



SAINT HELENA **AUDIT SERVICE**

Review of the Agriculture Division Business Plan 2009/10



VALUE FOR MONEY REPORT

V15 - April 2011

Value for Money audits are conducted by the Audit Service on behalf of the Legislative Council, in order to determine whether St Helena Government resources have been used with proper regard to economy, efficiency and effectiveness.

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Report Distribution: Chief Agriculture and Natural Resources Officer, Chief Secretary, Financial Secretary, Legislative Council, Public Accounts Committee and Audit Committee.

It is available to the public through our website (www.audit.gov.sh) and the Public Library.

EXECUTIVE SUMMARY

This review forms part of the Value for Money (VFM) Audit Plan 2010/11. The objective of this audit was to determine whether the Agriculture Division has achieved its strategic objectives as set out in the departmental Business Plan, whether agricultural subsidies were paid in accordance with the policy and whether resources are being used efficiently and effectively to achieve objectives set.

The Agriculture Division is one of four divisions within the Agriculture and Natural Resources Department (ANRD). The primary focus of the Agricultural Division is to provide support and services to the agricultural community, therefore enabling them to increase production through sustainable methods. This is delivered through five sections; Irrigation, Farmer's Support, Veterinary and Livestock, Pest Control and Training; all of which provide agricultural support to the private sector.

In 2009/2010 the division worked towards the achievement of four departmental objectives. Twenty one targets were set to measure the performance of the division in meeting the objectives set. Based upon the work undertaken and the findings detailed in the body of this report, the overall opinion is given below.

ADEQUATE

Management arrangements are generally conducive to achieving Value For Money – but further important enhancements could be made.

The range of possible audit opinions given for Value for Money is good, adequate and inadequate and definitions of the audit opinions can be found at Appendix A.

Through the work undertaken we found that out of the twenty one targets set, twelve were met by the division. We noted that two targets set out in the plan for the division were not SMART (Specific, Measurable, Achievable, Relevant and Timed). This was mainly due to the fact that one target was not measurable and the other was not specific enough to be able to assess accurately whether it was met or not. However, in general, all targets were found to be geared towards the overall purpose of the division.

The agricultural subsidy payments were reviewed and sample tested to give assurance as to whether payments were made in accordance with the criteria and limits of the policy. This was found to be the case.

The Division also had an overall expenditure budget of £374,413. Over a third of the Division's budget was spent on staff costs. This is mainly due to the fact that the Division provides support and advisory services to the farming community. Actual expenditure incurred by the division in the period was within the budget allocation.

As a result of the work undertaken we have made three recommendations to management, detailed in the Appendix at the end of the report.

The assistance given by all SHG staff and third parties is acknowledged. A list of those involved is included in Appendix C.

Introduction

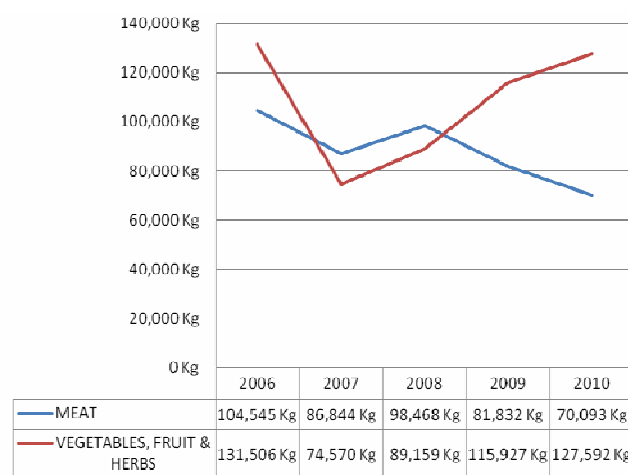
- 1.1 The main findings and conclusions are presented here and are based upon the actual work undertaken and evidence gathered.
- 1.2 The Agriculture Division is one of five divisions in the Agriculture and Natural Resources Department (ANRD). The purpose of the division is to provide support and services to the agricultural community to enable them to increase production through sustainable methods.
- 1.3 This is delivered through five sections within the division Irrigation, Farmer's Support, Veterinary and Livestock, Pest Control and Training sections.
- 1.4 The Agriculture Division provides the following services:
 - agricultural research;
 - agricultural subsidy programme;
 - agricultural extension;
 - in-service training;
 - control/management of agricultural breeding stock;
 - veterinary services;
 - control of stray animals;
 - animal, plant, fresh fruit and vegetable quarantine and import control;
 - pesticide spraying service;
 - bio-control agent breeding and release programme;
 - crown agricultural asset leasing and maintenance; and
 - irrigation systems installation.

