

ANNUAL REPORT AND FINANCIAL STATEMENTS

2007



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ANNUAL REPORT AND FINANCIAL STATEMENTS

1 January – 31 December 2007

183rd year of operation

Review by the Auditor General

“The National Audit Office is at the present moment a stronger, more expert and cooperative national and international actor than ever before.” I had the honour to receive these words of recognition from the chairman of the Parliamentary Audit Committee in front of my European colleagues in December 2007.

The past year is summarized quite well in this sentence. In 2007 the National Audit Office's management and personnel again worked uncompromisingly to ensure the legality and effectiveness of the state's financial management and compliance with the budget in order to promote the soundness and quality of the state's financial management. A lot of work has also been done to improve external audit's social relations and international cooperation.

The establishment of the Parliamentary Audit Committee was a significant and positive change. The Audit Committee has rapidly become the National Audit Office's natural discussion partner in Parliament. The National Audit Office's work is now more clearly linked to Parliament's financial power and control. The value of the National Audit Office's work in social discussion and decision-making has likewise been strengthened.

A major endeavour in 2007 was the Meeting of the Contact Committee of the Heads of the Supreme Audit Institutions of the European Union in Helsinki on 3-4 December 2007. This meeting was a success as a whole and provided a calling card for Finnish expertise, cooperation and organizing ability. An audit project concerning the preparation and effectiveness of fiscal policy that was launched together with the National Audit Office of Sweden also received additional weight at the meeting.

In 2007 the Office submitted 101 financial audit reports as well as its report on the final central government accounts. It started audits concerning fiscal year 2007 for 84 ministries and agencies, 34 other units and two funds outside the state budget as well as the audit of the final central government accounts. Financial audits were completed on schedule. The National Audit Office also completed 25 performance audits. Quantitative targets were not achieved in this area. The selection of topics in performance audit was commended by the Parliamentary Audit Committee. The overall effectiveness of the National Audit Office's audit activities is very good. The time spent on audit work rose significantly in 2007. External performances accounted for 75% of effective working time in financial audit and 72% in performance audit. The average cost per day fell by 2.4% compared with the year before.

The National Audit Office has a general image as an expert in public audit and good financial management. According to a media survey, the opinions that were expressed in the media regarding the National Audit Office were mostly positive in 2007. The National Audit Office intends to continue performing its tasks in a way that maintains and builds confidence in effective and high-standard management of the state economy. Confidence is one of the nation's most important resources.

The key precondition for the National Audit Office's success is competent and motivated personnel. During the year under review the National Audit Office started numerous measures to develop employees' competence and working conditions. The National Audit Office's management is focusing special attention on occupational health.

The National Audit Office's performance in 2007 can be considered very good, for which I would like to thank our entire personnel

Tuomas Pöysti



1 Review of Operations

1.1 Position and mission

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

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

The National Audit Office's audit mandate covers:

- the Government and ministries
- the Office of the President of the Republic
- state agencies
- state aids
- funds outside the state budget
- unincorporated state enterprises and state-owned companies
- credit institutions taking care of the state's payment traffic and
- the transfer of funds between Finland and the European Union.

The National Audit Office also performs certain international auditing tasks, takes care of certain expert and negotiating tasks and participates in national and international cooperation in its field.

Funds outside the state budget, unincorporated state enterprises and state-owned companies and credit institutions taking care of the state's payment traffic are audited by outside auditors as provided in legislation.

1.2 Goals

The National Audit Office's basic goal is to promote the effectiveness and quality of the state's financial management.

By performing external audits of the state's financial management the National Audit Office supports Parliament in the exercise of its legislative, budgetary, fiscal and oversight power under the Constitution.

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

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

- ensure compliance with the budget and regulations concerning financial management
- ensure true and fair information on the state economy and the development of the social effectiveness and operational performance of the state's activities
- promote the social effectiveness of the state's financial management and the state's activities as well as the operational performance of the state's financial management and state administration and
- support good governance and the implementation of general principles regarding financial management.

The National Audit Office fulfils its task by conducting financial audits and perform-

ance audits. Financial audit and performance audit work closely together so that the state's financial management is audited according to good audit practice.

Financial audits are performed annually and cover the final central government accounts, ministries and agencies included in the state budget and certain other units. Audits also cover funds outside the state budget insofar as this is required by legislation.

Performance audits look at the achievement of the state's social policy objectives and value for money as well as administrative functions and steering and operating systems from the viewpoint of effectiveness and development needs.

1.3 Vision and values

The National Audit Office's vision is to be an internationally and nationally respected expert in its field. The National Audit Office is respected for its deep expertise concerning the state's financial management and state administration.

This requires

- qualitatively and quantitatively sufficient competence and expertise for audit and expert tasks
- clear criteria for focusing audits based on the National Audit Office's tasks
- effective planning, implementation and monitoring processes and
- clear and timely reporting.

The National Audit Office's strategy for 2007-2012 gives the vision concrete form from the viewpoint of different stakeholders. For Parliament the vision means that the National Audit Office's activities support Parliament's budgetary, legislative and oversight power. The objective is for Parliament to consider that the National Audit Office produces objective, reliable, timely and useful audit information concerning the implementation of the budget, the management of stat-

utory tasks assigned to the Government and administration, the achievement of objectives and the economy of measures, the supplying of true and fair planning and reporting information to Parliament by the Government, and the provision of true and fair information in the final central government accounts and the report on the final central government accounts.

For the Government the vision means that the National Audit Office's activities support the Government's preparatory work and decision-making regarding the state's financial management and the steering of subordinate administration. It also means that the Government views the National Audit Office as an outside auditor and expert that produces objective, reliable, timely and useful audit information which is needed in decision-making and in steering administration concerning the effectiveness and regularity of the state's financial management and state functions, compliance with the budget, regulations and other decisions in the state's financial management and the presentation of true and fair information on ministries' and agencies' finances and operational effectiveness.

For government agencies the vision means that agencies, other units and funds outside the state budget consider that the National Audit Office as an outside auditor and expert produces objective, reliable, timely and useful audit information that is needed in management concerning the effectiveness and regularity of financial management and activities, compliance with the budget, regulations and other decisions in financial management and the provision of true and fair annual account information regarding finances and operations.

For citizens the vision means that the National Audit Office publishes audit results openly and citizens are thus assured of the legality and effectiveness of the state's financial management. The objective is for citizens to view the National Audit Office as promoting and ensuring good governance in

the state's financial management and for citizens to regard the National Audit Office as an independent and reliable external audit body and consider its activities important.

For staff the vision means that the National Audit Office is a competitive employer and a motivating and respected work community made up of experts. When the National Audit Office's staff are highly skilled and have a strong professional identity, their expertise is respected by Parliament, the state administration and society at large as well as the international community.

All the National Audit Office's activities are guided by its common values, which are expertise, objectivity, cooperation, courage and effectiveness. Other principles that guide activities are reliability, economy, substantiality, independence, openness and fairness.

1.4 Planning and strategic lines

The National Audit Office's strategy is the basis for the policies according to which the National Audit Office's activities are directed. The strategy process is flexible so that key changes in the operating environment can be taken into consideration. The strategy is based on the National Audit Office's statutory task.

The targeting of audit activities is guided by the National Audit Office's strategy for 2007-2012 together with annual operational and audit plans. The strategy and plans define permanent audit areas, strategic theme areas for audit and expert activities as well as annual themes for reports to Parliament and confirm individual audit topics. According to the strategy, critical success factors are the proper focusing and timing of audit activities, good quality management, competent personnel and the effective use of expertise.

The general criteria for focusing audit activities are the economic significance of the

matter and the risk for the state economy. In evaluating economic significance and risk, attention is also paid to longer-term effects.

Audits produce information that

- has considerable significance for decision-making concerning the state's financial management
- ensures the correctness and functioning of the state's financial management, the reporting of true and fair information and compliance with the budget or
- promotes the effectiveness of the state's financial management and activities when the production of information falls within the scope of external audit.

The National Audit Office carries out its task through financial audits and performance audits, which are conducted along similar lines to achieve the National Audit Office's goals.

Financial audits cover the final central government accounts as well as all the state's reporting units and certain units that come under ministries' performance management. Financial audits are focused according to the criteria mentioned above.

Performance audits were selected in 2007 on the basis of the following special focuses:

- the provision of true and fair information to Parliament in budget proposals and supplementary budget proposals and the report on the final central government accounts
- the economic effects of legislation anticipated in Government bills and in practice
- performance management and accountability
- the productivity of administration including the utilization of information technology
- state grants, aids and other assistance, including EU assistance
- state revenues and financing.

According to the principle of equal protection, the National Audit Office audits transfers of funds between Finland and the European Union in the same scope and according to the same principles and procedures that apply to national funds. About two-thirds of the state's reporting units have transactions involving EU funds on their books.

The National Audit Office monitors the activities of state-owned companies, unincorporated state enterprises and funds outside the state budget. Decisions concerning audits of state-owned companies and state enterprises as well as funds outside the state budget are made separately. Decisions concerning audits of state-owned companies and state enterprises as well as funds outside the state budget are made separately.

1.5 Organization

The National Audit Office is directed by the Auditor General. Audit and expert activities are divided into Financial Audit and Performance Audit.

Executive Management Support assists the Auditor General in managing, planning, developing and monitoring activities and provides the necessary guidance and expert assistance as well as secretarial services for management.

The strategic planning, personnel and financial administration, communications and information management services that are produced by the Corporate Services unit make possible and strengthen the preconditions for the effectiveness of audit activities. The Corporate Services unit also coordinates and promotes national and international contacts.

The National Audit Office's organization chart shows the division of tasks among units (Appendix 1).

The National Audit Office has its headquarters in Helsinki, with branches in Turku and Oulu.

The National Audit Office has an Advisory Board as prescribed by law, in which key

cooperation partners are represented. The task of the Advisory Board is to maintain and develop the National Audit Office's connections with cooperation partners, to present initiatives to develop auditing and to monitor the focusing of audits, their effectiveness and ability to serve different cooperation partners.

In 2007 the Advisory Board was chaired by Anni Sinnemäki, MP, with Under-Secretary of State Juhani Turunen serving as vice chair and Special Researchers Timo Lehtinen and Sami Vuorinen as secretaries. Performance Audit Principal Hannu Rajamäki was elected to represent the National Audit Office's personnel.

