

**Mission Statement**  
*Freedom to Discover*

**Strategic Priorities**  
*A Community Beacon      Relevant and Responsive*  
*A Creative and Changing Organization*

**HAMILTON PUBLIC LIBRARY BOARD**

**Regular Board Meeting**  
**Wednesday, February 19, 2014**  
**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 Wednesday, January 15, 2014** Attachment #3
- 4. Presentations**
  - 4.1 Youth Services Plan – LB
  - 4.2 Logo Refresh – MS
- 5. Consent Items**
- 6. Business Arising**
  - 6.1 Low Barrier Access Card - LB Attachment #6.1  
**Suggested Action: Recommendation**
- 7. Correspondence** Attachment #7  
G. W. Hutton **Suggested Action: Receive**
- 8. Reports**
  - 8.1 Chief Librarians Report Attachment #8.1  
**Suggested Action: Receive**

- 8.2 2013 Circulation Report – MC Attachment #8.2  
**Suggested Action: Receive**
- 8.3 Report from the Audit Committee Attachment #8.3  
**Suggested Action: Recommendation**

**9. New Business**

- 9.1 Board Policy Review List – PT Attachment #9.1  
**Suggested Action: Receive**
- 9.2 Naming Opportunities Policy – PT Attachment #9.2  
**Suggested Action: Receive**

**10. Private and Confidential**

**11. Date of Next Meeting**

Wednesday, March 19, 2014  
**Central Library, Board Room, 5<sup>th</sup> Floor**  
5:30 p.m. Dinner  
6:00 p.m. Meeting

**12. Adjournment**

**Mission Statement**  
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**HAMILTON PUBLIC LIBRARY BOARD**  
**Inaugural and Regular Board Meeting**  
**Wednesday, January 15, 2014**  
**Central Library, Board Room**  
5:30 p.m. Dinner  
6:00 p.m. Meeting

**MINUTES**

**PRESENT:**            **Jennifer Gautrey, David Simpson, Nicolas van Velzen,  
Suzan Fawcett, Wenda Tulloch, Councillor Pearson,  
George Geczy, Mary Ann Leach, Richard Bagdonas,  
Clare Wagner**

**STAFF:**             **Paul Takala, Lisa DuPelle, Robin Hewitt, Lita Barrie,  
Michael Ciccone, Karen Anderson, Melanie Southern,  
Karen Hartog**

**REGRETS:**         **Councillor Jackson**

**1.    Discussion Period**

**2.    Acceptance of the Agenda**  
**MOVED** by Mr. Geczy, seconded by Ms Leach,

**THAT THE AGENDA BE ACCEPTED AS PRESENTED.**

**MOTION CARRIED.**

**3.    Minutes of the Hamilton Public Library Board Meeting of  
Wednesday, December 18, 2013**  
The minutes should read December 18, 2013

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

**THAT THE MINUTES OF THE HAMILTON PUBLIC LIBRARY BOARD MEETING OF WEDNESDAY, DECEMBER 18, 2013 BE ACCEPTED AS AMENDED.**

**MOTION CARRIED.**

**4. Report of the Nominating Committee Meeting of Wednesday, January 15, 2014 and Elections**

Nominating Committee members included Mr. Geczy, Ms Fawcett, Mr. van Velzen and Ms Gautrey. Ms Gautrey presented the report of the Nominating Committee from its meeting held January 15, 2014. There were no nominations from the floor.

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

**THAT THE SLATE OF OFFICERS FOR THE 2014 LIBRARY BOARD BE ADOPTED AS FOLLOWS:**

**CHAIRPERSON:**

**Suzan Fawcett**

**VICE-CHAIRPERSON:**

**Nick van Velzen**

**EXECUTIVE COMMITTEE:**

**Jennifer Gautrey**

**Suzan Fawcett**

**Nick van Velzen**

**Mary Ann Leach**

**Alternate: George Geczy**

**AUDIT COMMITTEE:**

**Suzan Fawcett**

**David Simpson**

**Mary Ann Leach**

**George Geczy**

**Alt: Nick van Velzen**

**SOLS REPRESENTATIVE:**

**Wenda Tulloch**

**MOTION CARRIED.**

**5. 2014 Board Chairman Calls the Inaugural Meeting to Order**

Ms Fawcett called the meeting to order at 6:10 p.m.

**6. Presentations**

- 6.1 Update on 2013 Programming Activities  
Ms Anderson provided an update on the 2013 programming activities for HPL.
- 6.2 2014 Operating Budget Presentation – PT  
Mr. Takala presented the 2014 budget presentation being prepared for Council to Board Members. An increase of 0.2% is being requested of Council. Current Chair, Suzan Fawcett, and outgoing Chair, Jennifer Gautrey will be presenting the Library's budget proposal to Council on January 23, 2014.
- 6.3 Royal Society of Canada Expert Panel on Libraries  
Mr. Takala provided a presentation on the items being discussed by the Canadian Urban Library Council (CULC) to be included in their submission to the Royal Society of Canada Expert Panel on Libraries.
- 6.4 Bookmobile/VLS  
Mr. Ciccone provided an overview of the Bookmobile and Visiting Library Service departments and potential changes to those services. The next step is to engage in consultations with appropriate stakeholders.

**7. Consent Items**

No consent items.

**8. Business Arising**

- 8.1 Local History and Archives  
**MOVED** by Ms Leach, seconded by Ms Tulloch,

**THAT THE ATTACHED SURVEY OF IMAGE REPRODUCTION FEES AT PUBLIC LIBRARIES BE RECEIVED FOR INFORMATION.**

**MOTION CARRIED.**

**9. Correspondence**

No correspondence.

