

**Mission Statement**  
*Freedom to Discover*

**Strategic Priorities**  
*Strengthening Communities      Strengthening Individuals*  
*Strengthening Our Organization*

**HAMILTON PUBLIC LIBRARY BOARD**

**Regular Board Meeting**  
**Wednesday, March 21, 2012**  
**Central Library, Board Room**

5:30 p.m. Dinner  
6:00 p.m. Meeting

**AGENDA**

- 1. Discussion Period**
- 2. Acceptance of the Agenda**
- 3. Minutes of the Hamilton Public Library Board Meeting of Tuesday, February 28, 2012** **Attachment #3**
- 4. Presentations**
  - 4.1 Waterdown Schematic Designs (RDH will be in attendance)
- 5. Consent Items**
- 6. Business Arising**
  - 6.1 Strategic Plan – KR **Attachment #6.1**  
**Suggested Action: Receive**
- 7. Correspondence** **Attachment #7**

Letter from George Geczy to local are MPs dated March 1, 2012 re Bill C-11.

**8. Reports**

8.1 Chief Librarian's Report

Attachment #8.1  
**Suggested Action: Receive**

**9. New Business**

9.1 Reserve Funding - RH

Attachment #9.1  
**Suggested Action: Recommendation**

9.2 External Audit Plan - RH

Attachment #9.2  
**Suggested Action:Receive**

**10. Private and Confidential**

10.1 Succession Committee

**11. Date of Next Meeting**

Wednesday, April 18, 2012  
**Central Library, Board Room**  
5:30 p.m. Dinner  
6:00 p.m. Meeting

**12. Adjournment**

**Mission Statement**  
*Freedom to Discover*  
**Strategic Priorities**  
*Strengthening Communities      Strengthening Individuals*  
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**HAMILTON PUBLIC LIBRARY BOARD**  
**Regular and Inaugural Board Meeting**  
Tuesday, February 28, 2012

Central Library, Board Room  
5:30 p.m. Dinner  
6:00 p.m. Meeting

**MINUTES**

**PRESENT:** George Geczy, Jennifer Gautrey, Suzan Fawcett,  
Wenda Tulloch, Kathy Baker, Nicolas vanVelzen,  
David Simpson, Councillor Pearson, George Nakamura,  
Councillor Jackson

**STAFF:** Ken Roberts, Karen Anderson, Paul Takala,  
Lisa DuPelle, Michael Ciccone, Karen Hartog

**REGRETS:** Richard Bagdonas

Mr. Geczy called the meeting to order at 6:00 p.m.

**1. Discussion Period**

1.1 Mr. Geczy provided an update regarding the budget presentation to the council.

**2. Acceptance of the Agenda**

Add: 9.5 Copyright letter

**MOVED** by Ms Gautrey, seconded by Mr. Simpson,

**THAT THE AGENDA BE APPROVED AS AMENDED.**

**MOTION CARRIED.**

**3. Minutes of the Hamilton Public Library Board Meeting of Wednesday, January 18, 2012**

**MOVED** by Mr. Nakamura, seconded by Ms Baker ,

**THAT THE MINUTES OF THE HAMILTON PUBLIC LIBRARY BOARD MEETING OF WEDNESDAY, JANUARY 18, 2012 BE ADOPTED AS PRESENTED.**

**MOTION CARRIED.**

**4. Presentations**

No presentations.

**5. Consent Items**

No consent items.

**6. Business Arising**

No business arising items.

**7. Correspondence**

No board correspondence.

**8. Reports**

No reports.

**9. New Business**

9.1 Staff Professional Development Day - LD

**MOVED** by Ms Baker, seconded by Ms Gautrey,

**THAT THE HAMILTON PUBLIC LIBRARY BOARD AUTHORIZE THE ONE-DAY CLOSURE OF THE SYSTEM ON A DATE TO BE DETERMINED IN 2012 BY MANAGEMENT IN ORDER THAT A STAFF PROFESSIONAL DEVELOPMENT DAY BE HELD.**

**MOTION CARRIED.**

9.2 Job Discovery Centres - KR

**MOVED** by Councillor Pearson, seconded by Ms Gautrey,

**THAT THE REPORT BE RECEIVED FOR INFORMATION.**

**MOTION CARRIED.**

9.3 Legal Counsel Representation – LD

**MOVED** by Councillor Pearson, seconded by Ms Baker,

**THE HAMILTON PUBLIC LIBRARY BOARD APPROVES THE LEGAL FIRM OF E. C. CARLA ZABEK BARRISTER AND SOLICITOR AS AN AUTHORIZED VENDOR TO PROVIDE LEGAL SERVICES IN LABOUR RELATIONS MATTERS, INCLUDING NEGOTIATIONS.**

