



National Audit Office's Annual Report to Parliament 2017



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The photographs in this Annual Report are by Sander Vill. Vill is a young photographer from Salo, Finland, whose work has been recognised, among others, in the Manfrotto and Minun Suomeni (My Finland) photography competitions. Photography is a hobby for Vill, but also a lifestyle: 'What I love about photography is the ability to capture moments. Each passing moment is unique and will never occur again. A photograph provides the best memento of that moment.'

To Parliament

Under section 6 of the Act on the National Audit Office (676/2000), the National Audit Office hereby submits the report on its activities to Parliament.

The report presents the conclusions made on the basis of the audit findings concerning the current state of central government finances and public administration, as well as summaries of the audit findings that are of material importance to Parliament. The report also assesses whether positions adopted by Parliament on the basis of reports of the Audit Committee have resulted in any measures in public administration. Furthermore, the report presents a review of the National Audit Office's activities and their effectiveness during the 2016 budget year.

The report is based on the performance audits, financial audits, compliance audits and fiscal policy audits conducted by the National Audit Office and on its activities as an expert body. The financial audits that were completed in spring 2017 and that cover the 2016 budget year are included in the report. In addition, the performance audits, fiscal policy audits and compliance audits and follow-ups to them completed by the end of September 2017 are also included in the report.

The National Audit Office reports on the findings of the fiscal policy evaluation carried out under the Act 869/2012 on a twice yearly basis. The National Audit Office has submitted fiscal policy monitoring reports on 10 November 2016 and 15 June 2017.

On 29 November 2016, the National Audit Office submitted the Interim Report on Fiscal Policy Evaluation for the Parliamentary Term of 2015–2018 (K 18/2016 vp) as a separate report to Parliament.

The National Audit Office has also submitted a separate report to Parliament on the audit of the final central government accounts and the Government's annual report on 31 May 2017 (K 9/2017 vp).

Helsinki 19 September 2017

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Contents

Main content	7
Auditor General's review: Mutual trust will carry us over the transition phase	9
1 Operational reliability in a digitising society	15
2 Knowledge base of decision-making in structural reforms	27
3 Health, social services and regional government reform	39
4 Encouraging business investments	51
5 Good governance and management of central government finances	61
5.1 Compliance with the state budget	62
5.2 Accountability and management of central government finances	64
5.3 Internal control and risk management	71
5.4 Abuses and complaints concerning central government finances	84
6 Good governance and accountability by administrative branch	87
6.1 Office of the President of the Republic	87
6.2 Prime Minister's Office	88
6.3 Administrative branch of the Ministry for Foreign Affairs	90
6.4 Administrative branch of the Ministry of Justice	92
6.5 Administrative branch of the Ministry of the Interior	93
6.6 Administrative branch of the Ministry of Defence	95
6.7 Administrative branch of the Ministry of Finance	96
6.8 Administrative branch of the Ministry of Education and Culture	100
6.9 Administrative branch of the Ministry of Agriculture and Forestry	102
6.10 Administrative branch of the Ministry of Transport and Communications	104
6.11 Administrative branch of the Ministry of Employment and the Economy	105
6.12 Administrative branch of the Ministry of Social Affairs and Health	109
6.13 Administrative branch of the Ministry of the Environment	110
7 Monitoring of the positions adopted by Parliament	113
8 Work and effectiveness of the National Audit Office	117
References	130



The National Audit Office focuses its audit and monitoring activities on risks that are material in terms of central government finances. The objective is to promote effective and high-quality management of central government finances. This annual report presents conclusions essential from the perspective of Parliament on the audited entities and themes and evaluates the performance of the National Audit Office. This year, audit activities have dealt with, among other things, the structural reform knowledge base; health, social services and regional government reform; operational reliability and information security of central government digital services and encouraging business investments.

In accordance with an established practice, the National Audit Office monitors the measures arising from its reports to Parliament and the compliance with the related reporting obligations. By carrying out financial audits, the National Audit Office ensures that the state budget is complied with and that information on operational efficiency contained in the reviews of operations is true and fair. The reporting on productivity and economic efficiency is on a fairly good basis but deficiencies in the setting of targets interfere with the effectiveness of performance guidance. Compliance with the budget should be an important consideration.

As regards the promotion of business activities, the annual report assesses, for example, how good practices have been applied in public procurement. Public procurement involves a great potential to promote innovativeness, but so far innovative public contracts have been scarce and mainly made by municipalities. The national innovation strategies need to be implemented more efficiently in all procurement units in public administration.

The health, social services and regional government reform is reviewed from central government perspective. Attention is drawn to material implementation risks and the fact that achieving the savings target requires setting milestones and intermediate objectives whose achievement is systematically monitored.

In terms of digital public services, attention is paid to the fact that interdependencies between different actors in the service provision process have increased, which endangers the transparency on costs and risk management and impedes the usability and incident management.



