

NICOLA VALLEY INSTITUTE of TECHNOLOGY

Board of Governors

MINUTES

Audit & Risk Management Meeting #2016/01 – January 25, 2016

Teleconference Call, 4:00pm

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

ATTENDANCE: Charlene Taylor [A/RM Chair]
Paul Donald
Lyndale George

BOARD MEMBERS: Jamie Sterritt [Board Chair]

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

GUESTS: Brent Ashby, Lead Audit Engagement Partner, KPMG
Debbie MacKinnon, Audit Senior Manager, KPMG

REGRETS: Marcia Mejia-Blanco
Yvonne Mensies

New Board member Paul Donald was welcomed & provided a brief introduction. Subsequent to Paul's appointment to the Board, he was approached to sit on the ARM committee and agreed. The Board Executive, at their meeting on January 18th approved Paul's appointment to the ARM Committee.

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

Charlene called the meeting to order at 4:04pm.

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 December 10, 2015 minutes be adopted as presented. *Motion Carried.*

1.4 A/RM Committee Vice-Chair Appointment

It was moved and seconded that

Paul Donald be appointed as the A/RM Vice-Chair. *Motion Carried.*

2. *Financial Reporting and Statutory Items*

2.1 2015 KPMG Audit Plan

Brent reviewed the Audit Plan.

Discussion:

- Question: Will KPMG take into account the Office of the Auditor General of BC's plan to conduct performance audits?

Answer: Yes, KPMG will review the report in detail. Diane added that the audit is IT specific and not directly related to the NVIT systems.

- The Auditors are tentatively scheduled to be on campus April 25th to April 29th to conduct the year-end audit work.

2.2 2015/16 Annual Budget

It was moved and seconded that

the 2015/16 Annual Budget be accepted and recommended to the Board for approval. *Motion Carried.*

Discussion:

- The budget includes a 2% tuition increase and the ratification of the collective agreement.
- Question: Is LNG funded by the Province or is it a contract services agreement?

Answer: It is a combination of both. Three LNG companies fund \$200k each and the Ministry of Aboriginal Relations & Reconciliation matches those funds.

- Question: Are there any expected overages related to the Trades Building?

Answer: No, the Trades Building is on budget and includes building the access road & tools. It was noted that the occupancy permit was received and the program begins in February.

2.3 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:

- The FTE generation is off 7.5% compared to the prior year-to-date due in part to the decline in Community Education and the delay in En'owkin reporting their registration information to NVIT. It is anticipated the FTE target will be substantially achieved.
- Question: What happens if NVIT does not achieve its FTE target?

Answer: There have been no ramifications to-date and the Ministry does focus on Aboriginal education in the sector.

2.4 Annual Investment Report

It was moved and seconded that

the Annual Investment Report be accepted and recommended to the Board for approval. *Motion Carried.*

Discussion:

Investments are currently in a holding pattern until interest rates increase.

2.5 Tuition Memo

It was moved and seconded that

the proposed revised tuition rates be accepted and recommended to the Board for approval. *Motion Carried.*

Discussion:

The Board student reps & NVIT Student Society were given an opportunity to share this information with all students and submit feedback to the President's office. No responses were received.

3. *Other Reports*

3.1 OAG General Computing Controls 2014 Report

Discussion:

A briefing note was provided to inform the ARM of the Office of the Auditor General's report on the status of Government's General Computing Controls 2014 and NVIT's responses. NVIT was chosen to do a validation audit and it was determined that the maturity level of Management of Physical Environment & Monitoring IT Performance fell below the recommended target level of 3. TRU has offered to assist NVIT in reviewing processes and increasing IT controls.

Question: What is the cost to have TRU work with NVIT?

Answer: Diane is meeting with TRU in February to discuss the cost. It is anticipated that TRU will want to offset their costs.