Composition of the Advisory Board in 2007:

Anni Sinnemäki, MP
 Reino Hjerpe, Director General
 (up to 12 September 2007)
 Seija Ilmakunnas, Director General
 (from 5 February 2007)
 Markku Koski, MP
 Markku Lehto, Permanent Secretary
 (up to 1 March 2007)
 Christel von Martens, Director
 Virpa Puisto, Chairman of the
 Parliamentary State Auditors
 Tuomas Pöysti, Auditor General
 Hannu Rajamäki,
 Performance Audit Principal
 Vappu Taipale, Director General
 Juhani Turunen,
 Under-Secretary of State
 Kari Välimäki (from 5 February 2007)

In 2007 the Advisory Board met six times and discussed the National Audit Office's strategy for 2007-2012, the National Audit Office's annual report for 2006, the National Audit Office's annual report to Parliament and the report on the final central government accounts for 2006.

The Advisory Board discussed the National Audit Office's operational and audit plan for 2007 on two occasions. First the Advisory Board was consulted before the plan was

finalized by management. The main points in the operational and audit plan were presented to the Advisory Board at a subsequent meeting.

The Advisory Board also heard presentations concerning the preparation of the Meeting of the Contact Committee, summary information on financial audits for 2006 and three timely performance audits.

1.6 Personnel

Information concerning the National Audit Office's personnel and a comparison with the three previous years are presented in the following tables and figures:

NUMBER OF PERSON-YEARS		
Year	Number of person-years	Unpaid leaves of absence (person-years) ¹
2004	140	7
2005	147	7
2006	145	9
2007	146	9

The number of person-years increased by 0.7% (1 person-years) compared with 2006.

Structure of personnel

TEMPORARY EMPLOYEES' SHARE OF PERSONNEL				
Year	Personnel 31.12.	Permanent (number)	Temporary (number)	Temporary (%)
2004	141	131	10	7.1
2005	152	144	8	5.3
2006	156	146	10	6.4
2007	150	144	6	4.0

At the end of 2007 the National Audit Office had 150 employees. The number of employees in temporary posts amounted to 6 at the end of 2007. This was 4.0% of total personnel. Employees in temporary posts are mainly substitutes.

¹ Unpaid leaves of absence include maternity and parental leave, child-care leave, pension/rehabilitation support, study leave, work elsewhere, public task, unpaid private matter, job-rotation leave and part-time pension.

FIGURE 1: AUDIT PERSONNEL'S SHARE OF PERSONNEL AT 31 DECEMBER

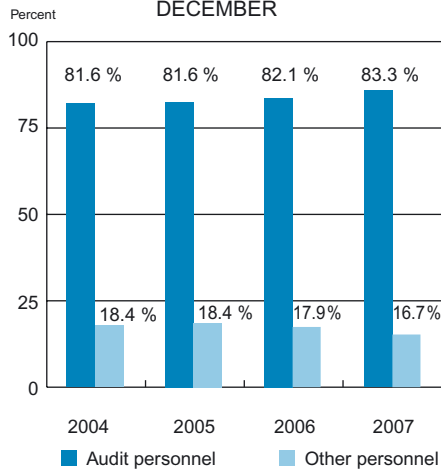
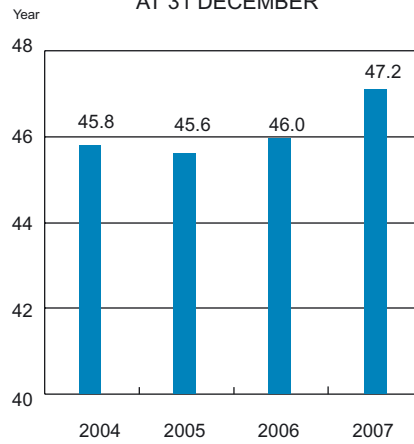


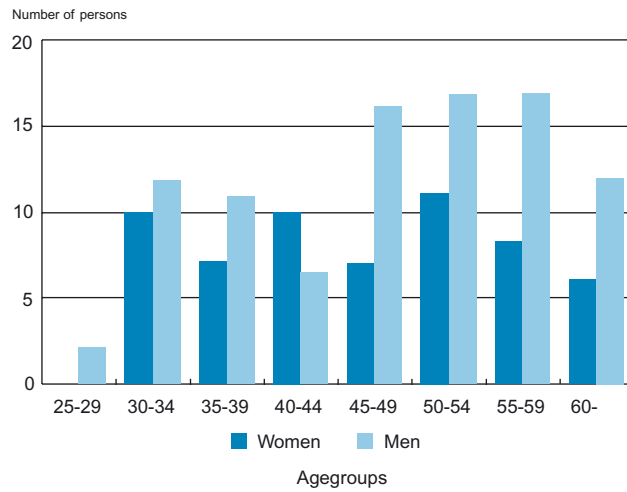
FIGURE 2: AVERAGE AGE OF EMPLOYEES AT 31 DECEMBER



At the end of 2007 the number of audit personnel was 125 (83.3% of total personnel) and other personnel 25 (16.7%). The corresponding figures the year before were 128 (82.1%) and 28 (17.9%).

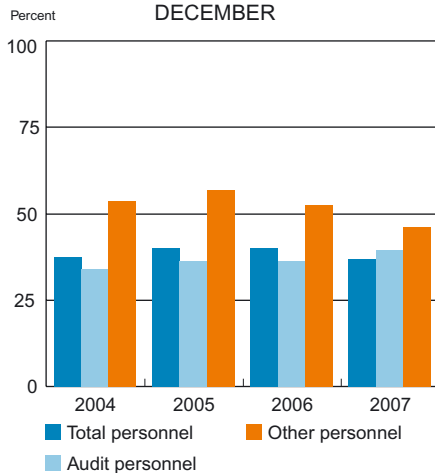
The average age of employees continued to rise last year.

FIGURE 3: AGE DISTRIBUTION AT 31 DECEMBER



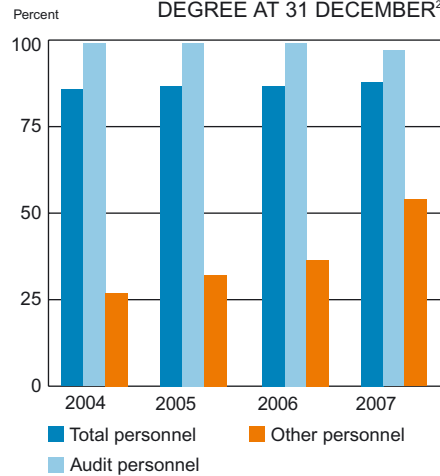
The two largest age groups at the end of the year were 50-54 years (18.4%) and 55-59 years (16.4%). Employees at least 45 years of age accounted for 61.8% of personnel (66.7% of men and 54.2% of women). Men aged 50-54 and 55-59 outnumbered other groups.

FIGURE 4: WOMEN'S SHARE OF PERSONNEL AT 31 DECEMBER



Women's share of personnel rose by 1.7 percentage points last year. At the end of 2007 women comprised 39.3% of the National Audit Office's total personnel, 38.4% of audit personnel and 44.0% of other personnel.

FIGURE 5: SHARE OF PERSONNEL WITH A UNIVERSITY DEGREE AT 31 DECEMBER²



At the end of the year 88.7% of personnel had a university degree, including 96.0% of audit personnel and 52.0% of other personnel.

Personnel development

Year	Training days (person-days)	Training days/ person-year	Costs (euro)	Costs per person-year
2004	1 612	11.5	431 199	3 080
2005	1 924	13.1	567 111	3 857
2006	2 248	15.5	717 183	4 946
2007	1 925	13,2	617 917	4 232

Personnel development includes external and internal training as well as voluntary development. Training days averaged 13.2 days per person-year overall, 14.8 person-days per person-year among audit personnel and 4.1 person-days per person-year among other personnel. Personnel development costs amounted to 5.2% of the National Audit Office's total costs. Costs mainly consisted of pay.

Sick leave and health-care visits

Year	Person days of sick leave	Person days per person-year	Cases of illness (number)	Cases of illness per person-year	Health-care visits per person-year
2004	1 498	10.7	376	2.7	4.9
2005	1 493	10.2	319	2.2	4.7
2006	980	6.8	329	2.3	5.2
2007	1 105	7,6	349	2,4	5,3

On most occasions (86.0%) sick leave lasted 1-3 days. Sick leave exceeding 11 days accounted for 2.0% of cases.

² The grouping of personnel has changed. Audit support personnel are also grouped with audit personnel beginning in 2007.

Personnel turnover

TURNOVER (LEFT TO TAKE OTHER JOBS)			
Year	Temporary	Permanent	% of personnel
2004	0	7	5.0
2005	1	1	1.3
2006	0	0	0.0
2007	4	4	7.0

Eight employees left to take other jobs. In 2007 a total of 11 employees left the National Audit Office, including 7 audit personnel and 4 other personnel.

1.7 Development of activities

The National Audit Office's strategy for 2007-2012 emphasizes the proper focusing and timing of audit activities, good quality management and expert, productive and healthy staff.

This section presents key measures aimed at developing activities from the viewpoint of implementing the National Audit Office's strategy. The development of audit activities is discussed in sections 2.3 and 2.4.

In order to ensure the proper focusing of audit activities, communication between the National Audit Office and Parliament was developed and deepened during the year. The Parliamentary Audit Committee that went into operation in June has rapidly become the National Audit Office's natural cooperation and discussion partner in Parliament.

The National Audit Office also took steps to improve dialogue with administration in 2007. In October it arranged a feedback occasion for senior civil servants. This occasion created a good basis for a new permanent dialogue channel with administration.

Risk thinking and risk assessment capabilities were deepened in the year under review. Training was arranged not only to strengthen the National Audit Office's own

risk management but also to create preconditions for audit activities focusing on risks and risk management.

In addition to the proper timing of audits, the effectiveness of the National Audit Office's activities depends on how well it succeeds in presenting key findings. Year 2007 the National Audit Office arranged two briefings that concerned performance audit reports. On the basis of a media survey, more active information has raised the National Audit Office's profile particularly on television, and this has in turn led to an increase in visits to our website. The survey indicated that the National Audit Office was mainly viewed as an expert organization and had a positive image.

