

NICOLA VALLEY INSTITUTE of TECHNOLOGY

Board of Governors

MINUTES

Audit & Risk Management Meeting #2016/02 – May 18, 2016

Teleconference Call, 4:00pm

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

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

BOARD MEMBERS: Jamie Sterritt [Board Chair]
Michelle Guerin
Melissa Pinyon
Sandra Tiessen
Angela Wesley

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

GUESTS: Brent Ashby, KPMG
Debbie MacKinnon, KPMG

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 January 25, 2016 minutes be adopted as presented. *Motion Carried.*

2. *Financial Reporting and Statutory Items*

2.1 2015/16 Audited Financial Statements

It was moved and seconded that

the 2015/16 Audited Financial Statements be accepted and recommended to the Board for approval.
Motion Carried.

The opinion of KPMG is that NVIT's Financial Statements are prepared in accordance with the Budget Transparency and Accountability Act of BC. There are no major audit findings to report.

Discussion:

- Charlene submitted several questions & finance prepared a response briefing note that was circulated to Board members prior to this meeting. [The briefing note is attached to minutes.]
- Question: Why has the FTE increased over the last 2 years but the tuition has decreased?

Answer: Tuition is impacted by:

- Number of Students Enrolled (a function of demand or change in courses offered);
- Related funding (i.e. Office Administration - no tuition for Aboriginal Students);
- Course level (Year 3&4 \$1,082 higher than Year 1&2);
- Program type (HCA \$8,684, Trades \$2,587 to \$3,042, general year 1 \$2,423, College Readiness/EMSK \$0).

In the 15/16 year the main tuition changes from the prior year included:

Increased tuition in: Admin Studies (didn't offer in 14/15), AGLP (didn't offer in 14/15) and Trades.

Decreased tuition in: University Transfer/Ac. Ind. Studies, Aboriginal ECE (didn't offer 2nd year in 15/16), Office Admin (re: CAP funding), APN (doesn't run on normal schedule).

Another reason why the FTE increased from the prior year, while tuition decreased by \$44k, is due to the increase in FTE in non-tuition bearing courses (College Readiness and EMSK). Those two programs saw an increase of 65.82 FTE from 14/15 to 15/16.

- The nature of the oversight audit which will be performed by the Office of the Auditor General for the 16/17 year was discussed. KPMG expects that the OAG will attend (an) ARM meeting(s), review the audit plan and subsequently review the work performed by KPMG to ensure the audit work is performed to an acceptable standard.
- BCOAG is looking at the possibility of qualified audit reports because it is not in accordance with PSAS (e.g. deferred revenues). However all big firms agree they plan to continue issuing opinion in accordance with the Budget and Transparency Act.
- The Building Legacy Fund is a restricted fund established in prior years through a previous NVIT Board motion. It is used for future capital projects that may not receive funding from government. The fund 45 is self-funding and used for building maintenance and operations.

2.2 2014-15 Appointee Remuneration Committee [ARC] Board Remuneration

The 2015-16 ARC Board Remunerations was reviewed.

Discussion:

This was an information item at this time & will be brought forward for approval at the June Board meeting. Board members are asked to review the document for accuracy and direct any questions to Diane or Ken.

2.3 2015/16 Final FTE Report

The final 2015/16 FTE report was reviewed.

Discussion:

- 103.5% of the FTE target was achieved.

3. *Adjournment*

- 3.1** The ARM Committee meeting adjourned at 5:02pm.

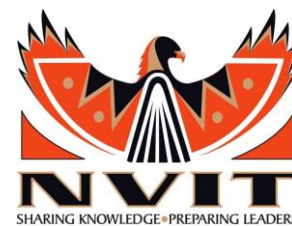
NEXT ARM MEETING: To Be Determined

Briefing Note for the Board of Governors

Subject:

Financial Statement Query – ARM Chairperson

By Email: May 18, 2016



Background:

The following offers clarification to the 2015/16 Financial Statements and Audit Findings as queried in response to Management's request for the Board of Governors to accept the statements.

