

Periodic Critical Reviews

Code of Practice for the Governance of State Bodies, 2016

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Periodic Critical Reviews

The Report on the Implementation of the Agency Rationalisation Programme, December 2014¹ stated that:

“Building on the best practice and experience of the critical review process, carried out in 2012 as part of the agency rationalisation programme, the updated Code of Practice for the Governance of State Bodies will also contain new provisions requiring State bodies to be subject to Periodic Critical Review (PCR).”

¹ <http://www.per.gov.ie/wp-content/uploads/Agency-rationalisation.pdf>

Periodic Critical Reviews

Thinking regarding PCR's was that:

- provision in the Code would ensure that the ongoing business case for State bodies, including those newly established, would be subject to periodic scrutiny and assessment;
- overarching objective of the process was not simply to enable further rationalisation of State bodies, but to secure improvements in accountability, efficiency and effectiveness.

Public Spending Code

In keeping with this The Public Spending Code states that:

“All new spending proposals should contain specific dates for the application of “sunset clauses”. Even where spending is expected to continue for a significant period of time, a sunset clause should still be applied to facilitate a review of the merits of the spending taking into account effectiveness to date and changes in the external environment.

*Sunset clauses are of particular importance for new grant schemes and **new agencies**.”*

A sunset clause is defined as:

“the specification time by which a programme or project will terminate, unless the value for money of the programme can be demonstrated on foot of a rigorous review.”

Source: *The Public Spending Code, Section B-06: Appraisal and Planning: Appraising Current Expenditure, Page 72.*

Periodic Critical Reviews

Nothing new in the requirements relating to PCRs.

- Flagged in 2014 that PCRs would be a feature of the update of the Code of Practice for the Governance of State Bodies;
- Policy in keeping with underlying principles of the Public Spending Code and value for money guidelines that current expenditure is subject to ongoing review and assessment;
- Part of a Government Department's ongoing review of expenditure.

Rationale for Periodic Critical Reviews

State bodies play an important role in implementing and advising on Government policy and delivering public services for citizens.

They are an established part of most modern economies and will continue to feature prominently in the Irish administrative system.

In common with many other OECD countries, the number of State bodies in Ireland has grown significantly over time.

Rationale for Periodic Critical Reviews

Going forward it is essential that the future growth of “State sponsored” bodies occurs in a structured and more coherent manner

“that we do not repeat the unplanned and sporadic growth of the past.”

From a public expenditure perspective it is really important that the **impact and performance** of State bodies is clearly understood, reviewed and managed over time.

The reforms in the Code relating to Periodic Critical Reviews (PCRs) and Performance Delivery Agreements (PDAs) will ensure the necessary focus on performance and service delivery and that the activities of the State body are subject to periodic scrutiny and assessment.

Periodic Critical Reviews

The Code provides for PCRs no later than every 5 years

The overarching objective is to:

- secure improvements in accountability, efficiency and effectiveness; and
- to examine the continued relevance of the State body in light of changing circumstances and Government priorities.

The review should also assess the extent to which the **governance structure** of the State body and the Department's oversight is consistent with the establishing legislation and is aligned to the business needs of the State body.

Scope of Review

The PCR should also include an examination of:

External Environment

- political, economic, social technological, environmental and legislative changes.

Organisational Capacity

- governance, financial management, process management, other organisational linkages, HR management

Organisational Performance

- continued relevance, financial viability, economy, efficiency, effectiveness

Performance Delivery Agreement

The review should be **evidence based** comparing actual performance against targets and/or external benchmarks.

Performance Delivery Agreement (PDA) will provide a basis for Departments to monitor State body performance against targets and define the expectations that the parent Department has of the body.

Within the PDA each body will:

- state their high level goals and objectives;
- set out the key outputs they will deliver in order to achieve their high level goals and objectives; and
- provide details of the financial and human resources available to deliver key outputs.

Conduct of Review

The relevant Government Department should establish a Working Group to conduct the PCR comprised of officials from:

- Parent Department,
- State body, and
- Relevant Vote Section of the DPER.

The final composition of the group is a matter for the relevant parent Department.

Recommended be chaired by official at Principal Officer level in the parent Department.

Conduct of Review – Overarching Principles

The periodic critical reviews should be:

- **Proportionate.** Reviews must not be overly bureaucratic, administratively burdensome and should be appropriate for the size and nature of the State body.
- **Timely.** Reviews should be completed quickly in order to minimise disruption and reduce uncertainty about the State body's future.
- **Challenging.** Reviews should be robust and rigorous and examine and evaluate as wide a range as possible of alternative delivery options.
- **Open and Inclusive.** Key stakeholders should have the opportunity to contribute to reviews.
- **Transparent.** Reviews should be routinely published.

Guiding Principles - Periodic Critical Reviews

Appendix F of the Code sets out 10 guiding principles for PCR's:

In summary key areas for review include:

- **Governance Structures:** Ensuring that the governance structures, accountability arrangements, risk management and internal controls are in line with best practice and in accordance with a State body's establishing legislation.
- **Performance:** Ensuring the State body has a clear mandate, is achieving what it was established to achieve efficiently and effectively as possible.
- **Continued Relevance:** Ensuring existence of the State body remains relevant in light of changing policy priorities and a rapidly changing external environment.

Guiding Principles - Periodic Critical Reviews

PCRs should be designed to meet the needs of citizens:

- **Citizen Focus:** Reviews should be **citizen focused** and seek to ensure that State bodies are designed to deliver **quality public services**;
- **Cost Benefit:** Reviews should seek to identify cost savings and synergies; and
- **Deliver Accountability:** Designed to ensure that the State body has appropriate governance structures that **deliver accountability for results and performance**.

PCR and VFM Questions

Standard review and VFM Questions include:

- What is the rationale for and the objectives of the State body?
- Are the objectives still relevant, in light of evolving policy priorities?
- How effectively has the State body achieved its objectives?
- How efficiently has the State body delivered on its goals and objectives?
- Are there alternative ways of achieving the same objectives?

Benefits all Stakeholders

PCR process benefits all stakeholders.

Outcome of review feeds into evidence based decision making.

In best interest of Stakeholders parent Department/State body to be able to demonstrate following a robust review and assessment that the:

- governance structures and accountability arrangements are appropriate, meet best practice and are consistent with establishing legislation;
- performance of the State body is on target and in line with expectations; and
- that the existence of the State body remains relevant in light of changing Government policy priorities and rapidly changing external environment - political, economic, social, technological, environmental and legal changes.

Key Message

Ongoing examination and review will ensure the sustainable success of the State body over the longer term.

In Conclusion

DPER currently updating the Public Spending Code (PSC).

Plan to include a methodology for conducting PCR's in the updated PSC.

Will assist Government Departments when conducting their reviews.

Options available to Departments include:

- conducting a PCR as part of their Value for Money and Policy Reviews; or
- as part of a Focused Policy Assessment process.

Thank you

Code available at: govacc.per.gov.ie

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