According to its strategy the National Audit Office strengthened quality management in 2007. Quality management was deepened by launching a project to develop the National Audit Office's quality management system, among other things. An internal working group presented a proposal for measures to ensure that the National Audit Office's quality system is in line with best practices among Supreme Audit Institutions. Development work and measures will be undertaken in 2008-2009.

Work continued to develop the management system as well as practical management and management expertise. The point of departure in developing the management

system and management has been managing the National Audit Office's activities as a whole and strengthening cooperation between units. In connection with the development of the management system, preparations for process description work got under way during the year 2007.

Ways to strengthen the National Audit Office's operating conditions were investigated in 2007 with the help of a trial project concerning telecom links and mobile operation. The trial showed that distance and mobile links are necessary, and in 2008 a decision will be made concerning the expansion of possibilities to use such links. Video conferencing equipment was also procured for the Turku branch in order to improve communication.

The National Audit Office took steps to improve employees' competence and well-being. At the end of the year it surveyed the work climate and pressure on personnel with the help of a barometer. The results of the barometer cast light on risk factors for employees' well-being. Measures were taken immediately to minimize risk factors.

In order to improve internal information the National Audit Office's management started giving monthly briefings. At these briefings personnel are informed of timely matters and can also present questions to members of management.

The National Audit Office strove to strengthen expert career paths during the year. Among other things it revised audit staff's titles and created the career path senior auditor - financial/performance audit principal - audit counsellor. During the year the National Audit Office also introduced a personnel development programme, which includes defining common and unit-specific areas of expertise, surveying employees' competence and adopting a human resources information system.

The National Audit Office continued developing its pay system in connection with a project undertaken by Parliament. The goal is to apply the new system by 2009 at the latest.

1.8 International activities

The main arenas for the National Audit Office's international activities are EU-based cooperation, cooperation within the framework of INTOSAI and EUROSAI, Nordic cooperation and bilateral cooperation with other SAIs. The National Audit Office also participates in multilateral cooperation with SAIs that are engaged in similar audit projects or whenever cooperation can be of use in audit activities.

The National Audit Office serves as the national cooperation body of the Supreme Audit Institutions of the European Union and the European Court of Auditors.

Year 2007 the National Audit Office chaired the Contact Committee of the Heads of the Supreme Audit Institutions of the European Union. This culminated with the Meeting of the Contact Committee in Helsinki on 3-4 December 2007. The Supreme Audit Institutions of all the EU's member states as well as the European Court of Auditors participated in the meeting. The meeting agreed on forms of cooperation, exchanged experiences concerning audits of EU funds and other cooperation, and discussed audit guidelines and good practices.

The National Audit Office continued to participate actively in cooperation with other EU SAIs, including meetings of liaison officers and working groups appointed by meetings of the Heads of the Supreme Audit Institutions of the European Union. In 2007 the National Audit Office participated in a working group on the development of meetings of heads and liaison officers as well as working groups on value added tax, public procurements and structural funds and the agricultural experts network.

The National Audit Office also participated in a joint audit that was conducted by the Working Group on Structural Funds. A report on this audit will be presented at the Meeting of the Contact Committee in December 2008.

The National Audit Office took part as an

observer in all audit visits of the Court of Auditors in Finland and answered queries and requests for information from the Court of Auditors.

The National Audit Office is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and the European Organization of Supreme Audit Institutions (EUROSAI). It participates in meetings and seminars organized by INTOSAI and EUROSAI and answers enquiries from the organizations and their working groups.

A key goal of international activity is to promote the exchange of information regarding auditing procedures. INTOSAI and EUROSAI are also involved in developing auditing methods and standards. This takes place in permanent working groups, seminars and meetings of experts.

The International Organization of Supreme Audit Institutions held its XIX INCOSAI congress in Mexico City in November 2007. The National Audit Office participated in this triennial congress, which adopted the Mexico Declaration on Independence, Guidelines for Internal Control Standards for the Public Sector based on COSO's ERM framework and 16 other recommendations mainly regarding financial audit guidelines. INTOSAI now has a complete collection of professional standards and best practice guidelines on its ISSAI (International Standards of Supreme Audit Institutions) website.

The National Audit Office joined the INTOSAI Working Group on the Audit of Privatization in 2007 and expressed interest in participating in the Working Group on Key National Indicators and the Working Group on Environmental Auditing. Participation in these working groups will begin in early 2008.

Year 2007 the National Audit Office participated in the EUROSAI Working Group on Environmental Auditing (WGEA) and the IT Working Group. The National Audit Office took part in a parallel audit that was arranged by the Working Group on Environmental Auditing and published an audit re-

port concerning the preparation of the Natura 2000 network (140/2007). The National Audit Office was also represented in a working group that arranged a coordinated audit of tax subsidies and on the basis of this audit published a report on tax subsidies and the achievement of accountability (141/2007).

In addition to meetings of the Nordic auditors general and liaison officers, the National Audit Office participated in working groups appointed by meetings of the auditors general that focused on audits of state-owned companies, abuses and the development of indicators for SAIs' activities. The National Audit Office was responsible for arranging joint training for information officers at the Nordic SAIs.

Cooperation with the SAIs in the Baltic countries included a joint meeting with the Nordic countries. The National Audit Office also answered enquiries and other requests for information from the Baltic countries and hosted visits. International cooperation proceeded particularly with the other Nordic countries and Estonia towards closer interaction among auditors.

The National Audit Office served as an auditor for the European Centre for Medium-Range Weather Forecasts (ECMWF), the Agency for International Trade Information and Cooperation (AITIC), the Baltic Marine Environment Protection Commission, the Nordic Institute for Contemporary Art and the Nordic Development Centre for Rehabilitation Technology.

The National Audit Office participated in 49 conferences and seminars abroad and hosted seven meetings in Finland. The National Audit Office's representatives made eight audit trips abroad. In addition the National Audit Office assisted Finnish cooperation partners in receiving international visitors on three occasions.

2 Description of results

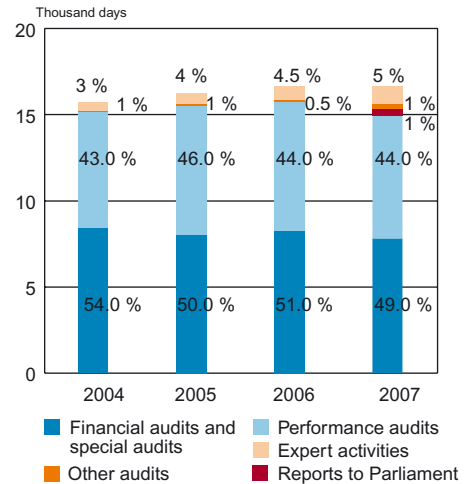
2.1 The Office's results

The National Audit Office produced 101 financial audits year 2007 (2006 116, 2005 117) together with its audit of the final central government accounts. It started audits concerning fiscal year 2007 for 84 ministries and agencies, 34 other units and two funds outside the state budget as well as the audit of the final central government accounts. Financial audits accounted for 49% of the working time spent on external performances (Figure 6). This was 2 percentage points less than the year before.

The National Audit Office completed 25 performance audits during the year (2006 27, 2005 31). These led to 20 audit reports, 2 preliminary studies and 2 letters, in addition to which the results of one performance audit were included in the annual report to Parliament. Performance audits accounted for 44% of the working time spent on external performances. This was the same as the year before.

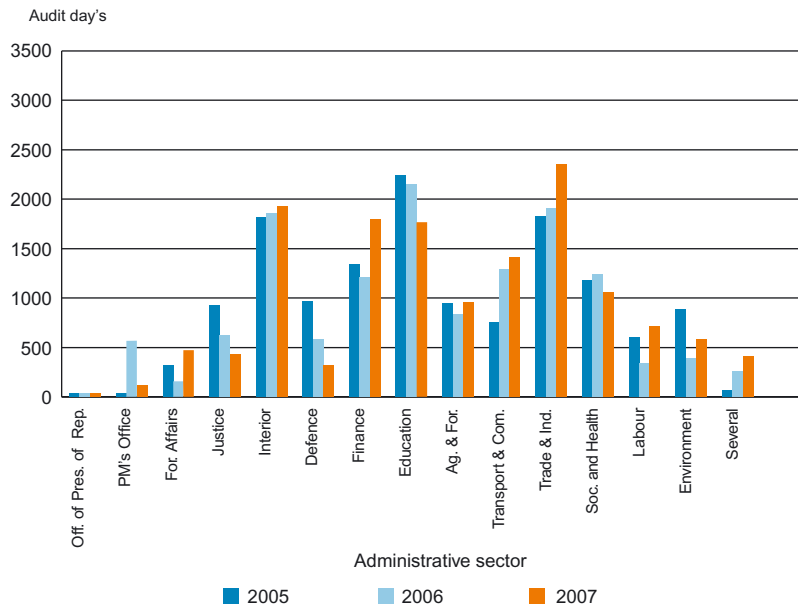
The breakdown of the financial audits, special audits and performance audits that

FIGURE 6: TIME USE IN 2004–2007



were completed in 2007 by administrative sector is shown in Figure 7. In interpreting this figure it should be pointed out that results with regard to financial audits are influenced by the division of agencies and enterprises into administrative sectors. With regard to performance audits calculations only included audit days for audits completed during the year. Changes in audit days were due mainly to the breakdown of completed performance audits by administrative sector.

FIGURE 7: BREAKDOWN OF AUDIT DAYS FOR COMPLETED AUDITS BY ADMINISTRATIVE SECTOR IN 2005–2007



Other audits accounted for 0.8% of the time spent on external performances.

A list of the audits that were completed in 2007 is appended to this report.

Expert activities include preparing initiatives and statements, providing advice and training, participating in outside working groups, giving testimony and handling complaints regarding the state's financial management. Expert activities accounted for 5.4% of the time spent on external performances. Key results for expert activities are presented in an appendix.