**10. Reports**

- 10.1 Chief Librarian's Report  
**MOVED** by Mr. Geczy, seconded by Ms Leach,

**THAT THE CHIEF LIBRARIAN'S REPORT BE RECEIVED FOR INFORMATION.**

**MOTION CARRIED.**

**11. New Business**

11.1 Computer Contract Extension

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

**THAT THE HAMILTON PUBLIC LIBRARY BOARD APPROVE A SINGLE SOURCE PROCUREMENT AGREEMENT WITH AUDCOMP FOR UP TO ONE YEAR TO ENABLE US TO CONTINUE TO WORK WITH AUDCOMP ON THE SUPPLY OF DESKTOP COMPUTER EQUIPMENT UNTIL WE CAN COMPLETE A NEW CONTRACT THROUGH THE PROCUREMENT PROCESS.**

**THAT THE HAMILTON PUBLIC LIBRARY BOARD APPROVES ADDING \$80,000 TO THE OPEN AUDCOMP PURCHASE ORDER TO COVER THE PURCHASES REQUIRED DURING THE EXTENSION.**

**MOTION CARRIED.**

11.2 Procurement policy update – PT

**MOVED** by Ms Leach, seconded by Ms Wagner,

**THAT THE CITY OF HAMILTON PROCUREMENT POLICY (BY-LAW NO. 13-317) ATTACHED BE APPROVED BY THE HAMILTON PUBLIC LIBRARY BOARD.**

**MOTION CARRIED.**

**12. Private and Confidential**

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

**THAT THE LIBRARY BOARD MOVE IN-CAMERA TO DISCUSS AN EMPLOYEE ISSUE.**

**MOTION CARRIED.**

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

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

**MOTION CARRIED.**

**13. Date of Next Meeting**

Wednesday, February 19, 2014  
Central Library, Board Room, 5<sup>th</sup> Floor  
5:30 p.m. Dinner  
6:00 p.m. Meeting

**Adjournment**

**MOVED** by Mr. Geczy, seconded by Ms Leach,

**THAT THE HAMILTON PUBLIC LIBRARY BOARD MEETING OF  
WEDNESDAY, JANUARY 15, 2014 BE ADJOURNED.**

**MOTION CARRIED.**

The meeting was adjourned at 8:40 p.m.

Minutes recorded by Karen Hartog.



**To:** Chair and Members of the Board  
**CC:** Paul Takala, Chief Librarian  
**From:** Lita Barrie, Director, Digital Technology  
Karen Anderson, Director of Public Service  
Michael Ciccone, Director of Collections  
**Subject:** Low Barrier Access Card  
**Date:** February 12, 2014

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### **RECOMMENDATION:**

That the Hamilton Public Library Board approve the creation of a Low Barrier Access Card.

### **BACKGROUND**

Staff recommend the creation of a new borrower category for library cards at HPL, a Low Barrier Access Card. The concept, initially developed by the Vancouver Public Library, was presented to the Library Board in October 2013.

Low barrier access card members will have the same library card as all other customer but their borrowing privileges will be adjusted. The Hamilton Public Library's Strategic Priorities to be a community beacon and relevant and responsive identify the need for the Library to examine current practices and look for opportunities to engage the community and reduce barriers to library use.

Staff have recognized that the requirement of a piece of identification with a current address is a barrier for some members of our community. Many people in our community do not have a stable address. We see this particularly with computer use where community members use a visitor pass in lieu of a library card because of the identification requirements. Staff have also recognized that for some members of our community late fines do not act as a deterrent to returning material late, in the manner intended, but become a barrier to use. The Library's goal with the Low Barrier Access Card is to engage with members of the community who are not able to access the Library's resources in an equitable manner due to challenges in their lives that make the library guidelines barriers to use. The parameters of the Low Access Barrier Card are intended to remove barrier in a balanced manner that allows for access while safeguarding Library resources.



The Low Barrier Access Card would be available to all residents 14 years of age or older. The following card parameters would be applied to this card type:

- Cardholders will be required to have a single piece of identification;
- Cardholders will be limited to 5 checkouts at a time;
- Cardholders will be able to have 2 active hold requests at a time;
- Cardholders would not accrue fines for overdue materials but they will lose borrowing privileges if they have 2 items that are overdue;
- Standard express limits will apply;
- Cardholders will be responsible for the cost of lost items and the materials they borrow will follow the same 6 week loss cycle as all other materials;
- Cardholders will have full access to digital collections wherever possible.

### **FINANCIAL & LEGAL IMPLICATIONS**

Standard security and borrowing responsibilities will apply to the customers using the Low Barrier Access card. The loss of fine revenue is expected to be minimal. For the target groups for this borrower category, once they acquire fines they frequently suspend their use of the Library and therefore is not reflected in our fine revenues.

Library Staff will review and evaluate the use of this card type and provide a report to the Board within 18 months of implementation.

From: Gerald Wallace Hutton  
Sent: February-10-14 5:23 PM  
To: Hartog, Karen; Takala, Paul; Pearson, Maria  
Subject: Discarded Out-of-Town Newspapers

Attention: Ms. Suzan Fawcet, Chair, Hamilton Public Library Board

Dear Sirs:

Firstly, I wish to congratulate the Hamilton Public Library and its Board on the excellence of its many services offered to the public, and to sincerely thank the Library staff for the continuous, efficient and helpful ways they continue to serve the users of the system.

This letter concerns a change in the Library's policy of the disposition of discarded two months old out -of-town newspapers which change, as I have advised Chief Librarian, Mr. Takala, only recently came to the writer's attention.

Since 1995 such newspapers have been available for pick up by members of the public on a first come, first served basis on the Library's third floor. (Even previously, they were piled and available in the lobby area of the Central Library near the doors to the Lloyd D. Jackson Square.)

In years past this much appreciated and worthwhile service was advertised by posted notices by the elevators and a letter sized paper stating "These newspapers have been discarded from the Hamilton Public Library - third floor, and are available for the public to take home." with the Library's Discard Stamp impression was handed out with each bundle.

The material was never specifically reserved for any one person and virtually no staff time was required for the transfer-an opportunity much appreciated by the writer, a senior retiree, and other patrons of the Library.

The policy of availability for reuse reduces waste and is a positive service contribution which has worked in the past in accordance with the Library's mandate to share knowledge.

The writer therefore requests that the Members of the Board now favourably consider reinstating the former practice of availability of such newspapers to all Library users, some of whom, in the past have voluntarily provided the papers received to others for even further use.

Kindly include the matter on the Board's next meeting agenda and advise the writer of the date, place and time of such meeting.

