

Chapter 24 Department of Agriculture, Fisheries and Food

Organisational Performance in the Department of Agriculture, Fisheries and Food

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24.1 State bodies, in order to perform to the highest standards need to have the capacity to respond to changes in their operating environment, base decisions and actions on evidence grounded in complete and accurate information and measure achievement openly and transparently so as to allow them to continuously adjust their delivery mechanisms.

Audit Focus

The Department of Agriculture, Fisheries and Food has been at the forefront of developments in these areas including volunteering to participate in a pilot organisational review initiative. It provides an example of the extent to which investment in financial systems and improvements generally are feeding into changed management practices and increased capacity on the ground. The audit, therefore, sought to review

- whether the Department's capacity as assessed under the pilot organisational review process was adequate to deliver on its mandate
- the extent to which investment under the Management Information Framework (MIF) has improved financial and performance management and reporting
- whether Output Statements produced by the Department give a reasonable view of its output and performance.

The Organisational Review Programme

24.2 A pilot Organisational Review Programme (ORP) has been carried out in three Departments to examine their capabilities to lead and deliver focused public services into the future. The intention of the ORP is to look at the operation of Departments as a whole, both to give assurance about their overall performance and to identify any scope for improvement. The Department of Agriculture, Fisheries and Food (the Department) was one of the Departments that engaged in the pilot.

24.3 The pilot review addressed the Department's capability in terms of

- how well it is positioned to set the strategic direction of the Department
- how well it delivers its existing services
- how well it addresses its effectiveness and uses feedback and results to guide its actions.

Organisational Strengths

24.4 The review found that the Department is well equipped to address its existing mandate and provide advice and coordination. It was rated as particularly strong in the following respects

- It was assessed as well placed to meet future challenges and develop strategy for the traditional agri-food sector and ensure that there is a shared understanding among its stakeholders within that area.
- It has developed a good knowledge and understanding of the sector.

- In managing delivery, it has a strong focus on customer service and approached some delivery areas with innovative use of ICT.
- It has good relationships with the bodies under its aegis.

24.5 Overall, the review found that the Department had excellent knowledge of its sector and of the EU policy process and that its knowledge was being used, together with the views of its main stakeholders, as an input into policy and strategy formulation.

Scope for Improvement

24.6 The report concluded that, in order to respond to future challenges the Department needs to develop its capacity in three main areas

- improve its skills in dealing with cross-cutting issues and with new stakeholder groups
- place a greater emphasis on efficiency in managing staff resources and on improving HR practices and on developing internal leadership
- develop and use metrics, in particular output and outcome measures to assist in addressing efficiency issues.

24.7 The Department was seen as being most comfortable when dealing with issues within its immediate remit. It was assessed as considerably less effective in the case of shared initiatives led by another department or agency. Climate change and food safety were identified as cross cutting issues needing attention by the Department.

24.8 In the area of human resource management, while the central location of MAC members promoted collegiality, the review found that it militated against direct contact with staff and local management reducing impacts upon communications, oversight of work within divisions and team building. It also found that consideration needed to be given to the physical planning of new buildings to maximise leadership.

24.9 The review noted that the primary focus was on measuring activity with little evidence of assessment of the cost effectiveness of outputs. The Single Payment System (SPS) for farmers has resulted in a reduction in the workload. A greater use of metrics would provide a sharper focus on staffing requirements as work changes, enabling a better workload balance to be developed.

24.10 Based on those findings the review identified the key areas where there is scope for the Department to build the capacity of the organisation further. These areas are outlined in Figure 87.

Figure 87 Scope for Capacity Building

Capacity Area	Scope to Build Capacity
Giving Leadership	Substantially strengthen internal leadership capacity, especially human resource management and internal communications.
Shared Understanding	Develop better ways of dealing with issues where responsibility is shared with another Department or body (cross-cutting issues).
Improvement and Innovation	Implement the structural change required to meet future challenges. The review noted that a number of reports had been completed that address structures and staffing which would involve major change for the Department.
Resource Management	Improve productivity in the deployment and use of resources.
Governance	Develop better structures and approaches to internal governance. A greater focus on broader external governance issues e.g. standardising performance dialogue with agencies would be helpful in meeting the challenges of a changing environment.
Performance Measurement	Develop effective output and outcome indicators so that, in addition to tracking activity, success in achieving its objectives can be measured.
Customer and Stakeholder Feedback	Further develop its engagement with new stakeholders and develop structures and a culture in which staff feedback is sought and acted upon.