2.2 Costs and time use

The National Audit Office's costs (Figure 8) amounted to €11.97 million (2006 €11.74 million, 2005 €10.90 million). Performance Audit accounted for €5.76 million of this total (2006 €5.69 million, 2005 €5.43 million) and Financial Audit €6.08 million (2006 €6.05 million, 2005 €5.47 million). In the calculation the National Audit Office's corporate service costs (€1.02 million), real estate costs (€0.99 million) and other joint costs (€1.55 million) have been allocated to audit units.

External performances (Figure 9) or audits and expert tasks accounted for 72% of effective working time (excluding paid absences) in Performance Audit (2006 67%, 2005 66%). In Financial Audit the share was 75% (2006 73%, 2005 69%). These figures also include working time spent on audit supervision. Training accounted for about 6.7% of effective working time.

The average costs of the National Audit Office's external performance production amounted to €683 per day, down 2.4% from the year before (Figure 10). In Financial Audit the average costs of external performance production amounted to €681 per day, up 0.4% (Figure 11). In Performance Audit the average costs of external performance production amounted to €688 per day, down 5.2% (Figure 12). Costs per day fell mainly because of the increase in external performances' share of working time.

Total pay excluding side costs amounted to €7.78 million (2006 €7.59 million, 2005 6.76 million).

2.3 The achievement of objectives and effectiveness in Financial Audit

Effectiveness

In 2007 the National Audit Office submitted financial audits for fiscal year 2006. These covered all 99 ministries and agencies as well as two funds outside the state budget and the final central government accounts.

The effectiveness of Financial Audit has been evaluated annually on the basis of the need to repeat reporting requirements placed on ministries and agencies in audit reports. In connection with audits for 2006 attention was focused on compliance with reporting requirements set the year before. Audit re-

WORKING TIME IN PERSON-DAYS AND PERSON-YEARS			
	2005	2006	2007
Person-days	37 105	36 340	36 535
Person-years	147	145	146
BREAKDOWN OF WORKING TIME, %			
	2005	2006	2007
Effective working time	80	80	80
Annual leave	14	14	14
Holiday pay leave	1	2	1
Sick leave	4	3	3
Other paid leave	1	1	2
Total	100	100	100

FIGURE 8: THE NATIONAL AUDIT OFFICE'S COSTS IN 2004-2007

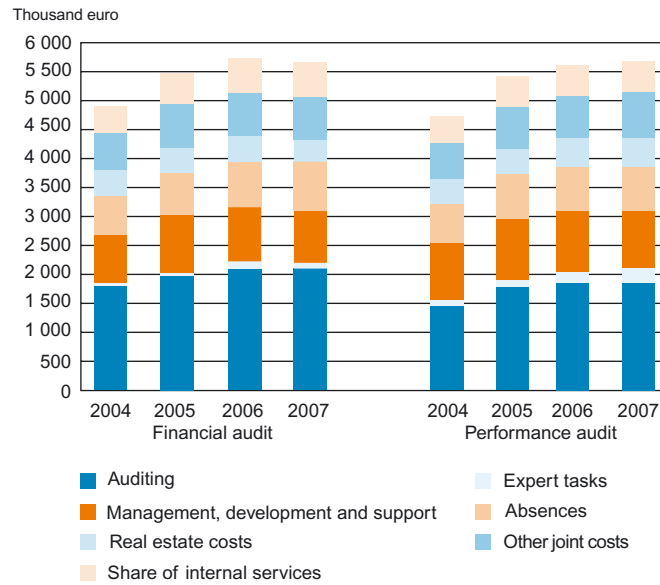


FIGURE 9: TIME SPENT ON EXTERNAL PERFORMANCE PRODUCTION

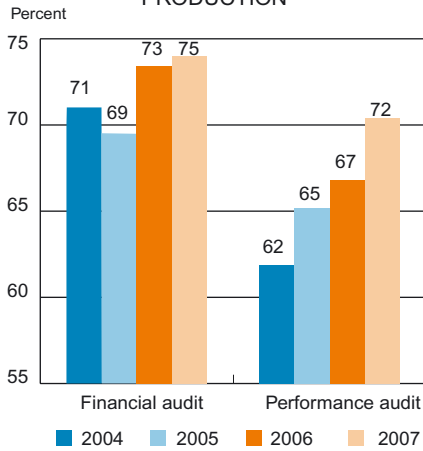


FIGURE 10: AVERAGE COSTS PER DAY OF EXTERNAL PERFORMANCE PRODUCTION

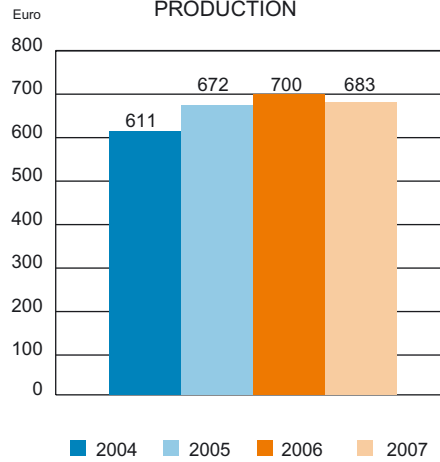


FIGURE 11: AVERAGE COSTS PER DAY IN FINANCIAL AUDIT

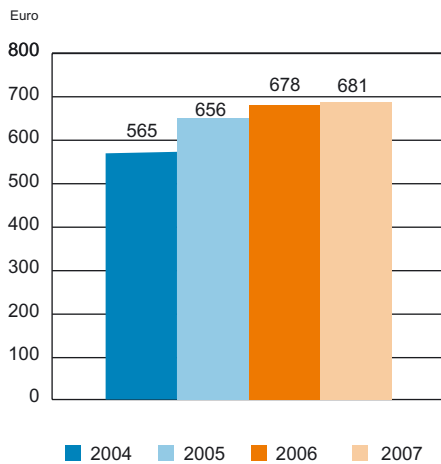
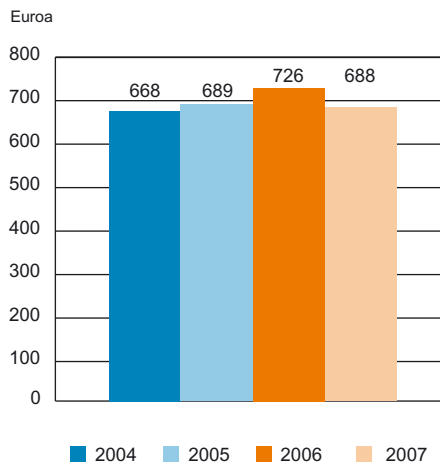


FIGURE 12: AVERAGE COSTS PER DAY IN PERFORMANCE AUDIT



ports for 2005 placed reporting requirements on 31 ministries and agencies. In 23 cases reporting requirements had to be repeated, in full or in part, in audit reports for 2006.

Operational efficiency

The unit spent 8,623 days on financial audits and 249 days on other audits, or 71% of effective working time. It spent 213 days on expert tasks (2006 213 days, 2005 180 days) or 1.7% of effective working time (2006 1.7%, 2005 1.4%). External performances accounted for 72% of effective working time (2006 73%, 2005 74%).

The unit's work plan set aside 69 audit days per agency for financial audits on average. The amount of time required for audits was slightly less than planned, averaging 67 audit days per agency (2006 69 days, 2005 71 days). This figure also includes audits of information systems, which were conducted in 8 agencies. Their effect on the average was four audit days.

Auditing performed in 2006 accounted for 50% of audits reported in 2007 (2006 50%, 2005 50%). This figure reflects the share of audit work performed during the fiscal year, which the National Audit Office has strived

to increase.

Summaries of financial audits and key conclusions were presented in the National Audit Office's annual report to Parliament.

Personnel in the unit totalled 63 at the beginning of the year and 63 at the end of the year. Person-years totalled 62. Six employees left the unit in 2007, compared with one the year before.

Key cost information for financial audits are costs per audit day and average costs per audit. Cost information for financial audits has been calculated on the basis of the unit's separate costs, excluding joint costs. Direct costs consist of pay together with welfare and pension payments, plus direct travel expenses. The second cost component covers management, development and supporting activities. The cost of absences is mainly for annual leave.

Separate costs per audit day rose by 3.9% during the year and by 20.4% over a three-year period. Financial Audit spent 213 days on expert tasks (2005 180 days) or 1.7% of effective working time (2005 1.4%).

Personnel in the unit totalled 62 at the beginning of the year and the same number at the end of the year. Person-years totalled 62. One employee left the unit in 2006, com-

FINANCIAL AUDIT'S COSTS PER AUDIT DAY (€)				
	2004	2005	2006	2007
Direct costs	210	225	260	272
Management, development, support	96	107	113	107
Absences	70	80	89	94
Total separate costs per audit day	376	411	462	473
Change 2006-2007, %				2.4 %
Change 2004-2007, %				25.9 %

FINANCIAL AUDIT'S AVERAGE COSTS PER COMPLETED AUDIT (€)				
	2004	2005	2006	2007
Direct costs	15 088	15 948	18 890	19 180
Management, development, support	6 850	7 559	8 236	7 576
Absences	5 024	5 646	6 441	6 675
Total separate costs per audit	26 963	29 154	33 567	33 430
Change 2006-2007, %				-0.4 %
Change 2004-2007, %				24.0 %

pared with two the year before.

Key cost information for financial audits are costs per audit day and average costs per audit. Cost information for financial audits has been calculated on the basis of the unit's separate costs, excluding joint costs. Direct costs consist of pay together with welfare and pension payments, plus direct travel expenses. The second cost component covers management, development and supporting activities. The cost of absences is mainly for annual leave.

Separate costs per audit day rose by 12.5% during the year and by 28.3% over a three-year period.

Average costs per audit rose by 15.1% during the year and by 33.8% over a three-year period.

Quality management

The objective is to perform financial audits according to the quality requirements in the audit guidelines. To ensure quality, in conducting audits for 2006 attention was focused on planning audits and managing the audit process and on the substantiation and clarity of opinions. Attention was also focused on the quality of interim reports and annual summaries as well as timely reporting.

Another objective was to submit audit reports to ministries by 21 May (22 May in 2006), to agencies by 14 May (15 May in 2006) and on the final central government accounts by 31 May (31 May in 2006).

All the audits in the objective were completed according to the quality requirements in the audit guidelines. The National Audit Office prepared 290 interim reports.

