

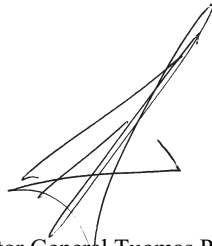
**The National Audit Office's
Strategy for 2007–2012**

The National Audit Office's Strategy for 2007-2012



The National Audit Office has today approved its strategy for 2007-2012, which outlines activities and development focuses during this period.

Helsinki, 25 January 2007.



Auditor General Tuomas Pöysti



Director-General Vesa Jatkola



Director-General Marjatta Kimmonen



Director Esa Tammelin

Table of Contents

1	Position, tasks, operational goals and objectives	7
2	Values and operating principles	8
3	Vision	9
4	Critical success factors	11
5	The optimal focusing and timeliness of audit activities	12
5.1	General criteria for focusing audit activities	12
5.2	Permanent audit areas	12
5.3	The National Audit Office's strategic theme areas	13
5.4	Theme areas and annual reporting on themes to Parliament	14
6	Good quality management	16
6.1	The quality management system as part of the audit process	16
6.2	Specifying audit supporting processes	16
6.3	Getting personnel involved and developing the internal quality control and feedback system	17
6.4	External evaluation of the quality management system	17
7	Competent, productive and healthy personnel	18
7.1	Approving a personnel plan and personnel strategy	18
7.2	Developing recruiting	18
7.3	Creating an expertise strategy	19
7.4	Developing training as part of a systematic expertise strategy	19
7.5	Developing and maintaining the National Audit Office's expert profile and professional identity	19
7.6	New motivating pay system	19
7.7	A safe, fair and open work community	19

Appendix: The National Audit Office's basic assumptions

1 Position, tasks, operational goals and objectives

Paragraph 90 of the Constitution of Finland calls for an independent National Audit Office in connection with Parliament to audit the state's financial management and compliance with the budget.

According to Paragraph 1 of the Act on the National Audit Office (676/2000), the National Audit Office's task is to ensure the legality and soundness of the state's financial management and compliance with the budget.

The National Audit Office's mission

The National Audit Office's basic mission is to promote the effectiveness and high quality management of the state's finances.

The NAOF as external auditor of the state's financial management supports Parliament in the exercise of its constitutional legislative, budgetary and control power over state's finances.

The National Audit Office's goal is to produce for Parliament, the Government and subordinate administration objective, timely, useful and in the financial decision-making reliable control and audit information on the state's financial management, compliance with the budget and the soundness of the state's financial management and other activities of the state.

The National Audit Office fulfils its task by conducting financial audit and performance audit. Financial audit and performance audit work closely together so that the state's financial management is audited according to good audit practice.

The National Audit Office's goals

Through its audit activities and audit related expert activities the National Audit Office strives to

- ensure compliance with the state budget and regulations concerning financial management
- ensure that the information in reports concerning the state economy and the development of the state function's social effectiveness and operational effectiveness is correct and adequate
- on its part promote the social effectiveness of the state's financial management and other related activities as well as the operational performance of the state's financial management and state administration and
- support the implementation of general principles of good governance and good financial management.

2 Values and operating principles

All the National Audit Office's activities are guided by the National Audit Office's common values, which are:

- objectivity
- expertise
- cooperation
- courage and
- effectiveness.

Other principles that guide activities are:

- reliability
- economy
- substantiality
- independence
- openness and
- fairness.

Audit conclusions and positions are based on audit observations, the reliability of which is properly evaluated and checked. In order to ensure reliability, multiple sources of information are used. Sources and their connection to the matters involved are documented carefully.

Audits must always approach their subject from an economic point of view. This must be emphasized both in defining audit objectives and in audit reports.

Substantiality means that in focusing audits, formulating audit questions and making observations and in placing emphasis on observations and conclusions in reporting the criteria are:

- the financial scope and significance of the matter for the state economy, also over the longer term and
- the significance of the matter for financial decision-making and control by Parliament and the Government.

Independence ensures the reliability and objectivity of the National Audit Office's observations and reporting. The National Audit Office approves its own objectives and independently decides on its operating strategies and annual operational and audit plans, the methods that are used in audits and the reporting of audit results. Independence requires objective and responsible activities. The National Audit Office participates in discussion and preparatory work concerning the financial management, social policy and related means as well as the development of administration as an expert in such a way as not to endanger its independence or possibilities to audit measures subsequently.

