

AUDITOR GENERAL

Halifax Regional Municipality

Understanding Value for Money- Halifax Regional Municipality¹

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Why are we here?

Objective: To share our knowledge of value for money and tie it into a decision framework we have developed internally

Focus on:

- Governance
- Inputs to outputs to outcomes
- Describing and demonstrating value for money

All questions are welcomed throughout the presentation and there will be an opportunity for an open discussion after the presentation

What do taxpayers want?

- Better service delivery
- Demonstrated accountability
- Demonstrated value for money
- High levels of transparency

Performance Auditing – What the Taxpayer Expects

- Performance auditing considers to what extent value is or is not achieved – the amount spent is not the issue it's **how** the tax dollars were spent and whether the program **outcomes** were achieved. The OAG's role is to report on whether this is happening regardless of the financial statement materiality of the program.
 - Some transactions more sensitive to taxpayers than others.
 - Greater emphasis on qualitative aspects.

How do we achieve this?

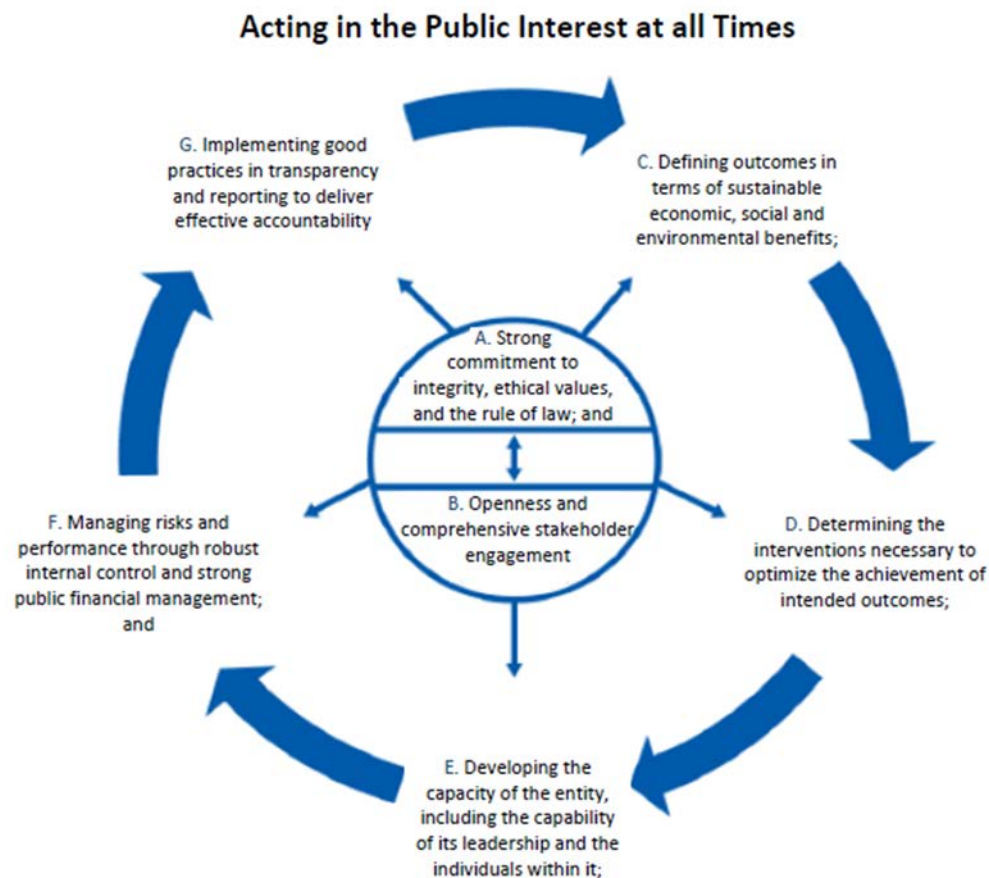
Effective governance results in:

- Strong commitment to ethical values and appropriate tone from the top
- Well defined outcomes
- More informed decisions
- Better service delivery
- Improved accountability
- Community confidence and engagement

Good Governance

The International Federation of Accountants (IFA) has developed a principles based framework for ensuring and demonstrating good governance.

Inter-relationships between the Principles of Good Governance in the Public Sector



Why good governance?