**MOTION CARRIED.**

9.4 Pay Equity/Job Evaluation Resource – LD

**MOVED** by Ms Gautrey, seconded by Ms Baker,

**THE HAMILTON PUBLIC LIBRARY BOARD APPROVES MS. JUDY KROON FROM KMAC CONSULTING BE RETAINED AS AN AUTHORIZED VENDOR TO ASSIST THE LIBRARY IN ITS PAY EQUITY AND JOB EVALUATION MAINTENANCE AS REQUIRED.**

**MOTION CARRIED.**

9.5 Canadian Library Association Letter on Copyright Bill

**MOVED** by Mr. Nakamura, seconded by Ms Tulloch,

**THAT THE HAMILTON PUBLIC LIBRARY BOARD  
AUTHORIZE THE BOARD CHAIR TO EXPRESS THE LIBRARY  
BOARD'S CONCERN REGARDING THE COPYRIGHT  
LEGISLATION TO THE LOCAL AREA MP'S, HERITAGE  
MINISTER AND INDUSTRY MINISTER.**

**MOTION CARRIED UNANIMOUSLY.**

9.6 Board Strategic Planning Session

Received for information.

**10. Private and Confidential**

**MOVED** by Ms Gautrey, seconded by Ms Fawcett,

**THAT THE HAMILTON PUBLIC LIBRARY BOARD MOVE IN-  
CAMERA TO DISCUSS SUCCESSION PLANNING.**

**MOTION CARRIED.**

**MOVED** by Ms Fawcett, seconded by Ms Gautrey,

**THAT THE IN-CAMERA SESSION BE ADJOURNED.**

**MOTION CARRIED.**

**11. Date of Next Meeting**

Wednesday, March 21, 2012

**Central Library, Board Room**

5:30 p.m. Dinner

6:00 p.m. Meeting

**12. Adjournment**

**MOVED** by Mr. van Velzen, seconded by Ms Gautrey,

**THAT THE MEETING OF TUESDAY, FEBRUARY 28, 2012 BE  
ADJOURNED.**

**MOTION CARRIED.**

The meeting was adjourned at 9:35 p.m.

Minutes recorded by Karen Hartog.



# Hamilton Public Library

**Date:** March 16, 2012  
**To:** Chair and Members of the Board  
**From:** Ken Roberts, Chief Librarian  
**Subject:** **Draft Strategic Priorities**

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I have attached the first draft of the potential 2012 – 2016 Strategic Priorities for the Hamilton Public Library Board.

The written priorities are taken from the February 28<sup>th</sup> strategic planning session. I have attached them for discussion purposes. Titles will come at the very end, once the concepts and wording are close to final draft.

#1: The Hamilton Public Library will provide customers with the material they want in formats they use. The library system will shift its collections and services to reflect the growing demand for information, books, music and videos that can be accessed by mobile devices.

The library system will be a national leader, working to create model agreements that ensure all Canadians receive continued use of the world's intellectual property.

The Hamilton Public Library will ensure that its unique collection of materials documenting the history of the City of Hamilton is preserved, protected and displayed in ways that are interactive and accessible to a world audience.

#2: The Hamilton Public Library believes our staff will play a critical role in helping customers develop the digital literacy skills they will need to succeed. The Library will ensure staff are given ongoing learning opportunities to build on their current skills and to develop new skills, enabling staff to be comfortable with the latest technologies. Outstanding customer service will include more technology support, programming and community outreach.



#3 The Hamilton Public Library will continue to be a source of civic pride. The library's physical and virtual architecture will be dynamic, creating customer experiences that are successful and enticing. The library's physical spaces will be flexible and adaptable, recognizing that services change.

#4 The Hamilton Public Library will be a unifying force within the entire city, including the unique physical and virtual communities it serves. The library system will understand what services people need and will use this information to ensure that services remain relevant and popular. The Hamilton Public Library will ensure that residents are aware of the services that their modern library system provides.

The library will actively enhance its image and promote its Mission.



March 1, 2012

Mr. David Sweet, MP  
59 Kirby Avenue, Unit 3  
Dundas, ON L9H 6P3

Dear Mr. Sweet,

I am writing to you today on behalf of the Hamilton Public Library Board to bring to your attention our continued concerns over the Copyright reform bill currently before Parliament, Bill C-11. In a motion passed unanimously at our February 28th Board meeting, the Board expressed its support for the Canadian Library Association's suggested amendments to this Bill, and reiterated our apprehension about the effects of this legislation on the library community in Canada.

As you know, the current legislation, Bill C-11, is now before committee. The Canadian Library Association (CLA) has just published a concise and reasonable recommendation for three amendments to resolve some of the serious issues with the current version of the bill. Most significantly, the Bill's approach to digital locks is unbalanced and unreasonable, in that it makes it illegal to break a "Technological Protection Measure" (digital lock), even for otherwise legal purposes. As C-11 is currently written, legitimate uses such as library preservation, reproducing public domain materials, and fair dealing uses are not possible when a digital lock is in place. And while C-11 attempts to create exemptions to allow certain permissions for breaking such locks (such as for persons with perceptual difficulties), those exemptions are hobbled to the extent of being unusable.

