



Minutes

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Enforcement Hotline:

Audit Committee & Finance Committee Joint Meeting on May 12, 2020

Meeting Minutes issued:

Minutes of a meeting of the Audit Committee (AUC) and Finance Committee (FIC) held via Zoom on May 12, 2020 commencing at 4:00 pm.

In attendance:

Audit Committee Members:

Chair: Guy Boone, P.Eng., Eastern Region Councilor

Vice-Chair: Marilyn Spink, P.Eng. (not in attendance)
Leila Notash, P.Eng., PhD, FEC, Councilor
Sherlock Sung, B.A.Sc., Lieutenant Governor-in-Council Appointee
Thomas Chong, M.Sc., P.Eng., FEC, FCAE, PMP
Craig Young, P.Eng., CPA, CMA
Ishwar Bhatia, M.Eng., P.Eng.

Finance Committee Members:

Chair: Lorne Cutler, P.Eng., MBA; Lieutenant Governor-in-Council Appointee

Vice-Chair: Randy Walker, P.Eng., Councilor
Colin Chan, P.Eng., MBA, CPA, CMA
Linda Drisdelle, P.Eng., M.Eng., MBA, FEC
Roberto Martini, P. Eng., CPA, CMA
Arjan Arenja, P.Eng., MBA, Councilor
Sandra Ausma, P.Eng., PhD., Councilor

Staff: Johnny Zucco, P.Eng., CEO/Registrar
Chetan Mehta, MS, MBA, Director, Finance
Peter Cowherd, CMA, CPA, Manager, Finance and Procurement
Lucy Capriotti, Administrative Assistant

Guests: None

Regrets: Marilyn Spink, P.Eng. (AUC)

The meeting was called to order at 4:00 p.m. by the Chair of the FIC Lorne Cutler.

1. Approval of Agenda

The committee members reviewed the draft agenda and agreed to approve it.

MOTION

That the agenda be approved.

Moved by G. Boone and seconded by T. Chong

MOTION CARRIED

2. Approval of the draft Minutes AUC/FIC Meeting held March 3, 2020

The draft minutes of March 3rd, 2020 were reviewed, and the following amendment was requested by C. Chan on Page 6 of the Minutes for item 9, in which he requested that the wording of the Motion be amended as follows:

“All committee members of the AUC and FIC committee were in favour of the motion with the exception of C. Chan who opposed as he felt that more options should be identified and explored first.”

The committee members unanimously agreed with the proposed amendment and passed a motion to approve the amended Minutes.

MOTION

That the amended Minutes of the AUC/FIC meeting held on March 3, 2020 be approved.

Moved by G. Boone and seconded by T. Chong

MOTION CARRIED

3. Matters arising from the Minutes

1 - Pension Plan update

J. Zuccon stated that work on this item is currently underway and a pension committee will be set up once an HR director has been hired. He also pointed out that an update on pension matters had been provided to FSRA – Financial

Services Regulatory Authority (formerly FSCO -Financial Services Commission of Ontario) under the guidance of a pension lawyer.

2 – Update on Centralized banking

C. Mehta reported that out of the 36 Chapters there are only 4 that had yet to shut down their bank accounts and the delay was largely due to logistical issues stemming from the shutdown due to the Covid pandemic. He also added that no major issues had been brought to his attention from them and that staff were continually working with the Chapters office to ensure a smooth transition to centralized banking.

With regard to Action items on page 8 of the Minutes, C. Mehta reported that these are all still work in progress and an update would be provided at the next meeting.

4. Potential Questions for 2020 AGM

Several committee members brought up some of the questions that could be asked at the 2020 AGM:

- Reasons as to why expenses in 2019 were less than 2018 when PEO had used the rationale of an expected increase in expenses for justifying the fee increase on May 2019.
- Update on centralized banking, etc.

C. Mehta pointed out there is a detailed and comprehensive Q&A on operations published each year prior to the AGM and this document will have answers to most of the questions. He also added that staff would be fully prepared to answer any other questions not included in the Q&A, should these come up.

L. Cutler suggested staff in the Finance and Chapters offices be recognized at the AGM for all the hard work on the centralized banking initiative for Chapters and for working to ensure a smooth transition.

