



**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  
12 April 2018  
10.00am

**Present:** Councillor Dennis Tucker, JP (Chair)  
Rt. Wor. Charles Gosling, JP  
Councillor Henry Ming  
Councillor Lawrence Scott

**In Attendance:** Ed Benevides - Secretary  
Tanya Iris - Treasurer  
Patrick Cooper - City Engineer  
Lindell Foster - Human Resource Manager  
Siobhan Fubler - Deputy Treasurer

**Apologies:** Councillor John Harvey, MBE, JP

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**1. Confirmation of Notice:**

The Secretary confirmed that the appropriate notices of the meeting and agenda were duly given according to the meeting guide.

**2. Role of the Chairman:**

Councillor Dennis Tucker confirmed his role as the Chairman.

**3. Open Meeting:**

Councillor Dennis Tucker called the meeting to order at 10:05am.

**4. Apologies:**

The Secretary confirmed that apologies had been received from Councillor John Harvey. The Mayor had indicated that he would be attending the meeting late as he had to give a welcome on the steps of City Hall at 10:00am for an event held by the Department of Health.

## 5. Public Participation/Presentation:

**Presentation: KPMG, Steve Woodward and Felicia Wilsen:** Councillor Tucker welcomed Mr. Woodward and Mrs. Wilsen to the meeting.

S. Woodward advised that the status of the work has substantially been completed and the audit had gone well. He thanked the Treasurer and Deputy Treasurer for their assistance. The audit is ahead of schedule compared to last year. The idea is to sign off by 9 May 2018 as there are a couple of matters to finish up on.

**Page 3 - Summary of the Status of the Audit:** There are a couple of matters, i.e. the MIF issue and the Amendment to the Municipalities Act. The Fire Service accrual is addressed in the Financial Statements and the release of that is reflected in the statement and has been confirmed by the Government. The confirmation has been received from Marshall, Diel & Myers (MD&M) but were referred to Morgan Lewis as they handled the legal affairs of the CoH in the U.S. A confirmation request has been forwarded to them as well and awaiting a response. Their confirmation is not expected to say anything different from what MD&M forwarded. The latest management accounts for subsequent events' review would be signed off on. Regarding subsequent events, the acquisition of EasyPark is something that the auditors would be recommending disclosing in the Financial Statements if that agreement is entered into before the Financial Statements are signed. If the agreement has not been entered into prior to the signing, then the CoH could say that they have entered into an MOU with the potential of having a contract signed in due course.

**ACTION:** Forward a copy of the draft MOU to KPMG for their review. **(Treasurer)**

There was dialogue regarding Term Deposits.

The signed representation letter and schedule of unadjusted audit misstatements will be distributed when all other outstanding items are resolved.

**Page 5 - Materiality:** Last year - \$440K, this year \$460K (2% of total revenues).

### **Page 6 & 7 - Key Audit Risks:**

- **Test Controls:** A daily cash receipt sample was tested to ensure that segregation of duties were in place. Inspected car park permits and POS system reconciliations to obtain evidence that reconciliations were prepared and review. No exceptions were found from the testing and therefore concluded that controls were designed, implemented and operating effectively.

- **Substantive Procedures:** Property tax recalculation based on the underlying land valuations multiplied by the relevant approved tax rate. Revenues from sewage disposal contracts recalculated on the basis that there were no new agreements in place and percentage and valuations had remained the same as that of the prior period. Goods wharfage agreed to third party statements provided by HM Customs. There were no issues with the substantive procedures. It was concluded that the revenue was not materially misstated in the context of the Financial Statements as a whole.

**Page 8 - Due to Government:** Government agreed to forgive the Fire Services receivable of \$6,270,950.00 due from the CoH which was previously recorded by the CoH in accounts payable and accrued liabilities as at 31 December 2017. A similar decision was taken by the CoH to waive the amount of \$4,550,000.00 which was previously disclosed as a contingent asset relating to the rental revenue expected from the Government. The reversal of the amount payable \$6,270,950.00 has been included as a derecognition of a liability. KPMG received a confirmation from the Government reflecting the amount of a \$nil payable as at 31 December 2017. Tipping fees of \$2,998,683.00 due to the Government have been accrued as at 31 December 2017. A confirmation request has been forwarded to the Government for that amount, but a response has not been received to date.

The Mayor joined the meeting at 10:18am.

The Secretary said that he had no issue with the waiving of the Fire Service fee but there is no agreement from the CoH to waive the rent. His communications to the Government had been very clear in that the Council had not authorized him to waive the rent for the Fire Service, but he has the authority to waive the tipping fees. This has been reported to the Permanent Secretary (PS) and the Financial Secretary (FS), but there has been no response. He suggested changing the wording on Page 12, paragraph 3, first sentence of the draft Financial Statements: "...and the Corporation also agreed to write off rental income". The Treasurer said that Government was willing to write off the \$6million if the CoH was willing to write off the rental income. The tipping fees are not being written off, they are being accrued as a liability. The Secretary alluded that there is no rental revenue recorded for the Fire Service property for 2017. Dialogue continued.

