

NICOLA VALLEY INSTITUTE of TECHNOLOGY

Board of Governors

MINUTES

Audit & Risk Management Meeting #2016/03 – August 31, 2016

Teleconference Call, 4:00pm

[1-877-385-4099, passcode: 3990546#]

ATTENDANCE: Charlene Taylor [A/RM Chair]
Paul Donald [A/RM Vice-Chair]
Yvonne Mensies

STAFF: Ken Tourand [President]
Diane Black [Director of Finance]
Marlie Worrin, [Manager, Budgets & Financial Reporting]
Pat Brown [Recorder]

Note: Prior to this meeting, the Chairperson submitted a list of questions to Management. Those questions & responses are attached to these minutes.

1. Call to Order

1.1 Call to Order

Board ARM Chair Charlene Taylor called the meeting to order at 4:03pm.

1.2 Adoption of Agenda

It was moved and seconded that

the A/RM Committee meeting agenda be adopted. *Motion Carried.*

1.3 Review and Adoption of Minutes

It was moved and seconded that

the May 18, 2016 minutes be adopted as presented. *Motion Carried.*

2. Financial Reporting and Statutory Items

2.1 Financial & FTE Report (MD&A)

It was moved and seconded that

the Financial & FTE Report (MD&A) be accepted and recommended to the Board for approval. *Motion Carried.*

Discussion:

- NVIT has a new catering company called Coquihalla Catering. This is a partnership that includes the Lower Nicola Indian Band Development Corporation. NVIT is guaranteed 10K at the end of the year.
- Question: Is the \$8.9m funding received for the whole Centre of Excellence in Sustainability building?
Answer: Yes. The total funding received include \$6.9m from the Federal government and \$2m from the Provincial Government to complete the project. It was noted that although the funding has not been officially announced to-date approval was received from the Ministry to post the RFQ for an architect.
- Question: Why was there a large increase in revenue at the residences?
Answer: The increase was due to non-NVIT students staying at the residences over the summer months.

2.2 Statement of Financial Information (SOFI)

It was moved and seconded that

the Statement of Financial Information (SOFI) report be accepted and recommended to the Board for approval. *Motion Carried.*

The SOFI report is an annual requirement and due to the Ministry by September 30th.

Discussion:

- The SOFI report is an annual statutory requirement that requires Board approval.
- Question: What comprises the fees and contract item in the reconciliation section under the schedule of employee remuneration & expenses?
Answer: Fees and Contract Services under #3 of the Schedule of Employee Remuneration & Expenses includes payments for course instruction that aren't included in regular, ongoing faculty salaries.
- Question: Is NVIT happier with the new marketing firm, Neighbourhood Brand Inc.?
Answer: Their performance is satisfactory at this point. It was noted that the total amount paid to them includes all of the advertising and print ads.

2.3 Travel Approval and Reimbursement Policy

It was moved and seconded that

the Travel Approval and Reimbursement Policy be accepted and recommended to the Board for approval. *Motion Carried.*

Discussion:

- As indicated in the budget letter from the Ministry, all PS Institutions are requested to have travel policies in place that promote the spirit and intent of government's travel policies.
- Mileage rate increased from \$.50/km to \$.54/km and dinner rate increased from \$23 to \$25.
- At the Sept 19th Board meeting, Management will be seeking approval to implement the travel policy as of October 1, 2016.

3. *Other Reports*

3.1 **2016/17 Operating Grant & Student FTE Target**

- This yearly budget letter outlines the expectations of the Ministry and FTE targets and to ensure Management is aware of its obligations.
- Revenue & FTE targets are as expected.

3.2 **Executive Compensation Disclosure**

Information item.

3.3 **Economic Stability Mandate Funding**

NVIT received approval to provide ESM funding for non-union, non-management wage increases approved by the Public Sector Employers' Council Secretariat. This has been implemented.

3.4 **Excluded Compensation**

- There was some movement in the excluded compensation freeze allowing NVIT the ability to address exempt wage levels that were placed wrong or facing compression.
- NVIT received permission to reclassify three non-union management members to higher salary levels. NVIT moved to a 3 Dean model and reclassified the Manager of Budgets position.
- The President's increment, that was due in October but was caught in the freeze, was approved effective July 1st.
- The Ministry funded increases for exempt, non-management and union employees but not mid-management or senior level employees.

