



MINUTES of the FINANCE, AUDIT, AND RISK COMMITTEE MEETING
November 13, 2019 1:00-3:00pm ET (held via webinar)

Committee Members in attendance	
L. Doig (Chair) T. Brookes D. Chui	J. Dunn R. Trimble
Regrets	
K. Baig	S. Vieweg
Observers in attendance	
J. Boudreau J. Card	D. Lynch C. Sadr
Staff and Support	
C. Mash M. McCourt G. McDonald J. Monterrosa	A. Newman M. Ouellette S. Price

1. Call to order and approval of agenda

L. Doig, Chair, opened the meeting at 1:00pm (ET) and welcomed the Committee members. The agenda was approved by consensus, noting that agenda items may shift to ensure time is used appropriately.

2. Approval of October 18 meeting minutes

The minutes were circulated in the agenda book.

***Moved by R. Trimble, seconded by T. Brookes
THAT the minutes from October 18 be approved.
Carried***

3. Presentation of Net Asset Policy review

A. Newman presented the draft document that was prepared in consultation with L. Doig, G. McDonald and J. Monterrosa. CRA will be looking for supporting documentation to demonstrate if the reserve amounts as listed are still appropriate and whether they need to be adjusted.

A. Newman explained that CRA's rules require that all internally restricted assets are held for either strategic or contingency reasons. CRA requires evidence in the form of supporting documentation that demonstrates FAR and Board approval; that the internally restricted amounts listed on the financial statements receive appropriate due-diligence and are reviewed every year, although not necessarily changed. It was noted that this document is not a policy, considering it has time sensitive information that is subject to change. This document is to be used as a planning tool that will assist in demonstrating to the CRA that Engineers Canada is considering the appropriate levels of reserves required and why.

This document should be reviewed annually and presented to the Board in February, prior to the budget process beginning. Approval of this document confirms that Engineers Canada's Board continues to agree with the levels of reserves and that no reason currently exists for them to shift. The approved document would be provided to staff to begin producing the draft budget and any recommendations to the Board for changes to the reserve levels would be brought for deliberation when the budget is presented.

A few context edits were suggested, including corrections to role titles and the FAR Committee name. The Committee would like the contingency reserve fund explicitly noted as being 3 months of operating expenses and they agreed that the internal restriction amounts should be fixed and not adjusted for inflation. The amended document will be presented to FAR at the December 8 meeting along with a briefing note to the Board that explains what needs to be done, in addition to the current levels of reserves, which will not be included in the reserve structure document.

KPMG recommends that a comprehensive risk assessment be done every five years, which will provide a strong rationale for the levels as currently listed. It was further recommended that the next assessment should be done within the next calendar year.

Following the Board's decision in February, the Governance Committee would be tasked with preparing a policy to support the reserve structure document.

ACTION: A. Newman to adjust the document as per the Committee's feedback for re-circulation to L. Doig, J. Monterrosa and G. McDonald for distribution with the December 8 meeting materials.

ACTION: Staff to prepare a briefing note to be circulated with the revised reserve fund structure document for the FAR Committee review at the December 8 meeting.

4. Presentation on strategic risks

This item was deferred to the December 8 meeting.

5. Recommendation on motions 5753, 5754 and 5755

The Committee agreed to shift the discussion of this item, originally item 7, to item 5. D. Lynch presented the pre-circulated briefing note.

The Funding Task Force (FTF) recommendations request that Engineers Canada find a way to reduce the level of reserves when it becomes too large. There are restrictions on how Engineers Canada can meet this outcome while meeting CRA's rules. The proposal to set the per capita assessment fees annually would give the regulators the ability to control the growth of the EC reserves, while addressing the recommendations from the FTF and respecting CRA's guidelines.

A. Newman explained that the proposal as circulated should meet the CRA test in terms of appropriate membership fee management. CRA does not flag small fluctuations in membership fees, however large shifts are questioned and issuing cheques to the members to rebate membership paid at earlier dates can lead to serious concerns. CRA will not be flagged if Engineers Canada changes the membership fee slightly, with good reason. Documentation is critical to demonstrate due-diligence at the Board level with regards to setting the membership fees and the decision should be considered jointly with the budget.

