

The steering system in the Ministry of Agriculture and Forestry's administrative sector

This audit examined the performance-based steering system for resources appropriated to the Ministry of Agriculture and Forestry's administrative sector in main division 30 of the state budget. The main question was: Does the steering and reporting system in the administrative sector together with performance-related accounting and evaluation systems and procedures meet the requirements of sound administration and financial management? The audit focused mainly on the state budget in the Ministry of Agriculture and Forestry's main division and performance reporting for the Ministry of Agriculture and Forestry in the report on the final central government accounts. Less attention was paid to the steering of performance and practical management at the agency level.

According to the final central government accounts, expenses in the main division of the Ministry of Agriculture and Forestry's administrative sector totalled about 2,659 million euros in 2007. Nearly 89% of expenses in the main division were transferable funds. In the Ministry of Agriculture and Forestry's administrative sector the effectiveness of transferable funds is in fact a key challenge with regard to steering. The objectives set for transferable funds depend largely on the Common Agricultural Policy and EU legislation.

On the basis of the audit, the Ministry of Agriculture and Forestry's steering system is not able to link funds appropriated by Parliament to the administrative sector sufficiently well and transparently to performance. Consequently objective setting and performance reporting in the administrative sector's steering system are not carried out diligently enough.

From a performance perspective there are still some good elements, good practices and positive development in the administrative sector's steering system. The division according to policy sectors in accordance with the result unit approach that is applied in all

documents and activities is particularly good. Although the ministry's department structure does not correspond directly to policy sectors, it is roughly congruent. At least at the unit level the ministry has clearly assigned responsibility for every policy sector. The organisation supports the budget structure and the result unit approach well.

A fairly large number of indicators covering effectiveness objectives have been set for transferable funds that are significant in the administrative sector's activities. The number of indicators is clearly larger than in state administration in general. The administrative sector has a coherent set of performance objectives based on the effectiveness prism. Descriptions of performance at the agency level have been evaluated the implementation of verbal objectives set in the performance agreement on a scale of one to five and marks have been accompanied by explanatory text. This form of presentation, in which information concerning objectives and their implementation is displayed in a systematic structure together with marks, can be considered highly recommendable.

The administrative sector does not have a system in which key indicators describing social effectiveness presented in the commentary to the main division are clear describers of lower level effectiveness specified in objective documents. On the whole the audit gave the picture that many effectiveness indicators in the administrative sector are separate from the annual performance steering process, mainly tools for monitoring and noting the subject's development and the general situation.

Objectives should be developed so as to reflect the hierarchic structure of objectives, with clear markers. Objectives regarding social effectiveness in the main division should be clearly linked to agencies' activities and appropriations. The connection between agencies' operational performance objectives and broader social effectiveness objectives should be clearly visible in the report on the final central government accounts. On the basis of the report on the final central government accounts it should be possible clearly to evaluate the development of social effectiveness and the relation between agencies' operational performance and the funds appropriated to the administrative sector.

Problems concerning the indicators used for social effectiveness are related to describing the core area of effectiveness comprehen-

sively. Indicators are often too general to describe actors' own direct effects. Owing to timetable problems producing indicators can last so long that possibilities to utilise them in performance-based steering and particularly management are quite limited. Many indicators have been inadequately explained. In order to ensure the transparency of administration, indicators should be easy to understand at least to informed readers or they should be explained in an accessible way.

The indicators that are used should be linked more clearly to corresponding social effectiveness objectives. The functioning of performance objectives should be improved so that the level of achievement and link to resources can be reliably measured and evaluated. The coherent examination of time series and figures describing development over a sufficiently long period should be increased. Productivity and economy should be included in coherent objectives and steering for the entire administrative sector.

In describing performance individual objectives and corresponding reporting should be more clearly linked. The general description of administration's activities and operating environment should be clearly separated from these. A reference or link to broader reporting on performance in the administrative sector should be added to the description of performance in the report on the final central government accounts. This reporting should include information on the achievement of the objectives mentioned in the state budget. In order to ensure accountability and the transparency of administration according to performance-based management, the description of performance should in future be presented as a clear whole and by policy sector instead of the current agency-based approach.

Finding information on the achievement of individual performance objectives in the budget in actors' accounts in the administrative sector requires a lot of work. To make matters worse, there is no point looking for information on the achievement of many objectives, since this is simply not reported. The systematic structure of objectives and the use of markers would improve the usability of reporting and make it easier to verify.

The agencies in the administrative sector use extensive cost accounting and full-time work time accounting to monitor the focusing of work expenses. Accounting should be developed further so that functional indicators can be built and functional cost informa-

tion packages can be prepared. A special challenge is to link internal accounting to the active management of operational efficiency at the agency level and in the administrative sector as a whole. Furthermore accounting and the production of other management information should be able to promote the monitoring of the achievement of individual upper-level effectiveness objectives and the verification of resources linked to them better than is presently the case.

Evaluations of the social effectiveness of activities in the administrative sector should in future play a more significant role in objective setting and reporting.