

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

August 14, 2020 2:00 – 3:30pm MT via hybrid – Zoom and Fairmont Banff, AB

<b>Committee members in attendance</b>	
Christian Bellini Sudhir Jha Carole Lamothe	Jane Tink Steve Vieweg Chris Zinck
<b>Regrets</b>	
Dwayne Gelowitz, Chair	
<b>Observers in attendance</b>	
Jean Boudreau Danny Chui David Lynch	Changiz Sadr Nicolas Turgeon
<b>Staff and support</b>	
Christina Mash Gerard McDonald Derek Menard	Stephanie Price Evelyn Spence Vivian Qian

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

C. Bellini, Acting Committee Chair opened the meeting at 2:00pm (MT) and welcomed the committee members.

*Moved by C. Zinck, seconded by S. Jha*

*THAT the agenda be approved.*

*Carried*

**2. Last meeting review**
**a) Approval of minutes**

The minutes were circulated in the agenda book. No feedback or comments were received.

*Moved by C. Zinck, seconded by C. Lamothe*

*THAT the minutes from June 15 be approved.*

*Carried*

**b) Review of action table**

The action table was reviewed, and S. Price confirmed that most items are addressed in other areas of the agenda.

RBC has confirmed that while five-year projections are not possible due to too many un-knowns in the environment, one-year investment projections will be implemented for the next reporting cycle.

**3. 2021 budget**
**a) Budget memo**

D. Menard provided an overview of the budget memo. The following was noted during the committee's discussion:

- Affinity revenue from Alberta policies is still received by Engineers Canada, and the portion that would have been issued to APEGA is retained by TD for marketing purposes. A reduction in revenue will be realized should the total written premiums decrease.
- The projects discussed at the strategic workshop will not be included until 2022, although they are included in the projections.

- The staff allocation reporting was commended.
- No additional capital expenditures are projected as a result of COVID-19. Meeting delivery may cost more in the future, although travel costs may reduce. Physical changes to the office space are being implemented now and are considered unbudgeted items realized in 2020.
- 2020 spending has been forecasted to the end of the year, so that the projected surplus at the end of 2020 is understood. It is not a budgeted number and this will be clarified in the notes to Table 4.
- Reference to *policy 7.6 reserves* will be updated to *policy 7.12 net assets*; the new policy is being considered for approval at the October meeting. This reference will be made for December.
- It was agreed that the significant project table creates duplication and is no longer required.
- It was confirmed that all new staff on contract required to realize the projects as presented in the 2022-2024 strategic plan have been included in the budgeting.
- An operational deficit is projected for 2021, resulting from an additional face to face meeting for the Qualifications Board, who wish to meet face-to-face as soon as possible (not having met in person at all in 2020). A note will be added.

Regarding the per capita assessment recommendation, the committee discussed many different scenarios and factors affecting the proposed fee. The new process was introduced with a promise to keep the reserves controlled, and to give the regulators control over the fee. The recommendation is due to the Members by January 1, 2021, for decision in May 2021. Critical pieces of information that impact the recommendation and that are currently unknown include:

- PEO's decision to participate in the affinity program. This decision will be communicated closer to the budget approval in December.
- The outcome of the strategic planning efforts for 2022-2024 and the level of funding required to realize the projects. The proposed awareness campaign will be a significant spend and it is not yet known if the regulators will support this initiative. The plan will not be finalized until May 2021, with greater clarity realized in the late fall once consultations on the draft begin.
- The impacts of COVID-19 with regards to registrant numbers.

The environment has changed significantly since the per capita decision was made, and although it is likely that regulators are expecting a reduction in the fee, FAR agreed to recommend that Engineers Canada hold the per capita at \$10.21. There may be room for a reduction once more information is made available closer to December's budget decision and this rationale will be provided in the memo.

**ACTION: Staff to make the following changes to the budget memo in advance of the October draft presentation:**

- **Update "component" to "HR Component" on page 5 of the memo**
- **Add note to 2020 reserve projected surplus, to clarify that it is a forecasted number and not a budgeted number**
- **Remove significant project table**
- **Add a note to explain the additional QB meeting in 2021 as the reason for the projected deficit**

**b) Portfolio details analysis sheets**

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

**4. Strategic risks**

S. Price provided background on the new strategic risks, most recently refined by the 2019-2020 committee

and further considered by staff. Once the new risks are finalized, the established “risk owners” will provide updates to FAR in advance of their meetings about whether the likelihood and impact require adjusting.

Two risks are identified as risks that are beyond the reach and control of Engineers Canada. In these cases, it is proposed that staff review the risks and evaluate if they are increasing or decreasing based on communication with the regulators, and FAR will provide the strategic oversight.

It was noted that the new risks will be presented to the Board with all updates from this meeting in October. However, the existing board risks will not have been updated until the December Board meeting.

***Motion S. Jha, seconded C. Lamothe***

***THAT the FAR committee approve the addition of the strategic risks to the register, as presented.***

***Carried***

Scoring of the new risks was implemented by staff, in considering how each one directly affects Engineers Canada.

***Motion C. Zinck, seconded S. Jha***

***THAT the FAR Committee approve the likelihood and impact scores as presented.***

***Carried***

## **5. Q2 Financial statements**

### **a) Actual spending**

The statements were pre-circulated, and D. Menard provided an overview. Major variances for revenues result from timing and when items are recorded, adjustments have been made so the variances will not be an issue in 2021. Significant expense reductions relate to COVID-19 travel savings.

### **b) Forecast**

The statements were pre-circulated.

**ACTION: Staff to update the forecast reporting title to reflect the quarter being discussed.**

## **6. Review of TD’s APEGA policy retention report**

G. McDonald presented the reporting. The client count and written premiums have seen a decrease that is less than originally planned. COVID-19 is bringing additional considerations to the trends, making it difficult to understand what factors are affecting the reduction in Alberta:

- There has been a general decrease in home and auto sales, leading to less uptake in insurance policies.
- Insurance companies have been offering rebates due to the reduced vehicle usage.

It was noted that the client count and written premium numbers are not consistent with one another. Written premiums are sensitive to renewal periods, which are spread out over the year and high fluctuations are typically seen in the spring which is a popular time to purchase a vehicle. Alberta also recently lifted a restriction on insurance rates, resulting in increases to the premiums.

While there is no specific understanding of why the projected decrease has not yet been realized, it was noted that TD has been marketing heavily in the province.

## **7. Work plan review**

The work plan was reviewed. No comments or questions were received, and it was noted that the committee remains on track.

## **8. Other business**

No other business was discussed.

## **9. Next meetings**

The next committee meetings are as follows:

- Oct. 21, 2020 (Virtual)
- Nov. 10, 2020 (Virtual)
- Dec. 1, 2020 (Virtual)
- Feb. 25, 2021 (Hybrid-Ottawa)
- Mar. 17, 2021 (Virtual)
- May 12, 2021 (Virtual)

## **10. Closing**

With no further business, the meeting was closed at 5:48pm ET.