The average completion date for audits was moved up to 18 May for ministries (19 May in

2006). Audit reports were submitted by 21 May for six ministries and a few days later for seven ministries.

The average completion date for the remaining 86 agencies' audits was 27 April (2 May in 2006). Audit reports were submitted by 14 May for 78 agencies and a few days later for 8 agencies. The level of achievement of timetable objectives can be considered good.

Audit reports were published on the National Audit Office's website and were distributed to interest groups in printed form according to established practice.

Development

An average of 16.7 person-days per person-year was spent on personnel development (2006 20.3, 2005 18.2), including 8 for training.

A total of 394 person-days was spent on the unit's own development activities. This corresponded to 3.2% of effective working time (2006 2.1%, 2005 3.1%).

The unit's activities are developed according to annual development and training plans. In 2007 the focus was on quality management and audit expertise.

2.4 Achievement of objectives and effectiveness in Performance Audit

Effectiveness

The goal of performance audit is to promote the economy, efficiency and effectiveness of the state's financial management by producing relevant information for decision-mak-

AUDITS' AVERAGE COMPLETION DATES			
Year	Ministries (date)	Other agencies (date)	Number of reports
2004	28.5.	4.5.	115
2005	23.5.	3.5.	115
2006	19.5.	2.5.	114
2007	18.5.	27.4.	99

ers and presenting audit findings in a usable form. Achieving this goal depends on the successful selection of topics and skilful audits.

The achievement of the goal is not evaluated annually since it requires a separate survey. An evaluation of the focusing of performance audits was conducted in 2005 and the results were discussed in the annual reports for 2005 and 2006.

The effectiveness of performance audits can also be evaluated on the basis of follow-up reports, which see what action has been taken as a result of audit opinions and recommendations. The National Audit Office prepares follow-up reports for all performance audits within a period of 1-4 years. In 2007 the National Audit Office completed 28 follow-up reports. These concerned audit reports that were issued in 2003-2006. Reports evaluated the implementation of 95 recommendations that were made by the National Audit Office.

On the basis of follow-up reports, of the 95 recommendations 31% had been implemented in full or almost in full, 41% to some extent and 28% poorly or not at all. Results were similar to those for 2005 and 2006. It should be noted that different recommendations may have been implemented to a varying degree in the same audit. The obstacle may be that implementing recommendations would require broader organizational changes or legislative reforms or that the agency or ministry disagrees with a recommendation. Recommendations might have also been implemented and measures taken regardless of audits, and follow-up reports do not allow a closer inspection of the effects of audits on change.

Operational efficiency

Total costs in the Performance Audit unit came to €5.755 million. In addition to direct costs this includes apportioned items such as corporate service costs and rent. Costs rose by 1.2% in 2007. The average costs of external performance production nevertheless fell by 5.3% (2007 €688, 2006 €726). The drop

was due to the increase in external performances' share of working time. In 2007 days spent on external performance increased by 8% (628 days) compared with the year before, although the total number of person-days remained roughly the same.

The objective was to complete at least 30 audits in 2007. The unit fell short of this, publishing only 21 audits in 20 audit reports plus 1 in the annual report to Parliament. In addition two audits ended in preliminary studies and two in letters.

Another objective was to complete at least 25 follow-up reports. This objective was achieved, with 28 reports being completed.

The objective was for external performances, i.e. audits and expert tasks, to account for 69% of effective working time in the unit. This objective was not quite achieved, since the actual figure was 68%. The unit spent 300 working days or 2.5 percentage points more time on the National Audit Office's joint projects than planned. If one considers only working time spent on the unit's own activities, external performances' share was 72.5%, meeting the objective. Time use for other functions such as risk analysis, training and development, management and planning was in line with objectives.

Since 2006 economy and efficiency objectives have been set for audits in the form of cost and timetable frameworks. The objective was to conduct 85% of audits within cost and timetable frameworks in 2007. The cost objective was achieved but the timetable objective was not: 84.6% of the audits that were started in 2006 and completed in 2007 remained within the planned cost framework. Delivery times were not managed as well and only 54% of audits were completed on schedule. Delivery times for the audits that were not completed on time were about 25% longer than planned.

Audits completed in 2007 required an average of 225 audit days. The figure has risen somewhat since the average for the three previous years was 204 audit days (2006 212, 2005 178 and 2004 223). The increase in 2007 was due particularly to the fact that the Na-

PERFORMANCE AUDIT'S COSTS PER AUDIT DAY (€)				
	2004	2005	2006	2007
Direct costs	212	229	246	265
Management, development, support	115	136	130	122
Absences	84	95	92	95
Total separate costs per audit day	411	460	468	482
Change 2006-2007, %				2.9 %
Change 2004-2007, %				17.2 %

PERFORMANCE AUDIT'S AVERAGE COSTS PER COMPLETED AUDIT (€)				
	2004	2005	2006	2007
Direct costs	47 178	40 822	52 187	59 572
Management, development, support	25 665	24 289	27 502	27 463
Absences	18 824	16 900	19 466	21 386
Total separate costs per audit day	91 6673	82 011	99 155	108 420
Change 2006-2007, %				9.3 %
Change 2004-2007, %				18.3 %

tional Audit Office completed two audits that were included in a project to develop effectiveness audit and these required 2-4 times more work than audits generally require.

Direct costs per audit averaged €59,572. Total costs including management, development and support as well as absences averaged €108,420. Holiday and sick leave accounted for about 20% of this figure. Direct costs per audit were 14% higher and total costs 9% higher than in 2006. The rise in direct costs was due mainly to the increase in the number of audit days and to a certain extent the broader use of expert services. Compared with 2004 separate costs per audit have risen by about 18%, due mostly to the adjustment of salaries.

Quality management

With regard to quality and quality management the objective in the operational plan was to perform all audits according to the guidelines that have been issued for performance audit.

This objective was achieved. On the basis of monitoring during work supervision and follow-up evaluations, the quality of au-

ditions remained unchanged. The unit made better use of external expertise and international background materials, particularly in building audit criteria and interpreting audit findings. In reporting, the presentation of key findings in a clear and understandable way improved, although in some cases the detailed description of audit findings and the provision of background information may have weakened the key message. The interpretation of audit guidelines has been further harmonized. In planning and steering audits, however, attention still needs to be paid to delivery times and the more precise defining of audit criteria and especially broad audit topics. More attention also needs to be paid to the use of different types of evidence and multiple sources in audits and reporting, along with the interpretation of audit findings from a legal viewpoint.

The most significant measure for the development of quality management was the adoption of the performance audit manual in August. The systematic evaluation of the quality of completed audits continued. Steps were taken to strengthen and sharpen follow-up monitoring regarding the conclusions and findings presented in audits, and follow-

up reports were passed on to auditees and responsible ministries. A pilot project aimed at making audit reports more readable was also conducted in the autumn, and feedback was positive.

Development

Development projects proceeded well. The most important development project was the revision of the performance audit manual, which began in 2006. A draft version was submitted in January and discussed with the unit's staff in the spring, and the manual was approved by the National Audit Office in August. The new manual covers the entire performance audit process from the specification of the audit task to follow-up monitoring as well as quality assurance throughout the audit process.

Another important development project was the revision of the guidelines on risk analyses. This was done in connection with the revision of the performance audit manual so that the audit perspectives in the manual form the basis for risk analyses. The guidelines on risk analyses were applied by three audit groups on a pilot basis.

The unit also continued a project aimed at developing effectiveness audit that had begun in 2005. Two of the three pilot audits in this project were completed year 2007 and the third will be completed in early 2008. An evaluation will then be conducted to decide what procedures should be adopted as permanent practices in performance audit on the basis of the project.

The National Audit Office's strategy for 2007-2012 firmly guided the development of activities. According to the strategy the unit actively participated in developing new audit models especially for system audit, the audit of the fiscal policy information base and IT audit.

An average of 13.4 person-days per person-year was spent on personnel development (2006 13.7, 2005 10.7), including 9.6 person-days for training and 3.8 person-days for other personnel development. A large

part of training was devoted to going over the performance audit manual. Training was also arranged on risk management and on legislation concerning transparency and procurements.

Complaints and abuses

According to section 16 of the Act on the National Audit Office, state authorities must immediately report any abuse of their funds or property to the National Audit Office. In 2007 state agencies and enterprises submitted 36 such reports (2006 26). State agencies and enterprises also submitted 7 reports on other types of abuses in 2007 (2006 19). These cases generally concerned abuses by recipients of state aids. Ministries administering EU aids also submitted copies of their reports on the monitoring of aids under Commission Regulation (EC) No 1681/94, amended by Commission Regulation (EC) No 2035/05, to the National Audit Office. Reports are made for each structural fund quarterly.

On the basis of these reports as well as information that has come to light in audits, the National Audit Office has monitored and investigated abuses in administration and their effects on the state economy as well as measures aimed at preventing abuses. The goal is to prevent problems, errors and abuses through audit means by contacting authorities, requiring corrective measures and initiating audits if necessary.

The National Audit Office received 57 complaints regarding the state's financial management (2006 37, 2005 45) and handled 46 complaints during the year (2006 42, 2005 53). Complaints were submitted by private citizens and organizations, in whose opinion a body falling within the National Audit Office's audit mandate has acted improperly. A few complaints led to audits concerning a particular topic.

