

## Minutes of the Finance, Audit, and Risk Committee Meeting

August 13, 2021, 10:30am – 1pm (ET) | Virtual

<b>Committee members in attendance</b>	
Nancy Hill, Chair Victor Benz Danny Chui (ex-officio)	Steve Vieweg Chris Zinck
<b>Regrets</b>	
Maxime Belletête	
<b>Observers in attendance</b>	
Alison Anderson	
<b>Staff and support</b>	
Roseanne Gauthier Gerard McDonald	Derek Menard Stephanie Price

### 1. Call to order and approval of agenda

N. Hill, FAR Committee Chair, opened the meeting at 10:33am (ET) and welcomed the committee members.

N. Hill noted that the recent “Virtual Facilitative Chair” development session was helpful, and thanked Engineers Canada for arranging the opportunity.

***Moved by V. Benz seconded by S. Vieweg  
THAT the agenda be approved as amended.  
Carried***

### 2. Last meeting review

#### 3.2 Approval of minutes

The minutes were pre-circulated. No feedback or comments were received.

***Moved by V. Benz seconded by S. Vieweg  
THAT the minutes from June 14, 2021 be approved.  
Carried***

#### 3.3 Review of action table

D. Menard followed up on June 14<sup>th</sup> committee meeting’s only action, listing all choices for any possible in-person meetings and the committee approved the December and February meetings for in-person, which will coincide with the Board meetings.

### 3. 2022 Budget

#### 3.1 Budget memo

D. Menard presented the draft budget for 2022. Currently demonstrating a balanced operating budget of \$11M in revenues and expenses, the 2022 budget is similar in results to the 2021 budget, noting that the 2021 budget was prepared with the assumption that Engineers Canada staff would be back in the office in the fall of 2020, with regular in-person meetings taking place. The following was reported:

*Revenues:*

- Corporate services revenue, comprised mainly of member dues and investment income, has increased due to strong investment performance.
- National programs have a small increase due a slightly higher forecast for Manulife term life insurance. The TD budgeted revenue is the same as 2021.
- Outreach revenue is decreased given that the Canadian Engineering Education Challenge (CEEC) initiative ended in 2021.

*Expenses:*

- Accreditation expenses have increased due to the high number of visits included in the 2022 cycle.
- Research and regulatory changes costs are decreased in light of 2021 being the first year for the regulatory research portfolio, and that work initially planned with consultants was done by staff.
- Corporate services increased mainly due to salary adjustments based on Engineers Canada's new salary band, and a contracted rent increase for the office.
- International mobility has decreased since the 2021 budget included costs for a monitoring team from Turkey, UK, and Japan to travel to Canada to observe Engineers Canada's accreditation process as part of the Washington Accord review. In addition, 2021's budget included preliminary work on the mobility register administrative improvements, which have been re-allocated to 2022's projects.
- Project spending is funded from reserves and does not impact the projected operational budget. The mobility register improvement project is one of two new projects. The second being the foresight project, which is a one-time initiative that would incorporate the potential futures of engineering regulation and the profession in Engineers Canada's 2022-2024 strategic plan and regulatory research portfolio.
- The strategic project spending is \$1.5M in 2022, which aligns with the figures previously presented the board.
- Capital expenditures are projected at \$247K, to create 3 new meeting rooms and upgrade the audio visual to enable a hybrid work environment.
- Deficit balances are driven by project spending.

No comments were received on the budget and the committee unanimously agreed to present it to the Board.

D. Menard proposed two (2) scenarios for the Per Capita Assessment Fee (PCAF) for 2024. Scenario 1 would lower the PCAF to \$9.00 and Scenario 2 would lower the PCAF to \$8.00. Both scenarios were based on a 5-year revenue projection that included following assumptions:

- Affinity revenue is based on 3-year projections provided by TD & Manulife.
- Strategic project spending is in line with budgeted amounts previously presented to the Board.
- The revenue projections for the PCAF are based on estimates provided by Regulators up to 2024. A registrant increase of 2% year-over-year was projected for 2025-2026.
- The revenue received from affinity programs is based on projections from the program providers.
- It is assumed that PEO will not avail itself of the approximately \$2.6M in affinity revenue that is available to them in 2022. In future years, it is assumed that PEO will participate in the affinity revenue.
- Most operating expenses are projected to increase at a rate of 2% each year.
- Spending in 2025 and 2026 on strategic priorities is \$2M per year.

