

Minutes of the Finance, Audit, and Risk Committee Meeting

December 8, 2019 | 3:00-6:00pm ET | Hilton Garden Inn & Homewood Suites Ottawa, Montreux Room

Committee members in attendance	
L. Doig (Chair) T. Brookes D. Chui	J. Dunn R. Trimble
Regrets	
K. Baig	S. Vieweg
Observers in attendance	
C. Zinck	
Staff and support	
C. Mash G. McDonald J. Monterrosa	A. Newman (telephone) S. Price

1. Call to order and approval of agenda

L. Doig, Chair, opened the meeting at 3:04pm (ET) and welcomed the Committee members. The agenda was approved by consensus, noting the addition of FAR's contribution to the annual performance review to other business and that agenda items may shift to ensure time is used appropriately.

Moved by T. Brookes, seconded by R. Trimble

THAT the agenda be approved as amended.

Carried

2. Approval of November 13 meeting minutes

The minutes were circulated in the agenda book.

Moved by T. Brookes, seconded by D. Chui

THAT the minutes from November 13 be approved.

Carried

3. Investments

a) 2019 performance

The Committee reviewed the statements and requested that future reporting includes 3-5 year trends.

ACTION: Staff to work with RBC to adjust investment reporting to include 3-5-year projections.

b) Review of current investment policy and recommendations

The current policy in place with RBC was last reviewed in 2006 and requires updating to ensure it reflects current organizational needs.

ACTION: Staff to confirm the status of the RBC investment contract and the date that RBC was initially engaged.

ACTION: Staff to ensure that J. Malone from RBC is available at the February meeting to discuss the investment performance and recommendations for the investment policy update.

4. Audit plan

A. Newman provided an overview of the pre-circulated plan. With no significant areas of focus or risk having been identified, a regular audit is anticipated. It was confirmed that KPMG will be reviewing major Board-approved transactions, ensuring that signatory policy and proper authorizations have been implemented.

A. Newman confirmed that the random audit for director expenses will take place again this year. The Committee requested that this be added to the list of significant accounts on page two of the plan. It was confirmed that materiality is calculated as a percentage of total expenses, just under 3% for 2019.

ACTION: KPMG to add the random audit of directors' expenses to the list of significant accounts in the audit plan.

*Moved by J. Dunn, seconded by D. Chui
THAT the audit plan be approved as amended.
Carried*

5. Presentation of net asset structure – second review

A. Newman presented the amended net asset structure document. This document serves two important purposes; it provides structure for annual planning and it demonstrates to the CRA that Engineers Canada is considering the appropriate levels of reserves required and why and that the internally restricted amounts listed on the financial statements receive appropriate due diligence.

A question was raised around the level of funds dedicated to legal defense and if it can be reduced. The Committee agreed to continue monitoring reserve levels with no changes made at this stage.

Following an editorial review to be done by staff, the Committee agreed to recommend the net asset structure to the Board for approval.

*Moved by T. Brookes, seconded by R. Trimble
THAT the net asset structure be approved as amended, for recommendation to the Board for approval.
Carried*

ACTION: Staff to work with KPMG for editorial changes to the net asset structure document prior to circulation with the February agenda book.

6. Revised 2020 budget memo

J. Monterrosa presented the changes made since the draft was circulated with the late fall Board meeting agenda. The 2019 forecast has changed, with the biggest impact seen in the revenue line of national programs and the projected surplus for the reserves which increased by \$3 million dollars due to two factors; PEO reported that they will not be participating in the TD program and there was an adjustment required to reflect expected revenues from the Manulife affinity program. With regards to the Manulife revenue forecast, J. Monterrosa confirmed that processes and timelines will be reviewed and adjusted to ensure more time available for oversight in advance of reporting in the future. The revised budget memo will be provided onsite in paper format to update Board members.

7. Review of TD affinity program status

The second monthly report was pre-circulated. There has been a reduction in policies following APEGA's departure from the program, although the decrease in revenues is not as severe as originally projected due

to a 3% increase in written premium values in Alberta. With only two months of reporting, and noting that the new provider in Alberta has not yet done a "big push", the Committee will continue to monitor this situation closely.

As more data becomes available, staff will be asked to create visuals so that the Committee is better able to comprehend the trends with regards to client count, cancellations and written premiums.

ACTION: Staff to consider how to transfer the TD reporting to a graph format for trend visibility.

ACTION: G. McDonald to investigate if TD is able to perform exit surveys.

8. Risk Review

a) Presentation on strategic risks

The Committee reviewed the list of potential strategic risks identified during the environmental scan and agreed with the recommendations being added to the existing register. Following the presentation of the new strategic risks during the foresight workshop, the descriptions and ranking of each risk will be drafted by staff and included in the May risk register report for review by the Committee in advance of circulation with the Board agenda book.

Following discussion, it was clear that some of the risks require re-categorization and staff will review and adjust as required.

ACTION: Staff to review the risk categories and adjust as required.

ACTION: Staff to include the new strategic risks with descriptions, likelihood and impact scores in the May risk register report, to be reviewed by the FAR Committee in advance of circulation to the Board.

b) Draft register review process

At regular intervals, the Committee will be participating in a detailed "deep-dive" review of the risk register, that will focus on the risks in one of the following four categories:

- Strategic
- Operational
- Reporting
- Compliance

A draft plan for the ongoing risk register review "deep-dives" will be provided following the staff's efforts with re-categorization of the current risks.

ACTION: Staff to prepare a draft process for risk register "deep-dive" review, following the re-categorization efforts.

9. FAR related policies

a) Discussion on approach to policy review

The FAR Committee, as part of their role and responsibility, will be reviewing the policies that relate directly to financial oversight. A list of all related policies was provided in the agenda book. The Governance Committee is currently reviewing the full set of policies and both HR and FAR are invited to bring forward any areas of concern that relate to their work.

There have been some overlaps identified in the Board policies and terms of reference documents; the

Governance Committee is aware of the issue and are ensuring that following their 2019-2020 review, any duplications present will be clear, correct and explicit nature.

Oversight of operational policies will be captured in the audit and the Committee will raise questions if the policies are not clearly identified in the report. It was agreed to recommend that the 2020-2021 FAR Committee perform a focused review of the operational policies.

A discussion was had around loyalty points and whether a policy is required to manage any risk or opportunity in this area. There is no way to set up corporate accounts and loyalty points can be granted to the individual. It was agreed that a policy is not required at this time, and that Engineers Canada will continue to monitor the situation.

ACTION: Staff to include, on the 2019-2020 FAR Committee's recommendations for the 2020-2021 FAR Committee's work plan, the review of operational policies.

10. Work plan review

The Committee reviewed the work plan. It was confirmed that no borrowing policy currently exists.

11. Other business

S. Price introduced the annual performance report, a new initiative this year to provide an update to the members on progress made to date with the strategic plan. The report also serves as a starting point to identify if any adjustments are required to realize the plan. The draft will be presented to the Board in February, with a motion to recommend the report to Members for their meeting in May. FAR will be providing an update on their work towards risk management and mitigation strategies under Board Responsibility #5. It was agreed that staff would draft the update, with Committee reviewing via email.

ACTION: Staff to prepare FAR's portion of the 2019 annual performance report on progress achieved towards Board responsibility 5 of the strategic plan, for circulation to FAR members for review via email.

12. Adjournment

The meeting was closed at 5:20pm ET.

***Moved by R. Trimble, seconded by D. Chui
THAT the meeting be terminated.
Carried***