I should appreciate the opportunity to address the Board on that occasion.

Thank you.

G.W. Hutton  
86 Dromore Cresc.,  
Hamilton, ON, L8S 4B2

## **Chief Librarian's Report – February 2014**

### **Local History and Archives Anniversary Next Month**

The Local History and Archives Department, formerly known as Special Collections, is celebrating its centennial on March 5. A few facts about the department:

- On March 5, 1914 the Canadiana Room opened at the main library, featuring a collection of local history items brought together with Canadian history books. Much of the local collection comes from Emerson Bristol Biggar (1853 to 1921), a renowned author and journalist.
- The most popular research topics have been: Evelyn Dick, who was charged with the infamous torso murder of her husband, John Dick, and the death of her baby; other local murders; and the War of 1812.
- The oldest book in the department is Plutarch's Lives in Latin from 1472.
- The department has many unique and interesting collections. Some examples of this are: Hamilton restaurant menus, Hamilton school yearbooks, Roll of honour of men from Hamilton killed in conflicts from the Boer War to the Vietnam War (created in collaboration with The Hamilton Spectator), Hamilton postcards, 19th-century Hamilton police handcuffs, war medals, war posters and pins.

So far 12,000 images from the collection have been digitized. With new technology we will be able to continue to expand access to our unique collections and in so doing continue to preserve and celebrate Hamilton's history.

### **Serving Book Clubs with Kit Keeper**

The Library supports over 100 community book clubs. We are currently implementing a new online reservation system for the book club kits. The system will streamline operations and make it easier for clubs to search for and reserve book kits. Staff are providing orientations to clubs on how to use the new system.

### **Power of the Pen Awards Gala**

The 19th Annual Power of the Pen Creative Writing Awards Gala was held on January 17<sup>th</sup> at the Central Library. The annual writing contest is open to teens between 12 and 18 yrs old. The call for entries is made each spring to school boards, local community organizations and in library branches. Local Judges (local writers, poets and authors) reviewed nearly 250 talented entries narrowing it down to two winners per category. Pictures of the 2013

Winners were published in the Hamilton Spectator and Snapd. This year, the Power of the Pen is celebrating its 20<sup>th</sup> Anniversary.

### **OLA Super Conference**

The 20<sup>th</sup> Anniversary of the OLA's annual Super Conference was held from January 29 to February 1<sup>st</sup> at the Metro Convention Centre. Hamilton Public Library staff presented a number of popular sessions. Five Library Board members and thirty-six staff attended this year's conference.

### **Public Library Leadership Fellows Program**

On January 31<sup>st</sup>, M. Johnson, D. Wark and L. Barrie completed the Public Library Leadership Fellows Program, a partnership of CULC and the University of Toronto's iSchool. They were part of the first cohort of this post-graduate certificate program. The goal of the program is to contribute to the vitality and success of public libraries and the diverse communities they serve well into the 21<sup>st</sup> century, by positioning public library professionals to be proactive, effective voices in the global information environment.

Paul Takala  
Chief Librarian



**DATE:** February 14, 2014  
**REPORT TO:** Chair and Members of the Board  
**FROM:** Michael Ciccone, Director of Collections  
**SUBJECT:** **2013 Circulation Statistics Report**

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**Recommendation:**

That the 2013 Circulation Statistics Report be received for information.

**Background:**

The Hamilton Public Library circulated 7,245,133 items in 2013, a slight decrease of 0.5% from 2012. Below is a summary of some of the highlights and trends.

**Print**

The circulation of print materials was down 7% from 2013 and has decreased 21% since 2009. Mass market paperbacks (down 49% since 2008), Large Print (down 35% since 2008) and Juvenile non-fiction (down 40% since 2008) have seen the most notable declines.

**Physical Media**

Blu Ray use increased by 16% and games by 73%. DVD use has begun to decline, down 2%. Books on CD and Music CDs continue to circulate, down only 1% since 2009.

**Digital Materials**

The circulation of digital materials was up 30% in 2013, bolstered by the addition of Hoopla, the popularity of Zinio and the continued increase in use of our eBooks and eAudio from Overdrive.

- **Overdrive**  
eBook use continues to climb, up 38%. eAudio use climbed even higher in 2013, up 39%.
- **Tumblebooks**  
Use was down slightly in 2013, but Tumblebooks remains the most popular digital service for children.
- **Freegal**  
There has been declining interest in Freegal throughout 2013. In January, there were 7,373 downloads. There has been less than 5,000 downloads over each of the past 4 months.

- **Hoopla**  
Use has been steady, but not heavy. 14,500 items have been borrowed since the launch in June 10. We will be working with Hoopla in 2014 to try and better promote the service.
- **Zinio**  
Despite the loss of key magazines, Zinio continues to heavily used. Over 80,000 magazines were borrowed in 2013 and we expect to see that number rise in 2014.
- **Library Press Display**  
Like Zinio, Press Display is a commercial product that has partnered with a library vendor to bring their service to the library market. It provides same day digital access to thousands of newspapers across Canada and the World. Newspapers are delivered in the same "as is" digital format in which magazines are delivered through Zinio.  
We have had a subscription for over 7 years, but use was bolstered recently by the addition of The Hamilton Spectator. It also provides access to the Toronto Star, Toronto Sun, Globe & Mail and The National Post. Because the use of this product can be measured in terms of individual "checkouts", we will begin adding the use of Press Display to our digital circulation tally in 2014. There were 4,943 newspapers borrowed in January.



**Date:** February 14, 2014  
**To:** Chair and Members of the Board  
**From:** Hamilton Public Library Board Audit Committee  
**c.c.** Paul Takala, Chief Librarian  
**Subject: 2013 Audit Planning Memo**

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**RECOMMENDATION:**

That the 2013 Audit Planning Memo for the Hamilton Public Library Board prepared by KPMG, be approved.

**BACKGROUND:**

KPMG's audit approach and scope of audit work for the Hamilton Public Library Board for the 2013 fiscal year is provided in the attached Communication of the Audit Planning Report. The Audit Plan communicates to the oversight body KPMG'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. KPMG has tailored their audit of the Library to several specific audit areas.