The Management Information Framework

24.11 The aim of the MIF, introduced in 2000, was to provide Departments with a system of financial management built upon performance and output measurement with the objective of improving decisions on the allocation and use of resources through enhanced management information and reporting.

24.12 My Office reviewed the status of development of management information and reporting. A summarised indication of the findings is presented in Figure 88 which rates the Department's progress in generating and exploiting information relevant to output and performance measurement and management.

Figure 88 Generation and Use of Management Information

Area	Availability	Quality	Use
Financial Information	1	2	2
Performance Information	2	3	2

Rating Key

- 1 Good – Fully or Substantially meets the criterion.
- 2 Adequate – Addresses most aspects of the criterion with some limitations.
- 3 Limited – Partially or does not meet the criterion or significant limitations exist in a substantive area.

24.13 Overall, the review found that while the management information systems adequately support financial reporting there is considerable scope to exploit them to improve management

information and performance measurement. This also accords with the findings of the ORP review in the area of performance measurement.

Financial Information and its Use

24.14 The Department uses a proprietary financial accounting package to support day-to-day financial transaction processing and assist in the generation of management accounting information and the production of the year-end financial accounts. The system fully supports the production of the annual Appropriation Account.

24.15 Overall, the system is strong on meeting the statutory reporting requirements but needs to be exploited more for management accounting in a way that focuses on commitment management and accrued costs.

24.16 Monthly cash based reports are submitted to all Management Advisory Committee (MAC) meetings which take place roughly twice monthly. The material in the reports is used for general review of overall financial management in the Department.

24.17 The Accounting Officer has stated that enhanced accrual information is used in decision making and discussions at the MAC, with the Minister and at senior management fora. These meetings regularly and systematically focus not only on cash based reports, but also on trends, the level of commitments and liabilities arising from scheme and programme implementation and the financial implications for current and future years.

24.18 The Accounting Officer assured me that there was also an acute awareness of the capital and current elements in the Vote and during 2007 and 2008 the Department provided bi-monthly reports on the execution of its capital envelope to the Government.

24.19 By way of support to the MAC, the Department has a dedicated Finance Division whose core function is to monitor developments on an on-going basis and to actively manage the Vote in close consultation with line managers and senior management.

24.20 Overall, there is an interrelationship between the quality of the information that is available and its potential use in decision making. It is clear that the Department has good management structures to utilise the information generated. However, its capacity to use relevant information is somewhat hampered by the absence of structured reports on accruals and commitments.

Performance Information

24.21 Annual Business Plans are prepared by each division within the Department. Each Business Plan sets out three key targets for the division and a number of key related performance indicators by which progress and achievement against the targets are measured. However, at this stage in the development of the Department's performance management system, targets are usually described in the form of proposed actions rather than as specific quantified measures of what is to be achieved. The related performance indicators are, consequently, broad descriptions of what has been achieved.

24.22 The Accounting Officer noted that the Department had devoted some considerable effort to developing and improving the preparation of role profiles at the level of the individual, through to divisional business plans and the Department's Statement of Strategy. In many cases the indicators used at divisional level included specific and quantitative elements, though in other areas, for example those dealing with policy development, this was more difficult. Performance Indicators for the policy areas of the Department tend to be set as objectives or activities, for example, 'engage in EU negotiations'. He accepted that it was always possible to improve the

specificity and measurability of indicators. With this in mind, his Department had provided MIF training to Heads of Division in 2006 with a view to re-writing performance indicators at divisional level. It has been working on an ongoing basis to improve performance indicators and he believed that the Department had made considerable progress. He assured me that the Department would continue to review and improve its performance indicators.

24.23 More refined costing of services could aid decision making in regard to resource deployment and position the Department to evaluate the effectiveness of its operations. A practical example of this process is the way the Department has utilised the MIF system to participate in an exercise by Paying Agencies in EU member states and an evaluation by the EU Commission of the costs of control of EAGF Schemes generally.

24.24 In general, while recognising that the Department is constrained by EU and other legislative requirements to undertake minimum levels of inspection under the SPS and that these obligations narrow considerably the scope for cost reductions through staff deployment, better costing of the inspection services could allow it to determine the optimum level of testing consistent with EU requirements and the appropriate mix of checks and timing of that work.

