

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

November 10, 2020 11:00am – 12:30pm ET | Virtual

<b>Committee members in attendance</b>	
Dwayne Gelowitz, Chair Christian Bellini Sudhir Jha	Jane Tink Chris Zinck Steve Vieweg
<b>Regrets</b>	
Carole Lamothe	
<b>Observers in attendance</b>	
Jean Boudreau	Changiz Sadr
<b>Staff and support</b>	
Roseanne Gauthier Stephanie Price	Derek Menard Mélanie Ouellette

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

D. Gelowitz, FAR Committee Chair opened the meeting at 11:00am (ET) 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 S. Jha, seconded by C. Zinck*

*THAT the minutes from October 21, 2020 be approved.*

*Carried*

**b) Review of action table**

The action table was reviewed, noting that all actions are complete or were on the current agenda.

**3. Review Q3 2020 financial statements and Q3 Forecast**

D. Menard presented the pre-circulated Q3 forecast vs the 2020 budget which showed that both revenues and operating expenses are in positive variance compared to the original budget, and that most of the operating expense variances are explained by the effect of the COVID-19 pandemic. Examples given:

- Overall revenue is \$1.7M over budget due to the PEO portion of the TD program (not budgeted), offset by the APEGA flow through budgeted for the TD program, and the AMM and awards sponsorships.
- Expenses are lower due to:
  - travel restrictions;
  - cancellation of multiple face-to-face meetings;
  - lower facilities cost as staff were not working from the office;
  - lower amortization;
  - medical benefits credits from the insurance provider due to COVID; and,
  - delays in projects.

It was noted that delays/timing issues relating to project spending in 2020 would shift to 2021 and are reflected in the revised 2021 budget approved at the previous meeting.

It was agreed to prepare a response in advance of the meeting of members in May 2021 to questions regarding variances in the financial statements that could disclose 2020 settlement payments.

**ACTION: Staff to develop wording for committee review to respond to any potential questions at the Meeting of Members to explain variances in the financial statements resulting from 2020 settlement payments.**

#### **4. Review Q3 investment performance report**

Summarizing from the pre-circulated RBC statement, D. Menard noted that the asset range percentage amounts still adhered to the old investment policy and that the statements will be reflective of the new policy once it's approved by the Board. From the present statement it was ascertained that:

- Cash equivalents were high at \$2.7M vs the anticipated revised Q3 forecasted spend, a reflection of Engineers Canada's cash infusion of the first half of the calendar year. RBC has been provided an updated cashflow requirement based on the Q3 forecast, and we should see the cash equivalents reduce by 750K- \$1M in the next quarter.
- The early part of the year saw negative returns, which are now recuperating and performing well.

D. Menard consulted the committee and requested their approval for the transfer of some funds to the RBC Vision funds (environmental, social and governance (ESG) focused investment funds). It was decided upon discussion to advise the Board before doing so.

**ACTION: Staff to add slides to the committee's presentation and to the chair's speaking notes for the December Board meeting regarding proposal to transfer funds to ESG investment funds.**

#### **5. Consultation on timing of activity for the CEO objective to provide an assessment of the long-term financial and operational viability of Engineers Canada**

The committee was in agreement that this objective should not be included in the 2021 objectives due to the current instability of national and regulator financial situations. The committee recommends that this item be considered for inclusion in the CEO's 2022 objectives, and a review of the timing of an assessment be deferred to fall 2021. This decision to be delivered to the HR Committee.

**ACTION: Staff to prepare an email for the chair to send to the HR Committee to communicate the recommendation that the assessment of the long-term financial and operational viability of Engineers Canada be re-evaluated in the Fall of 2021 for inclusion in the 2022 CEO objectives.**

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

D. Menard presented the retention report, noting that while the client count has reduced, it is not as low as previously forecasted and cancellations have decreased slightly from September 2019 by 3%.

S. Price understood from the report that the inbound sales had been declining significantly which could become a long-term concern even though the retention efforts implemented following the loss of APEGA have delivered improvements in monthly retention:

- Retention over the past 12 months is 92%, compared to 94-95% prior to APEGA termination.

It was noted that as TDI continues to invest in Alberta in order to attract and retain more APEGA members, more investments are needed in order to increase quote volumes relative to APEGA's pre-termination levels.

The committee agreed that no material change in the budget was necessary at this time.

## **7. Review strategic and operational risk registers**

D. Gelowitz noted the new adjusted risks in the risk register from the previous FAR and HR meetings' decisions. While they were reviewed by the committee, no changes were proposed to the circulated document.

## **8. Improvements to the risk management process**

M. Ouellette received feedback on future improvements to the risk management process, from which the following suggestions resulted:

- Managing risks also mean being transparent with the Board as to what might happen and proactively address potential issues.
- The layout of the risk matrix information makes it difficult to contextualize. Including examples could make it more concrete for the Board so that it has a better understanding of risks and their consequences.
- Perhaps adding a standing item on each Board briefing note that refers to the associated risk would incorporate risk management considerations in Board decisions. If this process is implemented, then the risks review should be removed as a standing Board agenda item, and reviewed regularly only by FAR.
- To replace risk as a standing Board agenda item, an annual deep dive could be held to identify and discuss risks. During this annual review, the agenda book could include this information on risks:
  - When they were first identified;
  - Which ones are short and long-term risks so that time-sensitive risks get addressed quickly;
  - Request a decision on those that could be retired; and,
  - Set a deadline for when they should be addressed, when applicable.
- It was also recognized that some risks, like holism of the federation, will always be present. The goal should be to reduce the number of risks, where possible, over time.
- Support was expressed for these suggestions, providing that it does not create too much work for staff.
- Risks can be identified at any time. All identified risks should first be evaluated by FAR.
- There is no consideration of timing in the current management of risks. This should be addressed so we can understand whether issues are urgent and likely to be resolved, or long-standing and something that is managed but never removed.

S. Price noted that the Board never had an official discussion on the level of tolerance that the Board is willing to take when managing risks and that perhaps it would be valuable to bring this question in front of the Board for discussion. Committee members responded that while a decision has never been formally made, the Board implicitly states its risk tolerance when discussing and managing risks.

M. Ouellette concluded her presentation by confirming that the suggestions will be reviewed by staff and she will report back with the recommendations in 2021.

## **9. Work plan review**

The work plan was reviewed. S. Price highlighted the editorial adjustments made to the work plan to support the Board's recent approval of the committee's amended terms of reference. No other comments or questions were received, and it was noted that the committee remains on track.

**10. Other business**

No other business was discussed.

**11. Next meetings**

The next committee meetings are as follows:

- Dec. 1, 2020 (Virtual)
- Feb. 25, 2021 (Virtual)
- Mar. 17, 2021 (Virtual)
- May 12, 2021 (Virtual)

**12. Closing**

With no further business, the meeting was closed at 12:30pm ET.