Information is provided openly with regard to the objectives, methods and results of audits, according to the constitutional principle of transparency. Audit results are reported to auditees without unnecessary delay. During the course of an audit all concerned are heard orally, in writing or both.

Fairness means that the National Audit Office audits and evaluates matters and obtains information from auditees in a fair and balanced manner. Fairness also guides the National Audit Office's internal operations.

In addition fairness includes taking generation equality into account in future benefits and costs when consideration is given to the financial perspective and the substantiality of the matter.

3 Vision

The National Audit Office is internationally and nationally recognized as a respected audit institution, which conducts its audit duties on state's financial management with top expertise. The Office is respected for its deep expertise concerning the state's financial management and state administration.

The Office's vision from the viewpoint of different stakeholders:

Parliament

The Office's activities support Parliament's budgetary, legislative and control power by producing objective, reliable, timely and useful audit information concerning

- the implementation of the state's budget
- the management of statutory tasks assigned to the Government and administration, the achievement of set goals and the economic efficiency of measures
- the correctness and adequacy of the planning, follow-up and control information supplied to Parliament by the Government and
- the correctness and adequacy of the information presented in the state's financial statements and the report on the state's financial statements.

The Government

The Office's functions support the Government's preparatory work and decision-making regarding the state economy and the steering of subordinate administration. The Government experiences that the Office as an external auditor and expert produces objective, reliable, timely and useful audit information concerning state finances, which information is necessary in financial and other decision-making and steering administration. Audit information concerns

- the effectiveness and soundness of the state's financial management and functions
- compliance with the budget, rules and regulations and other supervisory decisions in the state's financial management and
- the correctness and adequacy of information concerning finances and operational effectiveness provided by ministries and government offices and agencies in their financial statements.

Government offices and agencies

The government offices and agencies and funds outside the state budget experience that the Office as an external auditor and expert produces objective, reliable, timely and useful audit information which is needed in management. Audit information concerns

- the effectiveness and soundness of financial management and functions
- compliance with the budget, rules and regulations and other supervisory decisions in financial management and
- the correctness and adequacy of the information in the financial statements regarding finances and operations.

Citizens

The Office publishes its audit results openly, and citizens are thus assured of the legality and soundness of the state's financial management. Citizens perceive the Office as promoting and ensuring good financial management of the state.

Citizens view the Office as an independent and reliable audit institution and regard its activities as important.

Personnel

The Office is a competitive employer and an inspiring and respected work community made up of experts.

The Office's personnel have a strong expertise and a strong professional identity. Their expertise is respected by Parliament, the state administration and society at large as well as the international community.

4 Critical success factors

Critical success factors for the National Audit Office's vision are matters in which the National Audit Office must succeed. Success in these matters means that Parliament, the Government and subordinate administration perceive the National Audit Office as a top expert that produces objective and useful audit information for use in the exercise of budgetary and legislative power and in steering administration.

Critical success factors are:

- the optimal focusing and timeliness of audit activities,
- good quality management
- competent personnel and the effective use of expertise.

Sections 5-7 take a closer look at the content of critical success factors and the strategic measures that are aimed at ensuring them.

5 The optimal focusing and timeliness of audit activities

The National Audit Office has limited resources at its disposal. It must therefore focus resources correctly. In order to do this it must have a comprehensive management and planning system that

- identifies key changes in the operating environment and expectations with regard to the National Audit Office and reacts to them
- defines strategic criteria for focusing activities, audit areas and audit perspectives
- schedules and focuses audits effectively.

In order to ensure the proper focusing of audit activities:

- general criteria are approved for focusing audit activities (5.1)
- permanent annual audit areas are defined (5.2) and
- theme areas for the entire strategy period and annual themes for reporting to Parliament are defined (5.3).

5.1 General criteria for focusing audit activities

The following general criteria are used in focusing audit activities and in defining permanent audit areas and annual themes for reporting to Parliament:

- The economic significance of the matter and the associated economical risk for the state economy. In evaluating economic significance and risk, attention is also paid to the medium and longer term.
- Audits should produce useful information that
 - has considerable significance for decision-making concerning the state's financial management or
 - ensures the correctness and quality of the state's financial management, the correctness and adequacy of reported information and compliance with the state budget or
 - promotes the effectiveness of the state's financial management and activities and the production of information falls within the scope of external audit.

5.2 Permanent audit areas

Permanent audit areas are those in which audits are conducted annually. The perspective and scope of audits is revised in the annual plan.

