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London Police Services

Report on Internal Audit Results

- Budgeting Process

Rating Scale – Opportunities for Improvement

- Satisfactory

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

Satisfactory



- Unsatisfactory

The preparation and communication of the budget is not compliant with the Police Services Act. The information published by LPS about the budget is inaccurate or insufficient to meet City budget requirements.

Unsatisfactory



Summary of Risks & Scope

LPS – Budgeting Process

Scope

- Budget approval process – LPSB & Council, including presentation of the budget
- Communication and incorporation of legislative limitations
- Sufficiency of information provided to support budget and respond to questions

Potential Risks

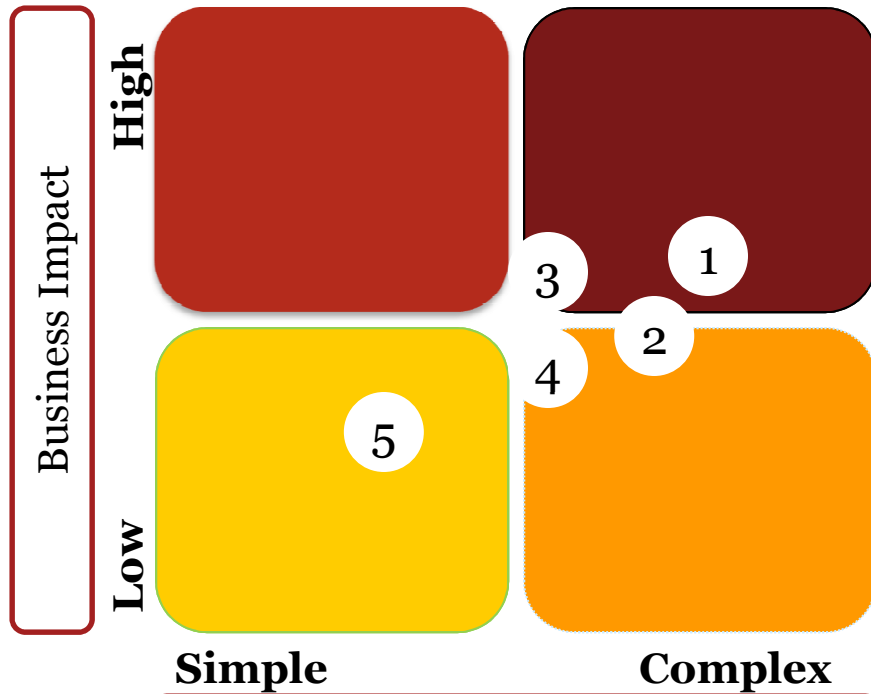
- The budget approval process may be inefficient
- Communicating budget to key stakeholders may not be effective
- Budget discussions may not be in accordance with The Police Service Act
- The information provided to LPSB and Council may not be clear or concise which leads to additional questions

Controls Operating Effectively

- Budgets are created and reviewed by individuals with an appropriate level of knowledge and expertise.
- Budgets are reviewed and approved in accordance with LPSB and City policies.
- The budgeting process requires individuals with senior responsibilities to justify total budgeted amounts rather than annual increases.

Action Plan Summary

LPS – Budgeting Process



Ease of Implementation

- High Business Impact, Easy to Implement
- High Business Impact, Difficult to Implement
- Low Business Impact, Easy to Implement
- Low Business Impact, Difficult to Implement

| Observations | Timing | Rating |
|--|--------|--------------|
| #1: Communication between LPS and City of London budget staff & City Council | | Satisfactory |
| #2: Multi-year budgeting approach | | Satisfactory |
| #3: Personnel cost budgeting | | Satisfactory |
| #4: Other operating cost budgeting | | Satisfactory |
| #5: Distribution of financial information | | Satisfactory |

Action Plan Leads

Observations & Action Plans -#1

Satisfactory



LPS – Budgeting Process

Observation

Communication of budget

In the past Council has requested additional information regarding the budget, including details as to specific expense allocations. While LPS provides the information for transparency, LPS is still legislatively responsible for funding allocation decisions under the Police Service Act.

