

OECD Workshop on Regulatory Enforcement & Inspections

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Jerusalem

Outline

- * Background – why reform is important
- * Key findings from the survey:
 - * governance of inspection authorities
 - * performance of inspectors
 - * the delivery of inspections
- * Conclusions
- * Recommendations
- * Discussion

Background Why reform?

Inspection authorities

- * Inspection authorities are diverse, large and complex multifunctional organisations which significantly impact on state budgets at a time when there are scarce resources.
- * Inspection authorities are inconsistent in the way that they operate causing uncertainty for businesses.
- * The levels and types of decision making and the way they are organised are unclear.

Background Why reform?

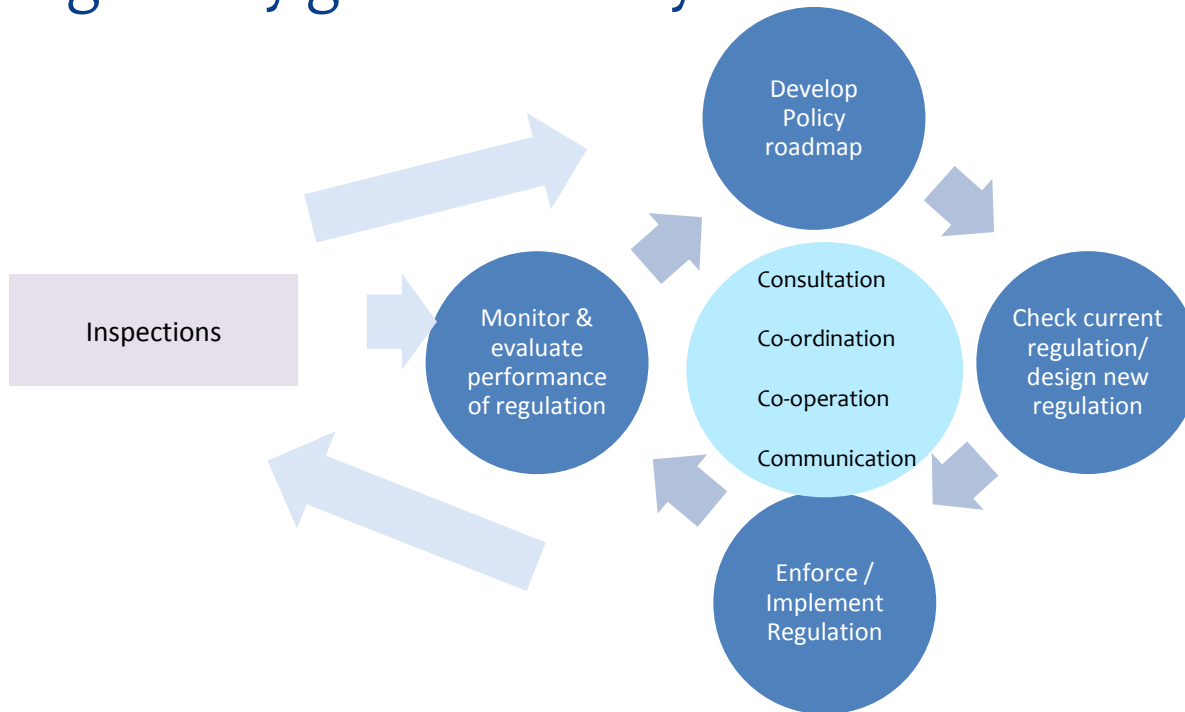
Inspectors

- * They are often experts without a set of common competencies or frameworks for inspection.
- * They can be influenced by politicians.
- * Poor salaries can lead to corrupt behaviour.
- * Performance targets can lead to perverse incentives.

Background Why reform?

Inspections

- * Inspections are an important but under-utilised part of the regulatory governance cycle.



Background Why reform?

- * Inspections influence businesses resources / performance and therefore their success including their ability to grow.
- * The evidence to demonstrate that inspections deliver compliance and tangible outcomes is limited.
- * The costs and benefits of inspections are not fully understood.
- * The way inspections are delivered is inconsistent and not always based on risk.

Key findings

Inspection authorities

- * 50% of respondents did not have cross sectoral policies for organising inspection authorities.
- * 58% do not have policies to reform inspection functions.
- * The level and types of decisions that are made in authorities is unclear.
- * 79% do not hold a central register of inspection authorities.
- * Performance of inspection authorities isn't measured consistently or transparently.
- * Performance methods range from annual reports through to targets and indicators.
- * Accountability lines and the level of independence varies.
- * Financing can also influence the level of 'independence' of an organisation.