3 Financial statements with notes

3.1 Financial statements

Compliance with the budget

Main division, item, account number, name and type of appropriation	Accounts 2006	Budget 2007 (incl. sup.)	Budget 2006 appropriations Used in 2007
21. Parliament			
21.40. State Audit Office	12 495 398.19	13 228 000.00	10 788 792.75
21.40.19 State Audit Office's VAT expenses	402 398.19	0.00	0.00
21.40.29 State Audit Office's VAT expenses	0.00	485 000.00	400 104.31
21.40.21 State Audit Office's operating costs (2-year trans.)	12 093 000.00	12 743 000.00	10 388 688.44
28. Ministry of Finance's administrative sector	20 750.00	0.00	0.00
28.80.24 Rehabilitation and occupational well-being support (2-year trans.)	20 750.00	0.00	0.00
Total expenditure accounts	12 516 148.19	13 228 000.00	10 788 792.75

carried forward to next year	Accounts 2007	Comparison Accounts - Budget	Supplementary information concerning appropriations			
			Carried forward from previous years	Available for use in 2007	Use in 2007 (excl. cancellations)	Carried forward to next year
2 354 311.56	13 143 104.31		1 528 377.99	14 271 377.99	11 917 066.43	2 354 311.56
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	400 104.31	84 895.69	0.00	0.00	0.00	0.00
2 354 311.56	12 743 000.00	0.00	1 528 377.99	14 271 377.99	11 917 066.43	2 354 311.56
0,00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
2 354 311.56	13 143 104.31		1 528 377.99	14 271 377.99	11 917 066.43	2 354 311.56

Statement of Income and Expenses

	1.1.2007–31.12.2007		1.1.2006–31.12.2006	
OPERATIONAL INCOME				
Other operational income	<u>4 274.09</u>	4 274.09	<u>1 255.00</u>	1 255.00
OPERATIONAL EXPENSES				
Materials, supplies and goods:				
Purchases during the year	147 018.55		145 018.40	
Personnel expenses	9 530 503.38		9 438 401.80	
Rents	932 925.80		908 417.44	
Purchased services	1 012 948.60		970 798.85	
Other expenses	314 547.46		304 822.47	
Depreciation	<u>120 338.89</u>	<u>12 058 282.68</u>	<u>120 339.48</u>	<u>11 887 798.44</u>
DEFICIT I		-12 054 008.59		-11 886 543.44
INCOME FROM TAXES AND COMPULSORY CHARGES				
VAT paid	<u>-400 104.31</u>	<u>-400 104.31</u>	<u>-402 398.19</u>	<u>-402 398.19</u>
DEFICIT FOR THE YEAR		<u>-12 454 112.90</u>		<u>-12 288 941.63</u>

Balance Sheet

	31.12.2007		31.12.2006	
ASSETS				
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
INTANGIBLE ASSETS				
Intangible rights	10 107.85		15 112.84	
Other long-term expenditure	<u>1 621.75</u>	11 729.60	<u>2 830.75</u>	17 943.59
TANGIBLE ASSETS				
Machinery and equipment	161 464.77		202 155.20	
Furnishings	<u>2 343.18</u>	<u>163 807.95</u>	<u>5 460.82</u>	<u>207 616.02</u>
SECURITIES AND OTHER LONG-TERM INVESTMENTS				
		175 537.55		225 559.61
INVENTORIES AND FINANCIAL ASSETS				
CURRENT RECEIVABLES				
Other current receivables	<u>39 697.91</u>	39 697.91	<u>1 142.83</u>	1 142.83
CASH, BANK RECEIVABLES AND OTHER FINANCIAL ASSETS				
Cash accounts	<u>0.00</u>	<u>0.00</u>	<u>24.95</u>	<u>24.95</u>
TOTAL INVENTORIES AND FINANCIAL ASSETS		<u>39 697.91</u>		<u>1 167.78</u>
TOTAL ASSETS		<u>215 235.46</u>		<u>226 727.39</u>
EQUITY AND LIABILITIES				
EQUITY				
STATE'S EQUITY				
State's equity 1.1.1998	-819 653.02		-819 653.02	
Change in previous years	-919 709.74		-612 470.93	
Equity transfers	12 460 642.86		11 981 702.82	
Deficit for the year	<u>-12 454 112.90</u>	-1 732 832.80	<u>-12 288 941.63</u>	-1 739 362,76
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	93 798.74		121 501.16	
Inter-agency transfers	264 202.55		305 949.02	
Payable items	184 242.63		219 735.73	
Accrued expenses	<u>1 405 824.34</u>	<u>1 948 068.26</u>	<u>1 318 904.24</u>	<u>1 966 090,15</u>
TOTAL LIABILITIES		<u>1 948 068.26</u>		<u>1 966 090,15</u>
TOTAL EQUITY AND LIABILITIES		<u>215 235.46</u>		<u>226 727,39</u>

3.2 Notes

NOTE 1

ACCOUNTING PRINCIPLES AND COMPARABILITY

The annual accounts have been prepared in accordance with orders and guidelines issued by the Ministry of Finance and the State Treasury.

Depreciation according to plan has been calculated on a straight-line basis according to the economic life of assets.

The depreciation period is three years for computer software and hardware, seven years for vehicles and five years for all other machinery, equipment and office furnishings. The Office does not own national property.

Under operational income, other operational income includes income from the sale of property no longer in use.

Under operational expenses, personnel expenses include salaries, holiday pay, overtime, expert fees, training fees, other fees, the change in holiday pay liabilities and side costs. Other expenses include travel costs, domestic and international membership fees, user fees, vehicle insurance premiums and other compulsory charges which are not taxes.

Under current liabilities in the balance sheet accrued expenses include holiday pay liabilities.

The Office's accounting is on an accrual basis. The annual accounts have been corrected on a payment basis.

NOTE 2

NET BUDGETED INCOME AND EXPENSES

The Office does not have any net budgeted items for which net income or net expenses was marked in the budget in its accounts for the past fiscal year.

NOTE 3

OVERSPENDING OF ESTIMATED APPROPRIATIONS

The Office did not overspend estimated appropriations.

NOTE 4

CANCELLED TRANSFERRED FUNDS

The Office does not have cancelled transferred funds.

NOTE 5**ITEMIZATION OF PERSONNEL EXPENSES**

	2007	2006
Personnel expenses	7 793 484.16	7 640 781.40
Salaries and fees	7 720 271.84	7 359 188.66
Performance-based items	0.00	162 722.00
Change in holiday pay liabilities	73 212.32	118 870.74
Side costs	1 737 019.22	1 797 620.40
Pension expenses	1 394 382.38	1 454 328.19
Other personnel expenses	342 636.84	343 292.21
Total	9 530 503.38	9 438 401.80
Management's salaries and fees ¹⁾ , incl.	602 120.42	480 887.36
- Performance-based items	0.00	7 692.00
Fringe benefits	141 873.10	139 832.70
Management	7 143.00	5 820.00
Other personnel	134 730.10	134 012.70

1) Does not include side costs.

NOTE 6**PRINCIPLES USED IN CALCULATING DEPRECIATION ACCORDING TO PLAN AND CHANGES**

Depreciation according to plan has been calculated on a straight-line basis according to the economic life of assets. The Office does not own national property.

Depreciation principles did not change during the year.

Depreciation periods are:

FIXED ASSETS	Depreciation method	Depreciation period years	Annual depreciation %	Residual value %
Intangible assets				
112 Intangible rights				
1120 Purchased computer software	straight-line	3	33.33	0
114 Other long-term expenditure				
1140 Customized computer software	straight-line	3	33.33	
Tangible assets				
125 - 126 Machinery and equipment				
1250 Cars and other road vehicles	straight-line	7	14.29	0
1255 Computers hardware and accessories	straight-line	3	33.33	0
1256 Office machinery and equipment	straight-line	5	20	0
1257 Telephone switchboards and other communications equipment	straight-line	5	20	0
1258 Audiovisual machinery and equipment	straight-line	5	20	0
1269 Other machinery and equipment	straight-line	5	20	0
127 Furnishings				
1270 Apartment and office furnishings	straight-line	5	20	0

Minor purchases costing less than €800 have been included with annual costs.

NOTE 7**CHANGES IN THE ACQUISITION COST OF NATIONAL PROPERTY AND FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE, €**

The acquisition cost includes all fixed assets whose economic lives had not ended at the beginning of the year, even if their acquisition cost had been completely written off.

The Office does not own national property.

FIXED ASSETS	Intangible assets		
	Intangible rights	Other long-term expenditure	Total
Acquisition cost 1.1.2007	265 621.83	36 240.81	301 862.64
Increases	4 585.00		4 585.00
Decreases			0.00
Acquisition cost 31.12.2007	270 206.83	36 240.81	306 447.64
Accumulated depreciation 1.1.2007	250 508.99	33 410.06	283 919.05
Accumulated depreciation difference			0.00
Depreciation according to plan during the year	9 589.99	1 209.00	10 798.99
Depreciation not according to plan during the year			
Accumulated depreciation 31.12.2007	260 098.98	34 619.06	294 718.04
Appreciation			
Book value 31.12.2007	10 107.85	1 621.75	11 729.60

FIXED ASSETS	Tangible assets		
	Machinery equipment	Furnishings	Total
Acquisition cost 1.1.2007	1 002 667.03	71 444.82	1 074 111.85
Increases	64 952.74	820.00	65 772.74
Decreases	35 371.70		35 371.70
Acquisition cost 31.12.2007	1 032 248.07	72 264.82	1 104 512.89
Accumulated depreciation 1.1.2007	800 511.83	65 984.00	866 495.83
Accumulated depreciation difference	35 330.79		35 330.79
Depreciation according to plan during the year	105 602.26	3 937.64	109 539.90
Depreciation not according to plan during the year			
Accumulated depreciation 31.12.2007	870 783.30	69 921.64	940 704.94
Appreciation			
Book value 31.12.2007	161 464.77	2 343.18	163 807.95

NOTE 8**FINANCIAL INCOME AND EXPENSES**

The Office does not have any financial income and expenses.

NOTE 9**LOANS GRANTED FROM THE BUDGET**

The Office does not have any loans granted from the budget that were outstanding at the end of the year.

NOTE 10**SHARES AND PARTICIPATIONS IN COMPANIES AND OTHER SECURITIES COMPARABLE TO SHARES**

The Office does not have any shares or participations in companies or other securities comparable to shares.

NOTE 11**FINANCIAL ASSETS AND LIABILITIES IN THE BALANCE SHEET**

The Office does not have any financial assets and liabilities in the state budget economy that were outstanding at the end of the year.

NOTE 12**GRANTED STATE SECURITIES, STATE GUARANTEES AND OTHER COMMITMENTS**

The Office does not have any granted state securities, state guarantees or other commitments that were outstanding at the end of the year.

Commitments	31.12.2007	31.12.2006	Change
Other commitments			
Lease	6 689 000.00	0.00	6 689 000.00
Total	6 689 000.00	0.00	6 689 000.00
Significant multi-year contract commitments			
Leases		Annual budget expenditure, estimate	
- Leases longer than 4 years, total			1 337 800.00
Fixed-term lease			

NOTE 13**RESERVE FUNDS IN THE BALANCE SHEET**

The Office does not have any reserve funds in the balance sheet.