The CLA's new recommendation is attached

And while the CLA have kept their recommendations simple and easily achievable, I would also note that there is a "bigger picture" where copyright reform intersects with some of the foundations of our information-based society. Libraries have traditionally enabled the dissemination of information to citizens regardless of financial means or social status, serving a critical role in creating well-informed and literate communities. This is at risk as the creators of content attempt to "lock down" and restrict the public library's important role in the use and dissemination of their products. Fixing Bill C-11 is just one element of the challenges we face as we enter a new digital economy.

Please take a look at the CLA's very reasonable proposal. I would also be pleased to meet with you to discuss this issue further if that would be of any assistance.

I hope that you will be able to speak with your colleagues and work towards making C-11 a more balanced and effective piece of legislation.

Thank you for your consideration,



George Geczy  
Chair  
Hamilton Public Library Board

- c David Christopherson, MP Hamilton Centre
- Wayne Marston, MP Hamilton East – Stoney Creek
- Chris Charlton, MP Hamilton Mountain
- Dean Allison, MP Niagara West-Glanbrook
- The Honourable James Moore, Minister of Canadian Heritage
- The Honourable Christian Paradis, Minister of Industry and Minister of State



March 1, 2012

Mr. Dean Allison, MP  
4994 King Street  
Beamsville, ON L0R 1B0

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- c David Christopherson, MP Hamilton Centre
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- Chris Charlton, MP Hamilton Mountain
- David Sweet, MP Ancaster-Dundas-Flamborough-Westdale
- The Honourable James Moore, Minister of Canadian Heritage
- The Honourable Christian Paradis, Minister of Industry and Minister of State

## **Chief Librarian's Report March, 2011**

### **Valley Park Libdispenser**

As part of a pilot project a library materials vending machine will be introduced to our Valley Park facility. This unique service will 'extend' access to the library beyond branch hours and families will be able to borrow from a browsing collection. The unit will be installed steps from our Valley Park library branch and within one of the busiest recreation centres in the City. Delivery is scheduled for late April/early May and we are working closely with Recreation staff to ensure a successful installation. Branch staff will provide valuable support and assistance with this exciting pilot project.

### **ILS RFP**

The Request for Proposal for the new Integrated Library System is nearly complete. Feedback from Management and Administration is due on March 27<sup>th</sup>, and we plan to submit the final documents to the City's Procurement Office by March 30<sup>th</sup>.

### **Lynden**

This project is underway! After concluding the site plan approvals and permit process, the City has issued a call for bids to construct the new Lynden library. Construction is expected to begin in spring 2012 and we are looking forward to opening a new branch in the late fall. We will continue operating both the current Lynden branch and the Rockton branch until we open the new library.

### **eBook Issues**

As eBooks grow more popular and become easier to use, the rapidly growing concern is that of a lack of popular content. Of the big six publishing houses, only two, Harpercollins and Random House, currently sell their eBooks to public libraries. Harpercollins established a checkout limit of 26 for all eBooks copies sold last Spring. Random House tripled the price of most eBook sold to public libraries as of March 1, 2012. Penguin pulled their eBooks late in 2011. They along with Simon & Schuster, MacMillan and Hachette do not sell to public libraries at all. It should be noted that most small and independent publishers are perfectly willing to sell their eBooks to libraries.

The issue for these publishers is “friction”...that physical books being checked out from a public library require travel to and fro, waiting lists, limited check out times and other inconveniences that create friction for the reader and therefore do not harm consumer sales. eBook checkouts in libraries, they fear, do not create the friction required to put their concerns about lost sales at ease.. They also fear selling their eBook “in perpetuity”. That eBooks held “in perpetuity” at libraries would cut into backlist sales of their titles. No wear and tear.

In the United States, the American Library Association has convened a task force that has been speaking directly to publishers. The Canadian Urban Libraries Council (CULC) eBook task force has recently had several very productive conversations with the Association of Canadian Publishers (ACP – small and independent) and the Canadian Publishers’ Council (CPC– large presses), speaking with them about possible models and pilot projects. Ken Roberts and Michael Ciccone are both members of the CULC task force.

### **McMaster Fourth Floor Potential Partnership**

George Geczy and I met with McMaster personnel; on March 7<sup>th</sup> to discuss a possible partnership on the fourth floor. As mentioned at the Board, a partnership – should it work – will result in a McMaster presence on the fourth floor of the Central Library. The three McMaster faculty members who would work from that space all work in interactive media. They all want to involve the public and to explore ways that new media can be used. They are hopeful that they may be able to have details to be presented to the Library Board at the April meeting.

### **Central Library Elevator Update**

The project to replacement the two public elevators remains on schedule and is anticipated to be completed by the end of April. Elevator 2 is almost finished with the work of the interiors of the cab being completed. It is expected that elevator 1 will take approximately six weeks to complete.



