$67.4M to the end of the year, a shortfall of \$64.5M (excluding ORC projects) from the original budget. The Committee was satisfied with the revised forecast as presented.

ON MOTION duly made, seconded and carried, it was **RESOLVED** that the revised forecast for the year ending March 31, 2006 be recommended for approval by the Board of Directors.

10. Chair of the Board and CEO Expenses

The Chair of the Audit Committee had reviewed the details of the expense reports ahead of the meeting and approved the expenses for payment.

11. Termination of the Meeting

There being no further business, and on **MOTION** duly made, seconded and carried; it was **RESOLVED** that the meeting be terminated at approximately 11:45 AM.

Chair
Vivien Dzau

Secretary
Indra Latchu, Corporate Controller