Permanent audit areas include:

A) The state's financial statements

The state's financial statements are audited annually and the audit report is reported to Parliament in connection with a separate audit report dealing with the report on state's financial statements.

B) The report on state's financial statements

The report on the state's financial statements is audited annually in the manner that some specific part of the report is always targeted for auditing.

A separate audit report is submitted to Parliament on audit of the report on the state's financial statements and the actual financial statements each year.

In its audit of the report on the state's financial statements the National Audit Office selects a particular administrative sector or a cross-sectoral matter and investigates goal-setting system, the functioning of the steering system, the information basis and risk management related to the steering system.

In connection with the audit of the report on the state's financial statements, the National Audit Office monitors the information basis of the state's financial management and financial policy decision-making as well as the functioning and effects of financial policy instruments (such as budget frameworks). The National Audit Office selects from this entity a particular focus area defined more closely in its annual operational plan.

C) Financial audits of Government offices and agencies

The National Audit Office issues annually financial audit reports on all the Government offices and agencies that are required according to the State Budget Act (423/1988) and the State Budget Decree (1243/1992) to prepare financial statements that should include both calculations on financial statements and an annual activity report. Financial audit reports can also be issued on Government offices agencies for which a ministry has approved performance goals as prescribed in the State Budget Act.

D) Annually started performance audits

Each year the National Audit Office will carry out performance audits according to the strategical theme areas and themes so as to cover different administrative sectors and cross-sectoral operational and steering systems adequately during the six-year strategy period. Audits are based on the audited area's economic significance and risk.

E) State funds, state enterprises and state-controlled companies

The National Audit Office audits those state funds annually that have been legally prescribed to be audited by the Office. It also conducts at least one performance audit focusing on state funds, state enterprises or state-controlled companies each year.

F) EU-funds

The National Audit Office applies the same allocation criteria in the performance and financial audits of EU funds as it applies to national state funds. Control measures, audits and key audit observations concerning EU funds are summarized in a separate section of the National Audit Office's annual report on its functions to Parliament.

5.3 The National Audit Office's strategic theme areas

According to the National Audit Office's strategy, in selecting audit topics and approaches, special emphasis will be placed on the following themes:

- productivity, economic efficiency and service ability in central government and other public activities. Attention will be paid to the balance between efficiency and the need to keep costs under control and between the quality of public service production and effectiveness, for example.

- finance policy based on reliable information and tax and payment policy as part of the state's financial management
- effective and competitive infrastructure and expertise and innovation systems
- quality legislation, which from the viewpoint of financial decision-making is based on a correct picture of the effectiveness and impacts of regulation
- the management of environmental risks and environmental change from an economic viewpoint
- good management of state activities and state property
- an efficient and effective European Union, taking advantage of the possibilities it offers at the national level.

5.4 Theme areas and annual reporting on themes to Parliament

Audit activities will be planned and reporting to Parliament will take place according to the theme areas in the National Audit Office's strategic focuses and the annual themes derived from them. The National Audit Office will submit separate reports to Parliament on annual themes or summarize findings in its annual report on its functions to Parliament.

Audits regarding annual themes will be started so that reporting can take place according to the timetable given below.

Audits regarding annual themes will mainly be performance audits. Theme areas and annual themes will also be taken into consideration in focusing financial audits.

Annual themes are as follows:

A) Productivity, economic efficiency as well as effectiveness and service ability

- services for children and young people (2007)
- productivity programme (2009)
- occupational health care (2010)

B) Fiscal policy based on reliable information including tax and payment policy

- performance information in the report on the state's financial statements and financial reporting to Parliament
- tax subsidies (2007)
- effectiveness of the tax administration (2010)
- functioning of the framework procedure (2010)

C) Effective and competitive infrastructure and expertise and innovation systems

- research and development (2008)
- vocational education, steering of the polytechnics and general education (2008)
- infrastructure management (2009)
- the effectiveness of the municipal and service structure (2011)

D) Quality legislation as part of state's financial decision-making

Legislation as a steering instrument and means of achieving objectives and the impacts of legislation will be evaluated in a performance audit. This perspective will also be considered in connection with the following themes.

- guaranteed access to treatment (2009)
- compensation for medication (2010)
- state budget financing for the Social Insurance Institution (2010)

E) The management of environmental risks and environmental changes from an economic viewpoint

- climate and energy policy (2010; energy taxation, achieving the obligation in the Kyoto Protocol, reliable supply of energy, support for renewable energy sources, steering of energy policy)

F) Good governance of state activities and state property

The setting of performance goals and related reporting, the functioning of e-government and the state's ownership policy will constantly receive attention in financial and performance audits.