G. McDonald noted the importance of avoiding significant changes year to year to respect the budgets and planning of the regulators. Engineers Canada should have a desire to set the range for four-years with an annual re-assessment in case of a big events that require consideration. The three-year forecasting process will be helpful in determining the band.

The timeline for this proposed change would be presentation to the Board in February and then presentation to the Members for adoption in May. It was noted that this timeline could be tight to achieve, considering the time required to properly consult with the regulators to ensure everyone fully understands the proposed change. D. Lynch has informally discussed the concept with many of the regulators during his recent visits, reporting that to date, regulators have indicated they would consider something like this. T. Brookes noted that all Board directors are willing and able to inform their regulators of the Engineers Canada business so that the regulators can provide an informed position on these types of matters.

The FAR Committee agreed to support the BN in principle, noting that it may be adjusted following review by the Governance Committee. The Committee also agreed that more information should be included on the risks involved, with a better understanding of how an increase or a decrease will impact Engineers Canada and its Members. The BN will also be adjusted to include the comments made by A. Newman concerning CRA and G. McDonald's comments that the assessment should be looked at in a band and with a broad perspective.

Moved by T. Brookes, seconded by R. Trimble

THAT the Briefing Note outlining the response to the Funding Task Force Recommendations - Amendment to Bylaw is brought forward to the February meeting with noted amendments and pending motion-text review from the Governance Committee.

Carried

ACTION: Staff to include feedback as provided by A. Newman and G. McDonald during this meeting into the briefing note.

ACTION: Request that the Governance Committee review the proposed motion text.

6. Review of financials

The Committee agreed to review the financials to ensure presentation to the Board at the December meeting. This item was originally item 8.

Following the review, the Committee agreed to present these statements to the Board for information and requested that the year-to-date and forecast tables be combined.

ACTION: J. Monterrosa to combine the YTD and Forecast tables for the December Board meeting update from FAR.

a. Q3 YTD financial results

J. Monterrosa presented the pre-circulated financial results.

b. Review of Q4 forecast

J. Monterrosa presented the pre-circulated forecast. It was noted that the reserves table to be

presented with the 2020 budget at the December Board meeting will be updated with these numbers. The reserves table will also outline two scenarios; if PEO decides to participate in the affinity program or not.

ACTION: J. Monterrosa to review the expenses that are being shifted from 2019 to 2020 and to provide the total to L. Doig following the meeting.

7. Risk register

a) Draft Register review process

G. McDonald presented the risk register that will be circulated to the Board for the December 9 meeting, including an overview of risks that have shifted since the October Board meeting. The briefing note outlines that in the future (following the December meeting), red category risks will include a one-page summary to the Board to indicate how long the risk has been “red” along with the plan and the timeline for the risk to be reduced.

The Committee noted that several of the organizational risks are considered normal course of business and that they may not need to be individual risks. G. McDonald noted that if something is too granular, the Committee can have the discussion and remove it from the register for Board reporting. Further discussion may be required to ensure the Board’s time is used wisely.

ACTION: Staff to adjust the Risk Register to adjust instances of “operational goals” to “organizational goals” for consistency.

b) Triennial review of strategic (Board-level) risks

This item was carried forward to December 8.

8. Review of TD affinity program status

This item was carried forward to December 8.

9. Work plan review

The following items will be covered on the December meeting agenda:

- Affinity program status update;
- Audit plan;
- Investment policies;
- Year to date investment performance; and
- Review of the updated net asset document.

ACTION: Staff to adjust the work plan to include the reviews of the Q3 YTD financial results and the Q4 forecast so that they can be provided as information for the December Board meeting agenda.

10. Other business

No other business was brought forward.

11. Adjournment

With no further business to discuss, the meeting was adjourned at 3:05pm ET.