Mutual trust will carry us over the transition phase

In the novel 'Times of Gustav Adolf' by Zachris Topelius, a Finnish witch gives King Gustav Adolf a ring, which protects those who wear it. The power of the ring provides the commander-in-chief with trust and courage to set the targets high and to face new types of risks. In public sector management, common operating models and processes create trust. If these operating models are not developed or complied with, the trust will start to fade just like the powers of the King after his finger is cut off during a battle and the ring goes missing.

Policy-making is disrupted in today's digital society. This means that the duties of civil servants are also changing. Current operating models are not always the most efficient ones in the changing environment. We generally agree that first politicians set the strategic objectives, then civil servants prepare alternative solutions and related impact assessments and then decision makers make the decisions on the basis of this preparation work. In practice, this is not always achieved, although the contents of the Government Programme have been revised towards this objective. The political steering is often too detail-oriented.

There are mismatch problems in policy-making. The feeling of urgency, confusion of roles and scarcity of resources all cause considerable pressure. The changing expectations regarding openness and transparency, as well as the complexity of issues and communicating results in a rapid pace challenge the work of civil servants. Civil servants should also critically assess their own operating practices and seek out new ways to offer support and services to the political actors. To this end, civil servants have indeed started to actively distribute information, network and engage in open debate in the social media. Experimentation is also gaining ground.

There is an abundance of information available to support decision-making, and most of it is freely accessible. Analytical capability requires knowledge and skills but also responsiveness and the ability to combine different sources of information and competences. Numerous actors with strong analytical skills and an agile readiness to efficiently distribute information influence decision-makers. A growing number of impulses steering policy-making come from outside the public administration.

Real-time policy-making requires new type of support from civil servants

Data structures and contents must continuously be revised. Effects of legislation exceed the organisational and sectoral boundaries. Good examples of this are education and labour market policies. From the perspective of decision-making, the situation is challenging: views to be taken into account in the preparation come from all over the society and are dispersed and difficult to manage. There is no one cohesive picture or coordinated view of the impacts in relation to the set objectives or societal needs. There is a risk of segregation in policy-making between politicians and civil servants. This could lead to an increased frustration between these actors, which would undermine their mutual trust.

It is time to establish new playbooks

While policy-making requires new operating practices and methods to make decisions on important societal issues, public administration is expected to provide new tools and ways to support decision-makers. Political decision-making in real time is challenging. Results are expected quickly and new issues are tackled before taking time to learn from previous experiences. If the preparation work by civil servants is not reformed to provide decision-makers reliable and relevant support, we will see more and more overriding in management and legislative drafting will be heavily steered by uncontrolled external impulses. Consequently, the quality of the knowledge base and the comprehensiveness of the impact assessments utilised in decision-making would suffer.

Decisions are rarely permanent. However, public affairs should still be managed in a consistent, predictable and controlled manner. Our audit findings show that real-time policy-making occurring in the world infused by social media is no longer compliant with the time-consuming and harmonised policy-making by civil servants. Political actors and civil servants should join their forces to tackle this challenge.

One of the features concerning the implementation of structural reforms is that it involves making far-reaching decisions under conditions of great uncertainty. There may be tension between political goals and publicly expressed objectives of the reforms, especially because these may change mid-project. From a management perspective, this can cause uncertainties in the goal setting and blur the line between the means and the objectives.

Decision-making concerning structural reforms always involves elements of uncertainty

Civil servants are responsible for stating what is possible or impossible in terms of legislation and central government finances. If public administration adheres to dated operating models, this may result in regulation and official controls that prevent the operating environment and business practices from reforming. Our current operating culture with all the evaluations and measuring encourages playing it safe more than taking innovative risks. We need innovations and reforms that can shake the established practices. The related risks should be identified, and an acceptable level should be determined for each risk in order to allow taking more bold actions within risk management.

Risk management is of great importance in Government-level decision-making. Comprehensive risk management should be supported by the Government's own risk management policy, which would steer risk management at the level of ministries and agencies.

The Government will need its own risk management policy

The course must be adjusted already during the journey

Dialogue between politicians and civil servants should be promoted also in terms of prioritisation. It should be possible to implement some preparation processes swiftly, flexibly and in stages so that any feedback received along the process could be taken into account to make controlled and well-designed improvements. In more extensive reforms and projects, however, enough time should be reserved for the preparation and implementation. This would ensure a sufficient knowledge base, extensive hearing of stakeholder groups and thorough impact assessments of complex issues. A difference should be made between larger and smaller projects to ensure that the preparation models and resourcing would be appropriate for the project.

Preparation in stages would provide the opportunity to adjust the course if the changes in the operating environment or if the first results of the reform so require. Open, available and timely information plays a central role in this. In practice, in the increasingly complex legislative environment, we should determine what is expected of the information in use.