Performance against objectives and targets

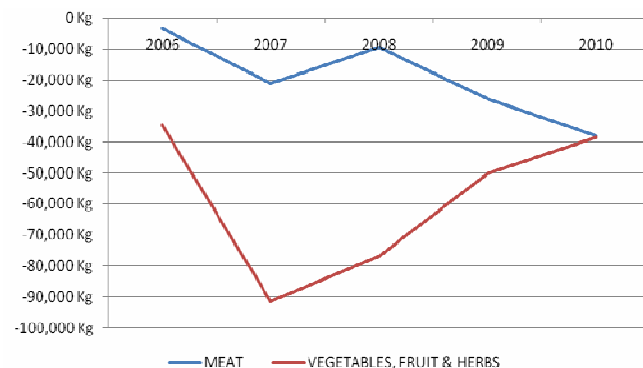
- 2.1 The Sustainable Development Plan 2007-2008 contained one target for the division, the consolidation of activities to provide an integrated advisory service to farmers. The performance measure was to increase food production. The 2009-10 targeted vegetables and fruit quantities were 166,000kg and meat 108,000kg. Unfortunately, this target was not met and

fell short by 50,073kg for vegetable and fruit and 28,667kg for meat products.

- 2.2 The following line graph shows the levels of local meat, vegetable, fruit and herb products over the last five years. Meat products show a decline since 2005 by 34,452Kg, whereas vegetable products dipped substantially in 2007 but recovered by 2010 to almost the level in 2006. The figures are only best estimates and are based on key sales figures, this does not include products consumed without sale, traded informally or exported to Ascension. ANRD is currently unable to accurately measure production.

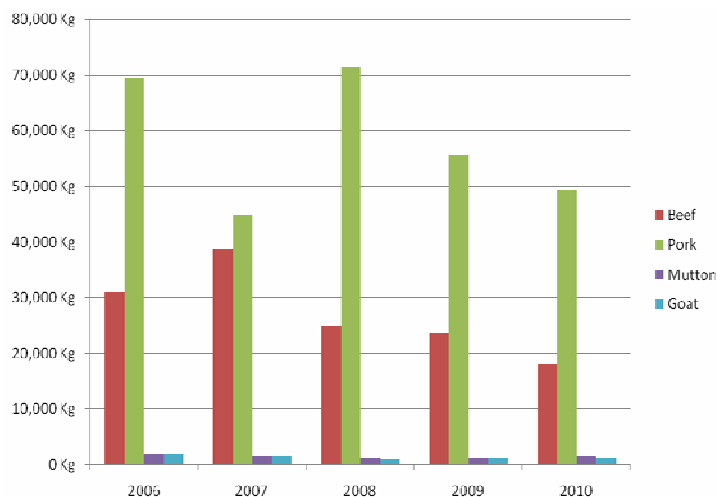


- 2.3 Despite the results above the following graph shows that there is a significant under production within the farming community compared to the targeted level of production that was anticipated for that year.

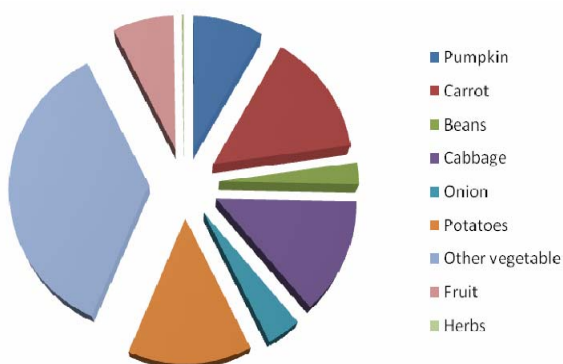


- 2.4 Meat products can be further analysed into the different products of Pork, Beef, Mutton

and Goat. As can be seen from the following graph, Pork represents the highest meat product available and Beef the second highest. Mutton and Goat are relatively low in comparison to Pork and Beef. There is a notable downward trend in the quantities of all meat products over the last five years resulting in the overall SDP target for meat products not being met.



