

*NICOLA VALLEY INSTITUTE of TECHNOLOGY*

*Board of Governors*

**MINUTES**

Audit & Risk Management Meeting #2017/01 – February 6, 2017

Teleconference Call, 3:30pm

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

**ATTENDANCE:** Charlene Taylor [A/RM Chair]  
Paul Donald  
Terena Hunt  
Yvonne Mensies

**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  
Laurie Selwood, Senior Manager, Office of the Auditor General of BC

Note: Prior to this meeting, the Chairperson submitted a list of questions to Management. Those questions & responses are attached. Management also distributed a briefing note regarding the 2017/18 Annual Budget prior to this meeting and that briefing note is attached.

**1. Call to Order**

**1.1 Call to Order**

Charlene called the meeting to order at 3:38pm.

**1.2 Adoption of Agenda**

**It was moved and seconded that**

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

**1.3 Review and Adoption of Minutes**

**It was moved and seconded that**

the December 8, 2016 minutes be adopted as presented. *Motion Carried.*

## 2. *Financial Reporting and Statutory Items*

### 2.1 **2017 KPMG Audit Plan**

Brent reviewed the Audit Plan.

Discussion:

- Ms. Selwood is the OAG representative to the Legislative Assembly. In her oversight role she will communicate directly with the auditors & attend meetings as an observer.
- Brent is required to ask the ARM Committee their views on the risk of fraud & if there were any unusual transactions that KMPG needs to be aware of.  
Response: there are policies & procedures in place to guard against fraud including the requirement of two signing authorities for all transactions. The ARM committee regularly reviews the financial statements and is not aware of any unusual transactions.
- The Auditors are tentatively scheduled to be on campus April 24<sup>th</sup> to April 28<sup>th</sup> to conduct the year-end audit work.

### 2.2 **2017/18 Annual Budget**

**It was moved and seconded that**

the 2017/18 Annual Budget be accepted and recommended to the Board for approval. ***Motion Carried.***

Discussion:

- The budget includes a 2% tuition increase.
- Question: Why are the GICs being moved out of the Central Deposit Program?  
Answer: The CDP is offered through the Ministry and offers prime less 1.5%. The GICs will be invested in other banking institutions that offer higher interest rates.

Diane expressed gratitude to Marlie for her work in preparing the budget.

### 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 MD&A now includes a briefing note.
- It is anticipated the FTE target will be substantially achieved.
- The potential Northern Expansion & the Centre of Excellence in Sustainability are two current identified risks that will be reviewed at the upcoming Board meeting.

### 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:

Question: Is the Building Legacy Fund actually being used?

Answer: \$250,000 of the fund will be used for the new Centre of Excellence in Sustainability as per prior board approval. [The fund balance was approximately \$452,042.] The amount reserved for a new Vancouver campus is a separate fund.

## **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 No Additional Reports**

## **4. Board Governance**

### **4.1 Enterprise Risk Management**

Risk Management was discussed during the MD&A report.

## **5. Other**

### **5.1 No additional items to discuss.**

## **6. In-Camera Meeting**

### **6.1 No in-camera meeting was necessary.**

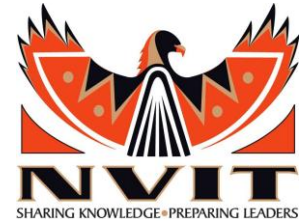
## **7. Adjournment**

### **7.1 The ARM Committee meeting adjourned at 4:28pm.**

**NEXT MEETING: ARM/Board Teleconference Meeting  
Monday May 15, 2017, 4:00pm**

## Briefing Note for the Audit & Risk Management Committee

**Subject:** 2017 KPMG Audit Plan  
2017/18 Annual Budget  
2016/17 Q3 MD&A



### Query by ARM Chairperson

**By email: February 1, 2017**

The following provides answers to the questions submitted by Charlene on behalf of the ARM Committee.

1. **KPMG (agenda page 8)** – You have stated that systems and control environment is high risk with a high likelihood of occurrence. Has KPMG ever provided management letter improvement points related to systems and control environment for NVIT in the past (value-add service)? If so, has there been improvement over time?

*This screen looks at the likelihood of occurrence before considering controls. After considering controls, this is not high.*

2. **OAG (agenda page 11)** – The audit planning report states that the Office of the Auditor General of BC will attend the ARM meeting, review the KPMG audit plan and review KPMG year-end audit files. For clarification, this is new to the current board so will the OAG be actively involved in the ARM meeting? Will the OAG ask questions and/or provide observations to the ARM Committee/NVIT Board/NVIT management?

