

Minutes of the Finance, Audit, and Risk Committee Meeting

October 21, 2021, 1pm – 2:30pm (ET) | Virtual

Committee members in attendance	
Nancy Hill, Chair Maxime Belletête Victor Benz	Steve Vieweg Chris Zinck
Regrets	
Danny Chui (ex-officio)	
Observers in attendance	
Alison Anderson	
Staff and support	
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 1:00pm (ET) and welcomed the committee members.

Moved by Victor seconded by Maxime

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 victor seconded by Chris

THAT the minutes from August 13, 2021 be approved.

Carried

3.3 Review of action table

D. Menard followed up on the August 13 FAR committee meeting's action to present the committee with the reasoning for reducing the frequency of the APEGA affinity reporting to the committee observing that the initial goal for the preparation of monthly reports was based on the FAR committee's belief, based on TD's predictions, that annual declines of 5% to 20% yearly were expected due to APEGA's exit from the TD program.

D. Menard noted that the actual decline in premiums for 2020 compared to APEGA's exit in 2019 was only 1.8%, and from January to August 2021, the decline has been only 1.2% in premiums and 5% for written units. As a result, D. Menard recommends that the FAR committee no longer review monthly reports. Instead, staff will continue to monitor the monthly data and report back to FAR if there are any significant declines in premiums or volumes of sales.

Based on the information provided by D. Menard, the FAR Committee agreed that, moving forward, the monthly reports will no longer be provided to FAR. FAR also agreed that a full report would be presented

to the FAR committee immediately should any volumes go under TD's predicted amounts (2022 predictions from TD are -3.3% decline in premiums).

3. SP3: Competency-Based Assessment budget update

S. Price updated the committee on the new forecasted budget for the Competency-Based Assessment (CBA) project as reported in the pre-circulated documentation and explained that the new estimated budget has risen by \$50K primarily because of the production of the French language seminar's transcription and translation costs, which had not been foreseen in the project's initial planning 6 years previously. The amount is equal to being 5% (or \$47K) over the initial estimated budget.

The FAR committee agreed that this increase in 2021 expenses did not need to be presented to the Board. The committee concluded that considering the forecasted large surplus for 2021 and the fact that the overage of \$47K was well below the audit materiality of \$300K, no further action was required.

4. Review of final 2022 budget and Per Capita fee recommendation

4.1 Per Capita fee assessment

A discussion surrounding the Per Capita fee recommendation was initiated by N. Hill who suggested that the Per Capita Assessment Fee (PCAF) piece should be placed first in the FAR presentation to the Board and that the presentation include the history of the thought process that influenced the committee's choice.

N. Hill then invited Engineers Canada to remind the committee of the PCAF's history. G. McDonald provided an overview of the PCAF history with the following:

- A funding task force (FTF) was created in 2018 to address the issue of excess funds from the TD affinity agreement.
- The FTF reviewed several options and determined a reduction in the PCAF was the best approach to manage excess unrestricted reserve balances. This process now forms part of the annual budgeting cycle and is included in Engineers Canada's Bylaw (Section 7).
- 2020 was the first year this process was in place. However, with the uncertainty of COVID-19, particularly the effect it could have on Regulator revenues, and out of an abundance of caution, it was decided that the PCAF should remain unchanged (\$10.21) for the year 2023.
- In reviewing whether FAR should reduce the PCAF, looking at the growth in Engineers Canada unrestricted reserves (forecasted balance at the end 2021 is \$13.1M), and the advice from staff the committee felt it was advisable to reduce the PCAF.