Based on the above, it was recommended that the PCAF be reduced by \$2.21 to 8.00, resulting in a reduction of revenues of \$674K in 2024. The committee unanimously agreed with this recommendation.

**Moved by S. Vieweg seconded by D. Chui**

**THAT the FAR Committee recommend to the Board that the Per Capita Assessment Fee be reduced by \$2.21 to \$8.00 for 2024.**

**Carried**

**ACTION: That staff copy Engineers Canada Board members who are PEO directors when emailing the PEO insurance disbursement intent letter to CEO Johnny Zuccon.**

### **3.2 Portfolio details analysis sheets**

The portfolio detail analysis sheets were pre-circulated to support the budget memo.

## **4. Review of risk register**

A review of the risk register was presented by S. Price. It was reported that the minor administrative adjustments requested by the Board when the document was approved at the April meeting have been made. Staff further reviewed the register based on the changing environment, three (3) risks were identified as having been added significant details, although no adjustments were recommended to be made to their overall risk scores:

- Accreditation risk (*strategic risk*): A significant change regarding individual contact time with a professor as a measure for learning has been added to the risk with an explanation that a review of the Accreditation Units (AUs) is being handled by a committee formed from the Engineering Deans Canada (EDC).
- Governance functions (*strategic risk*): Board approval of all committee work plans had been added as a control, in addition to a note regarding the delivery schedule for the recruitment and succession plans from the CEAB and CEQB.
- Human resources (*operational risk*): Formalised succession planning for the senior leadership team members and a delivery date for employee engagement survey results have been added.

The committee agreed with the proposed changes and with the recommendation that the scoring not be adjusted at this time. S. Price further confirmed that both existing and planned new controls included in the register have all been accounted for in the budgeting process.

Further discussion was had on the accreditation risk, with the understanding that upfront analysis is required before any changes would be considered for the accreditation program and the AU. Staff will add 2022 deliverables to the risk controls, including the benchmarking and state of education reports that will be available early in the year. After follow-up conversations with M. Wrinch and D. Nedohin-Macek, S. Price confirmed that Engineers Canada is not able to implement the agile iteration process for this priority due to requiring the input from all 12 Regulators through the consultation process.

It was noted that the new risk register format continues to be superior to its predecessor.

**Action: Staff to add the definitions of SR (strategic risk) and OR (operational risk) in the risk register.**

## **5. Q2 Financial statements**

D. Menard provided an overview of the pre-circulated 2021-Q2 statements. It was noted that the Q2 revenue exceeds the forecast due to the strong performance of Engineers Canada's investment portfolio.

**a) Q2 Financial statements**

D. Menard reported that almost all variances related to the operating expenses are due to the cancelation of travel and in-person meetings.

**b) Q2 Forecast**

D. Menard noted that a surplus of \$3.7M is currently forecasted for 2021.

**6. Review of Q2 investment report**

D. Menard introduced the report and highlighted that Engineers Canada investments are performing well. The committee was reminded that Engineers Canada has been investing in ESG funds for the last 6 months, which consist of equities and/or bonds for which environmental, social and governance factors have been integrated into the portfolio.

**7. Review of TD's APEGA policy retention report**

D. Menard summarized the pre-circulated reporting and discussed retention rates for the periods of April, May, and June 2021. The Alberta insurance market has experienced price increases which resulted in an increase in premiums even though there is a slight decline in the client count and of the written units. D. Menard further noted that a new option to bind policies online has been offered to potential customers in Alberta, which is reflected in the growing number of web sales. While the program is experiencing a decline, it was noted that actual sales remain better than initially projected and that the retention rate remains strong.

The FAR Committee was asked to consider if the APEGA TD program reporting could be provided on a quarterly basis rather than monthly moving forward, given that the information to date has reflected a stable reduction. It was decided to have this discussion added to the next FAR meeting agenda.

**ACTION: Staff to include time to discuss APEGA TD retention reporting frequency on the October 21 agenda.**

**8. Work plan review**

The work plan was reviewed, with no questions or changes proposed.

**9. Other business**

D. Menard reminded the committee members of the Director development session with KPMG taking place on September 30.

**10. Next Meetings**

The next committee meetings are as follows:

- Oct. 21, 2021, virtual
- Dec. 14, 2021, in-person
- Feb. 24, 2022, in-person
- Mar. 16, 2022, virtual
- May 12, 2022, virtual

**11. Meeting review**

Feedback received from committee members was positive, notably that the chair accommodated late comers by saving priority items for their presence.

**12. Closing**

With no further business, the meeting was closed at 1:30pm (ET).