



Robert Prosser & Associates

AUDIT REPORT

ON

THE SASKATOON CENTENNIAL AUDITORIUM GOVERNANCE AND OPERATIONS

The scope of this audit included Board governance, Board disclosure and major business risks.

We were very pleased with the responsiveness of the Centennial Auditorium's Board to our recommendations, which focus on ensuring continuity in the preservation and effective stewardship of the organization's resources, and strengthening accountability to City Council and local taxpayers.

January 2006



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Report Highlights

Summary

We benchmarked the Centennial Auditorium's Board Governance structure, processes and practices to relevant good governance practices that have evolved in recent years. We offer several recommendations on governance practices for the Board's consideration. These practices would ensure continuity in the preservation and effective stewardship of the Centennial Auditorium's assets on behalf of local taxpayers.

Generally accepted good governance practices advocate full disclosure to shareholders (e.g. the City of Saskatoon and local taxpayers) on important aspects of an organization's operations and performance. We are recommending that processes be put into place to ensure that City Council is adequately informed about the Centennial Auditorium's strategic direction, organizational performance and results (planned vs. actual); governance structure, policies and practices; key business risks and risk-mitigation strategies; and the extent to which the Audit & Finance Committee has fulfilled its responsibilities.

Management has adequate systems, practices and controls in place to manage the significant business risks facing the Centennial Auditorium.

Board Governance

We reviewed the extent to which the Centennial Auditorium's Board has appropriate governance structure, processes and practices in place. We drew our audit criteria of generally accepted good governance practices mainly from the following four authoritative sources:

- Chartered Accountants of Canada, "Beyond Compliance: Building a Governance Culture, Final Report on the Joint Committee on Corporate Governance, November 2001";
- Institute of Governance, "Governance Do's & Don'ts, Lessons from Case Studies on Twenty Canadian Non-profits, Final Report" by Mel Gill, April 23, 2001;
- The Business Roundtable, "Principles of Corporate Governance, a White paper from the Business Roundtable" May 2002; and
- Organization for Economic Cooperation and Development, "OECD Principles of Corporate Governance" 2004.

The practices drawn from these sources are relevant to both profit and not-for-profit organizations. However, we stress that they are not legislated requirements. Whether the Centennial Auditorium adopts some or all of these practices is a decision that falls entirely within the prerogative of the Board.

The Centennial Auditorium has prepared a “Board Governance Manual” that addresses many of the generally accepted good governance practices used in our analysis, resulting in full, partial or progress towards compliance with twenty-six of the thirty-three criteria.

We are recommending that:

- *The roles, responsibilities and expectations of Board members be documented and included in the Board Governance Manual;*
- *The position description for the Board Chairperson be amended to ensure responsibilities are clearly understood;*
- *Measurable performance indicators be developed for the Executive Director and that his performance be evaluated against these indicators;*
- *The strategic plan be updated;*
- *A process be implemented to ensure City Council receives a copy of the Centennial Auditorium’s strategic plan in order to ensure organizational values, mission, vision, and goals are consistent with the City’s strategic plan;*
- *A risk identification process be developed;*
- *The Audit Committee’s terms of reference be updated to require all members of the committee to be financially literate and at least one member to have accounting or related expertise; and*
- *The board and its committees set aside time at each meeting to meet without management present.*

Disclosure

We examined the extent to which there is appropriate disclosure to the Board and City Council on important aspects of the organization’s governance practices, business risks, financial position and performance, and operational performance.

As the sole member and major funding source for the Centennial Auditorium, the City is entitled to timely and accurate information on all material aspects of the organization. Disclosure also encourages continuous improvement in governance processes and practices.

We are recommending that steps be taken to ensure full disclosure of the Centennial Auditorium’s strategic plan, organizational performance and results (planned vs. actual); governance structure, policies and practices; key business risks and risk-mitigation strategies; and an indication of the extent to which the Audit & Finance Committee has fulfilled its responsibilities.

Major Business Risks

There are several, significant business risks facing the Centennial Auditorium. In our opinion, there are adequate systems, practices and controls in place to manage these risks.

Chapter 1 Introduction

The Corporate Audit Plan included provision to conduct an internal assurance audit of Governance and Operations at the Saskatoon Centennial Auditorium and Convention Centre.

Background

History of the Centennial Auditorium

The Centennial Auditorium was constructed in 1967-1968 as a project to commemorate Canada's centennial and officially opened on April 1st, 1968. In 1998, major renovations were completed on the main floor, adding 12,200 square feet of meeting and convention space and new office space. A \$10.6 million addition is currently planned for the north-east corner of the facility which will add another 47,000 square feet of meeting and convention space.

Amenities of the Centennial Auditorium

The Centennial Auditorium houses a 2,000 seat theatre and has 45,000 square feet of meeting and convention space that can accommodate groups from 10 to 1,000.

Mission of the Centennial Auditorium

The Centennial Auditorium's Mission Statement is "...to enhance the quality of cultural and social life for the citizens of Saskatoon, Central and Northern Saskatchewan. Through our events and efforts we will contribute to the economic activities of trade and tourism in our province of Saskatchewan. We will provide these benefits through premier facilities and services for our clients in the performing arts, entertainment, convention and meeting industries."

Resources

The Centennial Auditorium receives an annual grant from the City of Saskatoon in the amount of \$500,000 per year to fund debt servicing costs and reserve allocations. A contribution to the Civic Buildings Comprehensive Reserve (\$518,200 – 2004) and payment of debt charges (\$250,600 – 2004) are also made by the City of Saskatoon on the Centennial Auditorium's behalf each year.

Operating results for the Centennial Auditorium for the last four years are as follows:

Table 1: Operating Results 2000-2005

	2001 (actual)	2002 (actual)	2003 (actual)	2004 (actual)
Operating Revenue				
Gross sales	\$3,954,712	\$4,302,137	\$4,417,982	\$5,428,224
Wage recovery	351,401	246,219	293,793	244,376
Interest income	58,322	32,742	40,819	38,749
	4,364,435	4,581,137	4,752,594	5,711,349
Operating Expenses				
Administration	(549,718)	(573,001)	(621,438)	(683,188)
Direct	(2,572,071)	(2,817,376)	(2,970,624)	(3,809,690)
Plant maintenance	(958,220)	(925,591)	(1,010,957)	(1,011,825)
	(4,080,009)	(4,315,968)	(4,603,019)	(5,504,703)
Net Operating Surplus	284,426	265,169	149,575	206,646
Other Revenue and Expenditures				
City of Saskatoon	500,000	500,000	500,000	500,000
Debt servicing costs	(297,164)	(319,291)	(290,081)	(118,741)
Reserve allocations	(286,692)	(276,910)	(307,497)	(315,895)
	(83,856)	(96,201)	(97,578)	65,364
Allocation to Stabilization Reserve	(200,570)	(168,968)	(51,997)	(272,010)
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ -
Staff Years (Budget)	43.84	41.05	40.3	40.0

The overall focus of the audit was on governance structure, processes and practices and on key business risks. The specific objectives of the audit are as follows:

- To determine if appropriate Board/Committee structure and governance processes and practices are in place.
- To determine the extent to which there is appropriate disclosure to the Board and City Council on important aspects of the organization's governance practices, business risks, financial position and performance, and operational performance.
- To determine the extent to which adequate systems, practices and controls are in place to manage the major business risks faced by the organization.

Acknowledgements

During the audit, we received excellent cooperation from Centennial Auditorium management and staff who made themselves available for interviews, assembled documents, reviewed our observations, and offered comments and clarification. We also want to acknowledge, with thanks, the cooperation and commitment of the Centennial Auditorium Board of Directors who spent considerable time reviewing our audit findings/ recommendations.

Chapter 2 Board Governance

We reviewed the extent to which the Centennial Auditorium's Board has appropriate governance structure, processes and practices in place. We drew our audit criteria of generally accepted good governance practices mainly from the following four authoritative sources:

- Chartered Accountants of Canada, "Beyond Compliance: Building a Governance Culture, Final Report on the Joint Committee on Corporate Governance, November 2001";
- Institute of Governance, "Governance Do's & Don'ts, Lessons from Case Studies on Twenty Canadian Non-profits, Final Report" by Mel Gill, April 23, 2001;
- The Business Roundtable, "Principles of Corporate Governance, a White paper from the Business Roundtable" May 2002; and
- Organization for Economic Cooperation and Development, "OECD Principles of Corporate Governance" 2004.

The practices drawn from these sources are relevant to both profit and not-for-profit organizations. However, we stress that they are not legislated requirements. Whether the Centennial Auditorium adopts some or all of these practices is a decision that falls entirely within the prerogative of the Board.

The attached matrix provides a current state assessment on thirty-three criteria and includes recommendations to bring board governance processes, policies and practices in line with industry norms. Our audit procedures included examination of supporting documentation and interviews with the Executive Director, Chair of the Board of Directors and Chair of the Audit Committee.

Our analysis indicates that the Board partially satisfies twelve of the criteria, is in the process of developing and/or implementing processes, policies and practices for thirteen of the criteria, fully satisfies one criteria and does not meet seven of the criteria.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
BOARD QUALIFICATIONS & COMPENSATION					
Independence					
1.	<p>There is a code of conduct or code of ethics which board members have agreed to abide by. It addresses such things as:</p> <ul style="list-style-type: none"> • Maintaining the reputation of the organization; • Conflicts of interest; • Relationships with customers, the general public, and stakeholders; • Confidentiality of information; and • Legal obligations. 	<p>Documented by Board code of conduct policy.</p> <p>Signed agreement by board members.</p>	<p>Board members are highly visible representatives of the organization and as such they are required to act with integrity and professionalism. Each board member must be aware of the behavior that is required of them and should explicitly agree to abide by these requirements.</p> <p>A “Board Governance Manual” has been prepared by management and presented to the Board. This Manual contains an “Auditorium Code of Conduct” which addresses the items listed in the standard. Board members will be required to annually certify that they have read, understood and adhered to all aspects of the Code.</p>	In progress.	<p>1. That the Board of Directors approve the “Board Governance Manual” as amended pursuant to recommendations made in this report.</p>
2.	<p>There is a code of conduct for the organization as a whole, which includes effective mechanisms for reporting violations and enforcing compliance. There is a means for employees to alert the board and management of potential violations without fear. Violations are addressed promptly and effectively.</p>	<p>Documented by organization code of conduct policy.</p>	<p>A “Board Governance Manual” has been prepared by management and presented to the Board. This Manual contains an “Auditorium Code of Conduct” that applies to Directors and employees alike. Sections specifically related to employees include “Reporting of any Illegal or Unethical Behavior” and “Responding to Improper Conduct.”</p> <p>The “Auditorium Code of Conduct” includes mechanisms for reporting violations and enforcing compliance, protects confidentiality, prohibits retaliation in response to a report, and expresses commitment to prompt and effective resolution of reports.</p> <p>In addition to the “Auditorium Code of Conduct,” certain employee conduct policies are currently in place, including “Workplace Harassment” and “Information Technology Acceptable Use.” These policies describe the reporting process and compliance mechanisms.</p> <p>It is also implicitly understood that all employees are required to abide by the City of Saskatoon’s employee code of conduct. The City of Saskatoon code of conduct is a comprehensive statement which refers to nine policies which employees are expected to be familiar with and abide by. The mechanisms for reporting violations and the consequences for violations are specified in some policies.</p>	In progress.	<p>2. That the Centennial Auditorium document its adoption of the City of Saskatoon Code of Conduct.</p> <p><i>Elsewhere in this report, we are recommending that the Board Governance Manual be approved by the Board of Directors.</i></p>