1. **Page 4 – #3.1 – NVIT Finance – Could you provide an update on TRU costs NVIT will incur related work done for the BCOAG report for the validation audit?**

The costs are expected to be minimal and fall within existing IT operations budget.

2. **Page 6 – Q3 - #2 – NVIT Finance – Can you confirm if AVED reviewed the proposed increase related to the excluded employees? Is the target effective date still October 28, 2015? Has this been retroactively included in this year's audited financial statements? What is the expected dollar impact?**

The proposal had an anticipated cost of \$150K including benefits. It was not accepted.

To address the challenge within current constraints, the Associate Deans were promoted to Deans resulting in a budget impact of approx. \$2.2K. The Manager of Budgets and Financial Reporting was moved to a higher level within the approved grid resulting in \$9K in budget impact.

The Excluded Assistants did receive an increase with a cost to the 2016 year of approx. \$7.5K. Over a five year period the cost impact is expected to be approx. \$40K for this employee group.

3. **NVIT Finance– Further to my e-mail dated December 14 (which you responded Dec 21), are you aware of any new fraud that either has been alleged, perpetrated, or is suspected? I ask this in the event that the external auditors ask me any questions.**

Management is unaware of any alleged, perpetrated, or suspected fraud.

4. **Page 17 – KPMG – What effect did the change in materiality (lowered from #418,000 to \$394,000) have on the audit? Was additional testing required or did it fall within an acceptable range?**

KPMG's standards have specific guidelines for materiality which resulted in a requirement to lower materiality. Materiality was lowered prior to the commencement of testing and there would have been a minimal effect on the testing.

5. **Page 17 – KPMG – Were there any adjustments recommended by you and booked by NVIT? If so, can you please expand?**

None were noted. We made some suggestions for wording of notes and presentation which were all accepted and reflected in the f/s

6. **Page 17 – KPMG – Were there any adjustments recommended by you that were not booked by NVIT? If so, can you please expand?**

None were noted.

7. **Page 17 – KPMG – Are there any management letter points that you will raise with NVIT? If so, when and can you expand?**

None were noted.

8. **Page 19-20 – Congratulations to the NVIT team for having another clean audit opinion.**

9. **Page 26 – KPMG – What kind of impact do you expect the proposed changes to revenue and asset retirement obligations to have on NVIT?**

We would expect minimal impact as a result of these standards however they are both in the early stages of development. As new information becomes available and progress on the standards is made, we will update you.

10. **Page 32 and page 43 – Note 2 – NVIT Finance – The trade receivables increased a lot from 30K to 419K. What is it for and is it collectible?**

In the current year, several community contracts with payments due in March and April were paid in April or May resulting in a higher balance at year end. Current outstanding from receivables invoiced prior to March 31 is \$147k. The full amount of trade receivables listed at year end is considered collectable. Receivables not expected to be collected were moved to Allowance for Doubtful Accounts.

11. **Page 32 – NVIT Finance - The inventories increased from \$90 to \$150K. This was highlighted in Q3 as an issue – will NVIT be able to sell this? Are the unsold books returnable?**

As noted, there was an approximate increase to inventory of \$60K. \$40k is due to higher textbook inventory. \$16k is due to higher supplies inventory.

The increase is due to timing of purchases. This was a restock year (typically every 2 years or as needed). Additional products were purchased that haven't been offered in the past (Native ties & scarves, etc.). If excess books are ordered, the Bookstore Manager determines whether to hold for the following course offering or return depending on the likelihood that the instructor will use the same book in the following year. Shipping costs are high. Typically unsold books are returned during the period in which they are returnable.

The Bookstore ended the year with an overall \$43k surplus (14/15 was \$49k).

12. Page 32 and 44 – NVIT Finance – The trade payables increased from \$548 to \$952K – what was this for?

This is primarily due to the increase in outstanding Capital project invoices at March 31 (approximately \$505k versus \$225k in the prior year).

13. Page 32 and 48 – NVIT Finance – Note 9 – What were the Refunds of \$25,000 in endowment investments for?

The endowment return was at the request of the donor (Association of BC Forest Professionals). The endowment was originally provided to the Natural Resource Technology program, which was accredited. The program was changed to Environmental Resources Technology and hasn't yet achieved accreditation.

