

CHAPTER 5: BOARD COMMITTEES

SECTION 2: FINANCE COMMITTEE TERMS OF REFERENCE

2.1 PURPOSE

- 2.1.1 The purpose of the Finance Committee (the “Committee”) is to assist the Board in fulfilling its oversight responsibilities under the *Police Act* by reviewing:
- a. budget development processes and financial planning;
 - b. the financial information that will be provided to the Board, City Council and other stakeholders;
 - c. the systems of internal controls established by management and the Board; and
 - d. any audit processes outside of the ongoing City of Vancouver audit.
- 2.1.2 The primary responsibility of this Committee is 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.

2.2 COMPOSITION

- 2.2.1 The Committee shall be composed of three or more Directors appointed by the Board, with one Director designated as Chair.
- 2.2.2 Appointment of Committee members will be in accordance with relevant sections of the *Vancouver Police Board Governance Manual*.
- 2.2.2 Where possible, all Committee Directors shall be “financially literate”¹ and at least one Director should have “accounting or related financial expertise.”
- 2.2.3 The Chief Constable and/or delegate may attend and support the Committee as needed.
- 2.2.4 The Deputy Chief of Support Services and/or delegate and members of the VPD Finance Team shall attend all meetings and support the Committee by providing relevant information as requested, and answering questions with respect to the VPD Budget and Finance reports.

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 Director to have accounting or financial expertise, this means the Board Director shall have the ability to analyse and understand a full set of financial statements, including the notes attached thereto in accordance with the Canadian GAAP.

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2.3 OPERATIONS

- 2.3.1 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 Committee or auditors determined should be brought to the attention of the Board.
- 2.3.2 The Committee shall meet at least four times each year and as many additional times as necessary to carry out their responsibilities.
- 2.3.3 The Committee shall meet at the call of the Chair, or agreement of the Committee.
- 2.3.4 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.
- 2.3.5 Once approved by the Committee, minutes of Committee meetings shall be posted on the Board's website.
- 2.3.6 The Committee may invite such Board Directors 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 Committee.

2.4 DUTIES AND RESPONSIBILITIES

- 2.4.1 Subject to the powers and duties of the Board, the Committee has the following duties:
1. Financial Policy Development
 2. VPD and VPB Budget Development and Financial Planning
 3. Financial Statements and other Financial Reporting
 4. Level of Spending and Capital Expenditures
 5. Risk Management, Internal Control and Information Systems
 6. Financial Audits
- 2.4.2 **Financial Policy Development**
- a. VPD and Board financial policies generally follow those of the City.
 - b. The Committee may recommend to the Board exceptions to the financial policies followed by the City, in consideration of the unique nature of the composition and work of the Board and/or Department. (eg. Travel and Training or Procurement Policies)

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- c. Significant, unique financial policies developed by the City of Vancouver Finance Division will be reviewed by the Committee for relevancy to the Board and/or Departments processes.

2.4.3 VPD and VPB Budget Development and Financial Planning Duties

- a. Review the budget development process and guidelines for the VPD, consult with the Chief Constable, and make recommendations to the Board for revisions as required.
- b. 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. Develop a VPB budget and VPB financial processes for the Board's own operations.

2.4.4 Financial Statements and other Financial Reporting

- a. Review and recommend for approval to the Board, financial information that will be forwarded to the City of Vancouver or made publicly available, including:
 - i. The financial content of the annual report and any reports required by the Board, City of Vancouver, or Provincial Government.
 - ii. 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.
- b. Review normal periodic internal financial information provided to the Board prior to receipt by the Board, including:
 - i. Quarterly financial operating statements.
 - ii. Any audited financial statements.
- c. Ensure that:
 - i. The Board receives timely, meaningful reports that keep it properly informed of the Department and VPB's financial situation and that provide the information needed for decision making; all financial reports to the Board clearly display the financial results of each principal area of activity (recoveries, salaries, professional fees, building occupancy, equipment and fleet, other expenses, supplies and materials, city allocations, and transfers); and that these reports 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.
- d. Review and discuss:
 - i. Appropriateness/compliance of financial management policies and financial reporting practices used by the Department.
 - ii. The impact and presentation of all significant risks or uncertainties.

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- iii. Any significant proposed changes in financial reporting and financial management policies and practices to be adopted by the Department.
- iv. Significant adjustments and presentation issues arising out of the audit process.
- v. Any new or pending developments in accounting and reporting standards/methods that may affect the Department.
- e. Be responsible for reporting proposed VPD Operating and Capital budgets to the City and the City Council for approval.
- f. Monitor actual Board spending relative to the annual Board budget.
- g. At least annually, review the expenses of the Board Chair, Board Directors, and the Chief Constable.

2.4.5 Level of Spending and Capital Expenditures

- a. Develop with management a comprehensive statement of delegated authorities for operating and capital expenditures and present those authorities to the Board for approval.
- b. 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.
- c. Oversee the capital plans and expenditures to provide sufficient facilities and equipment for the Department.

2.4.6 Risk Management, Internal Control and Information Systems

The 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:

- a. Periodically reviewing the Department's risk management controls and policies.
- b. Relying 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.
- c. Confirming 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.
- d. Monitoring compliance with statutory and regulatory obligations.
- e. Reviewing and approving VPD insurance coverage of material organizational risks and uncertainties.
- f. Reviewing any litigation, claim, or contingency that could have a material financial effect to VPD.

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2.4.7 Financial Audits

- a. Oversee any internal audit function, which may be established and the internal audit relationship with the auditor and with management.
- b. Review the planning, engagement, performance and results of any external audit activities and the ongoing relationship with the external auditor and report the results to the Board.
- c. Determine whether the Chief Constable has provided full and open disclosure to the external auditor's inquiries.
- d. The Committee shall review and recommend for approval by the Board the audited annual financial statements in conjunction with the report of the external auditor and ensure they are understandable, accurate, and properly reflect the financial position of VPD.
- e. 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.
- f. Oversee the capital plans and expenditures to provide sufficient facilities and equipment for the Department.

2.5 ACCOUNTABILITY

- 2.5.1 The Committee shall review the terms of reference for the Committee annually and make recommendations to the Board as required.
- 2.5.2 The Committee shall prepare an annual work plan and calendar of meetings at the beginning of each new Board calendar year.
- 2.5.3 The 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 the Committee's work.