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
3.	Members of the board and managers are required to disclose any material interests in transactions or matters affecting the corporation.	<p>Documented in conflict of interest policy.</p> <p>Board members and management have signed declarations regarding conflicts of interest.</p>	<p><u>Management:</u></p> <p>An “Employee Conflict of Interest Policy” exists. Policy requirement #5 states, “All Centennial Auditorium employees shall disclose to their superiors any business, commercial, financial, or other interest (including interests of their immediate family) where such interest could be construed as being in actual or potential conflict with their official duties in the public interest.” Other policy requirements set out behavioral expectations regarding specific potential conflicts of interest that may foreseeably be encountered by employees.</p> <p>Paragraph 3.19 of The Centennial Auditorium and Convention Centre Corporation’s Bylaw No. 1 requires a director or officer to disclose a material contract or a proposed material contract with the corporation. It also specifies special procedures for the approval of such a contract. An officer of the corporation is defined to include the President, Vice-President, Secretary and Treasurer.</p> <p>There is no requirement at this time for managers to sign a conflict of interest declaration.</p> <p><u>Directors:</u></p> <p>A “Board Governance Manual” has been prepared by management and presented to the Board. This Manual contains a “Board Conflict of Interest Policy” which addresses conflicts of interest. Each Board member will be required to annually confirm in writing that they have read and understood the policy requirements.</p> <p>Paragraph 3.19 of The Centennial Auditorium and Convention Centre Corporation’s Bylaw No. 1 requires a director or officer to disclose a material contract or a proposed material contract with the corporation. It also specifies special procedures for the approval of such a contract and excludes said Director from participating in deliberations or votes involving the matter.</p> <p>The City of Saskatoon Policy C01-003 <i>Appointments to Civic Boards, Commissions, Authorities, and Committees</i>, section 2.8 states that:</p> <p style="padding-left: 40px;"><i>A member shall be required to declare a conflict of interest whenever the applicable Board, Commission, Authority or</i></p>	Partially.	<p>3. That senior management staff be required to sign a declaration regarding conflicts of interest at the time when they commence employment and annually thereafter.</p> <p>4. That the “Board Conflict of Interest Policy” be amended to require that potential conflicts of interest be disclosed by candidates before appointments are made.</p> <p>5. That the disclosure of any conflicts of interest be included as a standing item near the beginning of each Board and Committee meeting agenda so that conflicts regarding meeting topics are promptly identified.</p>

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
			<p><i>Committee is discussing a matter that has financial implications on the member or the group/ organization that the member represents.</i></p> <p>a) <i>The member shall leave any meeting of the Board, Commission, Authority or Committee while the matter is being discussed.</i></p> <p>b) <i>The member shall not attempt, in any way, whether before, during or after the meeting, to influence the voting on the matter.</i></p> <p>c) <i>The minutes of a meeting at which a conflict is declared, shall make note of the fact.</i></p> <p>Potential conflicts of interest should be disclosed before appointments are made so that the Board may come to a conclusion regarding how/if the potential conflict impacts the candidate's suitability for appointment to the Board.</p> <p>As a reminder to board members it is also helpful to raise the question of conflicts of interest at the beginning of each board meeting to ensure that potential conflicts are considered by each board member before significant discussion and decision-making are underway.</p>		
Board Member Qualifications and Commitment					
4.	The selection criteria for board members are structured to ensure that the board is composed of members who have a diverse set of experiences, competencies, skills and judgment.	Documented in board governance policy or in board minutes or in City policy.	<p>Board members are appointed by City Council. The City of Saskatoon Policy C01-003 <i>Appointments to Civic Boards, Commissions, Authorities, and Committees</i>, section 2.4 addresses criteria for appointments. It states:</p> <p><i>The following criteria <u>should</u> be considered in making appointments:</i></p> <p>a) <i>Expressed interest of the individual.</i></p> <p>b) <i>Basic qualifications criteria established pursuant to Section 2.5 below.</i></p> <p>c) <i>Past involvement and demonstrated contribution of time and effort.</i></p> <p>d) <i>No individual, excluding members of City Council should serve on more than one Civic Board, Commission, Authority or Committee at the same time, except where it</i></p>	No.	6. That a process be put in place with the City of Saskatoon that would require the Board of Directors to be consulted whenever there are vacancies to see what skills and experience are desired in potential Board members, and also to allow the current Board to review the list of candidates and provide their advice.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
			<p><i>is considered to be essential and in the public good.</i></p> <p>e) <i>With the exception of currently serving members, applicants must reside within the boundaries of the City of Saskatoon.</i></p> <p>Section 2.5 of the same policy states the “basic qualification criteria” as follows:</p> <p><i>The City will, where possible, establish basic qualifications criteria for members of each Board, Commission, Authority, and Committee; will consider such criteria when making appointments (as per 2.4 above); and will make the criteria available to those interested in applying for appointment.</i></p> <p>The basic qualifications criteria established for the Centennial Auditorium & Convention Centre Corporation Board of Directors is stated in the booklet entitled “Citizen Appointments to Boards, Commissions and Committees 2005” as follows:</p> <ul style="list-style-type: none"> • <i>Knowledge of or experience on Management and Policy Making Boards;</i> • <i>An understanding of business;</i> • <i>An appreciation of the performing arts;</i> • <i>An understanding of trade and tourism in Saskatoon as reflected in meetings and conventions;</i> • <i>A particular interest, knowledge and/or experience to be able to contribute to one or more of the following committee: marketing; finance; or building;</i> • <i>A commitment to committee work as required.</i> <p>The above qualifications provide some solid background requirements but do not address the specific need for a diversity of talent among board members (i.e., there is no process to ensure that the Board is consulted to determine where there may be gaps in the present skill sets). Thus there is the risk that there will not be an optimal mix of skills and experience to lead the organization in the most effective manner.</p>		

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
5.	The board as a whole considers, in light of the opportunities and risks facing the organization, what competencies, skills and qualities are desirable in a new board member. This provides a frame of reference for the directors responsible for developing the list of candidates.	Documented in board minutes. Document outlining board member competencies, skill requirements and quality requirements.	City Council appoints the Board members. Interviewees have indicated that the board is not consulted for their advice regarding appointments. In the spring of 2005, the diversity of skills and experiences of current Board members were documented. The Board hopes to use this listing to identify the competencies, skills and qualities desired in new Board members for the 2006 appointment process.	No.	<i>Elsewhere in our report we are recommending that the Board of Directors be consulted when there are vacancies.</i>
6.	Roles, responsibilities and expectations are documented and communicated to prospective and current board members, including the requirements to: <ul style="list-style-type: none"> • Participate in meetings; • Review relevant materials; • Serve on board committees; • Prepare for meetings and discussions with management; • Meet as frequently as necessary and spend the time necessary to fulfill their responsibilities; and • Focus on long-term benefits to shareholders. 	Documented in a board governance policy or terms of reference. There is a process in place to ensure this information is communicated to prospective and current board members (e.g., a document is given to them outlining this information at the time they are approached, or whenever it is updated or changed).	Prospective candidates would typically receive the information available from City Hall in the booklet entitled “Citizen Appointments to Boards, Commissions and Committees.” If the candidate or the Board takes the initiative then further information may be provided, but it is not a requirement. Although the “Board Governance Manual” refers to the responsibility of the Board members as “protecting the interests of the key stakeholder the City of Saskatoon,” there are no documented terms of reference for board members. Unless the expectations are documented, it is impossible to ensure they are clearly communicated and understood. If expectations are unclear, there is the risk that Board members will not adequately fulfill their responsibilities. Once appointed, new Directors receive a Board manual and are given an orientation session regarding their roles, responsibilities and expectations. Interviewees advised that Board manuals are updated at least every two years or when new Directors are appointed.	Partially.	7. That the roles, responsibilities and expectations for Board members be documented in the “Board Governance Manual” and include the requirements to: <ul style="list-style-type: none"> • Participate in meetings; • Review relevant materials; • Serve on board committees; • Prepare for meetings and discussions with management; • Meet as frequently as necessary and spend the time necessary to fulfill their responsibilities; and • Focus on long-term benefits to shareholders.
7.	The board ensures that prospective candidates fully understand the role of the board and the contribution that is expected of them, particularly the commitment of time and energy that is required.	There is a process in place to ensure this information is communicated to prospective new members (e.g., a document is given to them outlining	The document available to prospective Board members is a booklet entitled “Citizen Appointments to Boards, Commissions and Committees.” This document covers all civic boards. It contains very brief information about the Centennial Auditorium & Convention Centre Corporation Board of Directors (one short paragraph). The level of commitment that is required may not be fully understood by prospective candidates since it only indicates that a commitment to committee work may be required, there are	No.	8. That all prospective Directors have access to the “Board Governance Manual” before they submit their applications for consideration (e.g., website posting, photocopy, etc.).

