

Teagasc Financial Statements 2017

Opening Statement to the Oireachtas Public Accounts Committee by Professor Gerry Boyle, Director Teagasc, October 4th 2018

Introduction

Chairman, I welcome this opportunity to present this Opening Statement to the Committee.

Mandate

Teagasc was established under the *1988 Agriculture (Research, Training and Advice) Act* with a remit to:

- “To provide or procure educational, training, and advisory services in agriculture”.
- “To obtain and make available to the agricultural industry the scientific and practical information in relation to agriculture required by it”.
- “To understand, promote, encourage, assist, co-ordinate, facilitate and review agricultural research and development (including research and development in relation to food processing and the food processing industry)”.

Governance

The Teagasc Authority is accountable to the Minister for Agriculture, Food and the Marine and is responsible for ensuring good governance through setting strategic objectives and targets and by taking strategic decisions on all key business issues. The day-to-day management, control and direction of Teagasc are the responsibility of the Director and the senior management team.

Teagasc fully adheres to the Code of Practice for the Governance of State Sponsored Bodies (2016) and adheres to all circulars emanating from the Department of Agriculture, Food and the Marine and the Department of Public Expenditure and Reform. Teagasc’s system of internal control is supported by its Audit and Risk Committee, comprising three Authority members, one of whom is the Chair, another is the Department of Agriculture, Food and the Marine’s representative on the Authority and there is also an external member with significant financial and audit expertise. The Audit and Risk Committee is supported by an Internal Audit function which reports to it. The Authority’s Operations Committee provides oversight on the effectiveness and efficiency of all Teagasc’s administrative functions.

Teagasc maintains regular contact with the Department of Agriculture Food and the Marine on administrative and programme matters. At the end of each year a Business Plan for the year ahead is approved by the Authority and a Oversight Agreement (OA) based on this Plan is agreed with the Department. The SLA is regularly reviewed by the Department in consultation with Teagasc. Each year, as required under the 1988 Act, Teagasc also submits a Proposed Annual Programme of Activities for review to the Department.

Teagasc also operates a rigorous performance and evaluation system involving external peer reviews of all of its programme as well as the monitoring and tracking of key performance indicators (KPIs).

Mission

The Mission of Teagasc as adopted by the Authority is to:

“To support science-based innovation in the agri-food sector and wider bioeconomy so as to underpin profitability, competitiveness and sustainability”.

Goals

The Teagasc Authority has adopted four goals:

1. Improve the competitiveness of agriculture, food and the wider bioeconomy
2. Support sustainable farming and the environment
3. Encourage diversification of the rural economy and enhance the quality of life in rural areas
4. Enhance organisational capability and deliver value for money

Programmes

Teagasc has six operational programmes:

1. Animal grassland research and innovation
2. Food research
3. Crops environment and land use
4. Rural economy and development
5. Advisory and extension
6. Education and training

In addition Teagasc has a central administration service embracing Finance, HR, ICT and Corporate Service functions.

Teagasc sites

Teagasc is a national organisation with sites distributed throughout the country. It has 51 advisory offices (down from 90 following a rationalisation programme); four colleges of further education; and seven research centres.

Teagasc finances

Teagasc is obliged each year to match its expenditure with its income. It is unique as a non-commercial body in having a relatively large proportion of non-Grant-in-Aid (GIA) income, some €56m in 2017. This non-GIA income comprises grants awarded to Teagasc as a result of success in competitions for research and advisory funds at national and EU level, advisory and education fees, farm operations, industry levies and the sale of various professional services.

In 2017 Teagasc received €125m GIA (including an amount for pensions of €43m) to meet its current expenditure needs and a further capital grant of €3.15m.

Capital requirements

In the absence of access to borrowing facilities Teagasc faces significant challenges in funding its working capital requirements. This issue has become more acute in recent years as Teagasc's non-GIA income has increased significantly.

Similarly, in the absence of a borrowing facility, longer-term capital funding for our research and educational infrastructure is even more challenging. Teagasc's GIA earmarks a relatively small amount of funding for infrastructural purposes which is only sufficient to partially cover maintenance costs and some minor capital works. More substantial infrastructural needs are funded as the opportunity arises through the sale of assets that are no longer programme priorities, or, through once-off special capital grants from Government. Reliance on asset sales as a funding mechanism is not a sustainable basis on which to fund on-going infrastructural needs. While the availability of special capital grants is welcome, the process results in an episodic funding schedule.

Procurement

While Teagasc received an unqualified audit certificate in 2017, the C&AG did draw attention to some procurement issues.

Teagasc is making every effort to be as fully compliant as possible in regards to its procurement practices. Significant improvement in procurement procedures have been implemented in recent years through the recruitment of specialist staff and the development of robust systems. Procurement is complex in Teagasc due to our diversified activities and the geographical dispersal of sites.

The issues reported in the Financial Statements were discovered and brought to the attention of the C&AG by Teagasc. In the main, the reported matters were due to two factors: i) quotes being sought from a number of local suppliers rather than advertising through eTenders. We are satisfied that this did not adversely impact value for money given the number of quotes sought and the type of services procured; (ii) extension of existing contracts for services where the requirement was being reviewed, where there were delays in the implementation of the Office of Government Procurement process or where a similar service had already been procured from that supplier.

While no breaches can be tolerated, it is noted that the breaches amounted to tender values of €1.35m out of a total of €42m or 3.2%.