



London Police Services

Report on Internal Audit Results

- Personnel Costs

Rating Scale – Opportunities for Improvement

- Satisfactory

Controls are present to mitigate process/business risk, however opportunities may exist.

Satisfactory



- Unsatisfactory

The increases in personnel costs are unfounded and not in line with other police services. The budgeted personnel costs are not indicative of the actual costs incurred.

Unsatisfactory



Summary of Risks & Scope

London Police Services (LPS): Personnel Costs

Scope

- Determine the total personnel costs associated with delivery of services as a percentage of the total cost of operation.
- Identify trends in the personnel costs for LPS.
- Benchmark personnel costs with other police services based on publicly available budget information.

Potential Risks

- Different numbers may be cited or referenced amongst the public , leading to confusion or inaccurate statements
- Personnel costs for LPS are changing at a rate different than other Police Services.
- Staff complement not reflecting the nature and scope of the responsibilities required for a given job description. Additional costs would be incurred by having officers performed civilian-type duties.

Controls Operating Effectively

- LPS currently performs an on-going review of the organizational structure to identify opportunities to improve the officer to civilian staffing ratio, and acts on these opportunities.
- LPS has appropriate classification of expenses to include only appropriate Personnel costs within the personnel cost budget line. These expenses include, but are not limited to, salaries, overtime, benefits and pensions.
- An internal working committee named the “Calls for Service Review Committee” identifies opportunities for alternative service delivery models to be used , which allows for deployment of front line officers to more urgent calls.
- A Program Evaluation Specialist has been hired to perform assessments of various programs and units, the results of which indirectly support both current and future budget considerations

Observation #1

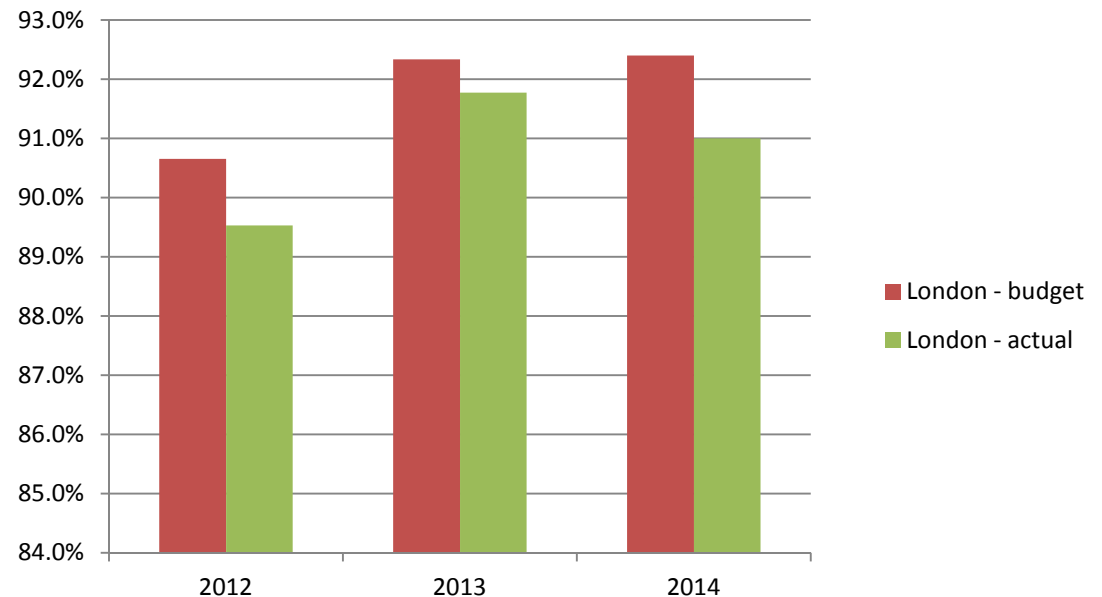
Personnel costs as a percentage of operating costs

Observations

- Budgeted Personnel costs for fiscal 2012 – 2014 were greater than 90% of total gross operating expenditures.
- 2014 budgeted personnel costs represented 92.4% of gross expenditures and actual costs for 2014 were 91.0% of the actual gross expenditures.
- The 2014 actual amount is unaudited, however there is no history of material audit adjustments to personnel costs.
- The budgeted personnel costs and actual personnel costs only varied by approximately 1% in either direction per year.
- The 2014 actual percentage is lower than budgeted as a result of the organizational restructuring in 2014 being completed subsequent to budget.

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Personnel Costs as a Percentage of Operating Costs



Observation #1

Satisfactory



Personnel costs as a percentage of operating costs

Comments

- The 2014 actual percentage is lower than budgeted as a result of an organizational restructuring.
- The trend observed is that both budgeted and actual personnel costs as a percentage of total operating costs are increasing.
- In order to manage total operating expenditures, LPS has been identifying methods to reduce other non-Personnel costs.
- Therefore, personnel costs are increasing but non-personnel costs are being held flat or decreasing. This would explain an increase in the personnel costs as a percentage of total operating expenses.

Conclusion

- The budget and actual personnel costs incurred by LPS are > 90% and will continue to be if current trends continue.
- The budgeting of the personnel costs is being done effectively as budget and actual are within approximately 1% of each other each year.

Observation #2

Personnel Costs Changes - Benchmarked

Observation

- The cumulative increase in the actual personnel costs for LPS is 12.4% from 2011 to 2014. The LPS budgets presented a cumulative increase of 13.0%.
- The cumulative increase for comparative police services was 14.1% over the same period.
- The actual LPS costs were impacted by the organizational restructuring in 2014, which was completed subsequent to budget.

LPS Actual and Budgeted Increases in Personnel Costs compared to other Police Services



*Average consists of Hamilton, Niagara Regional, Halton Regional, York Regional and Guelph

Observation #2

Personnel Costs Changes - Benchmarked

Satisfactory



Comments

- Comparators used are police services in Southern Ontario of a similar size to LPS. However, they are a mix of regional and municipal police services.
- LPS has not created new positions since 2012. Other comparative police services may have increased, decreased or held headcount consistent.
- The allocation of expenses to personnel costs may vary between police services.

Conclusion

- Percentage increases in personnel costs experienced at LPS since 2011 are lower than other police services.

Observation #3 ***Other Personnel Benchmarks***

Satisfactory



Ratio	Average*	LPS
Sworn officers per 100,000 people	166.3	156.1
Total actual operating cost per capita	\$328	\$270

- The number of sworn officers per 100,000 people for LPS is only 6% off from the average, which means LPS has a similar number of sworn officers per 100,000 people compared to the average police service.
- While sworn officers per capita is relatively consistent with other services, LPS has a lower actual operating cost per capita. This means there are strong cost reduction measures at LPS around non-personnel expenses.
- It could also indicate that the same level of service is being provided, but at a better price.

*2013 data for all Tier 1 Ontario municipalities with populations > 100,000, per municipal financial information returns

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