KPMG was appointed the City's external auditor by Council at its meeting on June 27, 2012 for a period of five (5) years covering the fiscal years from 2012 to 2016. Under the Municipal Act, the external auditor for the City is also the auditor for the Library Board.

On February 3, 2014 the Audit Committee met with the Auditor and approved the attached Audit Planning Memo.

AUDIT

# Hamilton Public Library Board

**Audit Planning Report**

For the year ending December 31, 2013

**KPMG LLP**  
Licensed Public Accountants

[kpmg.ca](http://kpmg.ca)



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This Audit Planning Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

For KPMG's audit committee resources,  
please visit [kpmg.ca/auditcommittee](http://kpmg.ca/auditcommittee)

# Considerations in developing our Audit Plan

We have prepared this Audit Plan to inform you of the planned scope and timing of the audit for the purpose of carrying out and discharging your responsibilities and exercising oversight over our audit of the financial statements.

We have set out below a summary of changes that have been taken into consideration in planning the audit for the current period:

## **Your organization**

- Change in Information Library System from Horizon to Virtua
- Improper disposal of scrap metal

## **Accounting standards**

- Upcoming changes with effective dates ranging from December 31, 2013 to December 31, 2016 include Government Transfers, Financial Instruments and Foreign Currency Translation
- The following previously discussed standards become effective this year:
  - PS3410 Government Transfers
    - Transferring governments recognize an expense when the transfer has been authorized and all eligibility criteria have been met by the recipients
    - Recipient governments recognize revenue when the transfer is authorized and all eligibility criteria have been met, except when a transfer gives rise to a liability
    - This standard could affect the timing of revenue recognition for certain government transfers

## **Auditing and other professional standards**

- No changes for the current year

## Our timetable

To assist with your responsibilities as Audit Committee members, we have planned the following interactions with you during your committee meetings:

<b>Audit Committee/Board Interactions</b>	<b>Date</b>
Audit Planning Report provided to the Audit Committee	February 3, 2014
Make annual inquiries of the Audit Committee (see below)	February 3, 2014
Present our year-end Audit Findings Report, including independence communications to the Audit Committee	June 2014

Refer to the Appendices for KPMG's and management's responsibilities.

### **Annual inquiries Related to Risks of Fraud**

Professional standards require that during the planning of our audit we obtain your views on the risk of fraud. We make similar inquiries to management as part of our planning process; responses to these questions will assist us in planning our overall audit strategy and audit approach accordingly.

- Are you aware of, or have you identified any instances of, actual, suspected, possible, or alleged non-compliance of laws and regulations or fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- What are your views about fraud risks in the entity?
- How do you provide effective oversight of programs and controls to prevent, detect and deter fraud, including oversight over internal controls management has established to mitigate fraud risks?
- Is the Board aware of tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what are the responses to such tips and complaints?

# Areas of audit emphasis

We design an overall audit strategy and an audit approach to address the significant risks identified during the planning process.

## Materiality

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The determination of materiality requires judgment and is based on a combination of quantitative and qualitative assessments, including the nature of account balances and financial statement disclosures.

Materiality is assessed based on risk and the acceptable range for not-for-profit organizations is 0.5 to 3% of the greater of total assets or total revenues/expenditures.

We determine performance materiality (from materiality) in order to assess risks of material misstatement and to determine the nature, timing and extent of audit procedures.

We determine an audit misstatement posting threshold (from materiality) in order to accumulate misstatements identified during the audit.

For the current period, the following amounts have been determined:

<b>Materiality</b>	<b>Performance Materiality</b>	<b>Audit Misstatement Posting Threshold</b>
<b>\$600,000</b>	<b>\$ 450,000, which has been set at 75% of materiality</b>	<b>\$ 30,000, which has been set at 5% of materiality</b>

We will reassess materiality based on period-end results or new information to confirm whether it remains appropriate for evaluating the effects of uncorrected misstatements on the financial statements.

## Identification of significant risks

As part of our audit planning, we identify the significant financial reporting risks that, by their nature, require special audit consideration. By focusing on these risks, we establish an overall audit strategy and effectively target our audit procedures.

The *significant* financial reporting risks identified during our audit planning are listed below:

### Significant accounts/disclosures

<b>Liability for future benefits</b>
<b>Risk of material misstatement</b>
Completeness and accuracy of the post retirement liability and related expenses
<b>Summary of planned audit approach</b>
Performing substantive procedures, including review of assumptions and application of assumptions. Obtain access to management's expert (Eckler - the actuaries) and their reports identifying the accrued benefit obligations for vested sick leave and retirement benefit liabilities.  A full actuarial valuation will be obtained for the year ending December 31, 2013 (full valuation is required every 3 years).

<b>Prepaid expenses</b>
<b>Risk of material misstatement</b>
Completeness and accuracy of prepaid subscriptions
<b>Summary of planned audit approach</b>
Performing a review of significant subscription agreements and assessing the prepaid portion as of the year end date, based on the period covered by the subscription agreements.

<b>Government grants</b>
<b>Risk of material misstatement</b>
Completeness of grant revenue and accuracy of timing of revenue recognition
<b>Summary of planned audit approach</b>
Performing substantive procedures over the completeness and timing of government grants

<b>Expenses</b>
Risk of material misstatement
Completeness, existence and accuracy of expenses and completeness of related accounts payable and accrued liabilities
<b>Summary of planned audit approach</b>
Performing substantive procedures over payroll and non-payroll expenditures and related accounts payable and accrued liabilities

### Risk of management override of controls

Although the level of risk of management override of controls will vary from entity to entity, professional standards presume the risk of management override of controls is nevertheless present in all entities and requires the performance of specific procedures to address this presumed risk.

<b>Presumed risk of management override of control</b>
Risk of fraud
Significant risk: Required to be identified as a significant risk per professional standards
<b>Summary of planned audit approach</b>
We plan on performing the required procedures under professional standards.
<ul style="list-style-type: none"> <li>• test the appropriateness of journal entries</li> <li>• perform a retrospective review of significant estimates</li> <li>• evaluate the business rationale of significant unusual transactions</li> <li>• carry out audit procedures with an element of unpredictability</li> </ul>

### Use of the work of others

Our planned audit approach includes the use of the following:

- Use of management's expert – Actuary (Eckler)

# Fees and timing

## Fees and assumptions

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above. The fees are based on the assumptions described in the engagement letter dated December 7, 2012.