# Hamilton Public Library

**Date:** March 21, 2012  
**To:** Chair and Members of the Board  
**c.c.** Ken Roberts, Chief Librarian  
**From:** Robin Hewitt, Director, Finance and Facilities  
**Subject:** ~~Annual Reserve Report – December 31, 2011~~

**RECOMMENDATION:**

~~That the attached Annual Reserve Report for 2011 be received for information.~~

	Total	106005 Mobile Equipment	106006 Library Collections	106007 Library General Development	106008 Library Major Capital Projects	
<b>Opening Balances Jan 1, 2011 per GL</b>	(5,970,970.12)	(194,865.93)	(1,176,333.47)	(1,414,752.33)	(2,139,169.69)	
<b>Adjustment to Reserve</b>	-					
<b>Opening Balances Jan 1, 2011 per F/S</b>	<b>(5,970,970.12)</b>	<b>(194,865.93)</b>	<b>(1,176,333.47)</b>	<b>(1,414,752.33)</b>	<b>(2,139,169.69)</b>	
<b>47505 Interest Own Funds</b>	<b>(149,061.54)</b>	(4,859.62)	(29,335.72)	(35,437.36)	(53,347.19)	
<b>48500 Contribution from Current</b>						
750015 Corporate Expenses (surplus)	(1,712,395.86)			(629,395.86)	(950,000.00)	
750020 Mobile Equipment	(30,000.00)	(30,000.00)				
750020 Grounds provision	(9,000.00)				(9,000.00)	
750020 Accessibility etc provision	(200,000.00)					
750020 Donations	(7,900.00)		(7,900.00)			
750305 Printer Revenue	(50,669.04)			(50,669.04)		
	<b>(2,009,964.90)</b>	<b>(30,000.00)</b>	<b>(7,900.00)</b>	<b>(680,064.90)</b>	<b>(959,000.00)</b>	
<b>58600 Transfer to Capital</b>						
7500941900 Lynden Branch	-					
7500841800 RFID Project	357,644.23				357,644.23	
7500641100 Library Renovations	351,607.87				351,607.87	
7500741701 Terryberry (incl shelving)	-					
7501041102 Terryberry	-					
7500741701 Sherwood	-					
7501041102 Saltfleet	-					
7501041102 Redhill	-					
7501057100 Public Computing	-					
7501041102 Barton	-					
7501041101 Lighting Retrofit	450,000.00					
	<b>1,159,252.10</b>					
<b>Net Change</b>	<b>(1,449,774.34)</b>	<b>(34,859.62)</b>	<b>(37,235.72)</b>	<b>(715,502.26)</b>	<b>(303,095.09)</b>	
<b>Balance at December 31, 2011</b>	<b>(7,420,744.46)</b>	<b>(229,725.55)</b>	<b>(1,213,569.19)</b>	<b>(2,130,254.59)</b>	<b>(2,442,264.78)</b>	

The balance of all reserves at December 31, 2011 was \$7,420,745, as compared to \$5,970,970 in 2010. This is an increase of \$1,449,775. The increase is largely due to a



Subject: 2011 Annual Reserve Report  
Page 2 of 5  
Date: March 21, 2012



surplus in our operating budget of \$1,712,396 which was transferred to reserves at year end.

A \$30,000 contribution from current funds was budgeted, and is intended to be used for a future bookmobile purchase/replacement. A \$9,000 budgeted contribution to reserves from current is for the eventual replacement of library vehicles. The \$200,000 budgeted contribution to the Accessibility and Health Reserve is intended for future AODA improvements. Allowing these contributions from operating means that a portion of the expense can be attributed a specific year.

Donations are transferred from operating to the Library Collections reserve annually. Printer revenue is also transferred to the Library General Development reserve annually.

As previously approved by the Library Board, transfers to Capital projects were done for the RFID project, and the 1<sup>st</sup> floor renovation project. \$450,000 was transferred to the Major Lighting Retrofit reserve as the first instalment of the loan from reserves. Development Capital Projects