Councillor Tucker said that in order for the auditors to disclose this as a contingent asset, they would need to have some confirmation that there is some reasonable expectation that the CoH would receive that payment. S. Woodward said that the wording could be updated to say that the CoH is continuing to pursue the recovery of those funds.

**Page 9, 10 and 11 - Going Concerns:** A summary was given regarding the amendment to the Municipalities Act and amounts due to MIF. The budgets for 2018, 2019 and 2020 have been inspected and support that the CoH would be able to pay their liabilities as they become due. In the amendment to the Municipalities Act, the Minister has authorized public officers to attend meetings of the CoH, give directions and take stewardship or temporary control of the CoH in certain circumstances where it is believed to be in the best interests of Bermuda. Also, the amendment to the Act provides that the next ordinary municipal election would be held in 2019 instead of 2018. The Government now meets the definition of being a related part of the CoH as the Government now has the power to take control of the CoH if it is deemed fit to do so.

**Page 12 and 13:** Summary of the year-end accounts receivables' position. The accounts receivables have been broken down into three (3) separate categories: (i) General; (ii) Tax; and (iii) Other. The table highlights the amounts in the more than 60, 90 and 120 categories of those receivables.

Other receivables comprise of amounts receivable from car parks, revenue vendors, wharfage, demurrage and parking fines. Based on the audit procedures performed, accounts receivable is not materially misstated in the context of the Financial Statements.

**Page 14 – Tangible Capital Assets:** Management completed an assessment of tangible capital assets and noted no assets had indicators of impairment. KPMG concurs with the assessment that was made by management. Based on the overall test of controls and substantive procedures, the tangible capital assets were appropriately presented.

**Page 15 – Post-retirement Medical Benefits:** KPMG used internal actuarial specialists to assess the assumptions and no issues were noted. The significant assumptions, all of which are considered to be reasonable by KPMG are: (i) Accrued benefit obligation; (ii) Benefits cost for the year; and (iii) Healthcare cost trend rates. KPMG had obtained sufficient audit evidence over the defined benefit plan balance and concluded that the amount shown on the statement of the financial position and related note disclosures are reasonable.

**Page 16 – Inventory:** In accordance with KPMG's audit methodology, the annual inventory count control was deemed to be effective. Management had identified a potential provision pertaining to uncertainty surrounding future use of manhole covers, flags and other slow-moving inventory items which has been recorded in the Financial Statements.

**Page 17 – Summary of Required Communications with Management and the Finance Committee:** The summary indicated the type of communication and the response.

It was noted that there were no matters to report arising from the audit that, in KPMG's professional judgement, were significant to the oversight of the financial reporting process. No significant difficulties were encountered during the audit.

Councillor Tucker suggested that the activities of EasyPark be outlined, i.e. income expenses and net income. The Treasurer and Deputy Treasurer to liaise with KPMG as to what would be acceptable from a reporting standpoint. S. Woodward and F. Wilsen concluded presenting the summary of the audit.

The Secretary queried the publishing of the Financial Statements, whether to do the same as last year where a full set was placed on the CoH's website. The Mayor suggested placing an ad in The Royal Gazette saying that the Financial Statements would be available on the CoH's website. He further suggested that this be the first sentence when placing the ad, e.g. "The Corporation of Hamilton has published its annual Financial Statements and are available to the public at...."

Councillor Tucker and the Committee thanked S. Woodward and F. Wilsen for the presentation and they left the meeting at 11:03am.

The meeting briefly adjourned at 11:03am and resumed at 11:14am.

**6. Correspondence:**

There was no correspondence received.

**7. Minutes of Previous Finance Committee Meeting dated 15 March 2018:**

**Proposed:** Councillor H. Ming

**Seconded:** Councillor L. Scott

The minutes of the meeting were accepted as read.

**8. Matters arising from the Previous Finance Committee Meeting dated 15 March 2018**

There are no matters arising.

**9. Status Updates:**

There are no status updates.

**10. Recommendation for Review:**

**RECOMMENDATION:** That the Board approve the increase in the City Engineer's Purchase order limit from \$20,000.00 to \$50,000.00. **(Approved in Corporation Board meeting dated 4 April 2018)**

**RECOMMENDATION:** That the Board approve the Draft Audited Financial Statements with the various amendments which were raised during the Finance Committee meeting dated 12 April 2018 for the year ended 31 December 2017.

**Proposed:** Councillor L. Scott  
**Unanimous**

**Seconded:** Councillor H. Ming

**11. Any Other Business:**

There was no further business to be discussed.

**12. Motion to Move to Restricted Session:**

**Proposed:** Secretary, Ed Benevides

**Seconded:** Mayor, Charles Gosling

The Public Session closed at 11:17am.