J. Zuccon stated that in keeping with best practices, typically the Chair of the Audit Committee presents the audited financial statements to the membership and

requested G. Boone, Chair of the Audit Committee if he would be willing to present an overview of the 2019 audited financial statements at the AGM. G. Boone stated that he would be willing do to so.

5. Covid-19 impact on PEO Finances

C. Mehta stated that PEO's investment portfolio as of March 31, 2020 was doing reasonably well given the overall market conditions and while it had fallen in value in comparison to its value as of December 31, 2019, its market value was slightly over cost (i.e. the portfolio was not under water) due to having a well-diversified asset mix which consisted of almost 70% being invested in high quality fixed income securities, it was this diversification that had prevented a substantial drop (below cost) in its value.

For the building, C. Mehta reported that a few tenants have asked for rent deferrals and staff was working with them to come up with mutually acceptable terms.

In response to a question on when would PEO start accepting applications, C. Mehta responded that the licensing and IT teams were working on setting up an on-line application process which will allow applicants to make payments on-line.

In terms of the impact of Covid on the overall finances, C. Mehta stated that it was yet too early to predict an outcome but based on the most recent data, there had been a noticeable fall in application, registration and exam revenues but no substantial fall in P.Eng. revenues had been detected to date and members have been making payments both via online banking and via credit cards. Furthermore, in the comparison to in 2019 during this time of the year, there had been no increase in the number of members claiming fee remission (i.e. the option to pay reduced fees).

By way of relief and to assist members during these difficult times, no licenses had been cancelled for non-payment of membership dues and an extended deadline of well over 70 days beyond the due date was being provided to members.

C. Mehta also pointed out that application and registration revenues are expected to pick up once PEO starts accepting online applications.

Overall, he reported while there had been a fall in overall revenues in comparison to budget, there has also been a substantial fall in expenditures and as a result, there was a net surplus or excess of revenues over expenses of \$1.14m reported as of March 31, 2020.

6. Discussion on feedback on Expense Reimbursement Policy

Several committee members provided feedback on the Expense Reimbursement Policy.

L. Cutler indicated that an option for a per diem allowance had been raised. C. Mehta advised that this might not be a good idea as apart for the risk of potential abuse, such payments may have to be reported as taxable on a T4A slip.

There were also suggestions to allow first class train travel for volunteers as in many cases, it worked out to an overall cheaper option.

C. Mehta suggested that using a web-based travel expense solution such as Certify should be made mandatory for volunteers when submitting expenses and that all reimbursements be paid via EFT instead of by cheque.

L. Notash opined that she was supportive of having all volunteers use a web-based solution such as Certify.

R. Martini made a good point pertaining to the challenges associated with writing cheques by staff working from home. This point would support the reason for EFT being preferred.

Several committee members spoke to the additional feedback that had been provided to staff via email in a separate document.

C. Mehta stated that the feedback provided would be incorporated in a draft revised expense policy which would then be circulated to the members for feedback.

7. Other Business

L. Cutler suggested that an orientation session be held for the benefit of all new members appointed to the committee. I. Bhatia said that this was a great idea. L. Notash also indicated that it would be a great idea to have councilors attend Zoom meetings for orientation.

L. Drisdelle noted that our guest/auditor S. Stewart from Deloitte offered that choosing councilors with a suitable financial acumen in addition to offering financial training was a prudent idea.

8. Adjournment

The meeting adjourned at 6:08 p.m.



Finance Committee Action Items – as of Mar 3, 2020

S. No	Action items	Responsible Staff	Status update
1	Revisions to Expense Reimbursement Policy	C. Mehta	Work in progress
2	Seek feed-back from auditor on the FIC ToR and Workplan	C. Mehta	Work in progress – Update awaited from auditor
3	Demographic data on members	IT Staff	Work in progress

Audit Committee Action Items – as of Mar 3, 2020

S. No	Action items	Responsible Staff	Status update
1	Set up of pension committee	HR staff	Work in progress
2	Best practices on pension governance from other regulatory bodies	HR Staff	Work in progress