### Commitments - Designated

	106005	106006	106007	106008	
Printer Revenue	172,279.91	-	-	172,279.91	-
Locke (sale of CIBC building)	287,071.00	-	-	-	287,071.00
1st Floor Renovations	162,356.76	-	-	-	162,356.76
Library Material Waterdown branch	250,000.00	-	250,000.00	-	-
Sherwood tenant allowance	186,000.00	-	-	-	186,000.00
RFID - Equipment/System	455,066.24	-	-	-	455,066.24
RFID - Library Materials	386,118.00	-	386,118.00	-	-
Proposed Reallocation of funds	-	-	-	600,000.00	(940,000.00)
Lighting Retrofit Loan	545,847.00	-	295,847.00	-	-
Central Renovations, Floors 2-4	600,000.00	-	-	-	600,000.00
Library Dispensing Machines (3)	600,000.00	-	240,000.00	-	360,000.00
ILS	400,000.00	120,000.00	-	280,000.00	-
Capital Submission Central Phase III	200,000.00	-	-	-	200,000.00
Waterdown furnishings	250,000.00	3,000.00	4,000.00	113,000.00	69,000.00
Library Facilities updates (furniture)	250,000.00	-	-	149,000.00	101,000.00
Digitization Project Equipment	-	-	-	-	-
Development of Discovery Layer	200,000.00	-	-	-	200,000.00
Waterdown Construction Costs	1,500,000.00	-	-	750,000.00	750,000.00
Terryberry Parking	85,000.00	-	-	-	-
Alarm Panel upgrade	-	-	-	-	-
Voice Communication System	60,000.00	-	-	60,000.00	-
	6,589,738.91	123,000.00	1,175,965.00	2,124,279.91	2,430,494.00

### Funding 2012

Bookmobile Provision	(30,000.00)	(30,000.00)	-	-	-
Grounds Provision	(9,000.00)	-	-	-	(9,000.00)
Accessibility etc Provision	(100,000.00)	-	-	-	-
	(139,000.00)	(30,000.00)	-	-	(9,000.00)

<b>Available</b>	<b>(970,005.55)</b>	<b>(136,725.55)</b>	<b>(37,604.19)</b>	<b>(5,974.68)</b>	<b>(20,770.78)</b>
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Subject: 2011 Annual Reserve Report  
Page 3 of 5  
Date: March 21, 2012



## **PREVIOUSLY IDENTIFIED COMMITMENTS**

### **Library Dispensing Machines**

Funding for three library dispensing machines for future installations at locations yet to be determined would be earmarked at \$650,000. Library dispensing machines provide a cost effective and environmentally friendly alternative service model that could complement service in areas where making existing buildings AODA compliant is not possible.

### **2012 Capital Submission Revision – Central Phase III**

An \$800,000 capital project for Central Phase III was submitted to the City for capital consideration. However, after review of the overall capital picture, the Library would like to revise the amount submitted to the City to be \$600,000 and the Board would fund the \$200,000 difference from Library reserves.

### **Waterdown Furnishings**

The construction of the new Waterdown branch has taken much longer than originally anticipated, yet the budget was not increased. With rising construction costs since the original budget was done, the budgeted dollar will not go as far. As result, the budget is no longer sufficient to cover the cost of furnishings for the new branch. The Library is requesting that \$250,000 be committed from reserves to cover these costs.

### **Updating Library Facilities**

With the advancing age of many of the Library facilities, most furnishings at several branches are in dire need of repair and/or replacement. We have invested in upgrades to the physical aspect of Library buildings, but have not been able to upgrade the furnishings. This has resulted in old furnishings in newly renovated spaces. Newer furnishings are estimated to cost approximately \$250,000.

### **Local History Digitization**

Our Local History and Archives Department has a unique collection that tells the story of Hamilton's history. By digitizing the collection, access is significantly improved and valuable items are preserved for future generations. Setting aside \$100,000 for future digitization projects will help ensure we can continue to build our digital collections.

### **eBook Integration in the Discovery Layer**

Discovery layers, such as Bibliocommons (to which the library subscribes), are customer-focused access tools that sit atop the libraries catalogue. They use search algorithms akin to those used by Google and use community participation features similar to Amazon. They are the gateway to the library collections. Interest in eBooks continues to grow, and currently all eBook transactions occur in a separate interface

Subject: 2011 Annual Reserve Report  
Page 4 of 5  
Date: March 21, 2012



outside the discovery layer. This presents several important issues that will grow larger as eBooks gain in popularity:

- Customers must manage two or more separate “accounts.” They cannot even answer a simple question such as “what do I have out?” without checking multiple locations.
- Each new potential vendor added as a service possibility requires yet another account and another interface.
- Separate search and discovery systems are confusing and complex to learn.
- Customers may not care if they read a print or an electronic version of an item but must search in separate locations for each format.

Access to eBooks through the discovery layer would eliminate the need for our customers to use a separate interface and would aggregate all of their account information (Holds, Checkouts, etc.), open the door to purchasing eBooks from a variety of vendors, publishers and suppliers, and create partnerships with publishers and vendors that would enable customers to purchase a title if they so desired. The software necessary to enable a successful partnership between Canada’s public libraries and Canadian-based publishers and distributors is not complex but it will require assistance from private sector partners. HPL needs to be in a position to contribute development funds to facilitate direct access to eBooks within the Library’s discovery layer. As such, The Library would like to earmark \$200,000 towards the development of such an enhancement.

## **ADDITIONAL COMMITMENTS**

### **Voice Communication System**

An instant voice communication system designed to enhance customer service and staff productivity is being investigated. Staff would be able to instantly speak with colleagues and obtain resources needed to help reduce the time customers spend waiting in line. The system un-tethers staff from the desk and would allow them to answer phone calls from anywhere. It also puts them in direct contact with security from wherever they are.

