

Minutes of the Finance, Audit, and Risk Committee Meeting

April 29, 2020 1:00-3:00pm ET via webinar

Committee members in attendance	
L. Doig (Chair) K. Baig T. Brookes D. Chui	J. Dunn R. Trimble S. Vieweg
Regrets	
None	
Observers in attendance	
J. Boudreau D. Lynch	C. Sadr
Staff and support	
C. Mash M. McCourt G. McDonald	S. Price V. Qian

1. Call to order and approval of agenda

L. Doig, Chair, opened the meeting at 1:08pm (ET) and welcomed everyone to the final meeting of the 2019-2020 FAR Committee. L. Doig recognized the support and participation of the members, staff, observers and guests.

Moved by T. Brookes, seconded by J. Dunn

THAT the agenda be approved.

Carried

2. Last meeting review

a) Approval of minutes

The minutes were circulated in the agenda book.

Moved by T. Brookes, seconded by J. Dunn

THAT the minutes from March 18 be approved.

Carried

b) Review of action table

The action table was reviewed. S. Price noted that the policies reviewed by the committee at the March 18 meeting are scheduled for presentation to the Board in October 2020.

Additionally, staff will be working with RBC to request a longer-term view of the investment reporting, with projections for returns over the next three- to five-year period. This is requested in addition to the historical information already included as part of the quarterly investment statements.

3. Financial performance review

a) Review Q1 YTD financial results

S. Price presented the statements and responded to questions. The following was clarified:

- Note 2 provides the breakdown of the reported revenues, in addition to the total revenues to be received due to PEO's decision to not participate in the affinity program (not yet part of the revenue total)

- "Protect official marks" includes unbudgeted legal costs incurred. FAR would like this area clarified to identify the levels of spending for each category of unbudgeted legal cost to assist in future budget planning.

b) Review Q2 forecast

S. Price presented the Q2 forecast, noting significant impacts from COVID-19 at this stage that include:

- fewer in-person meetings, resulting in lower expenses, with some resulting cancellation penalties.
- accreditation visits being on hold will reduce expenses but will not affect revenues as they are a cost-only activity.
 - The five new programs being considered for accreditation will be managed using virtual tools and will be considered individually.

The committee requested that the risk of litigation be added in the notes to the quarterly reporting, similar to how it is reflected in the audited statements.

It was clarified that the national program revenue reflects the amount received from TD, less the amount paid to participating regulators (51% of the total written premiums in their respective region). Two factors that affect this total are:

- APEGA's portion is no longer paid to APEGA and instead is returned to TD, and used for marketing of the program in Alberta; and
- PEO's 51%, depending on their annual decision to participate in the Affinity program, has historically been added to Engineers Canada's revenue, following their decision to not participate.

It was noted that the regulators could benefit from understanding the full revenue received from TD, prior to the adjustments. This area is of large benefit to many regulators and should be highlighted.

ACTION: Staff support to ensure future financial reporting includes:

- **budget and variance columns**
- **various categories and levels of unbudgeted legal expenses**
- **litigation risk reflected in the forecast and statement notes (legal reserves)**
- **consideration of new approaches to affinity reporting to better demonstrate the program's value provided to regulators**

4. Investment performance review

The committee commended the level of historical detail and fee related information, noting the negative performance as a reflection of the current environment.

5. Review of TD's March APEGA Policy Retention Performance report

G. McDonald presented the retention reporting, noting that while the client count is reducing, premium renewal tends to be seasonal and it results in variances throughout the year. TD has predicted that the number of policies will continue to decrease for two-three years, followed by a levelling off before growth. Engineers Canada was planning for a 20% reduction in budgeted affinity revenues in 2020, which has not yet been realized.

Public record supports that the growth in APEGA's program with The Personal has exceeded original projections and that the 30% discount being offered in the first years of service is proving successful with some. It was noted that this is not a direct indication that TD is losing members, since many APEGA members were not participating in the TD program. It was further reported that there has been a noticeable increase in TD marketing in Alberta.