3.1 BC Auditor General Ethics Audit

Discussion:

The Office of the Auditor General will be doing an ethics audit in 2016 with the purpose of engaging the broader public sector on ethics and ethics management. The Auditor has indicated her office may survey Boards and CEOs.

Ken will update the ARM committee when more details are available.

4. Board Governance

4.1 Enterprise Risk Management

The risk register is unchanged from the prior report and is posted on the NVIT portal.

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 5:10pm.

**NEXT ARM MEETING: ARM/Board Meeting
Wednesday May 18, 2016
4:00pm, teleconference**

Briefing Note for the Audit and Risk Management Committee

Subject:

ARM Query (Chairperson) in preparation for January 25, 2016

By Email: January 22, 2016

Purpose:

The following offers clarification to 2016/17 Budget figures, and the Quarter 3 Management Discussion and Analysis Report.

2016-17 Budget (pages 22-24)

1. *Query: Why do you anticipate such a large increase in grants revenue (almost \$859,165 or 11%)? Which deferred revenue contracts or non-formula revenue make up this about?*

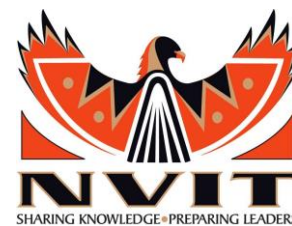
Management's Response:

The 2015/16 approved budget did not include any ESSP funding, and the ITA revenue was \$353k less.

The proposed budget remains conservative as is based on known funding as outlined below:

Proposed 2016/17 (Budgeted Grant Revenue of \$8,935K)

Operating Grant:	\$7,186k
ITA funding:	\$ 535k
16/17 ESSP funding: (see #3 below	\$ 559k
16/17 ASP funding	\$ 250K
16/17 Collective Agreement funding:	\$ 102k
15/16 Trades funding (carry forward):	\$ 57k
15/16 SDEB LMA funding (carry forward):	\$ 69k
15/16 ASP funding (carry forward):	\$ 100k
Aboriginal Emergency Aid (carry forward	\$ 42k
Adult Upgrading Grant (new & carry forward)	\$ 11k
Minor Maintenance & Repair annual:	\$ 24k
Total Budgeted Grant Revenue	\$8,935k



2. *Query: What is the main reason for the expected increase in learning services expense (\$294,809 or 6%).*

Management's Response: The difference is comprised of the following:

New Trades Trailer (Instruction, supplies, transportation, etc) (Funded by ITA – Included in Grant Revenue)	\$155K
Collective Funding Agreement	\$102K
Various	\$ 38K
Total Increase in Learning Services Expense	\$295

3. *Query: What is the reasons for the expected increase in specific purpose expenses (\$559,380)?*

Management's Response: This directly correlates with the increase in grants revenue. It is comprised of the 2016/17 portion of the ESSP Q2 5 local bands, Lillooet Tribal Council College Readiness and En'owkin Heavy Equipment Operator/EMSK programs. Shared Cost Agreements with the Ministry are in place and therefore considered to be "guaranteed".

Q3 Management Discussion and Analysis (pages 25-39)

1. *Query: When are the collective agreement increases expected to come into effect? Will this be included in the current fiscal year (2015-16)?*

Management's Response: The retroactive increase to April 1, 2015 has been implemented (5.5% over 5 years). This is in the budget for 16/17.

2. *Query: Could you elaborate on the executive & management compensation proposal? What is the net effect? Who is it submitted to for approval? When will the decision be made?*

Management's Response: NVIT submitted a proposal to increase Executive and Management Compensation for excluded employees, all of which have been subject to a sector wide wage freeze since 2008. In some instances unionized employees compensation has exceeded excluded compensation. Within the sector, NVIT employees are the lowest paid in the system and have a broader scope of duties given the size of the institute. The President (5th longest serving in the Province), and the Vice President are the lowest paid in the Province.

Increases may be fully funded with an effective date of October 28, 2015 (to be determined by AVED on a case by case basis).