Key findings

Inspectors

- * HR policies were often in place but the level of implementation wasn't clear.
- * Although 75% of respondents reported that they had policies for dealing with conflicts of interest, disclosure and codes of ethics, one doesn't have to look far to find headline news reports about allegations of corruption etc.
- * 50% of respondents do not have to co-ordinate amongst themselves to avoid duplication.
- * Inspectors behaviour is key to improving compliance with the majority of businesses needing advice.

Key findings

Inspections

- * There are many divers for an inspection and terms used:
 - * Spot checks
 - * Random sample
 - * Time driven
 - * Track record
 - * Ministerial priorities
- * They need to be based on evidence and a clear rationale for intervention.
- * Inspection plans are not generally communicated.

Conclusions

- * Inspections play an important role especially in the regulatory governance cycle.
- * Good inspections support growth, poor ones drain resources for both the state and businesses.
- * The scope for inspection authorities to expand beyond their remits and to overlap with others is broad which leads to a lack of transparency.
- * There is a need for a common set of competencies and a move away from silo working.
- * Being able to demonstrate HR policies work is important for tackling poor behaviour and improving ethics, disclosure and conflicts of interest.
- * Decision making is unclear.

Conclusions

- * Joining up and rationalising inspections is important.
- * Governments don't know enough about their inspection authorities.
- * The level of independence varies and financing is mainly by the state.
- * There is scope for more innovation in the way inspections services are delivered particularly in the private sector.
- * Delivery should be based on risk and evidence.
- * Freedom from political interference is essential with transparent performance management and reporting processes.
- * Good practice should be shared amongst inspection authorities to support compliance and share innovative ways of providing advice.

Recommendations

Could we sign up to a set of key recommendations? What might they be?

1. Reviews should be undertaken to identify areas of improvement for the composition, objective and function setting and appointment & dismissal of officials.
2. HR policies should be reviewed to ensure that they tackle poor behaviour & bad practice. Joint competency frameworks should be developed for experts to support businesses.
3. Policies should clearly identify at what level different types of decisions are made which should be implemented fairly in practice.
4. Policies should support staff to make ethical decisions, prevent conflicts of interest & make professional judgements about disclosure.
5. Inspection functions should be reformed regularly to reduce inspection burdens.
6. All governments should compile a central register of inspection authorities, including details of their statutory objectives and how effective they have been at improving outcomes with businesses and consider peer review to improve performance.

Recommendations

7. Inspection authorities should be formally required to co-ordinate amongst themselves.
8. The conditions should be created for the strategic organisation of inspections to allow better allocation of resources across inspectorates.
9. Inspections funded by fees and fines should be reviewed to ensure they don't set up perverse incentives and alternatives to traditional state led inspections should be considered.
10. Inspections should be based on evidence and risk with a legitimate reason for visiting.
11. Businesses should be informed in advance of an inspection unless there is evidence of a serious risk.

Recommendations

12. There should be transparent and independent ways of assessing performance against clear benchmarks.
13. There should be a common approach for measuring performance and independent scrutiny to ensure that inspection authorities are fit for purpose e.g. measuring the improvement in compliance.
14. Inspections should be used ex-ante to improve policy development in the future.
15. Inspection authorities should be able to clearly demonstrate that they are truly independent from political interference.
16. Inspection authorities should be able to demonstrate a clear line of accountability to their governments.
17. Providing advice to business should be a central part of an inspection authorities activity.

Discussion

- | | | |
|---|------------------------------------|---|
| S | Principle 1:
Simplified | <ul style="list-style-type: none">• Reduced complexity and increased Co-ordination. |
| C | Principle 2:
Challenging | <ul style="list-style-type: none">• Healthy challenge for businesses. |
| E | Principle 3:
Ethical | <ul style="list-style-type: none">• High levels of ethical behaviour. |
| M | Principle 4:
Measured | <ul style="list-style-type: none">• Intervention based on evidence. |
| E | Principle 5:
Evidenced | <ul style="list-style-type: none">• Outcomes delivered by inspections. |

Further research

Where could there be further research to improve understanding? What has been missed?

- * Inspections = Outcomes.
- * Benefits of inspections outweigh the costs.
- * Appeals and complaints by business are made and dealt with fairly.
- * Successful implementation of sunset clauses.
- * The appetite for peer review.
- * Inspections based on evidence and risk.
- * Privatisation of inspections.
- * Outcome measures to compare performance.

Discussion

Thank You !

Any Questions?