3.5 **Capital Projects Update**

The Centre for Excellence in Sustainability is confidential until the Ministry officially announces it. The building will include a gymnasium, exercise room, teaching kitchen, classrooms and labs.

4. *Board Governance*

4.1 **Enterprise Risk Management**

Discussion:

- The risk register was reviewed as part of the MD&A and will be brought forward to the Board at the November 21st meeting.

5. *Other*

5.1 No additional items to discuss.

6. *In-Camera Meeting*

6.1 No in-camera meeting was necessary.

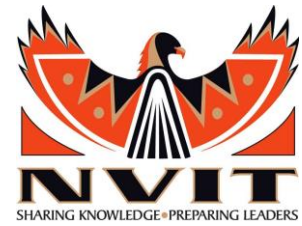
7. *Adjournment*

7.1 The ARM Committee meeting adjourned at 5:00pm.

NEXT ARM MEETING: September 23, 2016 [teleconference]

Briefing Note for the Audit & Risk Management Committee

Subject: 2016/17 Q1 MD&A
2015/16 Statement of Financial Information Report (SOFI)
NVIT Travel Policy



Query by ARM Chairperson

By email: August 30, 2016

The following provides answers to the questions submitted by Charlene on behalf of the ARM Committee in relation to the 2016/17 Q1 MD&A, the 2015/16 SOFI and the NVIT Travel Policy.

2016/17 Q1 MD&A

1. **Page 10** – Do we anticipate any increases for executive compensation now that it is no longer frozen at this point?

The Post Secondary Employers Association has created an exempt compensation steering committee to report on salary levels of exempt positions in the sector. The report is anticipated this Fall. It is expected that NVIT Executive compensation levels will be lower than step one on the salary grid, and a transition plan will be required to gradually move salaries in line to reduce retention risk. It is unknown if this increase will be funded.

NVIT was successful in attaining approval for exempt non management staff increases which match the five year agreement Faculty and Support Staff recently signed. This increase was funded. Internally funded increases were approved for three exempt management employees who were reclassified to higher salary levels.

The Board of Governors Executive received approval from PSEC to reinstate the President's increment that was due in October and has determined an effective date of July 1. This is internally funded. CEO compensation is also being considered by PSEC and PSEA and it is expected a new salary ceiling for CEO's total compensation will be approved this fall.

2. **Page 13** – The Accounts Receivable increase of \$758K – is it all collectible? No bad debts?

The majority of the A/R is in relation to Trades Trailer funding that was receivable from Western Economic Diversification and this has been collected. There is a potentially uncollectable, or delayed collection, related to Pacific Northwest LNG, the details of which are below.

Project Background:

Tshimshian Nations – Lax Kw'alaams, Metlakatla, Kitselas, Kitsumkalum, Gitxaala, and Gitga'at.

Funding Partners – BG Group, Prince Rupert LNG, LNG Canada, Pacific Northwest LNG, and Ministry of Aboriginal Relations and Reconciliation.

Cohorts: Screening, upgrading and training prior to employment, including several weeks of essential and industry skills training.

Fast Track – screening and direct to employment, which may include minor industry required certifications.

Highlights: 243 participants, 637 certifications received, 144 clients placed in jobs; 54 women, 90 men; Average age 39.6 yrs

Average hourly wage \$18.63

Administrative Background:

MARR, LNG Canada and BG group provided flat funding and contracts were put in place.

LNG Canada indicated it would provide funding of \$1,000 per participant at the round table. Away from the round table, they indicated NVIT would need to have each band sign that any amount paid on a bands behalf would be reduced from contribution agreements they were signing in relation to LNG Canada projects in their territory. NVIT was not willing to interfere in this aspect and provided this feedback to the representative for the Tsimshian Alliance. NVIT received assurance from the representative that this issue was resolved, the training could proceed, and Pacific Northwest LNG had agreed to pay without requiring sign off. The funding from MARR was time sensitive and the project proceeded with assurances from the representatives at the roundtable that any shortfall in funding would be covered if need be. The project was very successful. NVIT however has spent considerable time and effort and has to date been unsuccessful in efforts to collect from PNW LNG.