Proposal 1-(submitted-\$100,000 impact if full funding is not received): Lifts to align positions with sector. Approval is somewhat unlikely.

Proposal 2-(for submission-\$10,000 impact if full funding is not received): 5.5% over 5 Years for Excluded (with the exception of the President and Vice President).

The proposal has been submitted to the Post-Secondary Employers Association. It is subject to approval by PSEC. It is unknown when a response will be received.

3. *Query: The FTE target will not be met this year. In addition, the 2016-17 budget also projects a decrease. Is this an area of concern for the College over the medium to long term?*

Management's Response: Though expected to fall short from the prior year FTE, and the current year target, current year FTE is not considered a reason for future concern. The FTE target is likely to be substantially achieved. NVIT FTE generation compares favourably to other rural/remote Institutions, some of which operate at 60% of target. The Ministry is informed through regular required reporting of FTE's. Aboriginal education is a high priority within the sector and continued support for NVIT is anticipated.

The 16/17 FTE number is projected to meet the FTE target. The expansion of Trades (building & additional trailer) will have a favourable impact on FTE generation. Tuition and FTE are correlated though not directly. 16/17 budgeted tuition is higher than prior year actual tuition.

4. *Query: Could you summarize the main components/contracts of deferred revenue accounting for the \$1.2 million increase?*

Management's Response: The majority of the difference is an internal change in revenue recognition. In the prior year, when special purpose funding was received, we booked it as revenue right away (even if the project had only just begun). This year, we have been recognizing the revenue on a monthly basis as the expenses are incurred. In 14/15 there was only \$200k in deferred special purpose (provincial) revenue at December 31; this year there was \$1,387k.

5. *Query: Your long term debt loan is due September 1, 2017 – do we anticipate renewing with BC Immigrant Investment Fund or will be going to competition? The effective interest rate is 4.76% which is someone high.*

Management's Response: Finance has been corresponding with the Ministry of Advanced Education on the future treatment of this loan. It is anticipated that the current loan with BCIF will be rolled into a Fiscal Agency Loan. This should allow for more competitive rate than available through BCIF or elsewhere, though all options will be considered.

6. *Query: Could you provide the main reason why the annual surplus decreased from \$1.2 million to \$536,654 in the current year? Overall expenses increased 12% and revenue increased 4% over the same time last year. Noted that the MD&A states you expect an overall surplus in Quarter 4.*

Management's Response: The largest component in the decrease is \$373k in revenue that was booked at this point last year and later deferred at year end. The other differences are listed on page 30 of the agenda package. Expenses increased more than the revenue due to the timing of the revenue and expense recognition (see #4 above regarding revenue recognition), as well as the timing of delivery of CE contracts. We do expect to finish the year with a surplus.

7. *Query: Ancillary Services – Why was there a loss in the Bookstore – Merritt revenue?*

Management's Response: The current year results were primarily due to two timing related issues (see page 32 of MD&A):

Timing of Purchases: In the current year the bookstore is carrying a higher level of inventory (\$33k) which was directly expensed (the difference in overall bookstore profit is the same amount as the increased inventory level).

Timing of Community Education Deliveries: One-time/special purpose programs which had started in the Fall in the prior year, commenced in Q4 of the current year.

The budgeted 16/17 profit has been budgeted at \$3,500 less than the 14/15 results. Profit expectations for Bookstores across the sector will likely decrease each year with the increasing availability of "Open" Textbooks (free online) and the increasing ability to purchase resources online.

8. *Query: Could you tell us why the fees and contract services increased so much in the current year \$985,712?*

Management's Response: One-time funding is the primary driver of this increase, the majority of which, approximately 2/3, is due to the *LNG Pathways to Success* program.

9. *Query: When do you anticipate completing the work done with Thompson Rivers to improve your Defined Process target?*

Management's Response: TRU is available to commence this project in February. Initial project work is anticipated to be complete ahead of March 31. Ongoing periodic support may be contracted for.