*As auditor of the province, we rely on the work of other firms who audit many of the entities which are consolidated into the Summary Financial Statements of the Province of BC. To support this reliance, we communicate with entity's auditors each year on our requirements and, on a sample basis, conduct extended procedures to better understand the business, issues, and audit risks involved with a selection of entities. We refer to this increased involvement as oversight. The selection of entities for oversight is made to ensure we have an involvement with organizations across all sector and with entities of different sizes and in different geographical areas.*

*In this role, we will review the audit plan and work performed by KPMG and discuss any audit issues and findings with them. While we attend the audit committee meetings, we are not an active member. We attend these meetings as an observer only, and generally do not provide observations or ask questions. Of course, we are happy to answer any questions you have for us. These procedures allow us to determine if the audit work is sufficient to support our reliance in forming an opinion on the government's Summary Financial Statements.*

3. **OAG** – They currently qualify the Public Accounts of BC as a result of 'inappropriate deferral of revenues'. We understand that currently the auditor issues an audit opinion in accordance with

legislation rather than PSAS. Are there any anticipated changes that NVIT can expect in future as a result of the audit report qualification?

*The type of opinion being provided to NVIT is agreed to in the engagement letter with KPMG. While we provide a different audit opinion for the entities we audit (whether the financial statements are fairly presented in accordance with PSAS) any changes to the opinion for NVIT would be something that would be discussed and agreed to with KPMG. At this time, no changes have been made to the audit opinion for any of the other entities we perform oversight on, which are audited by a private firm.*

4. **KPMG (agenda page 17)** – For clarity, could you confirm if eAudit is your methodology or your audit software?

*EAudit is our software.*

5. **KPMG (agenda page 20)** – Do you anticipate if current PSAB developments will impact future NVIT audits? If so, please elaborate.

*At this point, we do not expect any material impacts to NVIT. If this changes, we will update the ARM Committee appropriately.*

6. **2017/18 Annual Budget (agenda page 23)** – There is a 7% reduction in tuition and student fees. This can impact our target FTE. Is this an area of long term concern?

*FTE is expected to remain consistent with prior year. FTE reductions related to programming changes in Governance and Law Enforcement Preparation are expected to be offset by increases in Health Care Assistant and the new Office Administration Diploma program. Total tuition and fees were reduced to reflect revenue expectations for 2017/18 based on both future programming and past actual tuition revenue earned. FTE is generated from tuition and non-tuition bearing courses (including CE courses/programs and Special Purpose funded programs), and is not directly correlated with tuition revenue.*

7. **2017/18 Annual Budget (agenda page 23)** – Can you explain why Miscellaneous income is expected to reduce by 68%?

*The prior year budget included \$121,000 in revenue from Congress of Aboriginal Peoples for the Office Administration Certificate program (actual agreement resulted in \$100,000). It is technically contract revenue so \$100,000 was budgeted in that section for 2017/18.*

8. **2017/18 Annual Budget (agenda page 25)** – Could you explain why Cafeteria in Ancillary Operations is now zero?

*A new contract (and service provider) was entered into in 2016/17 with different provisions than the previous agreement. In 2016/17 we budgeted for a loss of \$32,500 in the Cafeteria. This service went out to RFP. CIVEO, the successful proponent, has agreed to provide NVIT a minimum of \$10,000 in profit from the operations. We have budgeted for this profit in the 2017/18 year.*

9. **2016/17 Q3 MD&A (agenda page 29)** – Financial Assets state that there was an expired GIC being held as cash until Q4. Why was there a delay in reinvesting a matured GIC? Will the full GIC be reinvested or is a portion being kept in the cash account?

*Rates quoted by the banking institution at the time of maturity were unfavorable. Competitive quotes from other institutions have since been received. NVIT expects to invest the full amount of this GIC, as well as additional funds previously held in the Central Deposit Program, in early February.*

10. **2016/17 Q3 MD&A (agenda page 32)** – Contract services decreased by half (\$416,120). Is there any anticipated increase between now and the end of the year?

*There will be additional revenue booked prior to the end of the year. Although revenue is not expected to reach 1,000,000, profit is expected to reach or exceed the \$175,000 budgeted (Dec 31<sup>st</sup> booked profit is \$152,000). As shown on page 24 of the agenda, the revenue amount for 2017/18 for Community Education was reduced to \$700,000.00. Overall budgeted profit for 2017/18 remains at \$175,000.00*

11. **2016/17 Q3 MD&A (agenda page 32)** –Supplies and services increased by \$132,206 and Fees and contract services decreased by \$160,002. Could you please provide additional explanations why?

*Supplies and Services: majority (\$420,000) is due to an increase in Special Purpose expenditures at December 31 over the prior year (partly due to timing and partly due to the increase in special purpose funding of \$561,000). This is offset by a decrease in CE costs (\$203,000) due to fewer contracts (lower value) to date, and overall lower spending to date in Base, Ancillary and Capital.*

*Fees and Contract Services: combination of lower spending in Base (\$46,000, primarily due to a reduced amount spent on the Governance summer institute), Ancillary (\$21,000) and CE (\$453,000 due to fewer contracts (lower value) with higher spending in Special Purpose (\$360,000 partly due to timing and partly due to the increase in funding).*