## Timing of the audit

We have discussed the key audit deliverables with management and the expected dates indicated below have been agreed upon:

<b>Key deliverables and expected dates</b>	
<b>Deliverables</b>	<b>Expected dates</b>
Audit planning and risk assessment procedures	December 2013
Audit Planning Report provided to the Audit Committee	February 3, 2014
Conduct year-end audit field work	Week of March 17, 2014
Audit Findings presented to the Audit Committee	June 2014
Provide audit opinion on financial statements	June 2014

## Recommended improvements

During the course of our audit, we may become aware of opportunities for improvements in financial or operational processes or controls. We will discuss any such opportunities with management and provide our recommendations for performance improvement. We will also include a synopsis of these issues and our recommendations in our discussions with you at the completion of the audit.



# Appendices

**Current Developments**

**Responsibilities of KPMG and Management**

**KPMG's Audit Quality Framework**

# Current Developments

## Canadian Accounting Standards

Canada has just completed its financial reporting transformation, resulting in every entity in Canada, except governments, moving to a new financial reporting framework and implementing new accounting standards. Not-for-Profit and public sector entities were impacted differently because, depending on the province, or nature of the entity, NFP's and public sector entities adopted one of Accounting Standards for Not-for-Profit Organizations, Public Sector Accounting Standards for Not-for-Profit Organizations, or full Public Sector Accounting Standards.

However, this transformation is not the end of changes in accounting standards. In fact, it marks a new beginning. Standard setters are starting to review the existing standards in the new financial reporting frameworks, seeking to improve financial reporting in the various sectors. This is particularly true for the not-for-profit sector. Some of the changes in accounting standards being contemplated, or already approved, for the not-for-profit sector that will impact the entity's financial statements include:

### *Statement of Principles for Accounting Standards for Not-for-Profit Organizations*

In 2011, the Accounting Standards Board and the Public Sector Accounting Board created a Joint Task Force to study the existing accounting standards for not-for-profit organizations (formerly referred to as the Section 4400 series) and to develop new accounting standards as appropriate. In April 2013, the Joint Task Force developed a statement of principles which was approved by both of the Boards. A statement of principles describes the core concepts and basic principles upon which a future accounting standard will be developed, and is the first phase of public consultations in the standard setting process.

The proposed 15 principles, if enacted into a standard, would significantly change the financial statements of all not-for-profit organizations. Significant changes being proposed include:

1. Contributions will generally be immediately recorded as revenue, even if the contributions are endowments or are to fund capital projects.
2. All NPOs will be required to record and amortize tangible capital assets; the exemption for smaller NPOs will be removed.
3. NPOs will be required to consolidate all controlled entities – disclosure will no longer suffice. There will be an exemption for organizations which control a large number of immaterial organizations.
4. Government Not-for-Profit Organizations will need to adopt the net debt model of financial statement presentation.
5. Expenses must be disclosed in two formats, by function and by object, one in the statement of operations and the other in the notes to the financial statements.
6. Fundraising expenses and general support expenses must be segregated and reported separately as functions.

For the most NPO's, the biggest impact will likely be the change in recording contributions. Contributions to endowments would no longer be recorded directly to net assets. Instead, contributions to endowments would be presented as revenue on the statement of operations.

KPMG recently completed a webinar with Imagine Canada on the impact of the changes discussed in the statement of principles. The playback is available here: [www.kpmg.ca/notforprofit](http://www.kpmg.ca/notforprofit).

## Canada Revenue Agency Non-Profit Organization Risk Identification Project

The Canadian Revenue Agency is currently engaged in an Non-Profit Organization Risk Identification Project (NPO-RIP) on not-for-profit organizations which claim the exemption from income tax under Paragraph 149(1)(l) of the Income Tax Act. The objective of this Project is to gather information about the not-for-profit sector, including the revenue-generating activities of NPOs, the amount of surpluses accumulated and an assessment of the “tax at risk” in the NPO sector. CRA intends to use the information gathered from the Project to determine if further audits are required; and to provide the information to the Department of Finance for input into potential revisions to the Income Tax Act with respect to NPOs.

The Project consists of CRA conducting audits of the tax-exempt status of 1,440 not-for-profit organizations (out of approximately 39,000 NPOs in total) over a three year period ending in 2013.

Up to March 2012, audited not-for-profit organizations received “education letters” from CRA which provided CRA’s view as to whether the organization qualified for the NPO income tax exemption. If not eligible, CRA would identify the activities and areas that they viewed put the organization offside. CRA did not levy income taxes on the years subject to audit but retained the right to come back and audit subsequent years. The “education letters” also contained a statement that the organization had the opportunity “to re-arrange their affairs in accordance with the Income Tax Act”. Many audited not-for-profit organizations received education letters indicating that CRA believed that they did not qualify as a not-for-profit organization as they had a for-profit purpose.

The following areas were identified by CRA as potentially demonstrating a for-profit purpose of an NPO:

- Minutes, Planning Documents, Incorporating Articles
- Budgeted/Planned profitability (by activity)
- Successive years of profitability
- Use of profits from one activity to fund another activity
- Activities in direct competition with the private sector
- Activities not aligned to the corporate objects
- Providing benefits to members
- Excessive reserves or accumulated surpluses
- Speculative or non-passive investments

CRA develops their assessment of an entity’s qualification as a not-for-profit organization based on the facts and circumstances of the entity supported by empirical evidence. There are no bright-line rules on any of the above areas.