### **Waterdown Construction Costs**

Due to many unforeseen delays, the costs of the new Waterdown branch will be significantly higher than originally planned. It is estimated that the library will need an additional \$1.5 million dollars more than is budgeted.

### **Terryberry Parking**

A last minute, yet significant opportunity presented itself to have the Terryberry parking lot re-done. The City is doing roadwork at Mohawk Road and West Fifth and approached the library about the possibility of repairing our parking lot at the same time.

Subject: 2011 Annual Reserve Report  
Page 5 of 5  
Date: March 21, 2012



The current asphalt would be removed and replaced, paving stone installed and 60 meters of new curbing put in place. The estimated cost for this work is \$85,000.



# Hamilton Public Library

**Date:** March 21, 2012  
**To:** Chair and Members of the Board  
**c.c.** Ken Roberts, Chief Librarian  
**From:** Robin Hewitt, Director, Finance and Facilities  
**Subject:** 2011 External Audit Plan

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## **RECOMMENDATION:**

**That the Report to the Audit Committee – Initial Communication on Audit Planning, prepared by Grant Thornton LLP Chartered Accountants for the 2011 audit be received for information.**

## **BACKGROUND:**

Grant Thornton, Chartered Accountants' audit approach and scope of audit work for the Hamilton Public Library Board for the 2011 fiscal year is provided in the attached Initial Communication on Audit Planning. The Audit Plan communicates to the oversight body Grant Thornton's overall audit responsibilities and audit approach in accordance with Canadian generally accepted auditing standards and the Canadian Institute of Chartered Accountants ("CICA"), which focus the audit on areas where there is greater risk of misstatement. Grant Thornton has tailored their audit of the Library to several specific audit areas.

Grant Thornton was appointed the City's external auditor by Council at its meeting on September 13, 2006 for a period of five (5) years covering the fiscal years from 2006 to 2010. A one (1) year extension was granted on December 6, 2010 for the fiscal year 2011 under the same terms and conditions. Under the Municipal Act, the external auditor for the City is also the auditor for the Library Board.



# Report to the Audit Committee – Initial communication on audit planning

**Hamilton Public Library Board**  
For the year ended December 31, 2011



February 22, 2012

To the members of the Audit Committee of  
**The Hamilton Public Library Board**

We're pleased to enclose our *Report to the Audit Committee – Initial communication on audit planning*. The purpose of this document, and our upcoming meeting to discuss its content, is to initiate effective two way communication with you regarding our financial statement audit engagement of the Hamilton Public Library Board ("the Board") for the year ending December 31, 2011. This communication will assist the committee in understanding the terms of the audit engagement; our proposed audit strategy and the level of responsibility assumed by Grant Thornton LLP under Canadian auditing standards (CAS).

This communication has been prepared to comply with the requirements outlined in CAS 260 *Communication with those Charged with Governance*. The information in this document is intended solely for the information and use of the Audit Committee, Board of Directors and management. It is not intended to be distributed or used by anyone other than these specified parties.

If you have any particular comments, concerns or additional expectations that may require us to undertake additional work over and above that which is currently contemplated, please do not hesitate to contact us.

Yours sincerely,  
Grant Thornton LLP

A handwritten signature in black ink, appearing to read "Melanie Dugard".

**Melanie Dugard, CA**  
Principal

cc: **Robin Hewitt**

# Contents

	<b>Page</b>
The Hamilton Public Library Board – Environmental scan – changes in business and standards	1
Achieving effective governance	2
Quality assurance, independence and communication	3
Our audit approach	4
Audit timetable	7



# The Hamilton Public Library Board – Environmental scan – changes in business and standards

The following is a summary of recent changes to the Board's business environment and relevant accounting and auditing standards. We have considered these factors in preparing the audit plan for the Hamilton Public Library.

We consider all relevant factors when preparing an audit plan specifically tailored to your organization

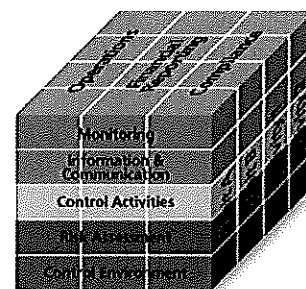
## **Organization-specific changes**

As part of our audit planning, we have discussions with management and staff to determine if there have been any significant changes that would impact our audit approach. We noted no significant changes in the processing of receipts, employee compensation, or within the purchasing department. We did note ongoing capital activity with respect to branch renovations or constructions, but these are considered to be in the normal course of operations for the Board and we will review this activity through our capital reserve work during the City of Hamilton audit. Our planning procedures did not identify any other significant matters impacting our approach for the 2011 audit of the Board.

## **Accounting and Auditing standards**

There have been no new standards issued since our audit results memo was issued for the 2010 audit that would impact the Board's 2011 financial statements.

