



**VISION:** We will be a vibrant, dependable and clean city where services are delivered innovatively and effectively.

**MISSION:** To provide effective operations of the city through collaboration of members, management and staff.

City Hall, Hamilton  
Finance Committee  
27 May 2016  
10:00am

**Present:** Councillor Dennis Tucker, JP (Chair)  
Councillor John Harvey, MBE, JP  
Councillor Larry Scott  
Councillor Henry Ming  
Councillor Carlton Johnson  
Nathan Kowalski, CA, CFA, CIM - Associate Member

**In Attendance:** Ed Benevides - The Secretary  
Tanya Iris - The Treasurer  
Patrick Cooper - The City Engineer  
Siobhan Fubler - The Deputy Treasurer

**Others in Attendance:** Steve Woodward - KPMG  
Felecia Govender - KPMG

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1. **Confirmation of Notice:** it was confirmed that the appropriate notices of the meeting and agenda were duly given according to the meeting guide.
  2. **Role of the Chairman:** Councillor Tucker confirmed his role as the Chairman.
  3. **Open Meeting:** Councillor Tucker called the meeting to order at 10:00am.
  4. **Apologies:** The Secretary confirmed that no apologies had been received.
  5. **Public Participation/Presentation:**
    - (i) **KPMG Presentation:**  
2015 Audit Findings Report  
2015 Financial Statements

**S. Woodward** - the audit has gone very well and there are no major issues in terms of day-to-day operations. There are a couple of control recommendations and the two (2) main issues surrounding MIF and the Fire Services. He thanked the Treasurer and the Deputy Treasurer for all of their support in this regard.

**1. 2015 Audit Findings Report:**

**Page 3 - Audit Status:** the status has been summarized as it relates to what is outstanding. A couple of items have come in since this report was circulated. Now there is an updated forecast, i.e. latest management accounts have been provided through to March 2016. This supports the "Going Concern" assumptions. Watching the MIF legal position and how that develops. There may be some updated disclosures. A confirmation has been requested from the Government with respect to the Fire Services expenses and still waiting on a response. MDM is outstanding with regards to their legal confirmation response which is expected to be received on Monday 30 May 2016.

**2. 2015 Financial Statements:**

The statements are in good shape. In terms of what is outstanding, just may need to update the "Going Concern". Dialogue continued with regards to the generic notes. If something tangible happened between now and when the financial statements are signed off on, i.e. if Clarien loan for example was implemented then a statement could be made that that actually happened and amendments made.

**N. Kowalski** - queried the date of June 2016 in the notes of Subsequent Events.

**S. Woodward** - said the auditors' report is dated the same date that the Financial Statements are approved by the Board which is the date of the representation.

**Page 4 - Materiality:** the materiality assessment has been summarized. 2% of benchmark is lower than the maximum allowed threshold of 3% and has been used as the CoH is considered to be a Public Interest Entity. The overall materiality of \$440K is the figure determined to plan and perform the audit to evaluate the effects of identified misstatements on the audit conclusions. \$22K is the figure used to record any potential audit adjustments. Anything below \$22K would be ignored and anything above would be recorded in this report. \$330K is the figure used to calculate as being 5% of materiality, the detailed testing that is done. This is relevant for sampling, i.e. when a sample of expenses is done, that number is plugged in to the statistical formula which generates the sample size.

**Page 5 - Revenue:**

**F. Govender** - highlighted some of the main areas in terms of the audit work and findings. Controls testing was performed over the various revenue streams, i.e. testing daily cash receipts to obtain evidence that segregation of duties and management review controls was in place; testing underlying land valuation documents to obtain evidence that segregation of duties and management review controls was in place for property tax receipts; and inspecting the car park permits and POS system reconciliations for each relevant car park revenue stream to obtain evidence that the correct process was followed.

All key controls were operating effectively and there were no exceptions from the test work. It was concluded that the controls are designed, implemented and operating effectively. A substantive analytical review was done on the property taxes and sewage disposal contracts. The remaining revenue items were put through the sampling tool and that tool picked up 35 items to be tested. There were no exceptions from them. Revenue balances with Customs and Stevedoring Services were confirmed and noted no exceptions. The year-end was looked at and whether the revenue was appropriately accounted on either side of the year-end, there were no exceptions.