Clearly, CRA’s audit activities in the not-for-profit sector created a significant risk for all not-for-profit organizations in Canada, regardless of size or jurisdiction. Because of the tremendous adverse impact of CRA’s audit activities, the Canadian not-for-profit community came together under the leadership of the Canadian Society of Association Executives and the Canadian Chamber of Commerce. The not-for-profit community engaged with the CRA, and the Minister of National Revenue, to discuss the purposes of the NPO-RIP project, to demonstrate the negative impact that the education letters were having on NPOs and their Boards, and to identify better ways for CRA to obtain the information needed to support the drafting of new legislation in the future. KPMG was at

the forefront of these discussions with the CRA, including working with the Chamber and hosting the Chamber's National Association Roundtable on this issue in our Ottawa office.

In its letter to the Revenue Minister, developed from the Association Roundtable, the Chamber urged the CRA to stop issuing the education letters providing an opinion on a not-for-profit organization's compliance with the Income Tax Act, as the letters were having a significant negative effect on NPOs and could, for example, lead to the resignation of volunteer board members over potential liability concerns. The Chamber also expressed its view that "it is inappropriate for the [CRA] to make these kinds of suggestions in advance of any Parliamentary debate about modernizing the legislation".

In her response to the Chamber on August 2, 2012, the Minister of Revenue stated that the CRA has stopped issuing education letters as of March 23, 2012, and that its auditors have been given new procedures in carrying out the NPO-RIP project. The CRA also posted a "clarifying" statement on its website advising NPOs that may be unclear about the purpose of an education letter it received to contact the Director of their local tax services office for further information.

The CRA will complete its remaining audits under the NPO-RIP project and is expected to finalize its report by the end of 2013. It is anticipated that CRA's report will be the beginning of a community consultation process and a political debate on the role of not-for-profit organizations and charities in Canadian society, ultimately resulting in changes to the Income Tax Act and other legislation, most likely in 2015.

KPMG encourages the Boards and management of NPOs, and of charities, to use the next three years to prepare their organizations for the anticipated legislative changes. Organizations should review and consider their corporate objects, governance, organizational structure, strategic plans, risk assessment, activities, budgeting/reporting processes, financial results and operational practices in the context of the aforementioned risk areas identified by CRA during its audits. Not-for-profit organizations should ensure that they are developing and maintaining consistent empirical evidence supporting their not-for-profit status. Board participation and leadership throughout this process will be a crucial element to its success.

## Upcoming Indirect Tax Changes

Indirect taxes in Canada continue to evolve, bringing additional compliance issues and increasing the risks of over or under paying taxes. A number of major changes during 2013 that have increased the tax risk of not-for profit organizations include:

- Quebec's recent harmonization of the QST rules with the GST rules and rate change on January 1, 2013
- British Columbia's transition back to GST and PST from HST on April 1, 2013
- Prince Edward Island's new HST on April 1, 2013
- Canada Revenue Agency's increased enforcement regime

In particular the Canada Revenue Agency has increased its audit activity over the past year and has a stated intent to focus on the MUSH, NPO and charitable sectors in coming years. Canada Revenue Agency audits have raised a significant number of issues. For example, we have encountered issues in the following circumstances:

- Claiming ITCs where grants and subsidies are received in relation to the activity
- Charging and collecting GST/HST in a shared cost or related party environment
- CRA auditors failing to audit to net tax and not granting applicable rebates and/or ITCs
- Denying ITCs and/or rebates where satisfactory documentation is not present
- Unreasonable projections when using sampling methodologies for audit purposes
- Denying methodologies for allocating GST/HST paid between taxable and exempt activities for purposes of claiming ITCs and/or rebates

In addition, CRA has recently announced its intention to enforce the requirement that public service bodies claim public service body rebates of GST/HST paid or payable in the rebate claim period in which the GST/HST was paid or payable, rather than including an amount in a subsequent claim period. Public service bodies include:

- Municipalities
- Universities and public colleges
- Schools
- Hospitals
- Charities
- Public institutions
- Qualifying non-profit organizations (i.e., at least 40% of revenues from government funding)

KPMG encourages all charities and non-profit organizations to review their operations with respect to the issues discussed above. KPMG would be pleased to assist with any such review.

## Managing Business Risk Related to Information Technology

Information technology and information systems are widely accepted as being key enablers of the business of most enterprises in the world today. With the ever increasing and changing profile of IT, Board Members need to be aware of and understand those things that are keeping their CIOs awake at night.

The key areas of focus and concern of CIO's or Director's of IT include the following:

- **Managing Complex Projects:** These often involve multiple stakeholders, suppliers and technologies that need active oversight and escalation of issues and risks.
- **Overseeing Delivery Partners:** The increasing reliance on others to deliver services to IT either through outsourcing or shared services arrangements.
- **Securing the Enterprise against threats, including Cyber attacks:** Access to the technology and information assets requires active and dynamic approaches to keep pace with intruders. Security is broader than just securing information systems; it encompasses personnel, business continuity, facilities and supply.
- **Emerging Technologies:** How new is too new? It depends on your tolerance for risk.

## Cyber Security, Is your organization at risk?

Cyber attacks are an inevitable part of life today, and the financial and reputational costs of not being prepared against such attacks are significant. Cyber attacks are being launched against all forms of valuable information including both financial and non financial data sources. Estimates suggest the global financial impact of cybercrime is US\$114 billion; companies are thought to bear almost 80% of those costs. The nature of these attacks and the perpetrators behind them are always changing. Hacktivists, organized criminals, competitors, and even rogue governments are mounting attacks with a high level of sophistication and persistence. These perpetrators have different motives, however are common in that they are looking to either disrupt or better themselves by stealing another entities data.

Patching servers and installing intrusion detection systems is no longer enough to protect your critical assets and business processes. Cyber Security has never been solely about IT; it has always been a business issue first. To survive and prosper requires a business-wide understanding of the threats, safeguards, and responses involved. Key elements to consider include:

- Preparing your people, processes, infrastructure and technology to resist an attack
- Detecting the attack and initiating your response
- Containing and investigating the attack
- Recovering from an attack and resuming business operations
- Reporting on and improving security

Non-profit organizations should begin to review their organization and consider Cyber Risks. Key data that may be identified includes key research data; client or member data etc.

# Responsibilities of KPMG and Management

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter dated December 7, 2012.