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
		this information at the time they are approached or at the time they apply to serve on the board).	<p>monthly board meetings (except for July, August and December) and extra meetings may be called by the Chair.</p> <p>Without adequate information to understand the commitment required there is the risk that prospective board members will be appointed without being prepared to commit the time and energy that is actually necessary to fulfill their responsibilities.</p>		<i>Elsewhere in our report we are recommending that the roles, responsibilities and expectations for Board members be documented in the Board Governance Manual.</i>
BOARD LEADERSHIP					
8.	The desirability of providing for a strong independent board leader is a consideration in recruiting new board members.	Documented board member qualifications criteria that outline board leadership skills.	It is our understanding that board leadership is not a consideration in recruiting new Directors.	No.	9. That the basic Director's qualifications be updated to include the desirability of board leadership skill.
9.	The board has approved a position description for the Board Chairperson, as described in the following standard, and he or she is evaluated against it annually.	<p>Position description approved by the board.</p> <p>Annual evaluation of board leader performance.</p>	<p>A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual contains job descriptions for Board Executive positions (i.e., Board Chair, Vice Chair, Board Secretary and Board Treasurer). Review of the job description for the Board Chair indicates that not all responsibilities listed in the standard below have been addressed.</p> <p>Evaluations of the Board, individual Directors and the Chair have not been conducted, although such evaluations are included as a responsibility of the Governance Committee in the "Board Governance Manual."</p> <p>The Chairperson plays a central role in ensuring the effective governance of the organization and in ensuring that the Board functions effectively. This role should be documented in a position description to ensure it is clearly communicated and understood.</p> <p>Without regular evaluations there is the risk that the board leader is not fulfilling the requirements of the terms of reference and therefore not adding value to the Board to the extent expected and required.</p>	Partially.	10. That a process be established for evaluating the Board Chair against the position description.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
10.	<p>The Board Chairperson is accountable for ensuring that the board carries out its responsibilities effectively, including:</p> <ul style="list-style-type: none"> • Ensuring that the board and management clearly understand their respective roles and respect the boundaries between board and management responsibilities; • Providing the leadership required to ensure that the board works as a cohesive team; • Ensuring that the board has adequate resources, and in particular timely and relevant information, to support its work; • Ensuring there is a process in place to assess the effectiveness of the board and its committees on a regular basis; • Ensuring there is a process in place to assess the contribution of individual directors to the effectiveness of the board and its committees; and • Ensuring that the assessment of the CEO and the succession planning functions are carried out. 	<p>Position description describing the board leader's responsibilities as outlined, communicated to the board leader.</p>	<p>As noted above, the Board Chair job description does not contain all of the responsibilities listed in the standard.</p>	Partially.	<p>11. That the position description for the Board Chair be amended to include that he/she is accountable for ensuring that the Board carries out its responsibilities effectively, including:</p> <ul style="list-style-type: none"> • Ensuring that the board and management clearly understand their respective roles and respect the boundaries between board and management responsibilities; • Ensuring that the board has adequate resources, and, in particular, timely and relevant information, to support its work; • Ensuring there is a process in place to assess the effectiveness of the board and its committees on a regular basis; and • Ensuring that the succession planning function is carried out.
11.	<p>The results of the assessment of the CEO and succession planning matters, although the responsibility of the Board Chairperson, are reported to and discussed by the full board.</p>	<p>These matters are reported annually to the full board and this is documented in the board minutes.</p> <p>Requirement spelled out in board governance policy.</p>	<p>A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual includes the requirement for the Board to "develop indicators to measure the Executive Director's performance," and for the Governance Committee to "review annually the job performance of...the Executive Director."</p> <p>Interviewees advised that the CEO's performance is informally assessed on a continuous basis, but a formal and documented annual review has not been completed, and a succession plan has not been prepared.</p>	In progress.	<p>12. That the annual review of the job performance of the Executive Director be documented and presented to the Board of Directors for discussion.</p> <p>13. That management discuss with the Board of Directors the succession plan for key management positions.</p>

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
			In order to fulfill their functions as stewards of the shareholder it is imperative that the Directors satisfy themselves regarding the effectiveness of the CEO and the management team as well as the continuity of management. Where the Board is unaware of the status of management performance and succession planning then this can compromise operations and corporate goals due to poor management and/or loss of key personnel.		
BOARD MANDATE					
Written Mandate					
12.	The board has developed a formal written mandate setting out their responsibilities and the way in which they structure their operations to carry out these responsibilities. The mandate sets out that the board explicitly accepts the five core functions of governance, being <ul style="list-style-type: none"> a) Choosing the CEO; b) Setting the broad parameters within which the management team operates; c) Coaching the CEO and management team; d) Monitoring and assessing the performance of the CEO and taking remedial action where necessary, including replacing the CEO if required; and e) Providing assurance to stakeholders about the integrity of the organization's financial performance. 	Documented in board governance policy and/or terms of reference.	A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual contains a description of the core functions of the Board of Directors and addresses the items listed in the standard.	In progress.	<i>Elsewhere in this report, we are recommending that the Board Governance Manual be approved by the Board of Directors.</i>
13.	The board sets goals for its own performance and assesses performance against these goals regularly. This responsibility is set out in the board's mandate.	Documented in board minutes. Documented in board governance policy and/or terms of reference.	Interviewees indicated that the Board has not set goals and has not assessed its own performance against those goals. There are currently no formal processes in place to assess the effectiveness of the Board, its committees, and individual Directors on a regular basis, although such evaluations are included as a responsibility of the Governance Committee in the "Board Governance Manual."	In progress.	14. That the Board mandate include responsibility for the Board to set its own performance goals.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
			<p>Competent and diligent Directors can provide direction and insights that are essential to the success of the organization; Directors who cannot or do not meet their responsibilities can seriously hinder the organization's success. Therefore, the regular assessment of the performance of individual Directors, Committees and the Board is an important accountability function. If assessments are not done there is the risk that poor performance will not be detected and or continue uncorrected.</p> <p>Self-assessments are appropriate but should be supplemented with feedback from other sources such as management and stakeholders to ensure that the needs and concerns of all affected parties are addressed.</p>		<i>Elsewhere in this report, we are recommending that the Board Governance Manual be approved by the Board of Directors.</i>
Planning, Monitoring and Risk Management					
14.	<p>The board of directors explicitly assumes responsibility for:</p> <ul style="list-style-type: none"> • Adoption of a strategic planning process, and • The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks. 	Documented in terms of reference or mandate.	<p>A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual includes, in the section entitled "Core Functions of The Board of Directors," the explicit assumption of responsibility by the Board for the items listed in the standard.</p> <p>As the governing body which represents the shareholder, it is the Board's responsibility to provide leadership in setting the strategic direction, and to approve the strategic plan, operating goals, operating budget, performance indicators and the business and financial plans established to achieve them.</p> <p>Similarly it is the Board's responsibility to participate in identifying the principal risks of the business and to oversee the implementation of appropriate systems to manage the risks.</p>	In progress.	<i>Elsewhere in this report, we are recommending that the Board Governance Manual be approved by the Board of Directors.</i>
15.	The board contributes to the development of strategic direction and approves a strategic plan that takes into account an identification of business opportunities and business risks.	<p>Documented approval in board minutes.</p> <p>Board governance policy that outlines board's role in strategic planning.</p>	<p>The most recent strategic plan was adopted by the Board in the fall of 2000, and articulates the goals of the Auditorium to the year 2020.</p> <p>Interviewees agreed that the strategic plan should be updated to reflect changing circumstances, new business opportunities and evaluation of business risks. The Board's role in the strategic planning process has been detailed in the "Board Governance Manual."</p>	Partially.	15. That the strategic plan be updated as soon as possible to give medium- and long-term strategic direction to the organization.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
16.	<p>The components of the strategic plan include, but are not necessarily limited to:</p> <ul style="list-style-type: none"> • Overall mission; • Vision; • Core values; • Goals and objectives; • Business risks; • Strategies to mitigate risks and pursue opportunities; and • Measuring and monitoring performance. 	Documented in strategic plan.	<p>A long-term strategic plan should provide the framework of strategic direction from which the annual business plans and financial plans are developed.</p> <p>The Auditorium's strategic plan contains the following:</p> <ul style="list-style-type: none"> • "Vision" • "Mission" • "Our Promise to our People" (contains some core value statements) • "Core Strategies" • "Strategic Actions" (includes specific goals/objectives) <p>One important element that is not present is the clear identification of business risks. Risks and opportunities should be identified and the strategies for mitigating these risks and pursuing these opportunities then tied to the risks/ opportunities identified.</p> <p>Another element that is missing is a plan to measure and monitor performance. The plan should recognize the cycle of planning, implementation, measuring and feedback/improvement.</p> <p>It is important to ensure that the Auditorium's strategic plan is reviewed and updated regularly. A comprehensive strategic plan that is updated annually helps the organization to ensure it is aware of trends, events and changes in the industry and that it is planning ahead to stay competitive.</p>	Partially.	<p>16. That a process be put in place to ensure that the strategic plan is reviewed and updated at least annually.</p> <p>17. That the strategic plan include an identification of risks and the related strategies for mitigating the likelihood and/or impact of these risks.</p> <p>18. That the strategic plan state the organization's commitment to measure and monitor performance as part of the planning cycle.</p>
17.	The board is involved in the strategic planning process, not in order to manage the business, but rather, to support and oversee management and to hold management to account.	<p>Documented in board minutes.</p> <p>Documented in terms of reference or mandate.</p> <p>Board governance policy that outlines board's role in this area.</p>	The Board's role in the strategic planning process has been detailed in the "Board Governance Manual" and is consistent with the standard.	In progress.	<i>Elsewhere in this report, we are recommending that the Board Governance Manual be approved by the Board of Directors.</i>

