APPENDIX 1: FINANCE STANDING COMMITTEE TERMS OF REFERENCE

1. PURPOSE

A. The primary function of the Finance Standing Committee (the “Standing Committee”) is to assist the Board in fulfilling its oversight responsibilities under the Police Act by reviewing:
1) budget development processes and financial planning;
2) the financial information that will be provided to the Board, City Council and other stakeholders;
3) the systems of internal controls established by management and the Board; and
4) any audit processes outside of the ongoing City of Vancouver audit.

B. Primary responsibility for budget development, financial reporting, information systems, risk management and internal controls of the Vancouver Police Department is vested in management and is overseen by the Board.

2. COMPOSITION AND OPERATIONS

A. The Standing Committee shall be composed of two or more members appointed by the Board, with one member designated as Chair. Appointment of Standing Committee members will be in accordance with relevant sections of the Vancouver Police Board Policy and Procedure Manual.

B. The Standing Committee shall operate in a manner consistent with provisions of the Vancouver Police Board Policy and Procedure Manual.

C. Where possible, all standing committee members shall be “financially literate” and at least one member should have “accounting or related financial expertise.”

D. In the event of a financial audit of the Department, the Committee shall meet with the auditors, as it deems appropriate to consider any matter that the Standing Committee or auditors determined should be brought to the attention of the Board.

E. The Standing Committee shall meet at least four times each year.

F. The Standing Committee shall meet at the call of the Chair, or agreement of the Standing Committee.

G. The Board Executive Director shall consult with the Chair on the agenda development, be responsible for preparation and distribution of the agenda package, and shall maintain a record of the meetings.

H. The Standing Committee may invite such Board Members and outside parties, and in consultation with the Chief Constable such employees, as may be deemed desirable to attend meetings and assist in the discussion and consideration of the business of the Standing Committee.

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1 The Board has defined “financially literate” as the ability to read and understand a balance sheet, income statement and cash flow statement in accordance with the Canadian GAAP. Where there is a requirement for a Board member to have accounting or financial expertise, this means the Board Member shall have the ability to analyze and understand a full set of financial statements, including the notes attached thereto in accordance with the Canadian GAAP.
3. **DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Standing Committee shall perform the following duties:

**A. Financial Policy Development**

VPD Financial policies generally follow those of the City. Significant, unique financial policies developed by the Finance Division as “one-ofs” will be reviewed by the Committee.

**B. Budget Development and Financial Planning**

The Standing Committee shall:

1) review the budget development process and guidelines for the Department and make recommendations to the Board for revisions as required.

2) identify inconsistencies between the Department and City budget processes that require resolution in order for the Board to comply with its statutory obligations, and make recommendations accordingly to the Board.

**C. Financial Statements and other Financial Reporting**

The Standing Committee shall:

1) review and recommend for approval to the Board, financial information that will be forwarded to the City of Vancouver or made publicly available, including:
   a) the financial content of the annual report and any reports required by the Board, City of Vancouver, or Provincial Government; and
   b) any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with financial statements themselves.

2) review normal periodic internal financial information provided to the Board, including:
   a) quarterly financial operating statements; and
   b) any audited financial statements.

3) ensure that:
   a) the Board receives timely, meaningful reports that keep it properly informed of the Department’s financial situation and that provide the information needed for decision making;
   b) all financial reports to the Board clearly display the financial results of each principle area of activity and include actual-to-budget variance and year-to-date results; and reflect events to date and known factors which may influence either revenue or expense components.

4) review and discuss:
   a) appropriateness of financial management policies and financial reporting practices used by the Department;
b) any significant proposed changes in financial reporting and financial
   management policies and practices to be adopted by the Department; and

c) any new or pending developments in accounting and reporting standards
   that may affect the Department.

5) be responsible for reporting proposed VPD operating and capital budgets to the
   City and the City Council for approval.

D. Level of Spending

The Standing Committee shall:

1) develop with management a comprehensive statement of authorities for
   operating and capital expenditures and present those authorities to the Board for
   its approval;

2) monitor compliance through the audit process, and other identified mechanisms,
   and recommend to the Board any changes which may be necessary from time to
   time.

3) oversee the capital plans and expenditures to provide sufficient facilities and
   equipment for the Department.

E. Risk Management, Internal Control and Information Systems

The Standing Committee shall obtain reasonable assurance that the financial risk
management, internal control systems, and information systems are operating effectively

to produce accurate, appropriate and timely management and financial information. This
includes:

1) periodically review the Department’s risk management controls and policies;

2) rely on the City to ensure that an adequate program of internal controls is in
   place over its SAP system. Confirm that internal controls over VPD Accounting’s
   use of the SAP system are adequate as well as controls over other information
   systems utilized in the financial statement preparation process.

3) confirm that systems of internal control are properly designed and effectively
   implemented through periodic discussions with and reports from management,
   and the City’s internal auditors, when possible; and

4) monitor compliance with statutory and regulatory obligations.

F. Financial Audits

1) The Standing Committee shall oversee any internal audit function, which may be
   established and the internal audit relationship with the auditor and with
   management.

2) The Standing Committee shall review the planning and results of any external
   audit activities and the ongoing relationship with the external auditor and report
   the results to the Board.
4. ACCOUNTABILITY

A. The Standing Committee shall review the terms of reference for the Standing Committee annually and make recommendations to the Board as required.

B. The Standing Committee shall keep a record of its meetings and the Chair shall provide oral reports to the Board, or other reports to the Board as requested, on financial matters that are relative to the Board and Department.