2.5 Vegetable, fruit and herb products can also be analysed into the different products to enable an understanding of the proportion each product has of the overall quantity of product available over the last five years. The quantity of potatoes, cabbage and carrots produced are similar, averaging 74.5



tonnes of product.

2.6 There are four departmental strategic objectives which the Agriculture Division worked towards in 2009/10. They are:

- to improve the enabling environment for private sector development in the

agriculture and natural resources sector, and, where possible, outside of the natural resources sector;

- to offer relevant and cost effective services;
- to provide access to effective business support and advisory services; and
- to promote the role and functions of the ANRD to its clients and stakeholders”.

2.7 There were twenty one departmental targets set in 2009/10 which the division directly owned or contributed to. The target set in the SDP aiming for an increase in local meat and vegetable products was not included in the 2009/10 Business Plan. This is an important overarching objective of the division and therefore a vital performance indicator of the department. The objective fits directly with the purpose of the division to provide support and services to the agricultural community to enable them to increase production through sustainable methods. Increasing local Island production of meat and vegetables underpins the purpose of the Agriculture Division. All targets set by the division in the departmental business plan are considered secondary to the SDP target and together contribute to the achievement of this target. We recommend that this target is included in the new strategic plan and future plans to measure the performance of the division in delivering support and services to the agricultural community (see Recommendation 1).

2.8 All Agriculture Division business plan targets were reviewed to ascertain whether they were SMART (i.e. that they were Specific, Measurable, Achievable, Relevant and Time bound). It was found that nineteen targets were SMART. Two targets were not specific & measureable and therefore were open to misinterpretation or manipulation (details of the targets can be found in appendix D of this report).

2.9 Target 1 in the appendix is not specific. The target calls for clear decisions being made on outsourcing of services provided to the public. It states four possible services that

could be outsourced. The failure lies in the use of the word “possible” and does not provide a definite service(s) that should be outsourced regardless of the likelihood of this happening. Management has taken a precaution here not to commit fully to any one of these outsourcing activities. However by failing to establish a definite target it has made it difficult to assess whether this target has been met.

2.10 Target 17 is not measurable. The division has set to keep the Agricultural Information System up to date with quality baseline information. The target does not state the measure of quality. Different uses will require different information therefore their understanding of quality will differ. Because of this it is difficult to be able to assess whether this target has been met by the division.

2.11 We recommend that in future all targets set by the Agriculture Division are SMART. This is to ensure that a clear assessment can be made as to whether or not targets have been met. (See Recommendation 2). We have reviewed the targets set in the 2010/11 – 2013/14 Strategic Plan for ANRD and have found that these targets are SMART.

2.12 The targets were also reviewed to ascertain whether they were geared toward the purpose of the division. This was found to be the case.

2.13 All targets were assessed to ascertain whether they had been achieved by the division during 2009/10. Overall the division achieved twelve out of twenty one targets set in 2009/10 (details can be found in Appendix D to this report).

2.14 The division set a target to identify a minimum of two sites for polytunnels. This target was not met as the division did not identify any sites in 2009/10. They had relied on the fact that they would have in place a TC Agricultural Support Officer who would have been able to assist in identifying the sites. Unfortunately they did not have

anyone in post. However the division was approached by members of the public who indicated that they were interested in setting up polytunnels and the division was able to assist them in this venture. It is hoped that recruitment for the Agricultural Officer will commence in the new financial year 2011-2012. We recommend that an Agricultural Officer is recruited in the forthcoming financial year. This is an important target, as the identification of suitable sites and development of polytunnels will ultimately lead to increased local production, feeding into the overall high level target (see Recommendation 3).

2.15 Target six was to research salad cropping in the ANRD Shade house as part of the Youth Training Programme, to provide gross margin data on production. Unfortunately, this did not take place but progress is being made in this financial year 2010/11.

