



LONDON POLICE SERVICES BOARD

FINANCE *DL*
REFERRED TO: _____
SUBSEQUENT REFERRALS
MT

BOARD MEMBERS
M. DEEB, CHAIR
J. EBERHARD, VICE CHAIR
COUNCILLOR D. BROWN
COUNCILLOR J. BRYANT
P. PAOLATTO

MAY 21 2014

May 15, 2014

FOR ACTION
 FOR INFORMATION
 FOR REPORT
 FILE
 B.F.
 OTHER Audit Agenda

Mr. Martin Hayward, City Treasurer, Chief Financial Officer
Financial Services
The Corporation of the City of London
300 Dufferin Avenue
London, Ontario N6B 1Z2

Dear Mr. Hayward:

Re: Internal Audit Engagement – London Police Service

The London Police Services Board (LPSB) wishes to advise the City Council's Audit Committee of its intent to utilize the city's internal audit services provided by Pricewaterhouse Coopers LLP (PwC) and assess select areas of revenue generation, cost savings/containment and/or system efficiencies, noting same is consistent with London Police Service's strategy of continual improvement.

As you are aware, the LPSB is obligated to operate under the provisions of the Ontario Police Services Act (PSA), which dictates the manner in which policing must be provided by the LPSB through the London Police Service and the Chief of the London Police Service.

The LPSB, upon which Board two of your Council members sit, always welcomes recommendations by City Council directed at how policing services are provided to the citizens of London. All recommendations are evaluated by the LPSB in consultation with the Chief, with regard being had to the provisions of the PSA. From time to time the recommendations may be deemed to be incompatible with the provisions of the PSA, but that is because of the obligations imposed upon the LPSB by the PSA.

As a preliminary step, we advise that earlier this month, we met with PwC to initiate discussions relative to a financial review and validation of certain expenses within the London Police Service (LPS) recognizing that the time and cost associated with such a review must be manageable to both LPS and the City of London.

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Email: lpsb@police.london.ca

During our meeting with PwC, the following were discussed as potential areas of review:

1. Review of three of the revenue-generating community services provided by LPS to ensure that the service is assigning and recovering the full cost of delivery.
The three services are:
 - i. Record Checks
 - ii. Special Events Expense (e.g. Memorial Cup, St. Patrick's Day)
 - iii. One area or process selected by the Auditor
2. Confirm through review of the LPS accounting system and the existing agreement with the London Police Association that the total compensation cost associated with delivery of the service is in excess of 90-percent of the total cost of the operation.
3. Review and recommend improvements to the LPS financial report and budgetary request to City Council that provide sufficient information but do not violate stipulations contained within the PSA.

Following this meeting, PwC provided us with a costing estimate for an operational review of the fore-mentioned areas. This correspondence is attached for your reference.

The LPSB is requesting City of London Financial Services' approval to engage PwC in this operational review, that the cost of PwC's review (estimated at \$70,000 - \$90,000) be fully funded by the City of London and additionally, that the LPSB is provided the first right of review of any PwC findings, before they are provided to City of London Financial Services and/or Municipal Council.

We thank you and look forward to your reply in this matter.



Michael Deeb
Chair, London Police Services Board

Cc: Bradley Duncan, Chief of Police, London Police Service



May 2, 2014

London Police Services Board
601 Dundas Street
P.O. Box 3415
London, Ontario
N6A 4K9

Attention: M. Deeb, Chair

Dear Mr. Deeb:

Thank you for the opportunity to discuss our internal audit and performance audit capabilities with your board on May 1, 2014. Scott and I were both enthused at the potential of working with your senior management team in this capacity. I applaud the transparency and progressive improvement objectives your entire team articulated in the meeting and believe we can assist you in those objectives.

As requested, I am providing a quote on services with respect to three potential projects discussed at the meeting. As always, we would be happy to discuss these projects further at your convenience. Please feel free to reference this letter and our quotes below in any communication you hold with the City of London audit committee.

I look forward to working with you, your board and the senior management team in the near future.

Kind regards,

A handwritten signature in black ink, appearing to read "Chirag Shah", enclosed within a hand-drawn oval.

Chirag Shah, CPA, CA, MBA
Partner & London Market Leader

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Potential Terms of Reference for PwC with estimated fees

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| <p>1. Conduct a review of three of the revenue-generating community services provided by London Police Service to ensure that the service is recovering the full cost of delivery. The three services are:</p> <ul style="list-style-type: none"> i. Record Checks ii. Special Events/Memorial Cup iii. One selected by the Auditor | <p>Fee estimate: \$30,000 – \$40,000</p> <p>Hours estimate: 175 – 225 hours</p> |
| <p>2. Confirm through review of the LPS accounting system and the existing agreement with the London Police Association that the total compensation cost associated with delivery of the service is in excess of 90-percent of the total cost of the operation.</p> | <p>Fee estimate: \$20,000 – \$25,000</p> <p>Hours estimate: 120 – 140 hours</p> |
| <p>3. Review and recommend improvements to the London Police Service financial report and budgetary request to City Council that provide sufficient information but do not violate stipulations contained within the Ontario Police Services Act.</p> | <p>Fee estimate: \$20,000 – \$25,000</p> <p>Hours estimate: 120 – 140 hours</p> |

Note: fee estimates assume appropriate co-operation from LPS management and board, and exclude charges for administrative expenses (5% of fees billed), out-of-pocket expenses, and HST.