**Page 6 - Disbursements:**

**F. Govender** - Tests of controls over disbursements and purchases included: cash disbursements to obtain evidence that the required authorized signatories were in place; inspecting purchase orders that these were approved and signed off appropriately; testing credit card disbursements to obtain evidence that all expenses were business related and appropriately authorized, testing all tenders for the year to obtain evidence over the approval process; and review of payroll approval prior to payment. In addition to looking at the controls, the compliance of the Financial Instructions was also reviewed in terms of the purchasing processes. There were no issues noted. There were two (2) items that were highlighted around the control testing: (i) it was noted that the IT Services contract tender documents could not be found. The information is now available but has yet to be provided to KPMG; and (ii) regarding the June payroll it was noted that there was no formal review of the payroll before the payment had occurred. It was reported as an internal control finding noted further in the report. Management has provided a response in that regard. Reviewed the completeness of the accrued liabilities listing and the vacation pay accrual for which there were no issues noted.

**Page 7 - Tangible Capital Assets:**

**F. Govender** - they looked at the budgeted capital expenditure for the 2015 year approved by the Finance Committee and the Board and there were no exceptions noted. Also looked at the continuity schedule of fixed assets and that it was correctly rolled forward and agreed to the final trial balance. Tested the depreciation of the assets through substantive analytical procedures noting the charge for the year and compared that with what was actually booked by the CoH. Reviewed the relevant repairs and maintenance accounts to make sure there were no capital assets in there that should have been expensed and vice versa.

There were no issues noted. KPMG does highlight the fact that the CoH does not actually have a formal policy around capitalization items which has been recommended to the CoH. KPMG has provided some guidance in this regard.

**Councillor Tucker** - commented that there is still \$1.7M in projects that is being carried over.

**ACTION:** KPMG to provide the Treasurer/Deputy Treasurer a way in which the CoH could formalize a policy around capitalization items.

**S. Woodward** - said some of the US and Canadian Municipalities have some detailed guidance, they have De minimis minutes pending the size of their operations.

**N. Kowalski** - asked if the guidelines would be based on the materiality that was outlined in the beginning of the meeting.

**S. Woodward** - said it was revenue or population size.

**D. Tucker** - said the CoH will make this a project going forward.

**Page 8:**

**F. Govender** - set out the due to Government position particularly around the Bermuda Fire & Rescue Services' accrual. It is noted that the \$4.3M in 2015 is the same number as in 2014 because management stopped accruing for that expense at the end of 2013. That figure is representative of remarks from 2008 all the way through to 2013. Management has prepared a memo which is attached as an appendix on the position of why they have not accrued for the expense in 2014 and 2015.

There was continued discussion on previous confirmations from the Government regarding the Bermuda Fire & Rescue Services.

**Page 9:**

Reserved for discussion in the Restricted Session.

**Page 10:**

**S. Woodward** - summary of the Accounts Receivable position as at the end of December 2015. An analysis was done of what has been subsequently collected on the over 60-day balances as at 30 April 2016. The results show that there is a potential under provision of \$204,109.

**Councillor Tucker** - commented on the adjusted journal entries in reference to bad debt.

**Page 11:**

**S. Woodward** - commented on post-retirement medical benefits. The results of the inventory are summarised. There were two (2) minor errors in quantities which were outside of the acceptable range for controls testing. It was concluded that the inventory count was ineffective. KPMG got around that by doing a roll forward procedure on quantities in terms of purchases, issuances, etc., satisfied with the year-end quantities as reported. Controls' testing was done around the issuances and purchases, tested evaluations and there were no material issues. There were a couple of items that were noted as being potentially obsolete, i.e. manholes and covers, \$91K as potentially not being of any use.

**Page 12:**

**S. Woodward - Pension Surplus.** It was identified that there was a balance that relates to contributions made for non-vested employees who would have left employment prior to the end of the vesting period. A fairly significant amount had built up over the years, \$590K. This is an error in the 2013/2014 Financial Statements and is reflected as a prior adjustment. The impact on the net income for 2014 was only \$9,800.