2.16 Work was done towards the achievement of target 8 but it was not met at the year end. Feedback was received from merchants regarding their expectations from producers to improve marketing arrangements. More work is planned for 2010/11 with the SHDA to improve the current system. The system, at present involves applications from merchants procuring vegetables from overseas being assessed in conjunction with data about local stocks of the same vegetable. The Agriculture Division would first obtain from farmers the quantity of vegetable product that is available in store, number planted and ready for harvest in the period of the application. The Division would then restrict the license to import goods based on the date obtained. Unfortunately, this only happened for potatoes. It is recommended that this system is improved to include all other types of vegetable and that a new target date should be set in which to meet this target. (See Recommendation 4).

2.17 The division was unable to meet the target to put in a proposal for one small reservoir to be erected in Longwood. ANRD

investigations revealed that the proposal would be too costly to be included in the 2010-2013 budget, due to priorities in other areas of the ANRD programme. However, ANRD was able to secure an additional vacant tank on Longwood Avenue from the Public Works and Services Department. This was commissioned for irrigation use to support arable plots in Longwood. This was a suitable alternative decision made by the division in light of the budget constraints experienced, and ultimately met the required action to increase the water storage capacity at Longwood.

2.18 Renovations were not completed on Longwood Slaughter House. The Agriculture Division first wanted to obtain expressions of interest from prospective private sector users before spending funds on renovations. No expressions were received from suitable applicants therefore the renovations did not go ahead.

2.19 The target of 95% of funding taken up was not achieved by the division. Out of the £23k available through the Agriculture Improvement Scheme (AIS), actual funds awarded were £19.8k. This represents 86.1% of funding, which is deemed to be acceptable.

2.20 Changes to the RMS St Helena shipping schedule meant that the nucleus programme for 2009/10 was not able to be completed. The nucleus poultry component of the programme was completed, but other livestock such as the rams was not delivered due to the shipping schedule. It is planned that poultry and rams will be arriving on the southbound voyage of the UK on 3 April 2011.

2.21 The division could not meet the Agricultural Awards programme as there was little support from producers to participate in Awards Competition in 2009. This target has not been included in the 2010 -2013 Strategic Plan.

Agricultural Subsidy

3.1 During 2009/10 the Agriculture Division introduced the AIS where it provides financial support incentives for agricultural enterprise owners to continue to manage their enterprises across the Island. This was managed by the Farmers Support and Pest Control Sections. There were three key areas where help was provided through the scheme pasture land clearance, fencing of pasture land and the procurement of herbicide.

3.2 The budget in the year for agricultural subsidies was £23k. Performance in this area is linked to departmental Strategic Objective 3, to provide access to effective business support and advisory services. The aim was to deliver AIS to support to prioritised areas. The target of 95% of funding taken up was not achieved by the division. Out of the £23k available through the AIS, actual funds approved were £22.1k. This represents 96% of funding, which is deemed to be acceptable. Only £19.8k of the funding was collected by the applicants.

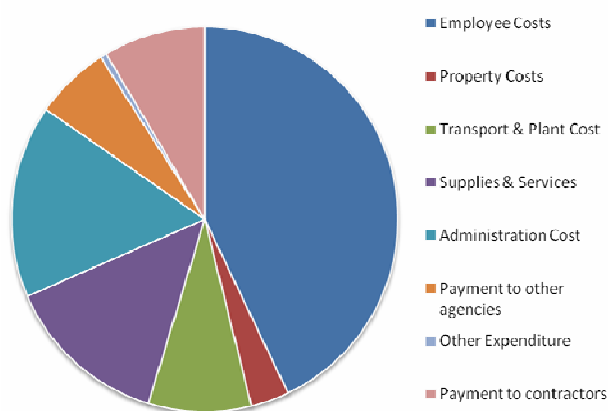
3.3 Subsidy for the purchase of herbicides is available to assist both arable and livestock farmers; to purchase herbicides for the control of invasive weeds, alien plants and grass species. The subsidy is provided to support 40% of the total cost of the purchase of herbicide to a maximum subsidy value of £200 per application. Three applications were approved in the period.