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
18.	There is a process in place to ensure that there is a high level of agreement between City Council and the Board on organizational values, mission and objectives.	Documentary evidence of process.	<p>There are two City Councilors, the Mayor and the City Manager on the Board which ensures there is some interrelationship between the Board of Directors and City Council. The Executive Committee of City Council, at their meeting on August 18, 2004, resolved that “the role of Council members on any Board or Commission is to represent the views of City Council and to take the message of City Council to the Board, and the message of the Board to City Council.”</p> <p>The City of Saskatoon is the sole member/shareholder of the corporation, and as such, City Council has ultimate responsibility for the Auditorium.</p> <p>Similar to the process followed regarding the 2000 strategic plan, in order to ensure that the Auditorium will operate in a manner that is consistent with the wishes of City Council, a copy of the updated strategic plan should be shared with City Council.</p>	Partially.	19. That the Board of Directors share the Centennial Auditorium’s updated strategic plan (and future updates) with City Council in order to ensure the organizational values, mission and objectives are consistent with the City of Saskatoon’s strategic plan.
19.	The board oversees and monitors management’s systems for managing business risk. It regularly reviews with management the strategic environment, the emergence of new opportunities and risks, and the implications for the strategic direction of the organization.	<p>Documented in board minutes.</p> <p>Documented in terms of reference or mandate.</p> <p>Board governance policy that outlines board’s role in this area.</p>	<p>Interviewees indicated that the Board considers business risk and discusses certain risks with management. For example, by policy, the Board is required to approve all self-sponsored and co-sponsored events where the risk exposure is financially significant.</p> <p>Interviewees also indicated that the Board regularly reviews strategies and risks with management as part of the ongoing business of the Board, but not in any particularly defined manner.</p> <p>We found no documented evidence that the Board comprehensively monitors management’s systems for managing risk.</p>	Partially.	<i>Elsewhere in this report, we are recommending that the strategic plan include identification of risks and the related strategies for mitigating the impact of these risks.</i>
20.	The audit committee understands the organization’s risk profile and oversees risk assessment and management.	There is a documented risk identification process whereby management annually reports to the committee.	<p>Interviewees indicated that a deliberate planned discussion of risk has not taken place but that risks are discussed as they surface in the course of other business.</p> <p>A more deliberate approach to risk assessment and management would help ensure that all significant risks are identified and addressed in a timely manner.</p>	No.	20. That a risk identification process be developed and documented whereby management annually reports to the Audit Committee on existing risks and related controls, new risks, new controls, the status of outstanding issues and the strategies for mitigating risks.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
21.	The audit committee understands the system of internal controls and periodically reviews the adequacy of the system with the external auditors.	Committee minutes document an annual review of internal controls with the auditors.	Interviewees indicated that the Committee always reviews internal control issues with the external auditor and deals with any concerns brought to the Committee's attention as a result of the annual audit.	Partially.	<i>Elsewhere in this report, we have recommended the development of a risk identification process.</i>
Evaluate Management Performance					
22.	The board has established a position description for the CEO setting out his or her responsibilities, authorities and accountabilities, as well as performance indicators. The board assesses the CEO against these performance indicators.	<p>A position description exists.</p> <p>There is a process by which the CEO is regularly assessed and evidence of the assessment taking place is documented in the board minutes.</p> <p>Documentation of the assessment shows that the CEO was assessed against the criteria in the position description.</p>	<p>There is a position description for the CEO which sets out his responsibilities and the fact that he is accountable to the Board of Directors. The position description does not set out the overall limits of authority imposed on the CEO. However, we note that the authority of the CEO with regard to self-sponsored and co-sponsored events has been detailed in the Board-approved "Self-Sponsored/Co-Sponsored Events – Risk Limitations Policy."</p> <p>A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual includes the requirement for the Board to develop performance indicators for the CEO, evaluate performance against those indicators, and take remedial action when warranted. However, the Manual has not been approved by the Board and a formal, documented CEO performance evaluation has not yet been conducted.</p> <p>It is difficult to hold the CEO accountable for meeting expectations that are not clearly defined. Therefore it is important that performance indicators be documented and that the CEO be evaluated with reference to these performance indicators.</p>	In progress.	<p>21. That the position description for the CEO be updated to include the limits of his authority and be approved by the Board of Directors.</p> <p>22. That measurable performance indicators for the CEO be documented and approved by the Board of Directors.</p> <p><i>Elsewhere in this report, we are recommending that the Board Governance Manual be approved by the Board of Directors.</i></p>
23.	The board monitors the performance of the CEO and also reviews the CEO's evaluation of senior management.	<p>The CEO is evaluated on the basis of the performance of the organization as a whole, against the strategic plan and the financial plan.</p> <p>Documented in the board minutes.</p> <p>Board governance policy.</p>	<p>Although formal performance assessments are not completed, interviewees indicate that the performance of the senior management team and the CEO are assessed continuously through monthly updates, monthly financial reports and discussion at Board meetings.</p> <p>Interviewees advised that the CEO's evaluation of senior management is not shared with the Board of Directors.</p>	In progress.	23. That, as part of the succession planning process, the CEO discuss the annual evaluations of senior management with the Board of Directors and/or Governance Committee.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
BOARD COMMITTEES					
24.	<p>The board has the following committees:</p> <ul style="list-style-type: none"> • Audit Committee, and • Corporate Governance Committee. 	<p>Documented in board minutes.</p> <p>Documented in terms of reference or mandate.</p> <p>Board governance policy that outlines board's role in this area.</p>	<p><u>Current committee structure:</u></p> <p>The Board of Directors currently has three standing committees:</p> <p>Executive Committee:</p> <ul style="list-style-type: none"> • Addresses policy and related issues which are outside the mandates of the other committees. <p>Audit Committee:</p> <ul style="list-style-type: none"> • Monitors financial and operational performance through the operating/capital budgets, financial reports and year end forecasts, and • Coordinates the external audit process and acts as liaison between management and the external auditors. <p>Paul Peters Memorial Bursary Award Committee:</p> <ul style="list-style-type: none"> • Established by the Board of Directors as a bursary fund in memory of the late Paul Peters, a former Executive Director of the Auditorium, and • Awards a bursary to a graduating Saskatoon Grade 12 student who will be continuing post-secondary education in the field of the performing arts. <p>The Board of Directors also has an ad-hoc Nominations Committee that is to be established annually in order to oversee the appointment of officers of the Board (i.e., President, Vice-President, Treasurer and Secretary).</p> <p>A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual refers to the development of a Governance Committee and a Compensation Committee.</p> <p><u>Other observations/comments:</u></p> <p>It is our understanding that minutes are not recorded for meetings of Committees other than the Audit Committee. Official minutes should be prepared for all committees of the Board.</p>	In progress.	<p>24. That the Board of Directors disband the Executive Committee.</p> <p>25. That the Board of Directors disband the Nominations Committee.</p>

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
			<p>Interviewees indicate that the Executive Committee is inactive and were unable to describe the Committee's mandate. We would suggest that the Executive Committee be disbanded.</p> <p>Interviewees also indicate that the mandate of the Nominations Committee is more appropriately considered part of the responsibilities of the Governance Committee.</p>		
25.	The responsibilities of each committee are well defined either by a written charter or mandate, or by a board resolution establishing the committee.	Board approved terms of reference for each committee.	A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual refers to the development of a Governance Committee and a Compensation Committee. The responsibilities of each of these committees appear to be well defined in the Manual.	In progress.	<i>Elsewhere in this report, we are recommending that the Board Governance Manual be approved by the Board of Directors.</i>
26.	<p>All the members of the audit committee are financially literate and there is at least one member with accounting or related financial expertise. The board has defined and determined the criteria for "financially literate".</p> <p><i>(Some acceptable definitions may be as follows:</i></p> <ul style="list-style-type: none"> • <i>Financial literacy: the ability to read and understand a balance sheet, an income statement, and a cash flow statement.</i> • <i>Accounting or related financial expertise: the ability to analyze and interpret a full set of financial statements including the notes, in accordance with Canadian generally accepted accounting principles.)</i> 	<p>The terms of reference document the definition and the requirements for financial literacy.</p> <p>There is documented evidence that the audit committee members meet these requirements.</p>	<p>A "Board Governance Manual" has been prepared by management and presented to the Board. Although the Manual requires "the members of the Audit Committee to be financially literate with at least one having accounting or related financial management expertise..." these requirements are not reflected in the Audit Committee Charter. The Audit Committee Charter merely states "...members will have an appropriate mix of qualifications and experience particularly in the area of accounting or auditing..."</p> <p>The National Association of Securities Dealers (NASD – the organization that regulates the securities industry and the NASDAQ stock market) and the American Stock Exchange (AMEX) define 'financial literacy' as "the ability to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement."</p> <p>The Securities and Exchange Commission (SEC), in addressing the matter of at least one member of the audit committee having accounting or related financial expertise, defines a 'financial expert' as a person who has the following attributes:</p> <ul style="list-style-type: none"> • an understanding of generally accepted accounting principles and financial statements; • the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; • experience preparing, auditing, analyzing or evaluating 	In progress.	<p>26. That the Audit Committee Charter be amended to include the requirement for at least one member to have accounting or related financial expertise and that the term "financial expertise" be defined, with due consideration for the definition established by the SEC.</p> <p>27. That the Audit Committee Charter be amended to include a definition of "financially literate," with due consideration for the NASD and AMEX definitions.</p>

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
			<p>financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the public company's financial statements, or experience actively supervising one or more persons engaged in such activities;</p> <ul style="list-style-type: none"> • an understanding of internal controls and procedures for financial reporting; and • an understanding of audit committee functions. An audit committee financial expert must have acquired such attributes through: <ul style="list-style-type: none"> • education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; • experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; • experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or • other relevant experience. 		
27.	<p>The audit committee has adopted a formal written mandate that has been approved by the full board and that sets out the scope of the committee's responsibilities. This mandate has been disclosed to the shareholders and is reviewed annually. The audit committee is regularly assessed for its effectiveness against the mandate. The results of this assessment are reported in writing to the full board and recorded in the board minutes. The mandate sets out explicitly the role and responsibility of the audit committee with respect to:</p>	<p>Documented in:</p> <ul style="list-style-type: none"> • Terms of reference, • Annual report to the shareholders and/or AGM minutes, and • Board minutes 	<p>A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual contains the written mandate of the Audit Committee, which includes "reviewing and overseeing the following four elements of the financial reporting process:</p> <ul style="list-style-type: none"> • Internal controls and risk assessment, • Internal and external auditing processes, • Financial reporting, • Compliance with laws, regulations and codes of ethics." 	Partially.	28. That the mandate for the Audit Committee be disclosed to City Council.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
	<ul style="list-style-type: none"> • Its relationship with and expectation of the external auditors, including the establishment of the independence of the external auditor, • Its oversight of internal control, • Disclosure of financial and related information, and • Any other matters that the audit committee feels are important to its mandate or that the board chooses to delegate to it. 		<p>An Audit Committee Charter has also been prepared and approved by the Board. The Charter specifies that the Audit Committee will “plan and review:</p> <ul style="list-style-type: none"> • The coverage and scope of the external audit, • Accounts and amounts on which to focus, • The external auditor’s performance, • The cost and payment of the audit, • The audit findings and constructive services letter ensuring appropriate management follow-up action, and • The role and effectiveness of the external audit annually.” <p>The Charter requires that the Audit Committee prepare an annual report to the Board. Interviewees indicated that an annual report is presented verbally to the Board at the Annual General Meeting.</p> <p>The mandate of the Audit Committee is not disclosed to City Council. Without adequate disclosure of the mandate of the Audit Committee to City Council there is no way for City Council to assess the appropriateness of the Committee’s role in the organization’s overall internal control framework.</p> <p>There is currently no assessment of effectiveness for any of the Committees of the Board.</p>		
28.	<p>In respect of the external auditor, the audit committee terms of reference should include a process by which the committee:</p> <ul style="list-style-type: none"> • Is assured that the auditors are independent. It has access to all information about the audit firm’s relationship with the organization that is necessary in order to come to a reasonable conclusion; • Is assured that the auditors are satisfied that the accounting estimates and judgments made by management, and management’s selection of accounting principles, reflect an appropriate application of GAAP; 	<p>Documented in terms of reference.</p> <p>Documented in committee minutes.</p>	<p>Per interviewees, the issue of auditor independence is considered by the Committee at the time of receiving the annual independence letter which is provided by the external auditor in accordance with CICA standards.</p> <p>With the issue of auditor independence in mind, the Board should establish guidelines regarding consulting work provided by the external auditor. These guidelines should address such things as: the nature of work, percent of work that is consulting vis-à-vis assurance-related, etc. The audit committee would then be responsible for assuring themselves that these guidelines are being met.</p> <p>According to the Audit Committee Charter, the Committee is responsible for discussing with the auditor the appropriateness and quality of accounting policies, judgments and estimates and the appropriate application of generally accepted accounting principals.</p>	Yes.	29. That the Audit Committee establish guidelines regarding consulting work provided by the external auditor.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
	<ul style="list-style-type: none"> Has developed a relationship with the external auditors that allows for full, frank and timely discussion of all material issues, with or without management as appropriate in the circumstances; and Discusses with the external auditor the quality and not just the acceptability of the organization's accounting policies, judgments and estimates. 		Interviewees have expressed the opinion that there is a good working relationship between the Committee and the external auditor.		
29.	<p>The Governance Committee's mandate is documented and its responsibilities include:</p> <ul style="list-style-type: none"> Recommending the criteria for board and committee membership, considering the rotation and qualifications of committee members as well as potential conflicts of interest; Recommending director nominees; Assessing the contributions of individual directors when considering their re-nominations and in making recommendations to the board; Monitoring the independence of the board; Overseeing the organization's processes for providing information to the board; Developing and recommending board governance principles and policies; and Overseeing the evaluation of the board, its committees and the CEO, and also reviewing the CEO's evaluation of senior management. 	Documented in terms of reference.	<p>A "Board Governance Manual" has been prepared by management and presented to the Board. This Manual contains the written mandate of the Governance Committee, which includes the responsibility for "overseeing the following:</p> <ul style="list-style-type: none"> Establishing criteria for Board membership, Recommend nominees for Board membership and the Board executive positions, Reviewing the succession plan for both Board positions and senior management to ensure excellent candidates are being developed, Consider question of conflicts of interest of Board members and of our senior executives, Review annually the job performance of all Board members and the Executive Director." <p>In addition to those responsibilities detailed above, the Governance Committee's mandate should include responsibility for:</p> <ul style="list-style-type: none"> Overseeing the organization's processes for providing information to the board; Developing and recommending corporate governance principles and policies; and Overseeing the evaluation of committees and also reviewing the CEO's evaluation of senior management. 	In progress.	<p>30. That the mandate of the Governance Committee be amended to include responsibility for:</p> <ul style="list-style-type: none"> Overseeing the organization's processes for providing information to the board; Developing and recommending corporate governance principles and policies; and Overseeing the evaluation of committees and also reviewing the CEO's evaluation of senior management.