The legal responses that have been received have been summarized but still waiting on a response from MDM.

**Page 13 and 14:**

**S. Woodward** - summary of some of the required communications that have to be given as the auditors.

**Page 17:**

**S. Woodward - Appendix 2 - Schedule of audit misstatements - a summary of the adjustments.** The first table is the unadjusted differences, potential adjustments that are not reflected in the Financial Statements. The second table shows amounts that have been adjusted and are reflected in the Financial Statements. There was an over accrual of the interest payable to MIF. One month was recorded twice but that has been reversed. The audit fee was over accrued as well. #'s 3, 4 & 5 are the adjustments relating to that pension surplus.

**Page 18:**

**Appendix 3 - Summary of Control Findings -** The prior year Management Letter which was issued by the previous auditors has been reviewed.

**ACTION:** A deadline for implementing the recommendations listed by the auditors in the current year findings and carried forward to the next Finance agenda.

**S. Woodward -**

**Note 2 - Going Concern -** was discussed.

**Note 2N - Future Accounting Standards** - there are some changes under the Public Sector Accounting Standards (PSAP) relating to financial instruments, i.e. essentially bringing the public sector up to what is happening in the corporate/private sector around financial instruments. Because the CoH was already following PSAP, it is able to defer implementation until 2019 for these new standards. In 2019 Financial Statements there will be some additional disclosures that are needed which will be equivalent to the international financial reporting standards. The CoH would need to disclose more information about sensitivity, financial risks around the financial instruments.

There is a new standard on contaminated sites which the CoH would identify, e.g. properties with asbestos, etc., and would be required to put a provision in for that. Discussion continued on the contingencies.

**6. Motion to Move to Restricted Session.**

**Proposed:** Councillor L. Scott

**Seconded:** The Secretary, Ed Benevides

**7. Resume of the Public Session.**

**8. Correspondence:**

(i) **Letter from RBYC re: Support of International Sailing Events** - RBYC is hosting a number of major international Regattas. Specifically two (2) events, i.e. Viper International championship and North American Championship, November 16-19, 2016 and the MS Amlin International Moth regatta December 5-9, 2016. RBYC is looking for the CoH to assist with the fees associated in using Barr's Bay Park for these events. There was discussion on the Charitable policy, i.e. the event has to meet two (2) out of three (3) criteria. These are both international events and they are free so therefore they would not have been charged for the rental of the park only labour expenses/services provided, etc. Now the policy has been changed and the rental rate for the park is \$200.00 per hour at a 50% rate = \$100 per hour. These are week long events and are in there 24 hours per day. RBYC is requesting to use the park and pay \$1000.00 for the period November 16-19. Prior to the policy being changed, they would not have been charged anything. They have been planning this event for over a year. The new policy came into effect after they had confirmed their regattas.

The Secretary commented on a statement made in their letter, i.e. they are willing to provide staff that will ensure that the park is maintained and returned to the CoH in the condition that it was received. He further commented that the CoH has staff that would maintain the park and RBYC would have to cope for that. Further discussion ensued.

RBYC would have to ensure that the CoH has to be put on as a major sponsor of the event, put on the literature and get invited to the prize-giving, etc.

**RECOMMENDATION:** That the Board agree to a fee of \$1000.00 per event held by RBYC in Barr's Bay Park with the City of Hamilton recognised as a major sponsor.

**Proposed:** Nathan Kowalski, Associate Member      **Seconded:** Councillor J. Harvey  
**No Vote:** Ed Benevides, the Secretary  
**Motion passed.**

Councillor Johnson suggested that the CoH inform RBYC that going forward that this may not be custom and practice.

**9. Minutes of the Previous Finance Committee meeting dated 14 April 2016**

Councillor Harvey queried:

**Page 3 of 5** - "The list consists of the staff at City Hall, past Aldermen and Mayors and a few of the Councillors from the last administration". He wanted clarity of "a few of the Councillors..." The City Engineer advised that in the last Council, they gave Councillors the ability to have ongoing parking privileges. The Secretary commented that the administration of 2009 - 2012 approved a change in the parking policy to include Councillors that completed a full term. In the last administration two (2) Councillors did not complete a full term and were not entitled to parking privileges. He did propose a review of the policy by the Staff, Legislation & Governance Committee to see whether there was an appetite to adjust. There was none so the policy stands as is.

