

Minutes of the Finance, Audit, and Risk Committee Meeting

December 14, 2021, 1:30pm – 3:30pm (ET) | Virtual

Committee members in attendance	
Nancy Hill, Chair Maxime Belletête Victor Benz	Danny Chui (ex-officio) Steve Vieweg Chris Zinck
Regrets	
K. Giles, KPMG	
Observers in attendance	
Alison Anderson Arjan Arenja, PEO	Andrew Newman, KPMG
Staff and support	
Roseanne Gauthier Gerard McDonald Derek Menard	Stephanie Price Heidi Theelen

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. The new policy regarding Budget Envelope was added as a new item for discussion under Other Business.

Moved and seconded,

THAT the agenda be approved as amended.

Carried

2. Last meeting review

2.1 Approval of minutes

The minutes were pre-circulated. No feedback or comments were received.

Moved and seconded,

THAT the minutes from October 21, 2021 be approved.

Carried

2.2 Review of action table

The Committee noted that all actions were completed.

3. Review audit plan

D. Menard introduced A. Newman of KPMG who shared K. Giles' apology for her absence and indicated his appreciation for Engineers Canada and KPMG's long-standing relationship; his of 8 years and K. Giles, of 5 years. A. Newman then presented the pre-circulated plan for the 2021 audit. It was noted that due to COVID-19, audit procedures have been restructured for a more contactless auditing process which remains effective.

In reply to a member's question, A. Newman confirmed that inflation rates do substantially affect salaries and that professional services such as accounting and engineering are seeing increases in salaries from 10 to 20%.

The Chair thanked A. Newman for his presentation and for the Directors' finance training session, which she stated as very informative.

4. Review of Q3 2021 financial statements

4.1 Q3 Financial statements

D. Menard presented the pre-circulated Q3 financial statements. It was noted that the 2021 budget had been based on the assumption that the pandemic would no longer be an influence. Consequently, most of the variances presented versus the original budget are relating to all the cancellation of 2021 travel and in-person meetings.

Revenue for 2021 came in \$2.9M higher than budget and that there was a YTD surplus of \$5.2M, influenced by the previous and driven by the following:

- Revenues are higher due to the PEO portion of TDI program not being budgeted, coupled with the strong performance of our investments.
- Operating expenses below forecast mainly due to timing delays in spending for projects under the AIP, CEAB, and NMDB.
- Underspending in corporate services due to the cancellation of training, facilities, consulting, and facilities costs.

Cash and investments are up \$2.3M due to receiving the second TD affinity payment in July and that Engineers Canada total reserves at the end of September were \$20.9M, up \$2.4M due to the surplus recorded in Q3.

The committee noted that it would be good to try and proceed with director training notwithstanding the current influence of COVID-19 on all business related projects.

ACTION: That staff reach out to the Corporate Governance team to relay the interest in individual training for directors.

4.2 Q3 Forecast

D. Menard presented the pre-circulated forecast. Highlights were reported in the forecasted amounts vs. actual spending and revenues, as reflected in the financial statements details noted above.

In addition, noted were small increases in forecasted spending for:

- Services and tools increased spending of \$23K due to increased professional fees for expanded services for the QB practice committee, and to accelerate effort on the software engineering tasks force; and
- International Mobility increased spending of \$34K due to higher anticipated translation/ interpretation service requirements after review with the IEA team.

All of the above results in an overall forecasted surplus of \$3.9M for 2021, up \$200K from the last forecast. This forecasted surplus anticipates an unrestricted reserve balance of \$13.3M, and total reserves of \$19.7M for the end of 2021.

It was observed that FAR should be vigilant in the short-term future for the threshold amount regarding the accumulation of an unusually large amount of unrestricted surplus of funds caused by the cancellation of travel and in-person meetings.

ACTION: Staff to correct to Projected 2022 closing balance instead of 2020 on Forecasted Statement of Reserves table, p.39 of the Agenda book.

5. Review of Q3 Investment performance report

D. Menard reported on the Q3 Investment performance from the pre-circulated documentation. Overall, investment returns in Q3 have slowed down from mid-year.

D. Menard reminded the committee that James Malone of RBC will be present at FAR's next meeting and will be presenting the Investment performance report. Members are welcome to list specific concerns and questions regarding investment matters.

6. Annual performance reporting - Board responsibility 5

D. Menard presented the annual risk management performance report and reminded the committee that significant improvements were made to the risk identification and monitoring process during the course of the last year. The report was deemed to have achieved both objectives and intended outcomes. No feedback or comments were received.

7. Review of the Risk Register

S. Price presented the Risk Register noting the last Quarter updates from the pre-circulated documents. S. Price updated the committee on the new Organizational Excellence Team's lead on the Risk Registry. H. Theelen introduced herself to the committee as the new staff lead for the Risk Register and committee members welcomed her onboard.

It was discussed that the EDC risk value will remain low as long as Engineers Canada will be able to provide real commitment and progress to projects to the Deans' satisfaction.

8. Work plan review

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

9. Other business

N. Hill introduced the subject matter of a *Budget Envelope* and called on D. Menard and G. McDonald to guide the committee into building a guideline for the budgeting process in order to set expectations for the expenses on the budget.

D. Menard confirmed that both he and G. McDonald will create and present a budget process proposal to committee members at the FAR March 2022 meeting, after which, the remaining envelope development timeline was proposed as:

- Presenting a draft of the budget envelope at the May Board meeting,
- That the new FAR committee approve the envelope at the committee's first meeting in June 2022,
- To have a first draft of the budget prepared in August 2022 under the new process.

N. Hill opened a roundtable of concepts to add as considerations to the envelope:

- The addition of a new policy for the management of unrestricted reserves
- Discussion of methods and objectives to consider in reducing the unrestricted funds
- The use of additional marketing
- Granting program for engineering and the advancement of the engineering profession
- The addition of scholarships

ACTION: Add development of a Budget Envelope process to the 2021-2022 Work Plan for the March 2022 FAR meeting.

10. Next Meetings

The next committee meetings are as follows:

- Feb. 24, 2022, virtual
- Mar. 16, 2022, virtual
- May 12, 2022, virtual

11. Meeting review

N. Hill invited all participants and staff for their comments. All agreed that the FAR committee meetings run smoothly, and that the participation rate is high. A returning comment was that the Chair, N. Hill, anticipates and encourages members and guests to comment.

12. Closing

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