

Minutes of the Finance, Audit, and Risk Committee Meeting

August 10, 2022 11:30 am – 2:00 pm (ET) | Virtual

Committee members in attendance	
Arjan Arenja (Chair) Dawn Nedohin-Macek	Steve Vieweg Maxime Belletête
Regrets	
Victor Benz	
Staff and support	
Gerard McDonald, Chief Executive Officer Derek Menard, Director, Finance Brent Gibson, Manager, Communications Heidi Theelen, Director, Strategic Planning and Organizational Excellence	Liz West, Manager, Governance and Board Services Jeanette Southwood, Vice President, Corporate Affairs and Strategic Partnerships Mélanie Ouellette, Manager, Strategic & Operational Planning

1. Call to order and approval of agenda

A. Arenja, Far Committee Chair, opened the meeting at 11:30am (ET) and welcomed the committee members.

He referred to the discussion from the previous meeting that given the small size of the committee, it would not be necessary to require a seconder for a motion. It was noted that staff had been consulted on the appropriate governance to follow. As a result, not requiring a seconder will be followed going forward.

Moved and seconded

THAT the agenda be approved, and the chair be authorized to modify the order of discussion.

Carried

2. Last meeting review

2.1 Review of minutes (June 20, 2022)

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

Moved

THAT the minutes from June 20, 2022, be approved.

2.2 Review of action table

The committee members did not have any comments or questions regarding the action table.

3. 2023 Budget

3.1 2023 budget memo

D. Menard, Director, Finance, presented the draft budget for 2023. The 2023 budget includes \$11.2M in revenue and \$16.6M in expenses and will be a deficit budget of \$5.3M.

Revenues

- Overall, revenue is budgeted to increase 2% or \$194K over 2022.
- Revenue from annual dues and investments is projected to increase by \$266K mainly due to an increase in projected members from Regulators, from 303K members in 2022 to 316K (actual)

members for 2022 were 313K, so the true increase is 0.9%), coupled with a small increase in anticipated investment revenue (predicting 3.5% return vs 3% in 2022).

- National/Affinity Programs will have a small decrease of \$72K, due to a small decrease in anticipated revenue from the TD home and auto program mainly driven by a decline in anticipated premiums in Alberta, and slower growth in Ontario.

Expenses:

Overall, operating expenses are expected to increase by 6.6% to \$12.2M.

- Accreditation: an increase of \$62K from 2022 due to a higher number of visits included in the 2023 cycle vs 2022
- Services and tools: an increase of \$50K due to new operational costs (software and maintenance) for the National Membership Database (NMDB) now that the system has been fully implemented. It was previously recorded in the project section.
- Secretariat services: an increase of \$180K primarily due to anticipated increased costs for airfare and hotels, increased AV costs for Board and committee meetings, and additional costs included in the 2023 budget for the strategic planning sessions for the 2025-2027 Strategic Plan that will take place in 2023.
- Corporate services: has increased \$450K mainly due to salary adjustments based on our salary band review or cost of living adjustment, increased insurance costs for Cyber/D&O/E&O coverage and an increase in IT licensing costs and travel.

Project Spending:

- The costs of \$4.1M for the 2022-2024 Strategic Plan are in-line with the numbers previously provided in the approved budget assumptions. The marketing campaign to “Reinforce trust and value of licensure” will begin in 2023.
- The overall project budget for the “Accreditation Improvement Program” remains unchanged
- The start “Mobility Register Improvement project” was delayed in 2022, and funds are being transferred to 2023.
- Overall, a deficit of \$5.3M is projected for 2023.

Reserves:

- A deficit is projected of \$886K in 2022, resulting in an unrestricted reserve balance of \$13.1M at the end of 2022. Restricted reserves remain unchanged. As 2023 is a deficit budget of \$5.3M, the balance at the end of 2023 will be \$7.9M.

Per Capita Assessment fee (PCAF) for 2025:

D. Menard noted that if the PCAF remained at \$8.00 for 2025, it would result in a reduction of \$722K in revenue in 2025, in comparison to the 2023 PCAF rate of \$10.21. This is based on the following:

- The revenue received from annual dues is based on the estimates from regulators up until 2025, and our assumption of a membership increase of 2% year over year for 2026-2027.
- The revenue received from affinity programs is based on projections from the program providers.
- It is assumed that PEO will not avail itself of the approximately \$2.6M in affinity revenue that is available to them in 2023. In future years, it is assumed that PEO will avail itself of the affinity revenue.
- Operating expenses will increase at a rate of 3% in 2024, and 2% after that.