Inspection Activity

Around €2.1 million per annum is spent on inspections of agricultural facilities. These inspections focus on two main concerns

- whether farmers are entitled to single payments and
- whether they have complied with statutory management requirements and requirements to maintain holdings in good agricultural and environmental condition (cross-compliance).

Most on-farm inspections cover both. The Department has estimated that approximately 60% of the activity relates to cross-compliance. However, it has not attempted to refine its costing methods in order to get a better picture of the cost of inspections and relate them to the outputs and outcomes. There is scope to use activity based costing to establish the existing costs and use the outcome to set norms for the number and type of inspections.

24.25 The Accounting Officer assured me that there was ongoing evaluation and review to provide the most efficient service delivery, and instanced reductions effected in overtime and travel costs as an outcome of this monitoring.

24.26 A more refined system for forecasting commitments using a standard costing approach could assist the Department to manage and control liabilities arising from grant approvals under various schemes.

Forecasting Programme Cost

The results of examinations of the Farm Improvement Scheme and the Farm Waste Management Scheme are reported in Chapter 25 and Chapter 26. A common concern in both schemes is the extent of liabilities which can arise due to an inability to determine commitments under the schemes. In cash limited and time bound schemes there is a need for a more refined method of gauging financial commitments perhaps by creating a forecasting model using standard costs for different claim types.

24.27 The Accounting Officer noted that all future schemes were likely to involve cash limits on overall expenditure and that he was acutely aware of the need to manage available funds to best

effect and was determined to ensure that the necessary rigour would be applied in future to forecasting.

Reporting Results to Management

24.28 An essential feature of the MIF was that it should provide periodic reports to all levels of management using both financial and non-financial information which would enable managers to systematically monitor and improve performance, provide for better management of resources and assist decision-making.

24.29 Performance reports, comprising financial and non-financial data by Division, are routinely published on the Department's intranet. Because the system operates in real-time, performance against budget can be reviewed by Divisional Management on an ongoing basis. The reports are only presented to the MAC on an exception basis. It is recognised, however, that due to the number of Divisions, it would not be feasible for the MAC to consider these reports on a routine basis.

24.30 In regard to the use of information generated by its new financial systems the Accounting Officer pointed out that the Department conducted Value for Money Reviews and its Management Services Division made extensive use of both financial and non-financial data to determine metrics related to the scale and cost of operations, the level of cost recovery. That division also examines alternative business process models designed to increase efficiency and deliver net cost savings. Recent and ongoing examples included

- a review of certain operations in the SPS, due for completion in December 2009 which would identify the optimum staffing level for that scheme
- a Veterinary Public Health Information Systems Report dealing with the ongoing decline in levels of cost recovery and how this might be addressed
- a review of the Inspectorate staffing within Integrated Controls Division and Agricultural Environment and Structures Division, currently being finalised, which was examining the appropriate staffing levels following an analysis of current and expected workloads.

Conclusions – Management Information Framework

Overall, the system could be further exploited by

- specifying targets and indicators in quantifiable terms
- using the enhanced system to derive costing information to aid resourcing decisions
- introducing a formal review process above the level of divisions, perhaps on a cyclical basis and
- formalising the governance and management routines associated with performance reporting.

Output Statements

24.31 The Annual Output Statement (AOS) is a relatively new development and is intended to facilitate Dáil scrutiny of the annual estimates of expenditure. It was considered for the first time, along with the Departmental estimate for 2007. The Department prepares the AOS in accordance with a template provided by the Department of Finance. This was amended following a feedback meeting with Departments in light of the experience with the 2007 statements.

24.32 The Department's AOS reports activities under five programmes – four of which relate to departmental activities and the remaining one which relates to support services. The programmes and the outturn expenditure for 2008 are shown in Figure 89.

Figure 89 Programmes and Expenditure 2008

Programmes	Outturn
	€m
Agri-food and Fisheries Policy, Trade and Development	358.6
Food Safety, Consumer Protection, Animal Health and Welfare, Fish and Plant Health	363.0
Sustainable Development of Rural and Coastal Economies and the Natural Environment	1,033.7
Payments and Customer Service	1,805.1
Operational Capabilities and Public Service Modernisation ^a	–
Total (Voted and Non-Voted)	3,560.4

Note:

- a Resources associated with this Programme are redistributed on a pro-rata basis across the other Programmes.

