



# **Government Finance Professional Development Week**

## **Managing for Results**

**Financial Secretary & Chief Officer**

**Ministry of Finance and Economic Development**

**14 November 2014**

Good Morning Everyone.

I am very pleased to be able to make a contribution on the concluding day of the 4<sup>th</sup> Annual Government Professional Development Week.

I know a tremendous amount of effort goes into organising an event such as this — so I'd like to acknowledge both the Committee Members and the participants for what has, without a doubt, been an outstanding Week.

As I understand it, this has been a record year was a record in terms of attendance. I have personally received feedback on the positive experience and insights gained from attendance at this year's event. I would therefore like to offer kudos to the Organizing Committee for this successful event — as they have truly achieved some outstanding results.

The theme for the Week is 'Managing for Results'. It is a very fitting theme for our current times.

When it comes to Public Finances, a results-driven approach is not only appropriate, it is a must. Ever-improving results do not happen accidentally. They occur because of “Managing for Results”.

Many of you know and appreciate the various hurdles that exist in the Public Sector. It is no secret to any of you in this room, that the management of Public Finances has had its fair share of challenges over the years.

However, as the old proverb goes “Excuses are tools of the incompetent, used to build bridges to nowhere and monuments of nothingness.” I am not here today to explain all the reasons why things have been difficult or why the system has not been working, as intended. Instead, I am here to tell you that notable improvements are being made. There are significant efforts currently underway to better the present situation, and I would therefore like to inform you of the plans and initiatives being pursued for our continued betterment — in other words, the Government is Managing, and has Managed, for Results.

You may ask what evidence is there of improved results?

In 2010, the Auditor General issued a Disclaimer of Opinion for 10 of our Public Sector Agencies and approximately one-third received “clean” or unqualified opinions. By 2012/13, the number of Agencies receiving a Disclaimer were two (2), and almost half of all Agencies received “clean” or unqualified opinions. You may have heard the Hon Premier, the Deputy Governor and the Minister for Finance announce on Wednesday that one of those two Agencies has now moved from that Disclaimer opinion and is on its way to a clean set of books. For the recently concluded 2013/14 financial year, I expect that we will have the best set of Public Sector audit opinions since the current financial reporting regime began in 2004.

In many instances, Agencies that received qualified opinions were qualified on the basis of the valuation and recognition for past service pension and healthcare liabilities or, due to governance issues such as the failure of Directors to complete their registers

of interest. While I am in no way diminishing the importance of these issues, I would like to emphasize the point that we do have highly qualified professional accountants that are working extremely hard and diligently, in the Public Sector.

However, whilst there has been progress, the present Public Sector accountability situation is far from perfect and there is a considerable way to go before we achieve the goal of full accountability. The Ministry of Finance accepts its position in this effort, and is willing and ably prepared to take-on this leadership role.

The Public Management and Finance Law, which governs the Country's finances, is currently being reviewed, and recommendations from the review are expected to be implemented into a revised Law by June 2015. Some of the major changes anticipated from this review will be removing the distinction between entity and executive organisations and such transactions; because having such distinctions are largely artificial and has only served to add bureaucracy and increase the

volume of reporting that is required. There will also be changes to simplify the budgeting process and enhance the level of accountability.

What has Government done about the main audit qualification issues?

Three main qualification areas for the entire Public Sector accounts have been: lack of recent valuation for fixed assets, lack of recent valuation for certain post-retirement benefits (such as healthcare liability) and a question mark over the completeness of revenue. In the last financial year, a new fixed asset valuation was completed for Central Government and will be extended to the wider Public Sector in short order. The completion of this fixed asset valuation has assisted a number of agencies to improve the audit opinion they received from the Auditor General's Office.

Recently, the Ministry of Finance received the results of the actuarial valuation for post-retirement healthcare and pension liabilities. The Ministry is currently in discussion with various

stakeholders on the results of this valuation but expects that the matter will be finalised for inclusion in the annual accounts for the immediately past 2013/14 financial year.

On the matter of revenue completeness, the responsibility for Government's financial management system (IRIS) was transferred to the Ministry of Finance in July 2014. We are now trying to ensure that the system is configured in a manner that is most conducive to the business users, and optimally compliments our internal business processes and policies.

Standardisation through consistent policies is another area where the Ministry of Finance intends to place greater focus. An invoice from any supplier should be processed in the same manner whether it is sent to the Ministry of Tourism or to the Ministry of Finance. Agencies should not formulate their own policies as they go along, as this only leads to inefficiencies and errors. The establishment of an accounting manual is a necessity and it shall be adopted throughout Government.

Another recognized area of significant deficiency has been in the internal control framework. A solid, cohesive, internal framework is essential if we are to positively advance Public Sector financial management. This is another area where the Ministry of Finance will be taking the leadership role in collaboration with our partners in the Internal Audit Unit.

In the area of procurement, the Government sees tremendous opportunities to leverage the significant buying power of the Public Sector to deliver greater cost efficiency in the items that are purchased. To this end, the Ministry of Finance recently concluded the recruitment of a Director for a Central Procurement Office and will now be moving swiftly to develop the policies and procedures that will generate significant savings through a coordinated approach to procurement. The Director is expected to be “on-seat” or “in-post” on 2 February 2015.