- Spending in 2025 to 2027 on the new strategic priorities is \$3M per year.

As part of the discussion on the 2023 budget, J. Southwood, Vice President Corporate Affairs and Strategic Partnerships, and B. Gibson, Manager, Communications joined the meeting to present an overview of the campaign related to SP 2.2, Reinforce trust and value of licensure.

A discussion followed. Concern was expressed that continuing to draw on the reserves to fund such projects would become detrimental over time and could result in a significant increase in assessment fees. G. McDonald commented that while projects related to the current strategic plan would access reserves, he noted there would be sufficient funds to sustain the organization through the development of the next strategic plan. He further commented that if high profile campaigns were to continue, discussions would be held with Regulators to determine appropriate funding levels.

J. Southwood and B. Gibson left the meeting.

Action: Ensure all financial tables that are not consistent in terms of the display of dollar amounts be labeled (e.g. thousands) and in the portfolio detail analysis document, provide the percentage breakdown of costs for accreditation (e.g. Accreditation business \$452,418; of which 60% represents travel)

3.2 Portfolio details analysis sheets

In the interest of time, the portfolio details analysis sheets were not reviewed in detail.

4. Review of risk register

H. Theelen, Director, Strategic Planning and Operational Excellence, and M. Ouellette, Manager, Strategic & Operational Planning joined the meeting.

H. Theelen presented a review of the risk register, specifically noting the changes since May 2022. These included changes to risk titles to provide more clarity and scope; the Board request, as part of the annual planning process, to increase the scope of 30 by 30 to include internationally trained female individuals; the scores currently remain the same as it's too early to assess whether or not new actions will decrease the likelihood of risks; and additional controls implemented will be moved to the actions section.

H. Theelen also provided an overview of next steps with respect to the involvement of the FAR Committee when it meets in December 2022.

A discussion followed, with Committee members specifically raising the issue of cybersecurity. It was requested the CEO speak to this at the next Board of Directors meeting. D. Menard noted Engineers Canada's insurance provider was recommending a threat assessment be undertaken due to the high cost of premiums for this type of insurance.

H. Theelen and M. Ouellette left the meeting.

Actions:

- **Within the context of the risk register, the CEO is asked to speak to the Board about cybersecurity risks for Engineers Canada.**

- **Within the context of the Risk Register, ensure consistency in font colours when showing track changes and ensure the comments provided for context are visible.**

5. Q2 Financial Statements

5.1 Q2 Financial Statements

D. Menard presented the Q2 financial statements.

D. Menard noted the decrease in revenue due to a decrease of 7.8% in the fair market value of investments during Q2.

Operating expenses are \$818K below forecast mainly due to timing delays in spending in promotion and outreach, secretariat services, corporate services, a refund received for office operating costs from the landlord and software and consulting fees.

There will be some timing delays on projects and, therefore, some projects will be deferred until 2023.

As a result, the YTD deficit is projected to be \$1.7M vs Budget of \$1.8M.

5.2 Q2 forecast

D. Menard presented the Q2 forecast and provided comparisons to the Q1 forecast, as well as to the original budget. Based on current projections, it is anticipated that 98% of the operating budget will be spent.

6. Review of Q2 investment report

D. Menard reiterated that the decrease in the fair market value of investments contributed to the reduced portfolio value. He noted the investment strategy for Engineers Canada is based on long-term conservative growth and is able to withstand the current market fluctuations. D. Menard noted a representative from RBC would be making a presentation to FAR at a future meeting.

7. Review of Policies

7.1 Policy 6.4 Finance, Audit and Risk (FAR) Committee terms of reference

D. Menard highlighted the primary change to the terms of reference, noting that there would now be an annual review and approval process of the CEO's budget.

Moved,

THAT the updates to the Finance, Audit and Risk (FAR) Committee terms of reference be approved.

8. Work Plan Review

No comments were received on the review of the work plan for 2022-2023.

9. Other business

No other business was discussed.

10. Next committee meetings

The next committee meetings are as follows:

- October 21, 2022 (virtual)
- December 14, 2022 (virtual)
- February 27, 2023 (virtual)
- March 10, 2023 (virtual)
- May 11, 2023 (virtual)

11. Meeting evaluation

All meeting participants felt the meeting was successful and there had been good discussion.

12. Closing

With no further business, the meeting was closed at 1:46 pm (ET).