

# Conclusions and recommendations of the National Audit Office

## Organizational mergers

The audit examined two mergers between government agencies carried out to enhance the effectiveness and efficiency of government authorities: the establishment of the Finnish Competition and Consumer Authority in 2013, and the establishment of the Finnish Food Authority in 2019. The aim of the audit was to produce information on organizational changes and, in particular, on organizational mergers. The purpose was to determine whether the target organizations can operate effectively and efficiently on the basis of the central government steering system and whether the objectives set for organizational reforms are achieved.

In 2013, the Finnish Competition Authority and the Finnish Consumer Agency merged to form the Finnish Competition and Consumer Authority operating in the administrative branch of the Ministry of Economic Affairs and Employment. The Finnish Food Authority was established in 2019 in the administrative branch of the Ministry of Agriculture and Forestry by merging the Agency for Rural Affairs and the Finnish Food Safety Authority Evira. In the merger, some of the information management services of the National Land Survey of Finland's IT service centre and the supervision of the use of plant protection products, until then the responsibility of the Finnish Safety and Chemicals Agency, were also transferred to the Finnish Food Authority.

## The objectives set for organizational mergers are not sufficiently concrete

Central government does not have common principles or guidelines for agency reforms that would provide a basis for examining the reforms from the perspective of the agencies and the organization as a whole. Furthermore, central government does not have separate guidelines or common practices that would guide the assessment of the need for structural changes such as agency mergers and the preparation, implementation and monitoring of the changes. Even though no guidelines existed when the reforms examined in this audit were carried out, it should be noted that in December 2021, the Ministry of Finance issued a recommendation on the principles to be observed in the organization of activities in central government agencies.

The economic, digital and other impacts of the mergers resulting in the establishment of the Finnish Competition and Consumer Authority and the Finnish Food Authority were assessed very generally or even poorly during the preparatory stage. Alternative measures, itemizations of preparedness for

funding, information on the development of impacts in different time periods, or comparative data on benefits and costs can be presented as economic impacts. No economic or other impact assessments were carried out of the mergers resulting in the formation of the Finnish Competition and Consumer Authority and the Finnish Food Authority. Only summary background reports on the potential benefits of the mergers and, in the case of the Finnish Food Authority, on both benefits and risks were quickly prepared as a basis for the organizational change. Most of the potential positive impacts presented in the background reports were listed as justifications in the government proposals for the agency mergers, and the potential benefits of the mergers were made into objectives in the government proposals.

Furthermore, the mergers were not preceded by a comprehensive analysis of the range of instruments and the weighing of the alternative methods or solutions that could have been used to achieve the desired objectives. In the government proposals, alternatives were only briefly discussed or they were not discussed at all. Sufficiently concrete objectives and indicators on the basis of which the success of the mergers could be assessed were missing. From the perspective of monitoring, many of the objectives and their intended impacts have remained vague. Overall synergy benefits, which both mergers were expected to achieve, are one example of this. Mergers can only be effectively monitored if the objectives set for them are sufficiently concrete and if processes and success criteria or indicators are in place to determine to what extent the objectives have been achieved and to monitor their impacts. In fact, the monitoring needs should already be considered when a merger is still in its planning stage.

## Mergers have little impact on the organizations concerned

The mergers had little impact on the organization of the core tasks of the Finnish Food Authority and the Finnish Competition and Consumer Authority and their management systems. The old organizational structures are still clearly visible in both agencies. In the Finnish Food Authority, the most important change concerned information management, which was made into a new operating entity. To what extent and how the objectives set for the merger can be achieved largely depends on the management practices and the management system.

The audit showed that in the organization and carrying out of their core tasks, the agencies still rely on the management practices and management systems used in the old agencies. New structures for strategic management were also created in the Finnish Food Authority. Management is part of the construction and maintenance of an organization's operating prerequisites. It plays a key role when common operating practices and operating cultures are created for the merged agencies.

## It is difficult to verify whether there have been performance improvements in the new agencies

Performance management in the Finnish Competition and Consumer Authority and in the Finnish Food Authority has changed from detailed steering to broader upper-level steering of more strategic nature. Instead of setting concrete performance targets, the ministry steering the agencies provides them with the strategic direction, which the agencies are expected to follow. The agencies specify the strategic objectives in their own action plans or detailed agency-specific objectives set out in the performance agreements. The purpose of the detailed objectives is to explain the relevance of the more general strategic objectives of the administrative branch to the agency.

Mergers of the agencies have had little impact on performance management. Both the performance targets and organization of the performance management have remained more or less unchanged even though the performance targets are now more strategic in nature. As performance management has become more strategic in nature, monitoring the achievement of the merger objectives has not been a high priority for ministries. The ministries have not required systematic monitoring from the merged government agencies either.

The impacts of the mergers on the government agencies' performance cannot be directly assessed, as their performance agreements do not set out separate targets and indicators on the basis of which the impacts of the mergers would have been monitored. Therefore, the impacts of the reforms on operational performance cannot be directly assessed. Furthermore, sufficient indicators had not been defined for improvements in customer service, service capacity and accessibility, which had been set as objectives for the mergers. Customer perspective was used as the key justification for the mergers even though it was not given equal priority in all of them.

## Recommendations of the National Audit Office

The National Audit Office recommends that in future agency mergers, the ministries responsible for preparing them should

1. produce precise and concrete definitions of the need for and objectives of the mergers, including their impacts in euros;
2. develop methods for assessing the economic impacts of the mergers and for analysing their risks and alternative means of implementation;
3. give consideration to the monitoring of the mergers already when the reforms are in their planning stages;
4. introduce performance indicators and impact assessment methods linked to the merger objectives; and
5. make more extensive use of the information on the activities and finances of government agencies and, if necessary, outside expertise.