- When the principles of good governance are in place, better decisions can be made
- Results in more efficient, economical and effective use of resources
- Good governance focuses an organization on clear/intended outcomes, high quality service and ensuring taxpayers receive value for money

Why value for money?

- Value for money is about maximizing the impact of each dollar spent
- It forces the focus to be on what is achieved rather than how much has been spent
- It is important to be able to demonstrate HRM is operating in a way which achieves value for money

How do we demonstrate value for money?

- It is important to be able to demonstrate how taxpayers are receiving value for money through the various programs and services HRM offers.
- An accepted value for money framework, similar in concept to the good governance framework, involves describing programs and services in terms of a relationship between inputs, outputs and outcomes.

Key Definitions

- **Inputs:** Resources- can be financial, human, equipment, materials, facilities, information, land etc. In snow clearing for example inputs could be:
 - snow plows,
 - operators,
 - fuel,
 - salt etc.

- **Outputs:** Goods, revenue, services, regulations, etc. Using the same example outputs could be:
 - Snow removal services

- **Outcomes:** Intended results, the achievement of a set objectives, program impacts, effects, customer satisfaction. Using the same example outcomes could be:
 - roads cleared to standard set by the organization,
 - satisfied residents

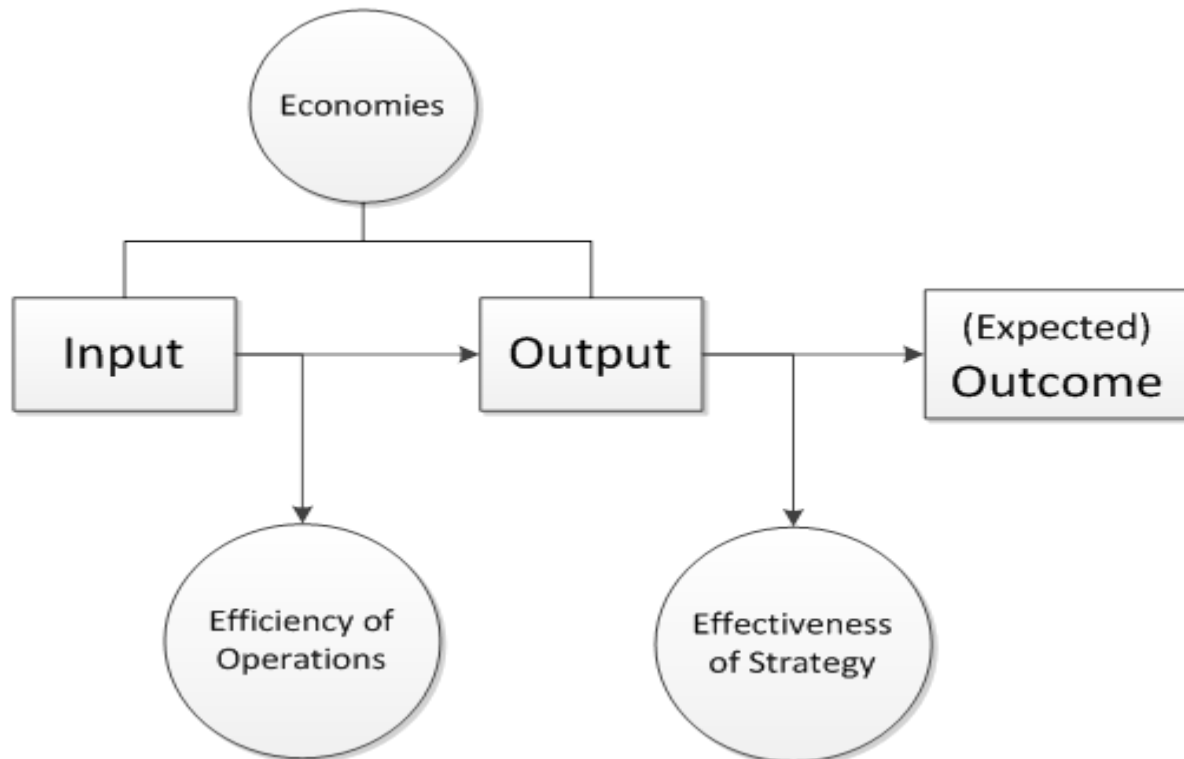
Describing Value for Money

An extension to the input to outcome relationship defined earlier is to incorporate efficiency, effectiveness and economy into the relationship as a means to describe the achievement of value for money.