3.4 Grants for pasture improvement, also supports proposals for the purchase of fencing materials to repair or replace lengths of perimeter fencing.

3.5 A sample of nine payments made by the AIS was traced to the application forms and assessed as to whether they were in compliance with the policy; we found that payments made were in line with the policy.

Agriculture Division Budget

4.1 The total expenditure budget for the Agriculture Division was £374,413 in 2009/10 and is shown in the pie chart below. The largest proportion of the budget, which accounts for over one third is employee costs and covers salaries and wages for full-time staff, allowances and overtime. At present, the Agriculture Division is the largest spending division in the department and represents 38% of total budget allocation.



4.2 In 2009/10 actual expenditure incurred by the division was £374,014. This was under the budget allocation by £399. There were large under spends on employee costs and property costs of £15k but this was counter-weighted by the fact that there was an over-spend on Agricultural Contracts and Veterinary Drugs of £16k. The under-spend on employee costs was due to vacancies. There was also an under-spend in property costs which was due to ANRD handing back a rental property and therefore no longer required to pay rent. Other under/over spends on expenditure lines resulted in the division operating within the budget allocation.

4.3 The budget for the division holds only expenditure for the year and does not include revenue for services provided by the Division. All revenues brought in as a result of services provided by the different

divisions in the department are recorded in the administration section budget and the Animal Husbandry Fund under the Pasturage (Government Lands) Ordinance, CAP 95.

Conclusion

5.1 In conclusion, twenty one targets were set by the division in 2009/10 and twelve were met. Some targets were not met due to external constraints beyond the control of management. For example the shipping schedule did not allow for the Nucleus programme to go ahead in 2009-2010.

5.2 Two targets out the twenty one set were not considered SMART, owing to the fact that one was not measurable and the other was not specific. We have made, as a result of findings, a recommendation to ensure that all targets set by the division is SMART. This will ensure that the division can assess their performance based on whether these targets are met or not.

5.3 Agricultural subsidies approved in the period were found to be in accordance with the criteria stated in the policy. This included subsidy for pasture clearance, pasture fencing and purchase of herbicides.

5.4 The Agriculture Division kept within the budget allocation for 2009/10. Under-spends were experienced in staffing costs mainly due to recruitment periods for staff. Overspends occurred on Agricultural Contracts and Veterinary Drugs. These over/under-spends experienced on specific line items counter-weighted each other and this meant that the Division completed the year within budget.

5.5 Our overall assessment of the Agriculture Division business plan is Adequate. Specific enhancements are required by the Division to ensure that the ultimate focus is to increase local production. The recommendations made, are there to help to develop the existing plan and to provide a

