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Minutes of the Finance, Audit, and Risk Committee Meeting

October 21, 2020 12:00 – 1:30pm ET | Virtual

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

1. Call to order and approval of agenda

D. Gelowitz, Committee Chair opened the meeting at 12:03pm (ET) and welcomed the committee members.

Moved by S. Jha, seconded by C. Zinck
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 August 14, 2020 be approved.
Carried

b) Review of action table

The action table was reviewed, noting that all actions are complete.

3. Review of final 2021 budget

D. Menard provided an overview of the final budget, highlighting the changes made since the last meeting. As indicated in the pre-circulated documents, no changes are significant aside from savings relating to moving the Board and CEAB winter meeting to the virtual format. Other items discussed were:

- With slippage into 2021, corresponding adjustments made to the 2020 numbers will be reported at FAR's November meeting, with the exception of the AIP program, which has increased in cost.
- The Per Capita Assessment recommendation was noted as a difficult process to undertake.
- It was decided that the per capita recommendation will remain at $10.21, and changes may be considered following PEO's decision with the affinity program and the approval of the strategic plan in May 2021.

It was agreed to present the amended budget documents to the Board for December as presented.

4. Review and oversight of FAR strategic risks

A review of the FAR Committee risks was presented by D. Gelowitz, noting that the risks are evaluated at the present time and can be adjusted if there is a large change in the environment. The committee discussed the likelihood and impact scores of their "owned risks":

Risk #17 - *investment market risk*: The committee agreed with the present scoring, noting that the investments are long-term and reasonable.

Risk #45 - *failure to demonstrate consistent regulatory practices nationally*: This new risk resulted from the *Engineers Canada 2022-2024 draft strategic plan*. The following was noted:

- Without a timeframe, there seems to be no indication that there is a tangible plan in action for the alteration of a risk's status.
- The score for this risk is low for Engineers Canada, because it is purely a reputational issue whereas, for the regulators, it has a much higher impact that includes reputation and potential loss of confidence in regulation from governments.
- Engineers Canada provides the opportunities to mitigate, but does not directly affect outcomes:
    - Engineers Canada could indirectly influence this risk by providing a framework for licensure and information to promote regulation consistency. Additionally, problems on the horizon that need attention can be recognized.
    - By supporting the introduction of the competency-based assessment program, Engineers Canada provides regulators with opportunities to harmonize their regulatory practices.
- G. McDonald noted that the proposed harmonization priority will provide further mitigation strategies should it be approved. If the priority is accepted, the committee can re-visit this risk and adjust accordingly.

It was agreed to make no changes to the scoring of this risk.

Risk #46 - *long-term financial sustainability*: It was noted that an assessment of the long-term financial and operational viability of Engineers Canada that was part of the 2019-2020 CEO objectives is being recommended for removal due to fluctuations in the economy stemming from COVID-19. The committee will be asked for guidance as to when this initiative should be reconsidered at their November meeting. Additionally, the following was noted:

- Engineers Canada mitigates the risk of PEO's decision to participate in affinity funds by budgeting on the assumption that no money shall be forthcoming.
- The Board, at their meeting in October, considered that the risk score may be underrated since it was comparable to the risk of the 30 by 30 program not attaining its goals.
- Tools presently exist at Engineers Canada to mitigate long-term financial stability, including three-year budget forecasting and the ability to adjust the Per Capita Assessment. Engineers Canada is not currently in a susceptible position.
- The likelihood score could be reduced due to the tools available, but the success of these tools, considering specifically the ability to adjust the Per Capita Assessment, is dependent on regulators agreeing to increases in the fee if necessary.

It was agreed to make no changes to the scoring of this risk.

Risk #48 - *emerging disciplines and licensure of entrepreneurs*: Although Engineers Canada provides support in this area, this risk relates more to regulators. It was noted that the choice of "monitoring" as a risk response strategy could be taken out of context and may be confusing as it gives the impression that

Engineers Canada is not actively working on it as a priority, whereas the draft strategic plan includes an additional priority specifically about emerging disciplines.

It was agreed to make no changes to the scoring of this risk.

Risk #35 - *holism*: the committee agreed that the impact would be significant if any engineering regulator chose to leave Engineers Canada and the value of the organization, as a whole, would be diminished. The present likelihood score of 3 was more reflective of the past year's challenges, most of which have been resolved:

- The revenue-sharing formula of the affinity agreements was changed in September, and the affinity agreements interpretation issue has been resolved.
- The issue of Board size was referred to the Governance Committee. At the May Board meeting, the directors received and considered a report on the issue. Following discussion, the Board resolved to report out to the members for their consideration. At the same time, it defeated a motion to recommend the plan that was contained in the report, to reduce the size of the Board through attrition. The report was provided to Members on August 5, 2020.

Following the improvements in this area, it was agreed that the risk likelihood score of risk #35 should be reduced from 3 of 2, to better reflect the current situation.

M. Ouellette was introduced in her role as Manager, Strategic and Operational Planning. She will be focusing on an integrated approach to improve the risk management process, which will be discussed at a future meeting.

ACTION: Staff support to amend risk #35 to reflect the likelihood score reducing from 3 to 2.

5. Changes to the investment policy

D. Menard presented the investment policy as pre-circulated which has been adjusted to suit the directive from RBC:

- The policy was adjusted to support the need for a higher cash asset allocation to support strategic spending. Cash asset allocation was increased, and equities and bonds were decreased.
- It was clarified that RBC actively manages the funds and fees are 0.03%. The quarterly results will be reviewed at the November meeting and the RBC relationship will be reviewed as one of the long-term contracts on FAR's work plan in 2021.
- In keeping with the Board's National Position Statement, information was provided to FAR on environmental, social and governance (ESG) focused investment vehicles provided by RBC. The investment portfolio would not be fully ESG, but some funds could be incorporated. Upon first review it was noted that this approach does suit the Board's position, although the fossil fuel-free fund should be avoided. It was agreed to investigate further, including the fees involved, before further discussion.

ACTION: D. Menard to further investigate the RBC vision funds, to determine fees and approach required to integrate them into Engineers Canada's investment portfolio. Risks and rewards of this option will be further discussed at a future meeting.

6. Review of the TD's APEGA policy retention report

G. McDonald presented the reporting provided for information. It was noted that:

- APEGA’s departure impact has been less than projected in the short-term. TD predicts that the number of policies will continue to decrease for two-three years, followed by a levelling off before growth. The loss to date is not yet near the projected 20%.
- The increase in premium cost continues to stabilize the revenues; although Engineers Canada is retaining its revenue from APEGA, there is no growth at this stage.
- Engineers Canada is scheduled to meet with TD representatives who will present more longer-term projections, and more information on this meeting will be given at the November meeting.

7. Work plan review

The work plan was reviewed. No comments or questions were received, and it was noted that the committee remains on track.

8. Other business

No other business was discussed.

9. Next meetings

The next committee meetings are as follows:

- Nov. 10, 2020 (Virtual)
- Dec. 1, 2020 (Virtual)
- Feb. 25, 2021 (Virtual)
- Mar. 17, 2021 (Virtual)
- May 12, 2021 (Virtual)

10. Closing

With no further business, the meeting was closed at 1:06pm ET.