Business Impact

Without proper knowledge of legislative responsibilities being communicated, LPS may face additional questions and uncertainty as to their budget prior to approval.

Action Plan

It is recommended that legislative responsibilities be formally communicated to the City and Council, and reiterated during council meetings to ensure that dialogue is not focused on funding allocations. It is also recommended that LPS and LPSB agree on a strategic but transparent approach to what information is to be posted publicly which can be implemented consistently going forward.

Action Plan Lead

Timing

Observations & Action Plans -#2

Satisfactory



LPS – Budgeting Process

Observation

Multi-year budgeting approach

LPS does not perform a multi-year budget. Multi-year forecasts are included within the required budget information presented to the City of London. As the City moves to a multi-year budget platform, LPS should begin to adopt procedures to follow suit.

Business Impact

A potential opportunity exists to save staff time by implementing this multi-year approach. This could also help facilitate more long-term, needs-based budgeting and planning.

It is noted however that a strong and effective monitoring and updating process are central to the use of multi-year budgeting. A clearly articulated mechanism for reviewing variability would be needed.

Action Plan

It is recommended that the City of London and LPS work collaboratively to facilitate a multi-year budgeting process. LPS shall determine the required monitoring and updating needed to ensure that budget changes are made to reflect the current and future conditions of policing.

Action Plan Lead

Timing

Observations & Action Plans -#3

Satisfactory



LPS – Budgeting Process

Observation

Personnel cost budget

Personnel costs comprise more than 90% of the total operating budget. These personnel costs are subject to continual review by LPS as part of budget preparations. However once the budget is determined, there is minimal opportunity for changes in these costs.

Business Impact

As a result of the significance of the expense, LPS is consistently looking for efficiencies within their operations to implement. There is a risk that changes in the staffing complement could affect service levels.

Furthermore, due to the long lead times in the recruiting and training process, there is little flexibility to adapt to any variability in staffing requirements.

Action Plan

It is recommended that as new programs and services are implemented, or current programs and services are revised, LPSB should be informed of the impact on headcount and other operating costs. It is further recommended that a plan to integrate the needs of the upcoming LPS business plan with the staffing levels and allocations be prepared.

Action Plan Lead

Timing

Observations & Action Plans -#4

Satisfactory



LPS – Budgeting Process

Observation

Other Operating Costs

Operating costs, outside of personnel costs, make up < 10% of the total operating budget of LPS. Most of these expenses are fixed in nature and are required to provide a base level of service.

Business Impact

There is little room within the budget to accommodate for unanticipated or additional variable costs. This means that operational decisions during the year, which are the responsibility of LPS, may be limited based on the rigidity in LPS' budget.

Action Plan

It is recommended that as operational decisions are made, the impact on service levels and the actual to budget variances be communicated LPSB. This should be done to help understand the implications of the budget rigidity to the operations of LPS. It is further recommended that this information be formally communicated externally to illustrate the difficulty in accommodating variability in the budget.

Action Plan Lead

Timing

Observations & Action Plans -#5

Satisfactory



LPS – Budgeting Process

Observation

Distribution of Financial Information

Historically, LPS provided summary documents of changes in their budget and highlights of key trends. However due to requests for additional information, LPS now also makes available a comprehensive document with each budget expense disaggregated by division.

Within other police services, there is a wide range of information accessible publicly.

Business Impact

By providing the detailed budget, the highest level of transparency is met. By providing the slide deck and presentation, there is a good summary available as well.

However with the full budget being available, additional questions and concerns can arise over insignificant balances and balances that are not controllable by LPS. This leads to additional public scrutiny and additional senior administrative time.

Action Plan

It is recommended that LPS review the sample presentations provided attached with this report, along with any others they wish, including formats used by LPS in the past. LPSB and LPS management should then reach a consensus on an appropriate format that will provide the users with enough information to understand the budgeting needs of LPS, and provide enough clarity and concision to allow for that information to be absorbed meaningfully by the user.

Action Plan Lead

Timing

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