NOTE 14**RESERVE FUNDS OUTSIDE THE BALANCE SHEET**

The Office does not have any reserve funds outside the balance sheet

NOTE 15**CHANGES IN LIABILITIES**

The Office did not have any liabilities in the state budget economy that were outstanding during the year.

NOTE 16**MATURITY BREAKDOWN AND DURATION OF LIABILITIES**

The Office does not any maturity breakdown and duration of liabilities in the balance sheet.

NOTE 17**OTHER SUPPLEMENTARY INFORMATION NEEDED TO GIVE CORRECT AND ADEQUATE INFORMATION**

Correct and adequate information has been provided in the Office's financial statements and notes as well as the review of operations.

No abuses or crimes were detected in the Office.

4 Internal control and approval

Management is responsible for making sure that the National Audit Office applies appropriate procedures in view of the scope and content of finances and activities and the risks involved (internal control) to verify the legality and effectiveness of the National Audit Office's finances and activities, to protect the funds and assets that are under the National Audit Office's control and to provide true and fair information on the National Audit Office's finances and activities.

The state of internal control and risk management was evaluated by comparing it with the Government Controller-General's recommendation on good practice and the evaluation of internal control and risk management in state agencies and by making use of the evaluation framework in the recommendation. The evaluation was conducted by the National Audit Office's management and units and was supplemented by observations made in the course of internal control.

According to the evaluation the National Audit Office's internal control and risk management meet requirements except that documentation has not been performed in sufficient scope for some processes.

The evaluation of risk management was developed in 2007. The National Audit Office will continue to improve risk assessment and risk management documentation in 2008.

With changes in the National Audit Office's operating environment and the development of activities, process specifications and descriptions, indicators and procedures for management and effectiveness as well as the National Audit Office's procedural rules and financial regulations will be updated as necessary while ensuring the adequate monitoring of internal control.

Helsinki, 5 March 2008

Tuomas Pöysti
Auditor General

Tytti Yli-Viikari
Special Adviser to the Management

5 Signatures

The annual accounts were approved in Helsinki on 5 March 2008.

Tuomas Pöysti
Auditor General

Esa Tammelin
Chief Administrative Officer

THE OFFICE'S MANAGEMENT IN 2007



Chief Administrative
Officer
Esa Tammelin

Director for
Administrative Services
Mikko Koiranen

Assistant Auditor General,
Performance Audit
Vesa Jatkola

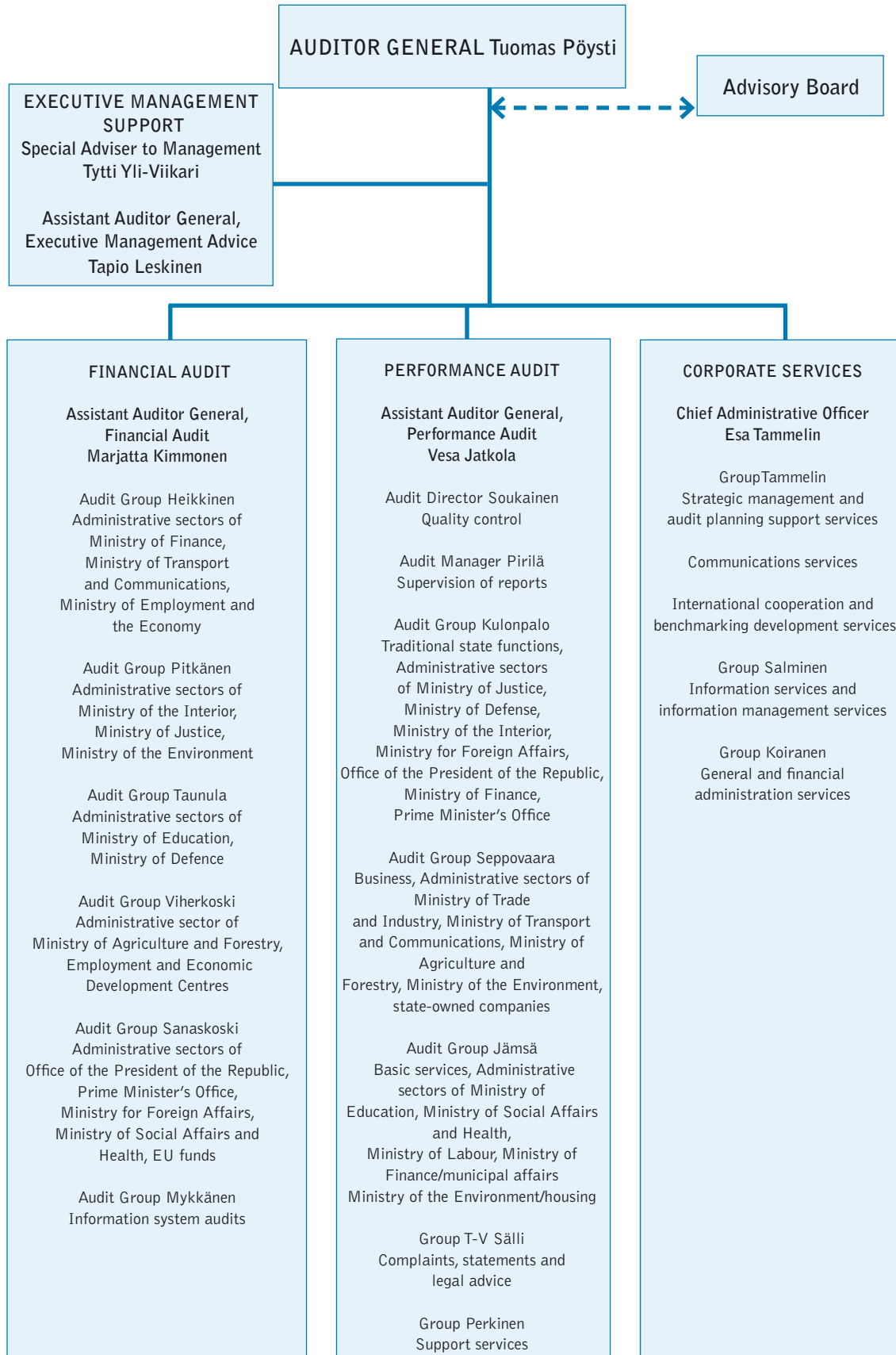
Assistant Auditor General,
Executive Management Advice
Tapio Leskinen

Special Adviser
to the Management
Tytti Yli-Viikari

Auditor General
Tuomas Pöysti

Assistant Auditor General,
Financial Audit
Marjatta Kimmonen

APPENDIX 1 • ORGANIZATION AND DIVISION OF TASKS



APPENDIX 2 • COMPLETED PERFORMANCES IN 2007

Reports to Parliament

National Audit Office's annual report to Parliament for 2006

National Audit Office's report to Parliament on the audit of the final central government accounts and the report on the final central government accounts

MINISTRY OF FINANCE'S ADMINISTRATIVE SECTOR

Ministry of Finance	141/53/06
Government Institute for Economic Research	142/53/06
State Treasury	143/53/06
National Board of Taxation	144/53/06
Customs Service	145/53/06
Central Statistical Office	146/53/06

Financial Audit

OFFICE OF THE PRESIDENT OF THE REPUBLIC

Office of the President of the Republic 112/53/06

PRIME MINISTER'S OFFICE

Prime Minister's Office 113/53/06

MINISTRY FOR FOREIGN AFFAIRS' ADMINISTRATIVE SECTOR

Ministry for Foreign Affairs 114/53/06

MINISTRY OF JUSTICE'S ADMINISTRATIVE SECTOR

Ministry of Justice 115/53/06

Criminal Sanction Agency 116/53/06

MINISTRY OF THE INTERIOR'S ADMINISTRATIVE SECTOR

Ministry of the Interior 117/53/06

State Provincial Office of Åland 137/53/06

MINISTRY OF DEFENCE'S ADMINISTRATIVE SECTOR

Ministry of Defence 138/53/06

Defence Forces 139/53/06

Defence Administration Building

Department 140/53/06

MINISTRY OF EDUCATION'S ADMINISTRATIVE SECTOR

Ministry of Education	147/53/06
National Board of Education	148/53/06
University of Helsinki	149/53/06
University of Joensuu	150/53/06
University of Jyväskylä	151/53/06
University of Kuopio	152/53/06
University of Lapland	153/53/06
University of Oulu	154/53/06
University of Tampere	155/53/06
University of Turku	156/53/06
University of Vaasa	157/53/06
Åbo Akademi University	158/53/06
Helsinki University of Technology	159/53/06
Lappeenranta University of Technology	160/53/06
Tampere University of Technology	161/53/06
Helsinki School of Economics and Business Administration	162/53/06
Swedish School of Economics and Business Administration	163/53/06
Turku School of Economics and Business Administration	164/53/06
Art Academy	165/53/06
Sibelius Academy	166/53/06
University of Industrial Art and Design	167/53/06
Theatre Academy	168/53/06