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
COMMUNICATION AND DISCLOSURE					
30.	The board communicates directly and candidly to the shareholders information regarding the business (i.e., goals, objectives, strategic direction, risk profile, financial condition, and operating and financial performance and trends of the organization).		See discussion of this criteria in a separate Chapter of the audit report, "Disclosure."	Partially.	<i>See Chapter 3.</i>
31.	<p>The corporate governance framework ensures timely and accurate disclosure to the shareholders on all material matters of the organization, including the financial situation, performance, ownership, and governance. It should include at least the following:</p> <ul style="list-style-type: none"> • The financial and operating results; • Strategic goals and objectives, and comparison of plan to actual results; • Members of the board, and key executives and their remuneration; • Material foreseeable risk factors; • Material issues regarding employees and other stakeholders; • Governance structures and policies; • The mandate of the board, setting out duties and objectives; and • The board's expectations of management. 		See discussion of this criteria in a separate Chapter of the audit report, "Disclosure."	Partially.	<i>See Chapter 3.</i>
32.	<p>The organization discloses in its annual report to its shareholders whether or not:</p> <ul style="list-style-type: none"> • Management has reviewed the audited financial statements with the audit committee, including a discussion of the quality of the 		See discussion of this criteria in a separate Chapter of the audit report, "Disclosure."	No.	<i>See Chapter 3.</i>

Board Governance, cont'd

Ref. #	GOVERNANCE STANDARDS	BENCHMARK	CURRENT STATE AND IMPLICATIONS	MET?	RECOMMENDATIONS
	<p>accounting principles applied and significant judgments affecting the company's financial statements;</p> <ul style="list-style-type: none"> • The outside auditors have discussed with the audit committee their opinions regarding the quality of those principles applied and judgments referred to above, under the circumstances; • The members of the audit committee have discussed among themselves, without management or the outside auditors present, the information disclosed to the audit committee as described above; and • The audit committee, in light of the steps noted above, believes that the company's financial statements are fairly presented in conformity with Canadian Generally Accepted Accounting Principles in all material respects. 				
33.	<p>The board members meet at every regularly scheduled meeting without management and under the chairmanship of the independent board leader.</p>	<p>Documented in board minutes.</p> <p>Policy on board and committee meetings.</p>	<p>The Board is ultimately responsible to the shareholder (i.e., City Council). Therefore, it is important for the Board to meet on a regular basis without management present in order to preserve the integrity of its independence from management. Such meetings allow for open and direct communication on issues that may not be appropriate to discuss with representatives of management. Meeting regularly without management also helps board Trustees to build relationships of confidence and cohesion among themselves.</p> <p>Since individual board members may be reluctant to raise the fact that they would like to meet without management, time should be set aside at each and every Board and committee meeting to meet without management present, even if after management leaves the board members present decide that they have no sensitive issues to discuss. Meeting without management present should be a standard item on the agenda for each Board and committee meeting.</p>	No.	<p>31. That the terms of reference for the Board and each committee be updated to require the Board and each committee to meet regularly without management present, and that an in-camera session without management present be included on the agenda for each Board and committee meeting.</p>

Board/Management Response:

1. Agree.
2. Agree.
3. Agree.
4. Agree.
5. Agree.
6. Agree.
7. Agree.
8. Agree.
9. Agree.
10. Agree.
11. Agree.
12. Agree.
13. Agree.
14. Agree.
15. Agree.
16. Agree.
17. Agree.
18. Agree.
19. Agree.
20. Agree.
21. Agree.
22. Agree.
23. Agree.

Board Governance, cont'd

24. Agree.

25. Agree.

26. Agree.

27. Agree.

28. Agree.

29. Agree.

30. Agree.

31. Agree.

Chapter 3 Disclosure

The City of Saskatoon is the sole shareholder of The Centennial Auditorium and Convention Centre Corporation. As the sole shareholder and significant funding source for the Auditorium, the City is entitled to timely and accurate disclosure on all material matters of the organization, including the financial situation, performance, ownership and governance. Without this information there is a risk that City Council will make inappropriate decisions based on incomplete, inaccurate or out-of-date information.

In addition, this disclosure can encourage better performance by causing the Board and management to re-examine their roles, responsibilities and behaviors, and consequently improve governance and management practices.

We considered the extent to which there is appropriate disclosure to the Board and City Council on important aspects of the organization's governance practices, business risks, financial position and performance, and operational performance.

Opportunities for improvement include providing information to City Council regarding the organization's accomplishments and performance; the organization's governance structure, policies and practices; key business risks and risk-mitigation strategies; and an indication of the extent to which the Audit & Finance Committee has fulfilled its obligations.

Audit Findings

Generally accepted good governance practices advocate timely, full and accurate disclosure to Board members and shareholders (in this case, City Council) on all material matters of the organization and on important aspects of the organization's governance practices, business risks, financial position and performance, and operational performance. This disclosure should include, but not necessarily be limited to, the items contained in the following table.

Disclosure, cont'd

Information to be Disclosed	Disclosed to the Board?	Disclosed to City Council?
<p>The organization's mission, vision, values, goals and objectives.</p>	<ul style="list-style-type: none"> • The "Vision 2020" strategic plan, prepared in the fall of 2000, was developed with input from the Board of Directors. • A copy of the strategic plan is included in the new Board member orientation package. • In Chapter 2, we are recommending that the Centennial Auditorium's strategic plan be updated. 	<ul style="list-style-type: none"> • The "Vision 2020" strategic plan, prepared in the fall of 2000, was provided to City Council as information. • In Chapter 2, we are recommending that the Centennial Auditorium's updated strategic plan (and future updates) be shared with City Council in order to ensure it is consistent with the City of Saskatoon's strategic plan.
<p>A list of all Board members.</p>	<ul style="list-style-type: none"> • A list of all Board members is included in the new Board member orientation package. 	<ul style="list-style-type: none"> • Although City Council receives a list of all new and re-appointed Board Members during the appointment process, a list of all current Board Members has not been disclosed.
<p>A list of key executives and their remuneration.</p>	<ul style="list-style-type: none"> • A list of key executives is provided to the Board. • There is full disclosure of remuneration paid to senior managers through the Public Accounts. 	<ul style="list-style-type: none"> • A list of key executives has not been disclosed. • There is full disclosure of remuneration paid to senior managers through the Public Accounts.
<p>A description of the operation including an organization chart.</p>	<ul style="list-style-type: none"> • Yes. 	<ul style="list-style-type: none"> • No.
<p>A description of key performance indicators.</p>	<ul style="list-style-type: none"> • Operational performance (e.g., attendance, event actual versus budget revenue and expenditures, collections, complaints, etc.) is reported to the Board. • In Chapter 2 we are recommending that management measure and monitor performance as part of the strategic planning process. 	<ul style="list-style-type: none"> • No.

Disclosure, cont'd

Information to be Disclosed	Disclosed to the Board?	Disclosed to City Council?
A description of accomplishments including a comparison of planned to actual results.	<ul style="list-style-type: none"> • All Board members are invited to the Annual General Meeting where accomplishments are discussed. • However, an annual report is not prepared. 	<ul style="list-style-type: none"> • All City Councillor's are invited to the Annual General Meeting where accomplishments are discussed. • However, a written summary is not prepared for those Councillor's who are unable to attend the meeting.
An identification of key risks and a description of systems and practices to manage these risks.	<ul style="list-style-type: none"> • No. In Chapter 2, we are recommending that the strategic plan include an identification of risks and the related strategies for mitigating the impact of these risks. 	<ul style="list-style-type: none"> • No.
The mandate of the Board, setting out duties and objectives.	<ul style="list-style-type: none"> • The duties and objectives of the Board are discussed at the new Board member orientation session. • The Board Governance Manual has been reviewed by the Board. 	<ul style="list-style-type: none"> • No.
Material issues regarding employees and key stakeholders.	<ul style="list-style-type: none"> • Yes. 	<ul style="list-style-type: none"> • No.
Governance structures (including committees and their mandates) and policies.	<ul style="list-style-type: none"> • The Audit Committee Charter is included in the new Board member orientation package. • The Board Governance Manual has been reviewed by the Board. 	<ul style="list-style-type: none"> • No. In Chapter 2, we are recommending that the Audit Committee mandate be disclosed to City Council.
Financial and operating results and trends.	<ul style="list-style-type: none"> • Board members receive a copy of the audited financial statements describing the organization's financial position, performance and results over the past year with comparisons to the prior year and the related notes to the financial statements. • Board members receive a copy of the operating budget for the current year, 	<ul style="list-style-type: none"> • City Council receives a copy of the audited financial statements describing the organization's financial position, performance and results over the past year with comparisons to the prior year and the related notes to the financial statements. • The Budget Committee receives a copy of the operating budget for the

Disclosure, cont'd

Information to be Disclosed	Disclosed to the Board?	Disclosed to City Council?
	<p>which also details the past years' operating budget and actual results.</p> <ul style="list-style-type: none"> Board members receive reports regarding financial and operating results and trends at every Board meeting. 	<p>current year, which also details the past years' operating budget and actual results. The Executive Director and Controller are available to address the Budget Committee during their deliberations, if requested.</p>
<p>An indication of whether or not management has reviewed the audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles applied and significant judgments affecting the company's financial statements.</p>	<ul style="list-style-type: none"> Yes, in the Audit Committee minutes. 	<ul style="list-style-type: none"> No.
<p>An indication of whether or not the outside auditors have discussed with the Audit Committee their opinions regarding the quality of those principles applied and judgments referred to above.</p>	<ul style="list-style-type: none"> Yes, in the Audit Committee minutes. 	<ul style="list-style-type: none"> No.
<p>An indication of whether or not the members of the Audit Committee have discussed among themselves, without management or the outside auditors present, the information disclosed to the Audit Committee as described above.</p>	<ul style="list-style-type: none"> Yes, in the Audit Committee minutes. 	<ul style="list-style-type: none"> No.
<p>An indication of whether or not the Audit Committee, in light of the steps noted above, believes that the company's financial statements are fairly presented in conformity with Canadian Generally Accepted Accounting Principles in all material respects.</p>	<ul style="list-style-type: none"> Yes, in the Audit Committee minutes. 	<ul style="list-style-type: none"> No.