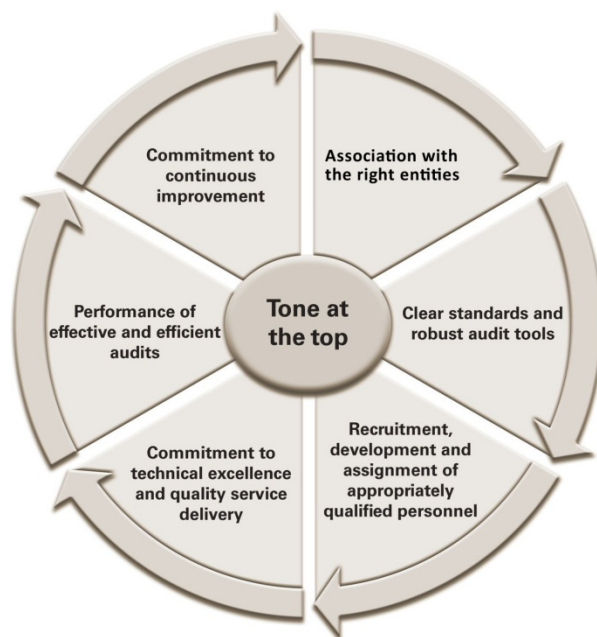
# KPMG's Audit Quality Framework

Audit quality, and the respective roles of the auditor and audit committee, is fundamental to the integrity of financial reporting in our capital markets.

This is why audit quality is at the core of everything we do at KPMG. And we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To help ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

The framework comprises seven key drivers of audit quality.



## The seven key drivers of audit quality

Driver	What it does	What it means to you
<b>Tone at the top</b>	<p><b>Audit quality is part of our culture and our values and therefore non-negotiable</b></p> <p>Allows the right behaviours to permeate across our entire organization and each of our engagements</p>	<p><b>Assures you that:</b></p> <ul style="list-style-type: none"> <li>Our culture supports our promise to you of excellent service and a high quality audit—consistently</li> <li>You're receiving an independent, transparent, audit opinion</li> <li>You're receiving an effective and high quality audit that will help you maintain investor confidence in your financial statements.</li> </ul> <p><b>Provides you with:</b></p> <ul style="list-style-type: none"> <li>An engagement team handpicked for your business needs – a team with relevant professional and industry experience</li> <li>An audit engagement team whose qualifications evolve as your business grows and changes</li> <li>An audit opinion that continues to meet your needs as a participant in the</li> </ul>
<b>Association with the right entities</b>	<p><b>Ethics above all</b></p> <p>Eliminates any potential independence and conflict-of-interest issues</p>	
<b>Clear standards and robust audit tools</b>	<p><b>A solid rule book</b></p> <p>Rigorous internal policies and guidance that help ensure our work meets applicable professional standards, regulatory requirements, and KPMG's standards of quality</p>	
<b>Recruitment, development and assignment of appropriately qualified personnel</b>	<p><b>People who add value</b></p> <p>Helps us attract and retain the best people and reinforces the importance of developing their talents</p> <p>Assigns Partners' portfolios based on their specific skill sets</p>	
<b>Commitment to</b>	<p><b>The right tools for the right job</b></p>	



Driver	What it does	What it means to you
<b>technical excellence and quality service delivery</b>	Promotes technical excellence and quality service delivery through training and accreditation, developing business understanding and industry knowledge, investment in technical support, development of specialist networks, and effective consultation processes	capital markets  <b>Assists you with:</b> <ul style="list-style-type: none"> <li>• Assessing the effectiveness and efficiency of the audit</li> <li>• Performing your governance role with confidence.</li> </ul>
<b>Performance of effective audits</b>	<p><b>We understand that how an audit is conducted is as important as the final result.</b></p> <p>A code of conduct, audit delivery tools, and internal policies and procedures that help ensure the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and our standards of quality</p>	
<b>Commitment to continuous improvement</b>	<p><b>Comprehensive and effective monitoring</b></p> <p>We regularly solicit feedback from the audit committees of the entities we audit. Our robust internal quality review program ensures the work of each partner is reviewed every three years. Additionally, our procedures and a sample of our audits of listed entities are reviewed by the Canadian Public Accountability Board (CPAB), the independent regulator of the accountancy profession in Canada. The Public Company Accounting Oversight Board (PCAOB) in the US also conducts an annual inspection of a sample of our audits of SEC registrants. Finally, a sample of other audits and reviews is undertaken annually by the various provincial institutes in Canada. We consider the recommendations that come from these reviews and implement actions to strengthen our policies and procedures, as appropriate.</p>	

### ***The regulatory landscape is changing***

Uncertain economic forecasts and a changing regulatory environment define today's world; reliable financial information and high-quality audits have never been more essential.

We believe that high quality audits contribute directly to market confidence and we share your objectives of credible and transparent financial reporting.

Our Audit Quality Framework is particularly relevant to Audit Committees, and we see our role in being transparent to you as a key mechanism to support you in the execution of your responsibilities.

### ***Our commitment to quality***

The independence, judgment and professional skepticism of your auditors add value to your financial statements, and we believe it is important to be transparent about the processes we follow to develop a KPMG audit report. We want you to have absolute confidence in us and in the quality of your audit.

Our own professional standards dictate technical requirements for reaching and communicating an audit opinion. And we live and abide by these requirements. We invest heavily in our quality, and the Audit Quality Framework helps ensure these investments are the right ones—that they help us continuously drive and maximize our quality improvements. But we feel it is also important that we communicate to you how we view and implement audit quality. The seven key drivers outlined here, combined with the commitment of each individual in KPMG, are meant to do just that.

KPMG member firms across the world use this audit quality framework to describe, focus on and enhance audit quality for the benefit of the entities we audit and in support of the efficacy of our capital markets.

It is our hope that sharing our vision of what audit quality means is a significant step in building confidence in the value of our audits.

### ***Audit quality is fundamental to the way we work.***

[www.kpmg.ca](http://www.kpmg.ca)

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**Date:** February 14, 2014  
**To:** Chair and Members of the Board  
**From:** Paul Takala, Chief Librarian  
**Subject:** **Board Policy Review**

**RECOMMENDATION:**

That the attached Policy Review List be received for information and comment.