The committee agreed that it would be prudent to capture the observations in a summary section to the charts, to provide more explanation of the visible trends, including market conditions in Alberta, TD's projections and the effect on Engineers Canada's budget planning.

ACTIONS: Staff to implement improvements to the retention performance reporting, to include:

- **Market conditions in Alberta**
- **Long-term projections from TD**
- **The resulting effects on Engineers Canada's budget planning**

6. Draft net asset policy review

S. Vieweg provided background on his recent review of the draft policy 7.12 *Net asset policy*. Adjustments include expanding the actions that can be taken by the Board by removing the constraints on the use of internally restricted funds, and to include Board oversight to the CEO's use of unrestricted reserves. Additional adjustments were made for formality and to improve clarity.

This draft policy will be provided to the 2020-2021 Governance Committee for a final review before it is recommended to the Board for approval. Additionally, FAR requests that Governance consider the following:

- Review the category table and text preceding it, in conjunction with the net asset structure document, to ensure there is no overlap.
- *Policy 7.6 Reserves* is still included in the Board policy manual. Review and consider if the draft net asset policy will replace Policy 7.6, or if Policy 7.6 requires rescindment to accommodate the draft net asset policy, currently proposed as Policy 7.12.
- Review section 7.12.3 Responsibility and authority, items 1 and 3 for overlap and adjust as required.

ACTION: Staff to coordinate the draft net asset policy review with the Governance Committee staff support, noting the additional areas of focus above.

7. Risk register review

a) Risk register Briefing note for May Board meeting

The committee discussed the current risk register. The following was noted:

- Risk #35, holism, was identified to cover tension between provinces, and the risk description should be further expanded to capture this specific type of disruption, in addition to other types of potential threats to holism.
- S. Price provided an overview of the adjustments made to the operational risks to reflect the pandemic:
 - Emerging risks include individuals falling ill or burning out, due to the increase in demands and stress. The business continuity plan has been increased to moderate and will be reviewed for improvements as needed.
 - Consultation program engagement (risk 42) is being monitored for decrease in participation due to business disruption. This has not yet come to fruition, and there has been higher pressure on some items, as regulators adjust to the situation.
 - Risk #37 concerning PIEVC has decreased and will continue to decrease once the program is fully transferred. The transfer remains on track for completion, progress has not been disrupted by the pandemic.

ACTION: Staff to amend the May Board meeting risk register briefing note as follows:

- **Replace all instances of "organizational risks" with "operational risks"**

- **Adjust risk #17 to mitigate, instead of transfer, to better reflect the appropriate response strategy.**

b) In-depth review of new strategic risks

S. Price provided an overview of the new strategic risks, noting that based on the feedback received at the February workshop, some may no longer be required. The committee reviewed them individually and decided that:

- Failure to demonstrate consistent regulatory practices nationally was identified as an important risk. The responsible party will transfer from CEQB to FAR, and risk 48 and 49 will be combined into 45 as symptoms.
- Risk 46 and 47 were identified as both relating to long-term financial stability, and that they can be combined.
- Risk 52 was deemed as not a risk to Engineers Canada at this stage. Competitors will be closely monitored, but it is not clear that there is current confusion as to who represents the profession.
- Risk 50, which focuses on assessing the impact of outreach activities, was considered more of a fact than a risk and will be removed.
- Additionally, it was noted that a major risk impacting regulation in Ontario right now is emerging disciplines and entrepreneurs, and that the risk could be consistent across all regulators.

ACTION: Staff support to amend the new risks as per the notes above.

8. Work plan review

The committee reviewed and discussed the progress made on the 2019-2020 work plan and the proposed additions for the 2020-2021 work plan. Defining long term contracts and creating a structure to better understand which contracts require Board oversight, via the FAR Committee, was highlighted.

9. Other business

No other business was brought forward.

10. Next meetings

Members and observers were thanked for their support and work over the year. D. Chui noted the efforts of L. Doig in her role as chair and thanked her for leading the inaugural FAR Committee.

11. Closing

With no further business, the meeting was closed at 3:25pm ET.

Moved by R. Trimble, seconded by T. Brookes

THAT the meeting be terminated.

Carried