## Achieving effective governance



There are several fundamental components of effective governance. The audit committee plays a key role in achieving strong governance, particularly with respect to financial reporting.

### Roles in ensuring strong financial reporting

The audit committee helps set the tone for the organization by emphasizing honesty, ethical behaviour and fraud prevention

<b>Role of the audit committee</b>	<ul style="list-style-type: none"> <li>• Help set the tone for the organization by emphasizing honesty, ethical behaviour and fraud prevention</li> <li>• Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting</li> <li>• Directly oversee the work of the external auditors including reviewing, discussing and approving audit plan</li> <li>• Review annual financial statements and recommend approval to the Board of Directors</li> </ul>
<b>Role of management</b>	<ul style="list-style-type: none"> <li>• Prepare financial statements in accordance with an appropriate Financial Reporting Framework</li> <li>• Design, implement and maintain effective internal controls over financial reporting processes</li> <li>• Exercise sound judgment in selecting and applying critical accounting principles</li> <li>• Safeguard assets</li> <li>• Prevent, detect and correct errors</li> <li>• Provide representations to external auditors</li> <li>• Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial statements</li> </ul>
<b>Role of Grant Thornton LLP</b>	<ul style="list-style-type: none"> <li>• Provide an audit opinion that the financial statements are in accordance with an appropriate and recognized Financial Reporting Framework</li> <li>• Conduct our audit in accordance with Canadian Auditing Standards</li> <li>• Maintain independence and objectivity</li> <li>• Be a resource to the audit committee and management</li> <li>• Implement an effective two way communication process that reports matters of interest to the audit committee and obtains input from the committee on audit risk matters</li> </ul>

# Quality assurance, independence and communication

Grant Thornton LLP has a robust quality control program

## Quality assurance

Grant Thornton LLP has a robust quality control program that forms a core part of our client service. We combine internationally developed audit methodology, advanced technology, rigorous review procedures, mandatory professional development requirements, and the use of specialists to deliver high quality audit services to our clients. In addition to our internal processes, we are subject to inspection and oversight by standard setting and regulatory bodies. We are proud of our firm's approach to quality assurance and would be pleased to discuss any aspect with you at your convenience.

## Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to

- Identification of threats to our independence and putting into place safeguards to mitigate those threats; and
- Confirming the independence of our engagement team members.

## Communication with the audit committee

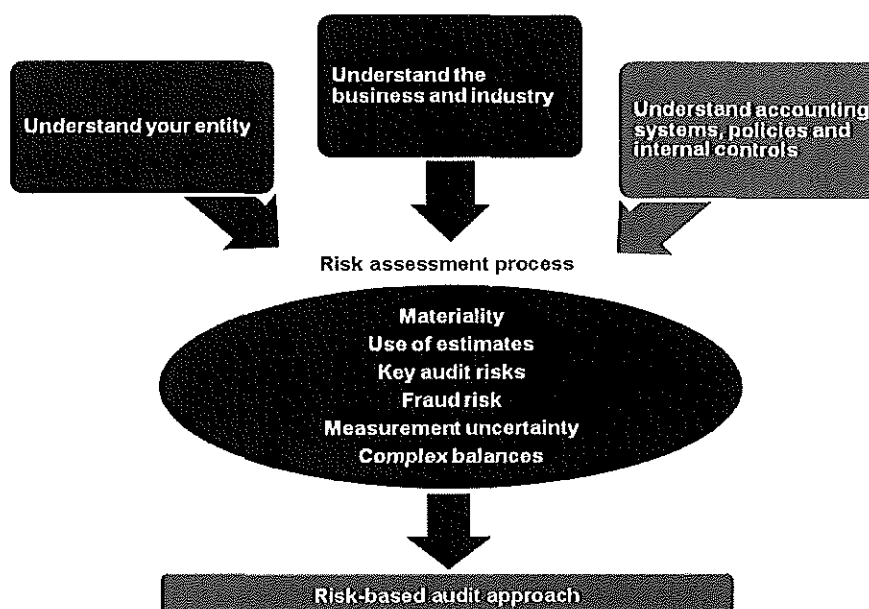
Effective and timely communication is key to quality service. In conducting our audit we will communicate as required with the audit committee so that issues and concerns are addressed in a timely and productive manner. We also require the audit committee's input and perspective on various risk assessment matters such as fraud risk, compliance with laws and regulations and we welcome the audit committee's view on the organization's system of internal controls.

We encourage the members of the audit committee to contact us at any time if questions or concerns arise.

Throughout the audit process we encourage the audit committee to contact us if there are any questions or concerns

## Our audit approach

An understanding of your organization and your business drives the Grant Thornton LLP audit approach. The audit methodology is risk based and specifically tailored to the Hamilton Public Library as depicted below:



Our tailored audit approach results in procedures designed to respond to an identified risk. The greater the risk of material misstatement associated with the account, transaction or balance, the greater audit emphasis placed in terms of audit verification and analysis.