**BACKGROUND:**

Next year a new Library Board will be appointed by the City Council. This list indicates the policies that have been reviewed by the Library Board during its current term and highlights policies that staff intend to bring back to the Board for review during the rest of this year. The list is intended as a guideline and circumstances may warrant changes to what is reviewed.

**Library Board Policy Review List**

<b>Board Policy</b>	<b>Already Reviewed</b>	<b>Planned Review</b>
Access to Materials		X
Accessibility for Customers with Disabilities	X	
Cash Handling		X
Children's Rights in the Public Library		X
Community Events Information		X
Computer Use Policy		X
Conflict of Interest		
Copy Card Service Agreement		X
Court Bans on the Publication of Evidence		
Damaged Material - Policy	X	
Disposal of Library Equipment & Furniture		X
Exhibits Policy	X	
Fines and Fees Schedule	X	

<b>Board Policy</b>	<b>Already Reviewed</b>	<b>Planned Review</b>
Fundraising and Donations		X
Health and Safety		X
Hiring	X	
Intellectual Freedom		X
Internal Job Postings		X
Library Legacy Fund		X
Materials Deselection		X
Materials Selection		X
Meeting Room		X
Naming Opportunities		X
Personal Leave of Absence		
Privacy Policy for Library Users		X
Procurement	X	
Records Management		
Registration Policy		X
Replacement Cost of Material	X	
Rules of Conduct		X
Security Camera	X	
Self-Funded Leave		
Social Media Policy	X	
Staff Training and Development		
Unattended Children's		X
Use of Library Facilities		X



**Date:** February 14, 2014  
**To:** Chair and Members of the Board  
**From:** Paul Takala, Chief Librarian  
**Subject:** **Naming Opportunities Policy**

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**RECOMMENDATION:**

That the attached Naming Opportunities Policy be received for information.

**BACKGROUND:**

With the renaming of Copps Coliseum (Victor K. Copps Trade Centre and Arena) to the FirstOntario Centre, City Council is exploring other naming opportunities for former Mayor Copps. At the February 12, 2014 Facilities Naming Sub-Committee the following motion passed: *"That additional naming opportunities to permanently recognize the contribution made by Victor K. Copps be forwarded to the Hamilton Public Library Board for consideration and report back to this committee"*. It is important to note that the motion still needs to be approved by Committee and Council before the request would become official. It is currently scheduled to be on the agenda at the March 19 General Issues Committee.

The attached Naming Opportunities Policy was developed to "provide opportunity for public recognition of individuals or organizations that have made a lasting contribution to the development of library services in the City of Hamilton or significant financial donors". The policy provides guidelines to the Library Board when considering a naming request. The Policy was last reviewed in September 2011.

## **Naming Opportunities Policy**

Policy Level: Library Board

Author: Director, Public Service and Community Development

Date Approved: January 2002. Revised: November 2006, September 2011.

### **Purpose**

To provide opportunity for public recognition of individuals or organizations that have made a lasting contribution to the development of library services in the City of Hamilton or significant financial donors.

### **GUIDELINES**

The naming of a room or facility in recognition of a significant financial donor or individual is a decision that requires special consideration by the Library Board of the value and benefits of such recognition and the suitability of the room or facility for such recognition purposes.

Recommendations for the naming of a room or facility after an individual may be considered to honour the individual's contribution to the Hamilton Public Library; the naming of a room or facility may also be considered in recognition of a significant financial donation to the Hamilton Public Library.

Rooms or facilities named after the implementation date of this policy require a review by the Hamilton Public Library Board every five (5) years or earlier, at the request of the board, at which time Board approval will be required to renew the named room/facility.

### **1. Naming a room or facility after an individual or organization**

Requests for naming a room after an individual must be directed to the Hamilton Public Library Board in writing.

The letter of request shall include a short biography of the honouree, lasting contributions with the Hamilton Public Library, community involvement, and (as appropriate), a description of exceptional achievements (e.g. philanthropy, leadership, professional excellence, distinguishing honours)

The letter will be reviewed by the Library Board, and, if required, an assessment of the request will be prepared by the Director of Public Service and Community Development, in consultation with Administration. Included in the assessment

will be a report on the physical condition of the room or facility to ensure that it will project a positive image of the individual.

If approved, the Library Board will make a recommendation for acceptance of the request and respond to the nominator in writing. To proceed with the naming opportunity, the Director of Public Service and Community Development will be authorized to initiate the following actions:

- a) Determine specific placement of a plaque/signage for the designated room/facility
- b) Prepare draft wording and a cost estimate to produce a plaque/signage
- c) When final copy and design is approved by the nominator, produce and install the plaque/signage
- d) Determine what type of ceremony/reception, if any, is to accompany installation of the signage/plaque in recognition of the naming (or, in some cases, re-naming)

## **2. Naming a room or facility in recognition of a significant financial donation**

The Library Board may initiate the naming of a room for fundraising purposes.

Recommendations for naming a room after an individual or organization in recognition of a significant financial donation will be presented to the Library Board after the Director of Public Service and Community Development prepares an evaluation of the naming opportunity.

Requests to name a room or facility to recognize a donation or bequest are evaluated by the following criteria:

- The name should be appropriate for a public library.
- In the case of an individual, agreement to the naming proposal must be confirmed with the individual to be named, and if deceased, by the immediate family.
- The physical condition of the room or facility must be assessed to ensure that it projects a positive image of the donor.
- The proposed naming opportunity should complement the purpose of the donation.
- When a naming opportunity is to be established as part of a capital campaign, the monetary value of the donation must be considered in relationship to the entire building/renovation cost and not just the portion that is raised by a fundraising campaign.

To proceed with the naming opportunity, the Director of Public Service and Community Development will be authorized to initiate the following actions:



- a) Determine specific placement of appropriate signage for the designated room or facility
- b) Prepare draft wording and a cost estimate to produce the signage
- c) When final copy and design is approved by the donor, produce and install the signage
- d) Determine what type of ceremony/reception, if any, is to accompany installation of signage and/or opening/renaming ceremonies of the room/facility.