The *City of Saskatoon Civic Arts Policy* as a whole has implications for the Auditorium, even where the Auditorium is not specifically named. For instance, it includes Vision and Outcome statements to ensure that the arts in Saskatoon continue to thrive and develop. This policy should be referred to as part of strategic planning for the Auditorium to ensure consistency with the City's goals and objectives for Civic Arts.

The *City of Saskatoon Civic Arts Policy* was developed during 1996 and 1997 with input from members of the arts community, including representatives of the Auditorium. As a result of this consultation process the City of Saskatoon Civic Arts Committee subsequently came into existence. It is an ad-hoc committee which meets with Civic Administration two to three times per year.

While the Auditorium does not currently have a representative on this committee, the Acting Manager of the Community Development Branch indicates that the Auditorium would be invited to committee meetings if issues related to the Auditorium's business were being discussed.

Recommendations:

32. That steps be taken to ensure full disclosure of the following to City Council:
 - A list of the Board of Directors;
 - A list of senior management;
 - A description of the Auditorium's operations, including the organizational chart;
 - A description of the key performance indicators and accomplishments, with a comparison of planned to actual results;
 - An identification of key risks and a description of systems and practices to manage these risks;
 - The mandate of the Board, setting out duties and objectives;
 - Material issues regarding employees and key stakeholders;
 - Governance structures, policies and practices;
 - Whether or not management has reviewed the audited financial statements with the Audit & Finance Committee, including a discussion of the quality of the accounting principles applied and significant judgments affecting the company's financial statements;
 - Whether or not the outside auditors have discussed with the Audit & Finance Committee their opinions regarding the quality of those principles applied and judgments referred to above, under the circumstances;
 - Whether or not the members of the Audit & Finance Committee have discussed among themselves, without management or the outside auditors present, the information disclosed to the Audit & Finance Committee as described above, and
 - Whether or not the Audit & Finance Committee, in light of the steps noted above, believes that the company's financial statements are fairly presented in conformity with Canadian Generally Accepted Accounting Principles in all material respects.

33. That the Governance Manual be amended to include the disclosure requirements with regard to City Council.

34. That the Centennial Auditorium Board of Directors and management ensure that the Auditorium's strategic plan is consistent with the *City of Saskatoon Civic Arts Policy*, July 13, 1998.

35. That a copy of the *City of Saskatoon Civic Arts Policy*, July 13, 1998 be included in the Board Manual.

Board/Management Response:

32. Agree.

33. Agree.

34. Agree.

35. Agree.

Chapter 4 Business Risks

One of the objectives of the audit was to determine the extent to which adequate systems, practices and controls are in place to manage the major business risks faced by the organization.

There are several, significant business risks facing the Centennial Auditorium. In our opinion, there are adequate systems, practices and controls in place to manage these risks. Our overall conclusions regarding the residual risk of the major business risks facing the organization are presented graphically below.

Likelihood	Impact		
	Minor	Moderate	Significant
High			
Medium	<ul style="list-style-type: none"> • Utility failure. • Performance cancellation. • Patron inability to attend a paid event. 		
Low	<ul style="list-style-type: none"> • Fire. • Deterioration/aging infrastructure. • Equipment failure. • Event cancellation. • Performer injury. 	<ul style="list-style-type: none"> • Lose money on self-or co-promoted performance. • High turnover and/or loss of key personnel. • Unauthorized access to the facility. • Inappropriate use/release of patron/client information. • Loss of computer use/information. • Unauthorized access to a performance/event. • Patron injury. • Staff injury. 	<ul style="list-style-type: none"> • Investment Losses. • Excessive Debt. • Strike/job action. • Failure to understand and respond to changes in the market. • Loss of existing and repeat patrons/clients. • Inappropriate alcohol service. • Failure to meet client needs. • Double/inconsistent booking of events. • Foodborne illness.

Definition of Risk

Throughout our analysis, we used the following definitions:

Risk: risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of likelihood and impact of an event with the potential to influence the achievement of an organization's objectives¹. There are two types of risk:

- **Inherent Risk:** the risk that exists before risk management practices have been implemented. **Low** likelihood suggests that the risk event is unlikely to occur, given its nature. **Medium** likelihood of occurrence suggests that the risk event has a moderate probability of occurrence. **High** likelihood of occurrence suggests that the risk event is likely to occur.
- **Residual Risk:** the risk that exists after risk management practices have been implemented. **Low** likelihood suggests that the risk event is unlikely to occur, given its nature and current risk management practices in place. **Medium** likelihood of occurrence suggests that the risk event has a moderate probability of occurrence. **High** likelihood of occurrence suggests that the risk event is likely to occur, despite current risk management practices in place.

Impact: impact refers to the extent of the consequences or implications if the risk event does occur. **Minor** impact suggests that the risk event would not have important implications on the organization. **Moderate** impact suggests that the risk event could have implications for the organization's ability to succeed. **Significant** impact suggests that the risk event would have important implications on the organization.

¹ Treasury Board of Canada Secretariat, Integrated Risk Management Framework, p.8.

Audit Findings

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
Financial					
Investment losses.	High.	Significant. As of December 31, 2004, the Auditorium had over \$2 million in cash and term deposits.	<ul style="list-style-type: none"> Although not documented in policy, the Auditorium invests surplus cash balances with the City of Saskatoon, which only invests the funds in <u>secure, low risk investments</u> (e.g., treasury bills, guaranteed investment certificates). 	Low.	Significant.
Excessive debt.	High.	Significant. High principal and interest payments can negatively impact cash flow, financial results, and financial stability.	<ul style="list-style-type: none"> A <u>business case</u> is prepared regarding each potential capital project that will require the borrowing of funds. Although not documented in policy, management ensures that funds are borrowed for capital projects only if the principal and interest can be paid through <u>improved business activity</u>. <u>Pro-forma financial statements</u> are prepared to support the project and demonstrate the ability to repay the debt. The Board of Directors and City Council must <u>approve all debt issuances</u>. 	Low.	Significant.
Lose money on self- or co-promoted performance.	High.	Significant. The financial success and financial stability of the Auditorium could be negatively impacted.	<ul style="list-style-type: none"> Each self- or co-promoted event is subjected to a financial analysis in order to determine the <u>breakeven point</u> (i.e., the minimum number of tickets that must be sold before profit will be made). <ul style="list-style-type: none"> <u>All costs</u> are included in the analysis (e.g., rent, fees, charges, etc.). <u>Ticket pricing</u> will be considered in relation to current market conditions. An event will be subject to more in-depth scrutiny if the breakeven point is <u>65% of capacity</u> or greater. 	Low.	Moderate.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
			<ul style="list-style-type: none"> • If the breakeven point is greater than 65% of capacity, <u>ancillary revenues</u> will also be considered (e.g., ticket charges, liquor sales, merchandise sales commissions, etc.). • The relative success or failure of the proposed performance in <u>other similar venues/markets</u> is considered. • The <u>Saskatoon market</u> and the relative success or failure of other similar performances held in the past is considered. • Pursuant to the “Self-Sponsored/Co-Sponsored Events – Risk Limitations Policy,” <u>the Board of Directors must approve events that increase the financial exposure of the Auditorium</u> beyond certain limits. • On a monthly basis, the Board of Directors is provided information on the <u>net financial exposure</u> for each event. • For promoted and co-promoted events, <u>contracts are signed</u> in order to ensure the promoters understand and fulfill their commitments. • In order to ensure due diligence is followed, and the exposure of the Auditorium is limited, this <u>process should be documented</u> in policy. 		