- **Effective:** producing the intended or expected results. Focuses on what the effort achieved rather than the effort itself (meeting objectives)
- **Economical:** getting the right inputs at the lowest cost (resource acquisition)
- **Efficient:** getting the most from the inputs (resource usage)

How does this all tie together?

- In the delivery of any service, program or process the same basic relationship exists:



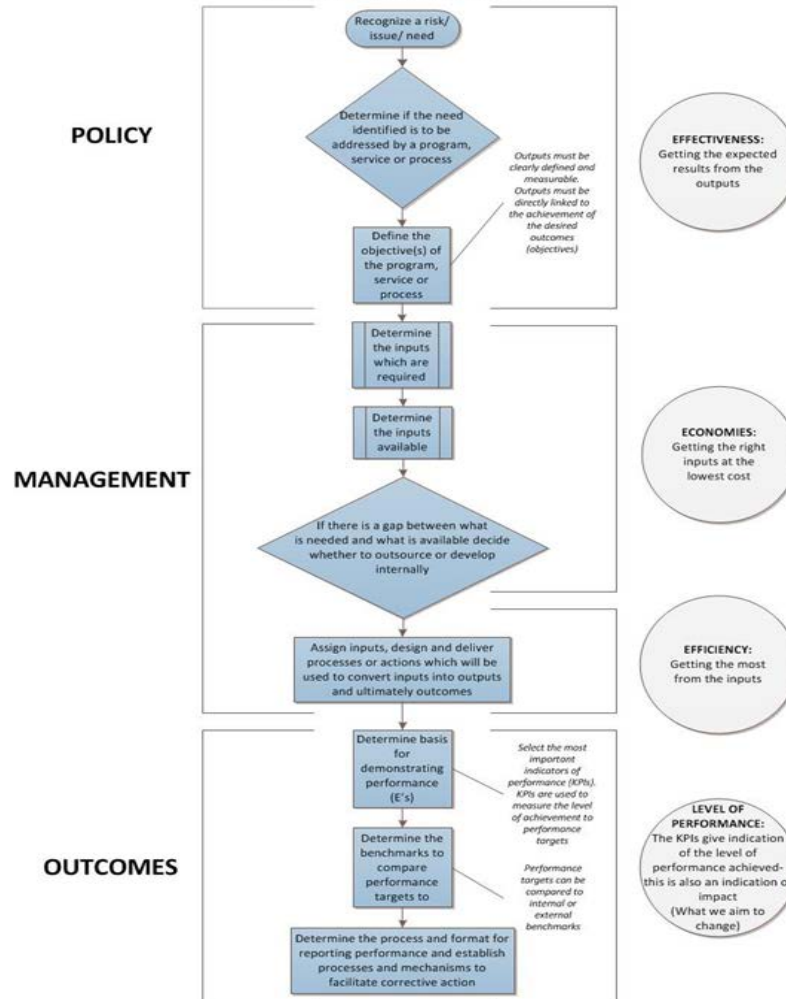
Demonstrating Value for Money

- The OAG has developed a flow chart as a methodology for providing commentary around how management demonstrates value for money.
- Designed to link policy decisions, management functions and strategic outcomes to the key indicators of performance (effectiveness, economies and efficiency).
- Enables management to demonstrate how it achieves value for money and the OAG to assess the level of value received by the taxpayers.

Demonstrating Value for Money

Value For Money

The Public Sector has a responsibility to demonstrate value for money. The following flow chart are suggested steps to ensure the highest value for money is achieved- OAG HRM ©



Key Considerations

- VFM needs to be integrated into the culture of the organization.
 - There needs to be commitment to effective communication and staff development in order to maximize the benefits
- It involves consistently seeking and adopting accepted good practices
- It involves constant innovation
- Management must be able to demonstrate for all programs/expenditures

Key Considerations

- VFM focuses on clearly defining the organization's aims, strategies and policies
- Requires an in depth understanding of all inputs available including for example the individual competencies of the human resources inputs
- Requires selection of the most relevant indicators of performance
 - Benchmarks must be:
 - I. Reliable
 - II. Timely
 - III. Relevant
 - IV. Complete