**Page 4 of 5** - Councillor Harvey commented on the discussion regarding parking for the Minister, i.e. "Dialogue continued." The Secretary commented that there was dialogue because the Minister did not have parking privileges before. He provided it as an endearment to try and build a relationship with the Government. The Minister does have a parking sticker allowing him to park behind City Hall.

**Proposed:** Nathan Kowalski, Associate Member      **Seconded:** Councillor L. Scott

The Minutes were accepted as read.

**10. Matters arising out of the Previous Finance Committee meeting dated 14 April 2016**

(i) **Forwarding of Information relating to Professional Services** - Councillor Tucker confirmed that he received the information.

(ii) **Meeting re: Bermuda Boat Parade** - Councillor Harvey met with Steve Thomson yesterday. Mr. Thomson said that the CoH does not have to create a charity. The CoH can have anyone join his committee. The Secretary said that as long as the person from the CoH sitting on the committee is not raising funds for City Hall; that will be ok. The Boat Parade has a charity already established. Councillor Harvey commented on the previously suggested summer boat parade but it has being suggested to have a Festival of Lights, e.g. with boats, houses and possibly merchants to participate and recognise the historical event, the America's Cup 2017. The City Engineer suggested having a meeting with the Event Project Manager to work up a budget and logistical issues, etc.

**ACTION:** Councillor Harvey will arrange a meeting with the Event Project Manager, Steve Thomson and the Rotarians to address and come back with a full report regarding the "Festival of Lights" by 1st September 2016.

(iii) **Forwarding of the February 2016 Financials to Councillor Tucker** - Councillor Tucker confirmed that he had received the February 2016 Financials.

**11. Status Update:**

**(i) Financial Reports - February and March 2016:**

- **March 2016 Report** - parking revenue is off by \$12K. There are concerns regarding legal and audit expenses. The Treasurer said that some of the revenue is slightly up, i.e. taxes and wharfage. A virement will have to be sought with regards to the legal expenses. The balance sheet cannot be created until the audit is concluded.

**Receivables** - there is a write-off to be discussed later. The demand notes were sent out a week late so the receivable at 31 March, people delayed their payment until a week later.

**ACTION:** The Treasurer will provide a list of the top ten (10) for taxes to show the movement of collections.

**Expenses - Insurance** - the Treasurer will check into the differences.

**Cash Flow** - is higher than expected and will look to use for the virement for legal expenses.

**Note** - the extra cash will be put on deposit.

N. Kowalski left the meeting at 11:30am

**Recommendations for Review:**

12. **RECOMMENDATION:** That the Board approve the maximum waiving fee of 50% or the dollar amount of \$2,000.00 or whichever is greater.

**AMENDED RECOMMENDATION:** That the Board approve the Rental Sponsorship Policy for all groups fulfilling two (2) of the three (3) following requirements which is your registered charity or 100% of the fee going to charity, that the admission is free or that it has an international visitor requirement and that the Executive be allowed to waive the fee of up to 50%. **(approved in Corporation Board meeting dated 4 May 2016)**

**RECOMMENDATION:** That the Board approve the City Hall Car Park fees, after the three (3) hours a fee of \$10.00 would be charged and any time after that 4<sup>th</sup> hour there will be a charge of \$65.00. **(approved in Corporation Board meeting dated 4 May 2016)**



13. **Any Other Business**

(i) **Request from Councillor Edwards re: Councillors having the Residents Parking Permit Fee waived** - Councillor Edwards contacted the Secretary and asked whether the CoH would waive the residents parking fee for Councillors to which the Secretary responded that there is no policy to do so. Councillor Harvey said that a review was going to be held with regards to parking within the City. He suggested that this request be included in the review. Councillor Johnson commented on the residential parking spaces being used by any and everybody, not necessarily residents of the City.

14. **Motion to Move to a Restricted Session**

**Proposed:** Ed Benevides, the Secretary

**Seconded:** Councillor C. Johnson

The meeting moved back to a Restricted Session.

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Chairman

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Date