### Other communications

As a result of our audit process we will communicate in our "results report" information on the following matters:

- Misstatements, other than trivial errors;
- Fraud;
- Misstatements that may cause future financial statements to be materially misstated;
- Illegal or possibly illegal acts, other than those considered inconsequential; and
- Material weaknesses and significant deficiencies in internal control over financial reporting.

### Internal control

Our audit includes gaining an understanding of the Board's internal control over financial reporting. Our understanding will focus on processes associated with the identified financial statement risk areas (see below). The audit team uses this understanding to determine the nature, extent and timing of our audit procedures.

Our understanding may also result in valuable internal control findings for your consideration. Please note that the objectives of a financial statement audit are different from fiduciary control objectives. Therefore, management and the audit committee cannot rely on our findings to discharge their responsibilities in this area.

### Risk assessment

Our risk assessment process has identified the following areas where we will focus our attention:

Risk area	Planned audit procedures
Operating expenses	<p>Review supporting documentation and management estimates with respect to the completeness and accuracy of significant year-end accruals.</p> <p>Analysis of expenses compared to expectations and prior years.</p>
Employee Compensation	<p>Review supporting documentation and management estimates with respect to the completeness and accuracy of significant payroll-related year-end accruals.</p> <p>Analysis of payroll expenses by department compared to expectations and prior years.</p> <p>Review of any changes in union contracts and assessment of impact on 2011 results</p>

### Materiality

The purpose of our audit is to provide an opinion as to whether your financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with generally accepted accounting principles as of December 31, 2011. Therefore, materiality is a critical auditing concept and as such we apply it in all stages of the engagement.

Applying the concept of materiality at the planning and execution stage of the engagement recognizes that the audit team cannot verify every balance, transaction or judgment made in the financial reporting process. During audit planning, we make a preliminary assessment of materiality for purposes of developing our audit strategy, including determining the extent of our audit procedures. During the completion stage, we consider not only the quantitative assessment of materiality, but also qualitative factors, in assessing the impact on the financial statements, our audit opinion and the matters reported to the audit committee.

### Fraud considerations

We are responsible for planning and performing the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement caused by error or by fraud. Our audit

Fraud can occur in any organization, at any time, and can be perpetrated by anyone.

procedures comply with the requirements of CAS 240 *Auditor's Responsibility Relating to Fraud in an Audit of Financial Statements*. CAS 240 heightens the auditors' awareness of the potential for fraud when planning and executing audits and it emphasizes the need for professional scepticism during the audit. In addition, the auditing standard requires us to communicate with you on matters related to fraud including obtaining your perspective on the risk of fraud within the company and whether you are aware of or suspect any fraudulent activity. If our audit procedures identify fraud or we suspect fraud, we will report such matters to you.

The following provides a summary of some of the fraud-related procedures we plan to perform during the audit:

- Discuss amongst the engagement team where the financial statements may be susceptible to material misstatement due to fraud.
- Gather information to identify the risks of material misstatement due to fraud, including our understanding of internal control and making detailed inquiries to senior management, internal audit and members of the audit committee.
- Using the information gathered in our risk assessment process.

### **Professional scepticism**

Professional scepticism is a questioning state of mind. We will maintain our professional scepticism throughout the audited, recognizing the possibility that a material misstatement due to fraud could exist not withstanding our past experiences with the Board or our beliefs about management's honesty and integrity.

It is presumed in the evaluation of audit evidence for sufficiency and appropriateness that we will apply professional scepticism. Specific matters that may put into question our audit evidence include the following:

- Investigation of any inconsistencies and vague or implausible management responses identified in our inquiry procedures
- Lack of corroboration available for managements responses
- Conflicting or missing audit evidence
- Indications that a document used as audit evidence may not be authentic

### **Use of experts**

We intend to use the work of experts for the following:

- Future employee benefits liability

### **Deliverables**

We are committed to executing our audit in a most effective, efficient and timely manner. We will provide the following deliverables to the audit committee:

- Initial communication on audit planning,
- Audit report on the financial statements of the Hamilton Public Library Board,
- Communication of audit results, and
- Management letter that provides our observations and recommendations regarding internal controls based on matters identified during the course of our audit.

**We are committed to executing our audit in a most effective, efficient and timely manner**

Report to the Audit Committee – Initial communication on audit planning  
The Hamilton Public Library Board  
For the year ended December 31, 2011

## Audit timetable

February 2012	Audit planning
March 2012 (TBD)	Meeting with Audit Committee and presentation of Report to the Audit Committee – Initial Communication on Audit Planning
March 22-27, 2012	Year-end visit
April 2012	Preliminary clearance to be provided on draft financial statements
April 2012 (TBD)	Meeting with the Audit Committee and presentation of Report to the Audit Committee – Communication of Audit Results