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
Human					
Strike/job action.	High.	<p>Significant.</p> <p>The Auditorium's business is very labor intensive. Without staff, it would be extremely difficult to host events, thereby negatively impacting the financial success of the Auditorium.</p>	<ul style="list-style-type: none"> • The current <u>collective agreements</u> expire December 31, 2006. • Management maintains a <u>good working relationship</u> with all staff and promotes a <u>respectful workplace</u>. • The Executive Director is committed to <u>resolving employee concerns</u> at the management level, before a grievance is necessary. • City of Saskatoon <u>labour relations expertise</u> is utilized in collective agreement negotiations. • The <u>grievance process</u> is documented in the collective agreements and has been agreed to by management and the unions. • Management has a <u>working knowledge of key positions</u> such that, in the event of strike/job action, the facility could continue to operate. • <u>Event contracts include provision to limit the Auditorium's liability</u> in the event of strike/job action. 	Low.	Significant.
High turnover and/or loss of key personnel.	High.	Moderate.	<ul style="list-style-type: none"> • Management staff are encouraged to further their <u>leadership, business and management skills</u> through training opportunities. • <u>Individuals are cross trained</u> to help ensure that, in the event of vacancy, another person could assume key duties until a replacement is found. • The Auditorium is a fast-paced, dynamic and supportive <u>working environment</u>, which continually challenges its management team in a positive way. 	Low.	Moderate.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
			<ul style="list-style-type: none"> The Executive Director has thought about <u>succession planning</u>, and has agreed to discuss the issue with the Board of Directors. 		
Infrastructure					
Fire.	Medium.	<p>Significant.</p> <p>Patrons and/or staff could be injured evacuating the facility.</p> <p>Property damage could be significant.</p>	<ul style="list-style-type: none"> All staff receive <u>emergency procedures training</u> once per year. Before every event, a <u>pre-event meeting</u> is held with all staff on duty, which includes a review of emergency measures/procedures. <u>Fire drills</u> are conducted periodically. The facility is equipped with a <u>fire suppression system</u>; Fire Hall No. 1 is only one block away. <u>Smoking is not allowed</u> in the facility. A comprehensive <u>preventive maintenance program</u> is in place to ensure all equipment is in good working order. <u>Insurance coverage</u> is in place, including business interruption insurance. 	Low.	Minor.
Utility failure.	Medium.	<p>Significant.</p> <p>Patrons and/or staff could be injured evacuating the facility.</p>	<ul style="list-style-type: none"> All staff receive <u>emergency procedures training</u> once per year. Before every event, a <u>pre-event meeting</u> is held with all staff on duty, which includes a review of emergency measures/procedures. The Auditorium is equipped with an <u>emergency generator</u> which powers emergency lighting in order to ensure safe evacuation of the facility. The emergency generator is tested for functionality on a <u>monthly basis</u>. 	Medium.	Minor.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
Unauthorized access to the facility.	<p>High.</p> <p>The Auditorium is located in a high pedestrian traffic area of the city and has multiple entrances.</p> <p>During events, there are many people in and around the facility.</p>	<p>Significant.</p> <p>Vandalism, theft and/or property damage could result.</p> <p>The reputation of the Auditorium could be negatively impacted.</p>	<ul style="list-style-type: none"> • When unused, access to the main floor meeting rooms and theatre is restricted by <u>locked doors and security grills</u>. • All other <u>meeting rooms are locked</u> when not in use. • There is a <u>full-time Stage Door Attendant</u> who ensures each person entering has a legitimate purpose for being in the facility. • During theatre events, <u>access to the “back of the house” is restricted</u> by security staff and keys for back stage areas (e.g., dressing rooms) are issued to, and signed out by, specified people. • <u>Security cameras</u> are located throughout the facility; the Stage Door Attendant monitors the live footage; footage is taped and retained on-site for at least six weeks. • After hours, the facility is equipped with a <u>security system</u>. 	Low.	Moderate.
Deterioration/aging infrastructure.	<p>High.</p> <p>The Auditorium was constructed in 1968 – 37 years ago.</p>	<p>Significant.</p> <p>The financial success and reputation of the Auditorium could be negatively impacted.</p>	<ul style="list-style-type: none"> • There is a comprehensive <u>preventive maintenance program</u> in place to ensure the facility is in good condition. • There are <u>replacement reserves</u> in place to fund the upgrade/replacement of facility components. 	Low.	Minor.
Equipment failure.	<p>High.</p>	<p>Significant.</p> <p>The financial success and reputation of the Auditorium could be negatively impacted.</p>	<ul style="list-style-type: none"> • There is a comprehensive <u>preventive maintenance program</u> in place to ensure equipment is in good working order. • There is a <u>replacement reserve</u> in place to fund the upgrade/replacement of equipment. 	Low.	Minor.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
Technology					
Inappropriate use/release of patron/client information.	Medium. Patron information, including financial information, is retained in paper and electronic records.	Moderate. The reputation of the Auditorium could be negatively impacted.	<ul style="list-style-type: none"> • A <u>Privacy Policy</u> has been implemented and appropriate staff trained in its application; the Privacy Policy has been posted on the Auditorium's website. • Staff who have patron/client files in their office ensure that their <u>office is locked</u> when unattended. • <u>Electronic information is protected</u> through user ID's, passwords and a corporate firewall; there is restricted physical access to the server; clients access their account information through a separate network. 	Low.	Moderate.
Loss of computer use/information.	High. Much of the day-to-day information used by staff is retained in electronic form.	Significant. Major systems (e.g., financial, booking, payroll, etc.) are computerized. Loss of this information would negatively impact the ability of the Auditorium to operate.	<ul style="list-style-type: none"> • There is an <u>8-hour backup power supply</u> for the servers. • <u>Information backups</u> are created every night; the usability of the backup information is periodically confirmed. • <u>Information backups are stored off-site, but not at an appropriate location</u>; management should consider storing this information at an appropriate storage facility. • An "<u>Information Technology Acceptable Use Policy</u>" has been adopted that prohibits downloading data from an "untrusted source" and prohibits installation of hardware or software without authorization. • <u>Virus protection software</u> is in place. • <u>Software installation disks</u> are stored on-site; management should consider securing the disks at an appropriate storage facility. • The <u>Equipment Replacement Reserve</u> is used to fund computer equipment replacements in a planned manner. 	Low.	Moderate.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
Administrative					
Event cancellation.	Medium.	Moderate. The ability to re-book previously booked space on short notice may not be possible, resulting in lost revenue.	<ul style="list-style-type: none"> • <u>Non-refundable deposits</u> are collected from clients when they confirm their booking and sign their booking contract. • If large events are cancelled on very short notice, <u>the client may be billed</u> for the entire rental charge. 	Low.	Minor.
Performance cancellation.	Medium.	Significant. The financial success and reputation of the Auditorium could be negatively impacted.	<ul style="list-style-type: none"> • The <u>full ticket price is refunded</u> to the customer, including all service charges, if the performance is not rescheduled or if the customer cannot attend the rescheduled performance. • <u>Original performance tickets are honored</u> for a rescheduled performance (i.e., re-issued for the rescheduled date). <p><u>Promoted</u></p> <ul style="list-style-type: none"> • Contracts provide for the Auditorium to receive the <u>rental charge</u> (i.e., a flat dollar amount or percentage of gross ticket sales); the Auditorium will also bill the Promoter for unavoidable staffing costs. <p><u>Co-Promoted</u></p> <ul style="list-style-type: none"> • The Auditorium will negotiate with the Promoter to <u>recover sunk costs</u> (e.g., advertising). <p><u>Self-Promoted</u></p> <ul style="list-style-type: none"> • The Auditorium will receive a <u>refund of the performance purchase price</u>. 	Medium.	Minor.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
Patron inability to attend a paid event.	Medium. Conditions or circumstances can prevent patrons from being able to attend an event (e.g., inclement weather, unforeseen personal issues, etc.).	Significant. The reputation and financial success of the Auditorium could be negatively impacted.	<ul style="list-style-type: none"> • Tickets are <u>non-refundable</u>; this is clearly stated on each ticket. • The Auditorium will <u>issue refunds if Saskatchewan Highways and Transportation closes the highway</u>. Refunds are deducted from ticket sales upon event settlement. • Although contracts state that refunds are not permitted, if serious conditions or circumstances arise (e.g., blizzard but roads not closed) that prevent patrons from attending a paid event, the <u>Auditorium tries to reach an agreement with the Promoter for issuing refunds</u> (e.g., cost share, reschedule the event, etc.). 	Medium.	Minor.
Strategic					
Failure to understand and respond to changes in the market.	High. There are many alternatives when choosing a location to hold meetings, conferences, conventions, weddings, etc.	Significant. The financial success and stability of the Auditorium could be negatively impacted.	<ul style="list-style-type: none"> • Sales staff dedicate a portion of their time specifically to <u>researching and identifying</u> new business opportunities, <u>contacting</u> these potential clients and <u>informing</u> them about how the Auditorium can meet their needs. • <u>Weekly Sales staff meetings</u> are held in order to share successes and challenges and keep all staff updated on confirmed and potential bookings. • A <u>Marketing Plan</u> has been developed for 2005-2006 that contains specific goals for each key line of business. Actual performance in relation to these goals is monitored. • In order to keep abreast of opportunities, <u>Sales staff are members of various organizations</u> including the Chamber of 	Low.	Significant.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
			<p>Commerce, the Northern Saskatchewan Business Association, the League of Theatres, Tourism Saskatoon, Tourism Saskatchewan, Conventions Saskatoon!, Convention Centres of Canada and Saskatoon Sports Tourism.</p> <ul style="list-style-type: none"> The <u>expansion</u> will provide the Auditorium with adequate space to attract national and international events, which current space constraints do not allow. 		
Loss of existing and repeat patrons/clients.	<p>High.</p> <p>Repeat patrons/clients comprise a significant portion of the Auditorium's business.</p>	<p>Significant.</p> <p>The financial success and stability of the Auditorium could be negatively impacted.</p>	<ul style="list-style-type: none"> The <u>importance of client satisfaction</u> with Auditorium services and amenities is stressed to all staff on an ongoing basis. A <u>Guest Services Supervisor</u> is available at each event to immediately resolve patron/client issues. A <u>customer satisfaction survey</u> is attached to every invoice over \$1,000; corrective action is taken based on these evaluations. <u>Feedback</u> is encouraged and received through various forms (e.g., mail, phone). 	Low.	Significant.
Service Delivery					
Inappropriate alcohol service (e.g., serving to underage patrons, over-serving).	<p>Medium.</p>	<p>Significant.</p> <p>Serving alcohol to a minor can result in a fine and/or imprisonment.</p> <p>Organizations have been held liable for serving intoxicated patrons who subsequently injure themselves or others.</p>	<ul style="list-style-type: none"> All Guest Services <u>staff must be at least 19</u> years of age and successfully complete a <u>responsible alcohol service training</u> program. The Auditorium <u>does not host all-age cabarets</u> where alcohol would be served. There is a <u>two-drink maximum</u> in place for all events where alcohol is served. All Guest Services <u>staff have the authority</u> 	Low.	Significant.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
			<p><u>to request identification and discontinue serving alcohol</u> to patrons if they believe that patron to be intoxicated.</p> <ul style="list-style-type: none"> There are <u>direct taxi telephone lines</u> in the lobby; if an intoxicated patron is escorted out of the facility, a taxi is called for them. 		
Failure to meet client needs.	<p>High.</p> <p>Each event is unique and involves a myriad of alternatives and decisions.</p>	<p>Significant.</p> <p>The financial success and reputation of the Auditorium could be negatively impacted.</p>	<ul style="list-style-type: none"> Clients are required to complete and sign an <u>Event Details Form and a Catering Form</u> in order to ensure there is documented evidence of the client's needs. Any and all <u>changes are documented</u> and retained in the client file. Prior to each event, <u>staff walk through the event space with the client</u> to ensure the space and amenities are to their satisfaction. For major conventions/meetings, one or more <u>pre-event meetings are held with the client, staff and the major vendors</u> in order to ensure clear understanding by all parties. A <u>Guest Services Supervisor</u> is available at each event to immediately resolve patron/client issues. 	Low.	Significant.
Double/inconsistent booking of events.	<p>High.</p> <p>Almost 600 events are held each year. Many events are booked years in advance.</p>	<p>Significant.</p> <p>The reputation of the Auditorium could be negatively impacted.</p>	<ul style="list-style-type: none"> The <u>computerized booking system</u> does not allow for two confirmed bookings to be scheduled for the same space and time. The <u>Events Manager</u> reviews all <u>bookings</u> to ensure inconsistencies are avoided (e.g., a theatre event and a wedding on the main floor). 	Low.	Significant.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
<p>Unauthorized access to a performance/event.</p>	<p>High.</p> <p>During events, hundreds of people arrive, generally within 30 minutes of the start of the performance.</p> <p>Multiple events can be held at the same time (i.e., upstairs, on the main floor and on the lower level).</p>	<p>Moderate.</p> <p>Unpaid attendance negatively impacts the financial position of the Auditorium.</p> <p>The reputation of the Auditorium could be negatively impacted.</p>	<p><u>Theatre Performances</u></p> <ul style="list-style-type: none"> • <u>Access to performances is restricted</u> to two entrances (i.e., at the east and west ends of the lobby). • <u>Ticket Takers</u> are stationed at each entrance to verify that the event ticket being presented is valid (i.e., the right time/date). • Although not experienced to date, staff would <u>investigate</u> any cases of duplicate tickets (i.e., “Someone is already sitting in my seat.”). <p><u>Other Events</u></p> <ul style="list-style-type: none"> • When multiple events are being held in the facility, wristbands may be issued to guests to ensure they attend, dine and drink at the correct function. 	<p>Low.</p>	<p>Moderate.</p>
Accidents and Incidents					
<p>Patron injury.</p>	<p>High.</p> <p>Every year, between 400,000 and 450,000 people visit the Auditorium.</p>	<p>Significant.</p> <p>A personal injury lawsuit can be financially significant.</p> <p>The reputation of the Auditorium could be negatively impacted.</p>	<ul style="list-style-type: none"> • A comprehensive <u>preventive maintenance program</u> is in place to ensure the facility and all equipment is in good working order. • Items are <u>removed from service</u> when repair is needed. • All renovated areas are designed and constructed in accordance with the <u>National Building Code</u>. • Before and after each event, staff perform a “<u>walk through</u>” of the facility, note any safety hazards and have them corrected. • <u>Procedures</u> are in place to ensure temporary safety hazards are addressed (e.g., electrical cords are secured with tape; spills are cleaned and proper signage displayed, etc.). 	<p>Low.</p>	<p>Moderate.</p>

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
			<ul style="list-style-type: none"> All incidents/accidents are <u>documented, investigated and corrective action</u> taken. During all hours of operation, at least four staff are on duty who have received <u>defibulator training</u>. During all theatre events, <u>medical and first aid personnel</u> are on site. <u>Insurance coverage</u> is in place. 		
Staff injury.	Medium. The workforce totals almost 40 full time equivalents, with many being part time or casual staff.	Moderate. WCB premiums could increase. Replacement staff would be required at additional cost.	<ul style="list-style-type: none"> All staff receive <u>safety training</u> upon commencement of their employment. All incidents/accidents are <u>documented, investigated and corrective action</u> taken. A joint Auditorium – City of Saskatoon <u>Occupational Health and Safety Committee</u> is in place to address safety issues. The Auditorium’s <u>Improvement Committee</u> may also address safety issues during the course of their meetings. The Executive Director agrees that there should be a standing safety item on the Improvement Committee’s agenda. 	Low.	Moderate.
Performer injury.	Medium.	Significant. A personal injury lawsuit can be financially significant. The reputation of the Auditorium could be negatively impacted.	<ul style="list-style-type: none"> Booking contracts require that the <u>client obtain insurance coverage</u> for its performers. A copy of the insurance is requested by management. There is a comprehensive <u>preventive maintenance program</u> in place to ensure the stage and all equipment is in good working order. 	Low.	Minor.