- functioning of management by results (2007)
- functioning of the framework procedure and effectiveness of policy programmes (2010)
- employment policy (2012)

G) An efficient and effective European Union, taking advantage of the possibilities it offers at the national level

- the impacts of regional development programmes (2008)
- the effectiveness of the EU's aid systems and efficiency in the administration of aid (2010)
- the effectiveness of EU farm support (2011)

6 Good quality management

A good quality management system means the principles and measures that are used to ensure that the National Audit Office's activities meet requirements. Good quality management depends on the following:

- Quality management is based on the National Audit Office's goals, objectives, vision, values and operating principles.
- The National Audit Office's position as Finland's supreme audit institution and the requirement level and responsibility for quality this implies are taken seriously at all levels of the organization.
- The National Audit Office has issued audit guidelines and defined quality objectives and procedures for ensuring quality in a clear and understandable way, and personnel is aware of and complies with these.
- The quality management system covers the entire audit process from planning at the office level to reporting in audit reports and the National Audit Office's annual report to Parliament.
- Ensuring and improving quality is a constant part of the entire organization's normal activities and also requires cooperation among different units.
- The quality of activities is regularly evaluated in-house and externally.

The goal of quality management is to ensure the reliability and objectivity of the information and reporting supplied by the National Audit Office in the best possible way. The goal of quality management is to inspire confidence and respect in the National Audit Office's audit activities and personnel and make sure that it complies with good European external audit practice.

To achieve good quality management

- quality management will be made an integral part of the National Audit Office's activities and management
- the quality management system will be incorporated into the audit process (6.1)
- supporting processes will be specified (6.2)
- personnel will be given training to help them ensure and develop quality in their own activities and to ensure their commitment to the quality required of a high-standard external auditor
- the internal quality monitoring and feedback system will be developed (6.3) and
- the quality management system will be evaluated externally (6.4).

6.1 The quality management system as part of the audit process

The quality management system will be incorporated into the audit process. To strengthen the quality management system units will revise their audit guidelines. The National Audit Office's guidelines will be harmonized with the ethical guidelines and audit standards approved by the International Organization of Supreme Audit Institutions (INTOSAI) and the European application guidelines approved by the SAIs of the EU member states. Ethical guidelines concerning audit activities will be updated.

6.2 Specifying audit supporting processes

The National Audit Office's common audit supporting processes will be specified and their proper functioning will be ensured.

6.3 Getting personnel involved and developing the internal quality control and feedback system

Through information, training and processes the National Audit Office will get its personnel involved in evaluating and developing the quality of their own work and ensure that internal quality control is adequate and that all feedback concerning quality is handled appropriately.

6.4 External evaluation of the quality management system

In order to ensure the quality of all activities, during the strategy period the National Audit Office will commission an external evaluation of its quality management system. This will be done by another SAI or some other foreign expert body.

7 Competent, productive and healthy personnel

The National Audit Office's vision is to be an internationally and nationally respected top-expert in its field and to be a motivating work community and a competitive employer. This requires a systematic strategy for managing and developing human resources, which includes the following parts:

- a good personnel policy that ensures the necessary resources, able and motivated personnel and effective activities
- the systematic development and ensuring of expertise
- constantly promoting the sharing of information and cooperation among different units.

The systematic development of personnel policy and expertise supports

- the recruitment of skilled and expert personnel and the permanence and occupational health of personnel
- the development of the skills and expertise needed by personnel in their work.

In order to ensure expertise the National Audit Office will

- approve a personnel plan (7.1)
- develop recruiting (7.2)
- create an expertise strategy (7.3) and develop training as part of it (7.4)
- develop and maintain its expert profile and professional identity (7.5)
- introduce a motivating pay system (7.6)

The strategic measures listed in points 7.1-7.6 will be implemented at the beginning of the strategy period. Procedures will be established during the strategy period.

The objective is for the National Audit Office to be in a good position in 2013 to receive the personnel management prize or similar recognition as an effective and good work community.

7.1 Approving a personnel plan and personnel strategy

By the end of February 2007 the National Audit Office will approve a personnel plan including its view of the impacts of the strategy for 2007-2012 on personnel resources. The personnel plan will contain information and evaluations of the number of personnel required by the National Audit Office and its units, the number of personnel required for different tasks in each unit, the structure of posts in the National Audit Office and its units, the expertise required by the National Audit Office and its units and related development needs, and personnel turnover. The plan will form the frame for a more detailed personnel strategy aimed at ensuring the National Audit Office's effectiveness and operating conditions over the long term.