clear basis on which the Division can assess
their performance.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be complete by: (Month, Year)	Management Comments
1	<p>The Agriculture Division set twenty one targets in the financial year 2009/10. These targets related to different aspects of the function of the Division and what they hoped to achieved within the year. There was one target in the Sustainable Development Plan to increase local production. This was brought into the departmental business plan as a target.</p> <p>It is felt that this is an important performance indicator for the Division and should have been the overarching objective of the Division to work towards the achievement of this target. It is felt that the other targets set by the Division feed into this one primary target.</p> <p>We recommend that this target is included in the new strategic plan and future plans to measure the performance of the division in delivering support and services to the agricultural community.</p> <p><i>(We have noted that this target to increase production has been included in the 2010-2013 Strategic Plan for the department.)</i></p>		High		<p>Agreed and that is why an Objective 'increase production of vegetables and meat' has been brought into the ANRD Strategic Plan from 2010. However, we cannot quantify by a specific amount as we would need credible production data from existing farmers to measure this. However, using targets such as we have of establishing a number of polytunnels that are producing and linked to agreements with ANRD through elements of grant support to new entrants to the agriculture sector we are able to gain accurate data to measure an increase in production through their entry to the sector.</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be complete by: (Month, Year)	Management Comments
2	<p>All targets were reviewed. It was found that not all targets were SMART (i.e. Specific, Measurable, Achievable, Relevant and Timed).</p> <p>It is essential that SMART targets are set to ensure that:</p> <ul style="list-style-type: none"> a) The performance of the Division can be appropriately assessed based on the achievement of the targets. b) They are not open to misinterpretation to manipulation. <p>We recommend that all future targets set by the Division are SMART.</p>		High		<p>We have through the new strategic planning process in mid 2009 improved are target setting with respect to them being SMART.</p>
3	<p>During 2009-2010 financial year the Division had plans in place to recruit the assistance of an Agricultural Support Officer. TC funding for this short term contract officer was approved only in 2010-11. Expressions of interest were invited from a selected group of experienced personnel but recruitment did not take place for the 2010-11 financial year.</p> <p>We recommend that an Agricultural Officer is recruited in the forthcoming</p>		High		<p>We have included this requirement as the Directorate's number 1 capacity priority under SHG's Capacity Plan for 2011/12.</p> <p>Expressions of interest were invited from a selected group of experienced personnel but recruitment did not take place for the 2010-11 financial year as the cost to engage an officer for the covered production exercise exceeded the TC budget allocated</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be complete by: (Month, Year)	Management Comments
	financial year.				
4	<p>Target 8 set for the financial year 2009-2010 was for a system to improve marketing prospects for arable producers to be established that is supported by merchants and producers. (See paragraph 2.16 in the main report for details). This system was only achieved for potatoes.</p> <p>We recommend that this system is improved to include all other types of vegetable and that a new target date should be set in which to meet this target.</p>		Medium		<p>Agreed but will take time to obtain accurate data under the current marketing set up.</p> <p>One of our targets for 2011/12 is to investigate opportunity to establish a wholesaler arrangement for marketing local and imported agricultural products. If this was established and targeted agricultural subsidy was based on outputs of produce sold to this wholesaler we would potentially secure improved production data for vegetables.</p> <p>If we are able to secure quality export data of agricultural products going of Island to Ascension during the new year as we hope and home slaughtering figures were all able to be picked up through the inspection process, we would also be able to achieve a better data set for annual meat production.</p>

APPENDIX A**AUDIT OPINION DEFINITIONS**

Every Value for Money audit concludes with an overall opinion based upon individual opinions that are applied to each of the review areas identified in the scope of the audit. The range of opinions, together with an explanation of their meanings, is as follows:

<i>Value For Money Opinions</i>	
GOOD	Management arrangements are conducive to achieving Value For Money and only minor enhancements, if any, can be identified.
ADEQUATE	Management arrangements are generally conducive to achieving Value For Money – but further important enhancements could be made.
INADEQUATE	Management arrangements are not considered to be adequately conducive to achieving maximum Value For Money.

APPENDIX B**SCOPING AND RESOURCING**

To examine whether the resources allocated in 2009/10 were used with regard to Value for Money, the Audit Service assessed the following:

- Performance by the Agriculture Division in achieving the targets set out in the business plan.
- Compliance with relevant subsidy policies.

This was done by:

- Interviewing Chief Agriculture and Natural Resources Officer and Agriculture development Officer and Senior Executive Officer
- Reviewing business plan for ANRD and SHG sustainable development plan.
- Comparing budget and actual income and expenditure for 2009/10.
- Assessing compliance with subsidy policies

APPENDIX C**LIST OF PERSONS CONSULTED**

The assistance given to the Audit Service by all those listed below during the course of the audit is acknowledged with appreciation.

Names	Title	Department
Darren Duncan	Chief Agriculture and Natural Resources Officer	A&NRD
Andrea Tim	Agriculture Development Officer	A&NRD
Thelma Sim	Senior Executive Officer (Administration)	A&NRD