Total Amount Invoiced: \$192,000

Total Amount Paid: \$9,000

Amount Owing: \$183,000

If the full amount is collected, NVIT will have booked \$60,000 profit in 2015/2016 and will book \$33,410 profit in 2016/2017. The breakeven collection amount is \$74,590.

Current Situation:

Chief White, elected and hereditary leader of the Gitxaala Nation, champion of the Tsimshian Alliance, and Vice Chair of the Premier's LNG Working Group on Employment has been included in the efforts to resolve. He has agreed the intent was not to leave NVIT unpaid and will discuss with his contacts on our behalf. The Ministry of Aboriginal Relations and Reconciliation is also aware and is strongly in support of engaging with partners to address this outstanding balance.

The President discussed the situation with the Board Executive. The Director of Finance informed the Chair of the ARM.

NVIT remains optimistic that the full amount will be collected. An update will be provided at the September Board meeting.

3. **Page 15** – The revenue increased \$676K but the expenditures increased \$787K. This is a net reduction of \$111K. Are we on target to stay in a surplus position for the year?

The decrease is primarily due to a reduction in the CE/Special Purpose segment surplus due to better recording of revenue to match when expenditures are occurred. This practice didn't start until the latter part of 2015/16. We expect to stay on track to have a surplus at year end provided that there are no large unexpected issues/expenses (see p 14).

4. **Page 15** – The fees and contract services increased \$648K – what was the primary reason for the increase?

The increase is primarily tied to the net increase of \$549K in Government & Community Revenue (Special Purpose/One-time Provincial revenue increase of \$810K offset by a \$260K decrease in contract revenue) (see page 14).

5. **Page 16** – The Bookstore – Vancouver had another loss of \$13,465 – why is this happening? Do we have an overstock? Do we have books we can't return to the publisher?

The Vancouver campus saw a decrease in sales in the first quarter compared to the prior year due to the CEP program computers that were sold during Q1 2015/16. There wasn't an actual loss, just a reduction of surplus. Inventory is not overstocked and continue to make all attempts to return books to the publishers during the period when we can still receive a refund. (see p 16)

6. **Page 16** – Page 20 – Schedule 5 – What is the Center of Excellence in Sustainability?

The Center of Excellence in Sustainability/Center of Excellence in Green Technology is a building NVIT has applied for funding for from the Federal and Provincial Governments. Current plans include 2 labs, 2 classrooms, a gymnasium, a workout room, a teaching/industrial kitchen and potentially a greenhouse. Management are seeking feedback from NAIT and SAIT, who both have Alternative Energy Programs, on programming and facility design.

2015/16 SOFI

7. **Page 25 and 50** – Could you provide a reminder of why the SOFI report shows an interest rate of 4.9% and the audited financial statements show an interest rate of 4.76%.

4.90% is the actual interest rate quoted in the Loan Agreement. However, there was a clause in the Agreement that allowed us to take advantage of an interest-free period by borrowing money at the very beginning of the loan term. As we did take advantage of that, the effective interest rate we end up paying is 4.76% - the amount shown in Note 6 to the Financial Statements.

8. **Page 29** – What makes up the adjusting total of (3,053,401) – I see the Receiver General payment of \$1,122,959.

This amount is comprised of the Receiver General plus the BC Pension amount of \$1,042,687 plus other payments made to suppliers from balance sheet accounts (including Manulife Financial of \$273,735, NVITEA of \$68,774 and others that are not singled out in the Supplier statement).

9. **Page 29** – What makes up the capitalization of new assets for (3,335,176) – I see Sawchuk Developments for \$1,695,907. Were the rest in the suppliers of \$25,000 or less?

This amount is comprised of the Sawchuk Developments amount, as well as Bridgeport the Floor Store Ltd., Innovative Trailer Design Industries, Jonathan Morgan & Company Ltd., Points West Audio Visual Ltd., XPRT Technology Solutions Inc. and a portion of Acklands-Grainger Inc. and Praxair Distribution, combined with payments to vendors under \$25,000.

NVIT Travel Policy

10. **Pages 68-71** – Can you provide a brief recap of what changes were made to the travel policy other than Approved by Management Committee changed to Board?

The travel policy update was a general update to incorporate new rates and procedures, clarify US Travel and add the Taxpayer Accountability Principles. The policy requires Board of Governors approval.