14. Page 33 – NVIT Finance – The annual surplus was just met at 2,345 versus 85,441 last year. Is this a sign of lowered surpluses in future?

The annual surplus was just met at \$2,345. If additional expenses had been incurred, NVIT would have brought in Aboriginal Service Plan funding (which was instead carried forward for use in the 16/17 year).

It is expected that future years will continue to see minimal surpluses. NVIT has been diligent in managing costs and will need to continue to be successful in securing one time funding to continue to meet the FTE target. NVIT is well positioned in the sector as the Aboriginal Institute and does expect to receive support where possible through one time funding from the Ministry. However, Management will be closely monitoring costs and base funded programming may be impacted in future years.

The operating grant from the Ministry has remained stagnant in the last several years and is not expected to increase given current sector initiatives such as the Common Online Application program and Administrative Savings Delivery Transformation Initiative which the Ministry will be transitioning to the sector.

15. Page 52 – NVIT Finance – Note 14- Why did fees and contract services increase so much – \$1.4M to \$3.1M?

This is primarily due to the increase in Provincial grant revenue and Contract revenue – a higher value of funding agreements in 15/16 than in 14/15, and, therefore, higher expenses.

The chart provides high level analysis to demonstrate reasonableness.

<i>Revenue (pg 54)</i>	<i>2016</i>	<i>2015</i>	<i>Difference</i>
<i>Province of BC Grants</i>	<i>10,332,386</i>	<i>8,598,296</i>	
<i>Contract Services</i>	<i>1,162,113</i>	<i>861,240</i>	
<i>Gov of Can Grants</i>		<i>120,995</i>	
<i>Total Revenue</i>	<i>11,494,499</i>	<i>9,580,531</i>	<i>1,913,968</i>
<i>Expenses (pg 52)</i>			
<i>Salaries and Wages</i>	<i>5,421,289</i>	<i>5,393,993</i>	
<i>Supplies and Services</i>	<i>2,247,609</i>	<i>2,069,799</i>	
<i>Fees & Contract</i>	<i>3,110,890</i>	<i>1,395,844</i>	
<i>Total Expenses</i>	<i>10,779,788</i>	<i>8,859,636</i>	<i>1,920,152</i>
<i>Difference</i>	<i>714,711</i>	<i>720,895</i>	<i>-6,184</i>

More activity did not result in higher surplus generation but did enable NVIT to achieve its FTE target.

16. Page 54 – NVIT Finance – Why was there a deficit in Base Instruction & Instructional support - \$442K

This is primarily due to a transfer of funds to Capital fund for NVIT funded projects in this fiscal.

	<i>2016</i>	<i>2015</i>	<i>Comparison</i>
<i>Operating Surplus</i>	<i>421,579</i>	<i>335,731</i>	<i>85,848</i>
<i>Transfer to:</i>			
<i>Capital</i>	<i>720,994</i>	<i>208,331</i>	<i>512,663</i>
<i>Community Ed, Special Purpose</i>	<i>142,522</i>	<i>97,281</i>	<i>45,241</i>
<i>Total Transfer</i>	<i>863,516</i>	<i>305,612</i>	<i>557,904</i>
<i>Closing Surplus</i>	<i>(441,937)</i>	<i>30,119</i>	<i>411,818</i>

In 2015/16, NVIT self-funded \$300k of the Trades Building project, as well as \$172k of the Access Road, \$38k of the IT Infrastructure Upgrade and approximately \$47k on a variety of other smaller projects (total of \$557k).

Transfers to CE and Special Purpose increased by \$45,241 primarily due to revenue initially recorded in the operating fund that was attributable to Community Ed/Special Purpose. Entries were made to reallocate to the appropriate fund.

Overall, the transfers to the Capital fund increased by \$513k over the prior year. The last page of the Financial Statements (page 54 of the agenda package) shows that the Base fund had a \$422k surplus prior to the transfers to other funds of \$864k.