National Archives	169/53/06	Office of Free Competition	201/53/06
Academy of Finland	170/53/06	Finnish Tourist Board	202/53/06
National Art Gallery	171/53/06	Energy Market Authority	203/53/06
National Board of Antiquities	172/53/06	Employment and Economic Development Centre for South Ostrobothnia	215/53/06
Suomenlinna Administrative Board	173/53/06	Employment and Economic Development Centre for South Savo	216/53/06
MINISTRY OF AGRICULTURE AND FORESTRY'S ADMINISTRATIVE SECTOR		Employment and Economic Development Centre for Häme	217/53/06
Ministry of Agriculture and Forestry	174/53/06	Employment and Economic Development Centre for South-eastern Finland	218/53/06
Information Centre of the Ministry of Agriculture and Forestry	175/53/06	Employment and Economic Development Centre for Kainuu	219/53/06
Finnish National Centre for Agricultural Research	176/53/06	Employment and Economic Development Centre for Central Finland	220/53/06
Finnish Forest Research Institution	177/53/06	Employment and Economic Development Centre for Lapland	221/53/06
Finnish Game and Fisheries Research Institution	178/53/06	Employment and Economic Development Centre for Pirkanmaa	222/53/06
National Board of Survey	179/53/06	Employment and Economic Development Centre for Ostrobothnia	223/53/06
Finnish Geodetic Institute	180/53/06	Employment and Economic Development Centre for North Karelia	224/53/06
Finnish Food Safety Authority	181/53/06	Employment and Economic Development Centre for Northern Ostrobothnia	225/53/06
MINISTRY OF TRANSPORT AND COMMUNICATIONS' ADMINISTRATIVE SECTOR		Employment and Economic Development Centre for North Savo	226/53/06
Ministry of Transport and Communications	182/53/06	Employment and Economic Development Centre for Satakunta	227/53/06
Motor Vehicle Administration	183/53/06	Employment and Economic Development Centre for Uusimaa	228/53/06
Finnish National Road Administration	184/53/06	Employment and Economic Development Centre for Varsinais-Suomi	229/53/06
National Board of Navigation	185/53/06	MINISTRY OF SOCIAL AFFAIRS AND HEALTH'S ADMINISTRATIVE SECTOR	
Finnish Rail Administration	186/53/06	Ministry of Social Affairs and Health	204/53/06
Finnish Communications Regulatory Authority	187/53/06	National Research and Development Centre for Welfare and Health	205/53/06
Finnish Meteorological Institution	188/53/06	Insurance Supervision Authority	206/53/06
Institution of Marine Research	189/53/06	National Public Health Institute	207/53/06
Finnish Rail Agency	190/53/06		
Finnish Civil Aviation Authority	191/53/06		
MINISTRY OF TRADE AND INDUSTRY'S ADMINISTRATIVE SECTOR			
Ministry of Trade and Industry	192/53/06		
National Board of Patents and Registration	193/53/06		
Geological Survey of Finland	194/53/06		
Technical Research Centre of Finland	195/53/06		
Safety Technology Authority	196/53/06		
Centre for Metrology and Accreditation	197/53/06		
Tekes - Finnish Funding Agency for Technology and Innovation	198/53/06		
Technology Development Centre	199/53/06		
Consumer Agency	200/53/06		

National Product Control Agency for Welfare and Health	208/53/06	146/2007 Preventing young people's exclusion
Finnish Centre for Radiation and Nuclear Safety	209/53/06	147/2007 Project funding as a steering instrument
National Agency for Medicines	210/53/06	
MINISTRY OF LABOUR'S ADMINISTRATIVE SECTOR		148/2007 Performance reporting to Parliament in the Ministry of Transport and Communications' Administrative Sector
Ministry of Labour	211/53/06	
MINISTRY OF THE ENVIRONMENT'S ADMINISTRATIVE SECTOR		149/2007 Performance reporting to Parliament in the Ministry for Foreign Affairs' Administrative Sector
Ministry of the Environment	212/53/06	
Finnish Environmental Centre	213/53/06	
Housing Fund Administration	214/53/06	150/2007 The state of performance management
FINAL CENTRAL GOVERNMENT ACCOUNTS		230/53/06
FUNDS OUTSIDE THE STATE BUDGET		151/2007 The procurement of expert financial services
Oil Pollution Fund	231/53/06	152/2007 The implementation of the Regional Centre Programme in 2004-2006
Fire Protection Fund	232/53/06	

Performance Audit

AUDIT REPORTS

- 137/2006 Budget support for Tanzania
- 138/2006 Parallel audit of the SAIs of the EU on the procedure for reporting irregularities in the Structural Funds
- 139/2006 The asylum procedure - the functional whole formed by the asylum process, the reception of applicants and the integration of refugees
- 140/2007 The preparation of the Natura 2000 network
- 141/2007 Tax subsidies - Achievement of accountability
- 142/2007 Audit of the use of local cooperation funds
- 143/2007 Official Travel
- 144/2007 Ice classes and fairway dues
- 145/2007 Cooperation among the Police, Customs and the Border Guard - Particularly in combatting serious crime

153/2007 The effects of an experiment exempting employers from social security contributions

154/2007 The state as a promoter of exploration and mining

155/2007 Developing fisheries

156/2007 The functioning of consumer administration

AUDITS ENDING IN LETTERS

The information base for changes in alcohol tax and fiscal impacts

Procurements by Customs

AUDITS ENDING IN PRELIMINARY STUDIES

Sector survey in the Ministry of Agriculture and Forestry's administrative sector

REPORTED IN THE ANNUAL REPORT TO PARLIAMENT

Effectiveness information in the report on the final central government accounts

Other publications

Reviisori magazine

Expert activities

STATEMENTS

Draft of the state procurement manual 360/31/2006	Confidential (Act on the Openness of Government Activities 621/1999 section 24:1 paragraph 6) 096/31/2007
Report of a working group preparing legislative amendments needed to develop official cooperation to fight financial crime and the black economy 381/31/2006	Revised general contract terms for the state's IT procurements 098/31/2007
The reform of universities' financial and administrative position, final report (Ministry of Education reports and studies 2007:2) 014/31/2007	Ministry of Finance report on "Structural elements of e-government - common platforms, services and solutions to be developed" 124/31/2007
Ministry of Finance interim report 1/2007 Expert services in evaluating the impact of legislation 018/31/2007	Draft quality criteria for online services 264/31/2007
Geological Survey of Finland's proposal to open a foreign currency bank account in Zambia 043/31/2007	"Achieving results with data security - draft guidelines on data security management" 267/31/2007
Proposal for the allocation of the state provincial offices' resources 45/31/2007	"The most important factor is people - draft guidelines on personal security as part of data security" 269/31/2007
The total cost model in jointly funded activities 055/31/2007	Draft Government bill for an Act on Cooperation between the Police, Customs and the Border Guard in Crime Prevention 270/31/2007
From participation to influence - the state administration's challenges in international data security 062/31/2007	Final report of a working group on the monitoring of financial information 271/31/2007
The Government Decree on Public Procurements 070/31/2007	Amendments to the Act on the Protection of Privacy in Electronic Communications (recording of identifying information) 279/31/2007
Draft regulation on the preparation of framework and budget proposals for unincorporated state enterprises 074/31/2007	Designating the Defence Administration Service Centre as a reporting agency 280/31/2007
Working group proposal to change the regulation on the preparation of operational and financial plans and budget proposals (Ministry of Labour 0402) 078/31/2007	Amendments to the Act on the Protection of Privacy in Electronic Communications (business confidentiality, data security, itemized billing) 281/31/2007
JHS recommendation on the draft "Specification of information system requirements" 082/31/2007	Preliminary study report on data security levels in the state administration (Ministry of Finance 15:01/2006) 282/31/2007
Draft Eduskunta Glossary 28.2.2007 084/31/2007	Report on "Planning an overall architecture for the state administration" 290/31/2007
Evaluation of the impacts of legislative proposals 091/31/2007	Date security on encryption practices in the state administration 291/31/2007

Final report of the preliminary study in the Valda project 292/31/2007

Draft guidelines on data security in smart phones 296/31/2007

Act on Improving the Competitiveness of Ships Used in Maritime Traffic 311/31/2007

Opening a bank account abroad (STAKES) 316/31/2007

Report of a working group on expert services for the evaluation of the impacts of legislation (Ministry of Finance 7/2007) 317/31/2007

Government bill to amend the Universities Act and the Polytechnics Act 319/31/2007

Costs eligible for aid from structural funds 330/31/2007

Opening a bank account abroad (Finnish Environment Institute) 332/31/2007

Designating the state provincial offices and the Population Register Centre as reporting agencies 340/31/2007

Opening foreign bank accounts (Ministry for Foreign Affairs) 343/31/2007

CPFA Board initiative to continue transition provisions in the Decree on CPFA Studies 344/31/2007

Opening a bank account abroad (STAKES) 358/31/2007

Opening a foreign bank account (Finnish Environment Institute) 363/31/2007

Draft Decree on Requirements for KHT and HTM Auditors and explanatory memorandum 385/31/2007

COOPERATION WITH PARLIAMENT

Hearing

FinC, Administration and Security. Annual report of the Parliamentary State Auditors for 2006, 24.1.2007.

FinC. EU matters, 1.2.2007.

FinC. Audit on tax subsidies, 6.2.2007.

FutC. Government's annual report to Parliament for 2006, 25.5.2007.

TCC. Government white paper on budget frameworks for 2008-2011 (GWP 1/2007), 30.5.2007.

AudC. Committee's starting seminar, 12.9.2007.

AudC. Report on the final central government accounts for 2006, 26.9.2007.

AudC. Separate report to Parliament on the audit of the final central government accounts and the report on the final central government accounts for 2006, 26.9.2007.

AudC. National Audit Office's report to Parliament on activities in 2006, 26.9.2007.

AudC. Budget proposal for 2008, 26.9.2007.

AudC. Separate report to Parliament on the audit of the final central government accounts and the report on the final central government accounts for 2006, 8.11.2007.

AudC. National Audit Office's annual report to Parliament for 2006, 8.11.2007.

TCC. Government bills to amend sections 2 and 5 of the Communications Market Act and the Act on the Protection of Privacy in Electronic Communications, 14.11.2007.

LegC. The implementation of the National Productivity Programme in the Ministry of Justice's administrative sector, 15.11.2007.

AudC. National Audit Office's annual report to Parliament for 2006, 21.11.2007

INTERNATIONAL EXPERT ACTIVITIES

Preparation of audit work

Parallel audit of the preparation of the Natura 2000 network.

Audit of the ECMWF.

Audit of the AITIC.

Participation in international working groups and committees.

EUROSAI Working Group on Environmental Auditing.

INTOSAI Working Group on Environmental Auditing.

EUROSAI Tax Subsidy Working Group.

INTOSAI Working Group on the Audit of Privatization.

Contact Committee Working Group on Structural Funds III parallel audit.

Contact Committee Working Group on EU National SAI Reports on EU Financial Management.

Contact Committee Public Procurement Working Group.

Contact Committee Liaison Officers' Task Force.

Contact Committee Working Group on Common Auditing Standards and Comparable Audit Criteria.

Harmonization of Overseas Auditing Practices (HOAP) group.

Nordic-Baltic meeting in Tallinn, 6-7 September 2007.

Nordic IT audit seminar, 27-28 November 2007.

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