Members shared their views and questions in a roundtable and the following was captured:

- *That FAR and the Finance staff must ensure that the reduction is sustainable.*
- *That restrictions on the budget were notional, based on past Board's recommendations in restricting the budget to the rate of inflation, and that these recommendations were not absolute.*
- *That the budget should not be increasing at the end of the decision process given the amount of unrestricted reserves that the organization has, and that reducing the Per Capita fee would help in decreasing this amount.*
- *That the Regulators should be paying for the services they asked for.*
- *That the Per Capita fee be consistent for a length of time in order to give the regulators more predictability, and following this thought, that a long-term plan on fees should be in place to recommend to the Board well in advance of the expiry of the TD contact.*

- *That there should be a minimum of \$6.5M in the reserves.*
- *That FAR can never assume that PEO will not take their share of proceeds.*
- *That this PCAF discussion is for 2024 only and thus will be easily corrected should it need to be for 2025 or later years.*

The choice of reduction of the Per Capita Assessment Fee was deemed conservative and reasonable by the committee who considered two scenarios of reduced fees , \$8 and \$9, with the recommendation to propose to the Board to reduce the Per Capita Fee to \$8 for 2024.

4.2 Review of final 2022 budget

G. McDonald presented a brief summary of the decision made by the Board in October to request proposals to increase expenses. As noted in the pre-circulated documentation, three areas were found where additional resources would be beneficial: Accreditation, Qualifications, and Human Resources. These resources would include adding new staff, allowing for some additional work to be done and reducing overtime and overwork.

It was noted that these supplemental resources would increase the revised operating expenses budget by \$470K, with total operating expenses of \$11.5M in 2022 and represents a 4% increase in operating expenses compared to 2021, which is in-line with inflation as per Statistic Canada's numbers.

G. McDonald brought forth the idea that FAR upon discussion with the CEO could approve critical assumptions for annual budget planning well in advance of the draft budget being submitted to the Board at its fall meeting. The committee agreed with the recommendation to add this to their Board recommendations presentation.

With revenues of \$11M, operating expenses of \$11.5M, and project expenses of \$2.4M, resulting in a deficit of \$2.8M for the 2022 fiscal year, the committee agreed to recommend that the Board approve the revised budget.

Action: That staff prepare a more comprehensive presentation on the Per Capita fee recommendation and budget additions to be presented at the December Board meeting.

5. CEO semi-annual update on whistleblower complaints

G. McDonald reported that no whistleblower complaints were received.

6. CEO Objectives - Long term financial viability

As described in the pre-circulated documents, G. McDonald presented the background of the Long-term financial viability research objective and his recommendation that this objective be removed .

The committee agreed that a long-term financial projection will not bring forth any practical information presently. Members agreed that the objective is to be reviewed 4 years before the end of the TD term or if there should be any important changes with TD's forecasts or revenues.

Moved by C. Zinck seconded by V. Benz

THAT the FAR Committee does not recommend to the HR Committee that the 2022 CEO Objectives include an assessment of the long-term financial and operational viability of Engineers Canada, and that the FAR Committee re-assess this proposal 4 years before the end of TD's contract or with any monitorial change in the revenues received from TD.

Carried

7. Review of TD's APEGA policy retention report

D. Menard summarized the pre-circulated reporting for the periods of July and August 2021 by noting the slow yearly decline of 1 to 1.5% of the program.

Comparing with 2020, calculations show that written units, and client counts have declined by 6.7% and 6.2% respectively. Premiums were noted as being down by only 2.7%.

D. Menard noted that the retention rate still remained strong at 91%, which is approximately a 4% drop from before APEGA's exit from the program. For the first 8 months of this year vs last year, premiums were down 1.2%.

The budget for 2022 has a decrease of 3.3% in premiums for APEGA, which seems reasonable.

8. Work plan review

The work plan was reviewed, and the meeting format for the upcoming December meeting has been confirmed as changed from in-person to virtual.

9. Other business

D. Menard informed the committee members of the upcoming Board Policy 7.12, Net assets' annual review at the next Governance committee meeting in November noting that he provided some input on some minor housekeeping updates that were required. The current policy was constructed with the help of KPMG, and only took effect on January 1, 2020. Staff currently feels the restricted reserve balances are adequate, and invites FAR to discuss the restricted reserve balances with KPMG when they present the audited statements in March 2022.

10. Next Meetings

The next committee meetings are as follows:

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

11. Meeting review

The committee agreed that the meeting went well, and no feedback was provided.

12. Closing

With no further business, the meeting was closed at 2:28pm (ET).