In the 2012/13 fiscal year, the Government spent \$758,000 on overdraft facilities and interest cost incurred in having an overdraft position during a part of that fiscal year. Through an

Entire Public Sector cash management program and enhanced cash management by the Treasury, in fiscal year 2013/14 that amount was reduced to \$66,000. This year, 2014/15, the Government will not incur any costs that are connected to an overdraft facility because Government is sufficiently confident of its improved financial position, that an overdraft facility was not requested in the current 2014/15 fiscal year.

This is just one example of savings that can be achieved when there is Public Sector collaboration with an emphasis on delivering greater value to our citizens.

Within the area of Public Sector financial management, I believe we need to continue fostering greater cohesion and share best practices. The fact that almost half of all Agencies in the Public Sector can have a "clean" set of books clearly proves that it is not an impossible task for the Entire Sector to have the same.

However, those who have now achieved "clean" opinions should not only serve to inspire those still on the journey, but those

Agencies should also reach out and offer assistance where they see others struggling.

Public Sector financial management must adopt the mantra of all for one and one for all. If one fails, we all fail. Until we start looking at our Service and our functions through joint lens, it will be very difficult for us to achieve the goal of full public accountability. And what does full public accountability mean? My view is that it means:

- timely production of financial information;
- the production of credible information that an independent examiner opines that the information produced is “true and fair”; and
- financial information that legislators and the public understands.

The Audit Office must be seen as an important partner in our efforts for positive change and improvement. I believe it is important that we foster a culture of mutual respect for each

other's role. Public Sector Management has a job to do and likewise, the Auditors have a job to do.

Quite often, we hear the expression that "we must deliver greater value for money" but what exactly does that mean? Many practitioners will tell you that value for money is defined by the three "e"s those being economy, efficiency and effectiveness.

Therefore, for us to deliver value for money, we must be economical. That does not automatically translate into being cheap, it means that we must seek to ensure that 100% of every dollar gives the maximum benefit to our citizens.

We must seek to be efficient, often through innovative ways, by leveraging technology, by fostering a culture of continuous improvement, by reengineering business processes, and by constantly asking the question why? Why do we do it this way? Is there a better and more efficient way that the same goal can be achieved? Significant improvements will only come when we find the courage to challenge the status quo.

Is it the most efficient use of a CFO's time to enter invoices into the IRIS system or should we be using CFOs as the strategic business partner they were intended to be? Our culture has not always encouraged challenging the status quo, but again, if we are to become better and truly achieve value for money, it may be time for us to have some serious discussions centered around finding more effective ways of deploying the public's assets.

Effectiveness is the final "e". How do we effectively deliver value for money? Last year, it took over 2,500 pages to communicate the fiscal plans of the Government. The Government offers numerous programs ranging from scholarships, to support for small businesses and care and treatments for our elderly. But how effective are those programs? Are they reaching the right audience? Are they achieving the anticipated outcomes? Who measures them? How do we know if we are getting value for money?

I implore you to question the three 'e's as you go about your daily activities — asking questions such as, "am I economical in

my stewardship of the public's funds; do I work as efficiently as I possibly can; and am I effective in what I am doing?

I believe training interventions such as the Government Professional Development Week, offers us an opportunity to take a brief moment to do these self-assessments. It affords us the opportunity to hear from the experts in their fields on what are considered best practices.

When you think about it, Government Professional Development Week is a prime example of what it means to deliver value for money. Was it economical? Many would say yes, a hundred dollars per day is certainly an economical way to get continuing professional development when you consider some of the alternatives.

Was it efficient? With over 30 professional development opportunities offered and delivered by more than two dozen speakers and presenters; all in one week; I would have to say that the Government Professional Development Week passed the efficiency test.

Finally, was it effective? I am absolutely positive that his has been effective.

Again, I would like to thank everyone who has been involved in organizing this event. I believe it has been a tremendous benefit for all those who have attended, as we jointly strive to move forward towards positive change. As the great philosopher Socrates who once said "the secret of change is to focus all of your energy, not on fighting the old, but on building the new".

Necessity breeds innovation. The world is a different place than it was a decade ago, and we must now challenge our energies towards thinking outside the box; making those tough decisions where necessary, while delivering a plan that works.

The Government's goal is to cultivate a proactive environment, one which allows your expertise to grow, and your ambitions to flourish.

I believe that the examples I have provided demonstrate that the Public Sector has Managed for Results and its plans for the future also show it is Managing for Results.

Therefore, let us focus on the road ahead and work on building the new. I believe that if we continue to work together for the improvement of the Islands' Public Finances, there are no limits to the heights that we can achieve.

Our work is far from done. The Ministry of Finance recognizes the challenges ahead, and is prepared to pave a progressive path that ensures our Country's finances will grow from strength to strength.

Finally, tremendous thanks is reserved for the Week's organisers, CISPA and Government — including the Civil Service College.

Ladies and Gentlemen, thank you for your time this morning and for the opportunity to make this contribution.