7.2 Developing recruiting

The National Audit Office will develop its recruiting in order to ensure that personnel have the right kind of expertise. Recruiting will be done in a systematic way following harmonized procedures. The National Audit Office will prepare a description of the recruiting process and study the use of outside experts in recruiting. Development work will begin while the personnel plan is being prepared and will be completed by the end of April 2007.

7.3 Creating an expertise strategy

The general objective is for the National Audit Office to have the expertise required to carry out the operating strategy for 2007-2012. In order to do this the National Audit Office must specify the expertise needed by the entire organization and different units, evaluate personnel's existing areas of expertise and take steps to maintain the expertise information system and the reporting of expertise information. On this basis an expertise development strategy serving the effective implementation of the National Audit Office's overall strategy will be formulated.

Possibilities to rotate work internally and externally will also be investigated and objectives will be set for maintaining and developing personnel's expertise. Areas of expertise and development needs will be specified in 2007 and other measures will be carried out during the strategy period.

7.4 Developing training as part of a systematic expertise strategy

In 2007-2012 the National Audit Office and its units will develop the planning and arranging of training as part of the expertise strategy. Training will be viewed as part of the National Audit Office's broader and systematic expertise strategy and the development of personnel's skills and competence. The objective is to ensure personnel's expertise in key areas through training.

Training and the expertise strategy will pay attention to and take advantage of international cooperation among SAs and any training and certification programmes that may be arranged within this framework. In training activities the National Audit Office will strive to cooperate and create networks with other actors such as universities and research institutes as well as state administration.

The National Audit Office will also pay attention to the management training required to develop its management system.

Possibilities to arrange a systematic management training programme according to models developed by other expert organizations will be considered.

7.5 Developing and maintaining the National Audit Office's expert profile and professional identity

The objective is for the expertise strategy, related training and other activities aimed at developing skills and competence to create the proper conditions for the expert profile in the National Audit Office's vision (to be an internationally and nationally respected expert in its field, respected for its deep expertise concerning the state's financial management and state administration).

By achieving the expert profile in its vision, the National Audit Office can ensure that personnel have a strong professional identity that is also respected externally.

7.6 New motivating pay system

The National Audit Office will prepare and introduce a pay system that is motivating, rewarding and fair.

7.7 A safe, fair and open work community

The National Audit Office will monitor and evaluate the working environment in order to ensure a good and motivating work community in daily work, management and development activities. It will strive to see that the management system and the work community's other operating principles ensure fair and objective treatment in different situations.

The National Audit Office's basic assumptions

Basic assumptions¹ here refer to matters regarding the National Audit Office's activities and its environment which the Office does not expect to change in the next 10-15 years and on which the Office's strategic view and plans are built.

The need for external audit of the state's financial management is constant and the body that performs this task is subject to different expectations in society. An independent National Audit Office is needed for this reason.

- According to the precepts adopted by INTOSAI in the Lima Declaration, "Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence." The Declaration adds that the independence of SAIs must be guaranteed by the national Constitution.
- The National Audit Office's position as prescribed in the Constitution will remain unchanged. It will continue to audit the legality and regularity of the state's financial management and compliance with the budget.

Audit work will require the constant evaluation of focuses and the making of choices, since the National Audit Office cannot be provided unlimited resources.

In its area of operation there are actors with which the National Audit Office will be compared.

The National Audit Office must have a high degree of expertise and extensive knowledge of administration and the state's financial management.

- The National Audit Office is an expert organization whose success depends on the expertise and motivation of its staff.
- Changes in the operating environment will require the constant development of staff's professional competence.
- To ensure effectiveness, the National Audit Office's generally agreed values will guide all its activities.
- The National Audit Office will compete for staff on the labour market.

In order to ensure social effectiveness, the National Audit Office must produce objective and useful audit information on the state's financial management and compliance with the budget for the highest steering organs in the state administration.

¹ Basic assumptions are presented in italic type and their content is elaborated in the lines marked with dashes.



NATIONAL AUDIT OFFICE OF FINLAND
Antinkatu 1, P.O. BOX 1119, FI-00101 Helsinki
Tel. +358 9 4321, Fax +358 9 432 5820, www.vtv.fi