Business Risks, cont'd

Risk Event	Inherent Risk		Systems, Practices and Controls	Residual Risk	
	Likelihood	Impact		Likelihood	Impact
Secondary Impacts					
Foodborne illness.	Medium. Approximately two-thirds of all events held in the Auditorium include food and beverage service.	Significant. A personal injury lawsuit can be financially significant. The reputation and financial success of the Auditorium could be negatively impacted.	<ul style="list-style-type: none"> • Food services have been <u>contracted out</u> to a reputable vendor. • Vendor staff are required to adhere to <u>safe food handling procedures</u>. • <u>Public Health inspections</u> are carried out once a year, with the possibility of additional unscheduled visits at any time. The vendor's parent company also conducts unscheduled inspections. • Per contract, the vendor is responsible for food safety and must hold <u>public liability insurance</u>; management verifies the existence of this coverage. • Patrons are <u>not permitted</u> to bring their own food and/or beverages into the facility. 	Low.	Significant.

Recommendations:

36. That management prepare a policy that formalizes the Centennial Auditorium's surplus cash investment practices.
37. That management prepare a policy that formalizes the Centennial Auditorium's debt issuance/repayment practices.
38. That management prepare a policy that formalizes the Centennial Auditorium's event evaluation process.
39. That the Centennial Auditorium's Improvement Committee include a standing "Safety Issues" item on their agenda.
40. That management pursue appropriate off-site storage for computer system software and back-up information.

Management Response:

36. Agree.
37. Agree.
38. Agree.
39. Agree.
40. Agree.

Chapter 5 Implementation Plan

RECOMMENDATIONS	BOARD/ MANAGEMENT RESPONSE	IMPLEMENTATION DATE
1. That the Board of Directors approve the “Board Governance Manual” as amended pursuant to recommendations made in this report.	Agree.	June 2006.
2. That the Centennial Auditorium document its adoption of the City of Saskatoon Code of Conduct.	Agree.	June 2006.
3. That senior management staff be required to sign a declaration regarding conflicts of interest at the time when they commence employment and annually thereafter.	Agree.	June 2006.
4. That the “Board Conflict of Interest Policy” be amended to require that potential conflicts of interest be disclosed by candidates before appointments are made.	Agree.	June 2006.
5. That the disclosure of any conflicts of interest be included as a standing item near the beginning of each Board and Committee meeting agenda so that conflicts regarding meeting topics are promptly identified.	Agree.	May 2006.
6. That a process be put in place with the City of Saskatoon that would require the Board of Directors to be consulted whenever there are vacancies to see what skills and experience are desired in potential Board members, and also to allow the current Board to review the list of candidates and provide their advice.	Agree.	June 2006.

Implementation Plan, cont'd

RECOMMENDATIONS	BOARD/ MANAGEMENT RESPONSE	IMPLEMENTATION DATE
<p>7. That the roles, responsibilities and expectations for Board members be documented in the “Board Governance Manual” and include the requirements to:</p> <ul style="list-style-type: none"> • Participate in meetings; • Review relevant materials; • Serve on board committees; • Prepare for meetings and discussions with management; • Meet as frequently as necessary and spend the time necessary to fulfill their responsibilities; and • Focus on long-term benefits to shareholders. 	Agree.	June 2006.
<p>8. That all prospective Directors have access to the “Board Governance Manual” before they submit their applications for consideration (e.g., website posting, photocopy, etc.).</p>	Agree.	September 2006.
<p>9. That the basic Director’s qualifications be updated to include the desirability of board leadership skill.</p>	Agree.	September 2006.
<p>10. That a process be established for evaluating the Board Chair against the position description.</p>	Agree.	January 2007.
<p>11. That the position description for the Board Chair be amended to include that he/she is accountable for ensuring that the Board carries out its responsibilities effectively, including:</p> <ul style="list-style-type: none"> • Ensuring that the board and management clearly understand their respective roles and respect the boundaries between board and management responsibilities; • Ensuring that the board has adequate resources, and, in particular, timely and relevant information, to support its work; • Ensuring there is a process in place to assess the effectiveness of the board and its committees on a regular basis; and • Ensuring that the succession planning function is carried out. 	Agree.	June 2006.
<p>12. That the annual review of the job performance of the Executive Director be documented and presented to the Board of Directors for discussion.</p>	Agree.	January 2007.

Implementation Plan, cont'd

RECOMMENDATIONS	BOARD/ MANAGEMENT RESPONSE	IMPLEMENTATION DATE
13. That management discuss with the Board of Directors the succession plan for key management positions.	Agree.	January 2007.
14. That the Board mandate include responsibility for the Board to set its own performance goals.	Agree.	January 2007.
15. That the strategic plan be updated as soon as possible to give medium- and long-term strategic direction to the organization.	Agree.	June 2006.
16. That a process be put in place to ensure that the strategic plan is reviewed and updated at least annually.	Agree.	June 2007.
17. That the strategic plan include an identification of risks and the related strategies for mitigating the likelihood and/or impact of these risks.	Agree.	June 2006.
18. That the strategic plan state the organization's commitment to measure and monitor performance as part of the planning cycle.	Agree.	June 2006.
19. That the Board of Directors share the Centennial Auditorium's updated strategic plan (and future updates) with City Council in order to ensure the organizational values, mission and objectives are consistent with the City of Saskatoon's strategic plan.	Agree.	September 2006.
20. That a risk identification process be developed and documented whereby management annually reports to the Audit Committee on existing risks and related controls, new risks, new controls, the status of outstanding issues and the strategies for mitigating risks.	Agree.	January 2007.
21. That the position description for the CEO be updated to include the limits of his authority and be approved by the Board of Directors.	Agree.	June 2006.
22. That measurable performance indicators for the CEO be documented and approved by the Board of Directors.	Agree.	September 2006.
23. That, as part of the succession planning process, the CEO discuss the annual evaluations of senior management with the Board of Directors and/or Governance Committee.	Agree.	May 2006.
24. That the Board of Directors disband the Executive Committee.	Agree.	May 2006.

Implementation Plan, cont'd

RECOMMENDATIONS	BOARD/ MANAGEMENT RESPONSE	IMPLEMENTATION DATE
25. That the Board of Directors disband the Nominations Committee.	Agree.	May 2006.
26. That the Audit Committee Charter be amended to include the requirement for at least one member to have accounting or related financial expertise and that the term "financial expertise" be defined, with due consideration for the definition established by the SEC.	Agree.	May 2006.
27. That the Audit Committee Charter be amended to include a definition of "financially literate," with due consideration for the NASD and AMEX definitions.	Agree.	May 2006.
28. That the mandate for the Audit Committee be disclosed to City Council.	Agree.	June 2006.
29. That the Audit Committee establish guidelines regarding consulting work provided by the external auditor.	Agree.	September 2006.
30. That the mandate of the Governance Committee be amended to include responsibility for: <ul style="list-style-type: none"> • Overseeing the organization's processes for providing information to the board; • Developing and recommending corporate governance principles and policies; and • Overseeing the evaluation of committees and also reviewing the CEO's evaluation of senior management. 	Agree.	May 2006.
31. That the terms of reference for the Board and each committee be updated to require the Board and each committee to meet regularly without management present, and that an in-camera session without management present be included on the agenda for each Board and committee meeting.	Agree.	June 2006.

Implementation Plan, cont'd

RECOMMENDATIONS	BOARD/ MANAGEMENT RESPONSE	IMPLEMENTATION DATE
<p>32. That steps be taken to ensure full disclosure of the following to City Council:</p> <ul style="list-style-type: none"> • A list of the Board of Directors; • A list of senior management; • A description of the Auditorium's operations, including the organizational chart; • A description of the key performance indicators and accomplishments, with a comparison of planned to actual results; • An identification of key risks and a description of systems and practices to manage these risks; • The mandate of the Board, setting out duties and objectives; • Material issues regarding employees and key stakeholders; • Governance structures, policies and practices; • Whether or not management has reviewed the audited financial statements with the Audit & Finance Committee, including a discussion of the quality of the accounting principles applied and significant judgments affecting the company's financial statements; • Whether or not the outside auditors have discussed with the Audit & Finance Committee their opinions regarding the quality of those principles applied and judgments referred to above, under the circumstances; • Whether or not the members of the Audit & Finance Committee have discussed among themselves, without management or the outside auditors present, the information disclosed to the Audit & Finance Committee as described above, and • Whether or not the Audit & Finance Committee, in light of the steps noted above, believes that the company's financial statements are fairly presented in conformity with Canadian Generally Accepted Accounting Principles in all material respects. 	<p>Agree.</p>	<p>September 2006.</p>

Implementation Plan, cont'd

RECOMMENDATIONS	BOARD/ MANAGEMENT RESPONSE	IMPLEMENTATION DATE
33. That the Governance Manual be amended to include the disclosure requirements with regard to City Council.	Agree.	June 2006.
34. That the Centennial Auditorium Board of Directors and management ensure that the Auditorium's strategic plan is consistent with the <i>City of Saskatoon Civic Arts Policy, July 13, 1998</i> .	Agree.	September 2006.
35. That a copy of the <i>City of Saskatoon Civic Arts Policy, July 13, 1998</i> be included in the Board Manual.	Agree.	April 2006.
36. That management prepare a policy that formalizes the Centennial Auditorium's surplus cash investment practices.	Agree.	March 2006.
37. That management prepare a policy that formalizes the Centennial Auditorium's debt issuance/ repayment practices.	Agree.	March 2006.
38. That management prepare a policy that formalizes the Centennial Auditorium's event evaluation process.	Agree.	April 2006.
39. That the Centennial Auditorium's Improvement Committee include a standing "Safety Issues" item on their agenda.	Agree.	Complete.
40. That management pursue appropriate off-site storage for computer system software and back-up information.	Agree.	Complete.