24.33 The AOS attempts to link the Department's strategy with its financial outlay and output. It does this once each year for its key programmes. Because they are highly aggregated the programme output measures are necessarily broad in nature. It is recognised that the AOS prepared by the Department conforms to the template laid down by the Minister for Finance. However, it was considered useful to review it against key criteria for good performance reporting. These may assist in any future consideration of the development of statements generally. Figure 90 summarises the findings.

Figure 90 Output Statement Review 2008

Key Criteria for Output Reporting	Rating		
	1	2	3
Alignment with Vote	✓		
Alignment with Strategy 2008-2010	✓		
Consistency between Financial Input and Human Resource Measurement			✓
Consistency between Measurement of Input and Output			✓
Quantified Measures and Indicators Used		✓	
Impact Indicators Reported			✓
Balance between Delivery/Change Management in Programmes		✓	

Rating Key

- 1 Good – Fully or substantially meets the criterion.
- 2 Adequate – Addresses most aspects of the criterion with some limitations.
- 3 Limited – Partially or does not meet the criterion or significant limitations exist in a substantive area.

24.34 Because all activities, including those funded by Vote and non-Vote sources, are presented under five programmes each programme covers a wide range of services and activities. Programme descriptions generally categorise activities appropriately and align with the high level goals in the Department's Statement of Strategy.

24.35 Payments and customer service constitutes a single programme under the AOS. Although it is recognised that the bulk of customer payments are made under the SPS the aggregation of all delivery activity into a single programme tends to militate against performance measurement.

24.36 In regard to the outcome of change management the Accounting Officer has pointed out that in recent years the Department had reduced its staff numbers by 700 and redeployed a further 500 to new areas of work. It has an on-going commitment to further reform and improve efficiency including a plan to rationalise its local office network.

24.37 While outturn against budget under each programme is reported, there is no commentary on the reasons for variances and there is no clear linkage between resources used and the actual outputs achieved. In addition, no reasons are provided for changes to estimates from one year to the next.

Conclusions – Output Statements

In the future development of output reporting, there is scope for development of output statements generally through

- Achieving a better match between the recorded inputs and the outputs. Ideally inputs should be accrual based rather than cash based and thereby better reflect the cost incurred in generating the outputs.
- In addition, it would be useful if some measures of impact were reported so as to give a measure of achievement of the stated objectives.
- While much of the work of the Department involves change management, the consolidation of all delivery and customer service activity into a single delivery programme militates against a fair view of service performance
- Some programmes like food safety involve cross-departmental activity. It would be useful to have subsidiary output statements for key cross-cutting programmes so as to transparently show the total State input and the service delivered for resources expended on those cross-cutting programmes.

Overall Conclusions

Organisational Reviews are clearly worthwhile. They have the practical advantage of assessing the benefits that flow from investment over the years under the banner of the Strategic Management Initiative while giving a composite view of a Department's ability to address its functions and highlight areas where it needs to build capacity. The review of the Department of Agriculture, Fisheries and Food has highlighted strengths the Department can build on and areas where it needs to improve.

The Department is taking steps to improve its financial and management reporting. The results of the review of this particular Department suggest that there is considerable scope to exploit the investment in MIF through

- more refined reporting on commitments and accruals
- designing summary reports for management which provide information for decision making and resource allocation
- attempting to increase use of quantified indicators and measures
- improving forecasting capacity
- exploiting the information, especially accrual based, to improve the AOS so as to more accurately match input costs with output achievement
- producing output statements for cross departmental work like food safety regulation so as to transparently match the cost and outputs associated with such work.

Recent Developments

24.38 The government has decided that the format of the 2009 AOSs should be refined so that they are more focused on the important 'headline' outputs rather than on internal processes and activities and that administrative costs should also be clearly shown alongside each programme with which they are linked.

24.39 The Department of Finance is encouraging all Departments to give greater attention to the quality and relevance of the output indicators used in the AOS, and work is progressing to improve and standardise AOS indicators, having regard to best international practice. It has also signalled that, as set out by government in its statement on Transforming Public Services, work will proceed on the preparation of a integrated Annual Report (covering both input usage and output delivery) by each public body as a basis for a comprehensive Oireachtas scrutiny, and the system for measuring and reporting outputs will be subject to external validation.

24.40 Public Service performance issues are also addressed in two key reports relevant to the further development of the Irish Public Service

- 'Towards an Integrated Public Service' (OECD 2008)
- 'The Special Group on Public Service Numbers and Expenditure Programmes' (2009).