APPENDIX D

No.	Action	Performance Measure	Target	Is this target SMART	Target met?
ANR SO1: To improve the enabling environment for private sector development in the agriculture and NR sector					
1.	Work up business cases and plans for suitable ANRD retail and secondary activities to be taken up and developed by the private sector	Clear decisions reached on possible activities/services that could be transferred to the private sector in the medium term	Possible targets: 1. Poultry breeding facility 2. Firewood retail activities 3. Grounds maintenance functions 4. Herbicide spraying function	No	
2.	Work with SHDA to investigate feasibility of establishing a partnership venture with a grower for covered/alternative cropping methods for salad crop production	Clear decision reached on feasibility for partnership venture	Proposal for partnership venture 1	Yes	Yes
3.	Provide TOR's and supporting bid to budget process to engage technical training support to the proposal	Bid for funding approved		Yes	Yes
4.	Identify suitable sites for venture and make these available under the ANRD Assets Disposal Policy.	Sites identified with adequate service provision	A minimum of two sites	Yes	No
5.	Establish a medium term grant support scheme targeted to encourage improved production and quality of salad and staple crops	Scheme endorsed by ANRC to inform new planning framework	3 Year Scheme	Yes	Yes
6.	Research salad cropping in the ANRD Shade house as part of the ANRD Youth Training Programme to provide gross margin data on production	A set of gross margins produced for all salad crops grown	4 varieties of crops produced using this method	Yes	No

No.	Action	Performance Measure	Target	Is this target SMART	Target met?
7.	Investigate opportunities to increase water storage capacity in the Longwood area to support arable assets leased by ANRD, through identification of a suitable site and provision of a costing	Bid submitted under budget process	Proposal for 1 small reservoir	Yes	Yes
8.	Work with Merchants, SHDA, Growers Co-operative and CoC to improve marketing prospects for arable producers	System established that is implementable and supported by merchants and producers	System in place for 2010	Yes	No
9.	Develop the existing short-term grant support scheme to provide for a medium-term grant scheme targeted to encourage development of pasture infrastructure for improved meat production	Medium-term Scheme established, endorsed and used to inform planning process		Yes	Yes
10.	Take steps to actively promote the opportunities for funding support available to graziers under the Animal Husbandry Fund Policy to support improvements to pasture infrastructure	AH Fund Policy promoted to all graziers of SHG leased pasture lands	3 pasture infrastructure improvement projects funded	Yes	Yes
11.	Construct a row of pig production housing at Longwood Agricultural Centre for leasing to pig farmers	Housing complete and advertised for lease		Yes	Yes
12.	Renovations completed on Longwood Slaughterhouse to support SH business proposal	Lease provided for SH		Yes	No
ANR SO2: To offer relevant and cost effective services.					
13.	Minimise overheads/ other expenditure and further develop fees	% of service expenditure each year	15% -20%	Yes	Yes

No.	Action	Performance Measure	Target	Is this target SMART	Target met?
	and charges policy to move towards greater recovery of costs for appropriate services	covered through revenue raised			
14.	Through Veterinary Development Consultancy, develop a proposal for professional support to ANRD veterinary services	Medium-long term development proposal in place for veterinary services	Proposal in place for service beyond 2009	Yes	Yes
ANR SO3: To provide access to effective business support and advisory services.					
15.	Strengthen advisory and support function through development and training of advisory staff	Advisory positions across Department kept to full capacity	15 staff	Yes	Yes
16.	Strengthen advisory and support function through development and training of advisory staff	Capacity of advisory staff strengthened through advisory/service provision instruction and training	Up to 8 staff developed	Yes	Yes
17.	Refine agricultural Information System (IS) to annually capture key agricultural data to enable baseline information to be available for private sector and ANRD decision-making and planning	IS kept up to date with quality baseline information		No	
18.	Deliver against the 2009/10 agricultural improvement scheme to support prioritised need areas	Funding available for prioritised pasture development work taken up	95% of funding taken up	Yes	No
19.	Establish new 3 year livestock breeding support programme to	Programme established and costed to inform		Yes	No

No.	Action	Performance Measure	Target	Is this target SMART	Target met?
	livestock farmers	new planning process			
ANR SO6: To promote the role and functions of the ANR Department to its clients and stakeholders.					
20.	Engage Stakeholders in Action Planning to support agricultural policy and action planning activities	FA, CoC and SHDA consulted on agricultural policy and ANRD Strategic Plan		Yes	Yes
21.	Establish a bi-annual agricultural 'Awards Scheme' for best farming practices and innovation	Scheme established and supported by FA and farmers for implementation in 2010-12 period		Yes	No