Auditor General's review

In the future, analytic tools will become more common in public policy work. The digital infrastructure has become just as important as the transport network. Automated monitoring and reporting processes support effective monitoring of decision-making and implementation of the decisions. Networking and preparation relying on cooperation would facilitate establishing a complete picture. Even when activities or developments thereof are implemented in sections or stages, the operations should be managed as a whole. Internal control and risk management should operate effectively independent of the actors. In addition to ensuring the continuity of daily services, it is important that developments will also increase competence and transfer competence from external partners to public administration.

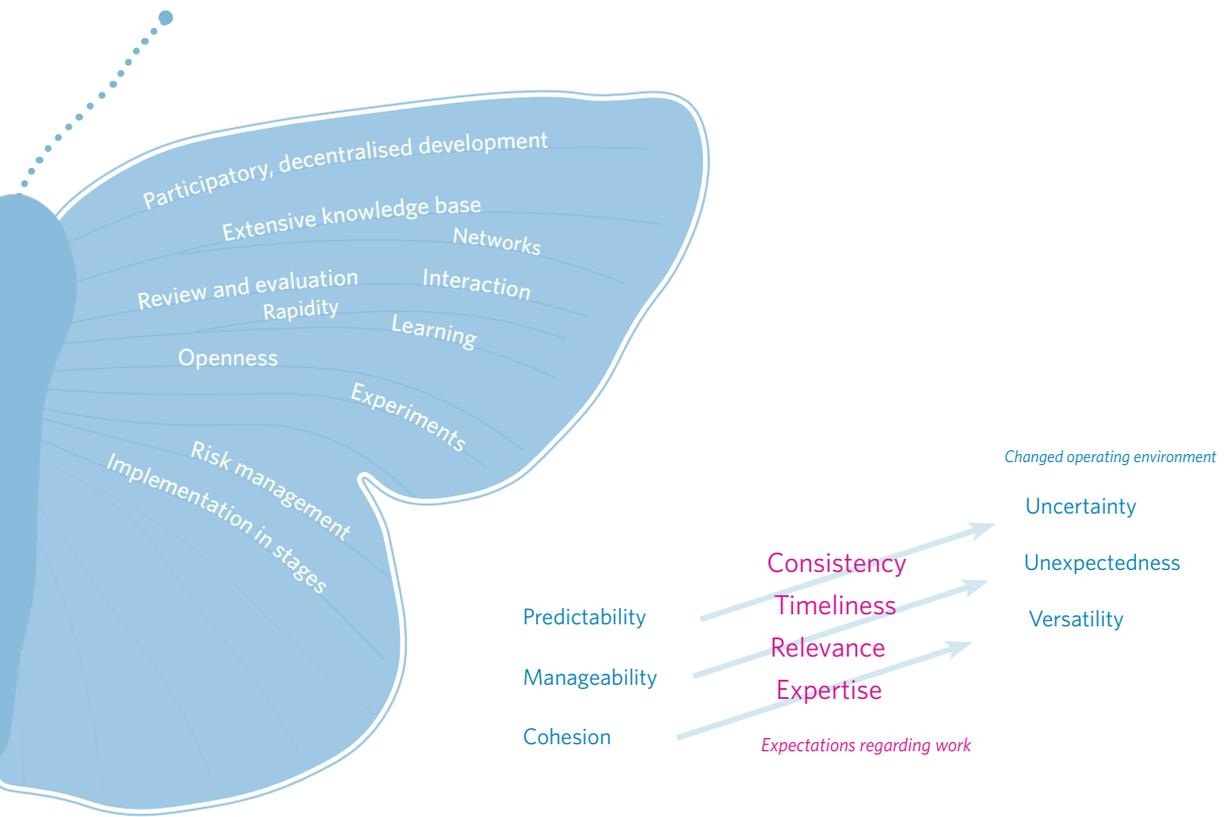


Figure 1: Renewal of public service work and related challenges

When building trust, the new operating environment should be an important consideration

Mutual trust between actors participating in decision-making and civil servants responsible for the preparation and implementation of the decisions is built through an active dialogue. This requires both time and space. In the transition phase, building trust requires acquiring a better understanding of the principles and goals of the other party, as well as of the society's expectations affecting the other party. The mutual goal should be to provide the other party with adequate support to facilitate their work. In the preparation, civil servants should take into account that in current political environment, voters expect to see fast results. Similarly, politicians should give space to civil servants in certain issues so that they can spend enough time on preparation and implementation in stages.

Political decision-makers and public administration both benefit from experimenting new ways to cooperate in an atmosphere of openness. However, long-term inaction can often strain the relationships, and progress can then only be made after jointly identified failures and a crisis. Public administration should undertake an extensive reform to be able to abolish the dated rules in a controlled manner without a crisis of confidence.

Over the next seven years, there will be an extensive turnover in civil servants working in central government due to retirement and restructuring projects. In order to reform, we will need seven fat years instead of seven lean ones. We can all contribute to this through our choices. When was the last time you did something for the first time?

We should trust in our ability to experiment new things together. We have excellent opportunities to succeed, but it is up to each and every one of us to make it happen. As Topelius wrote: *Happy is the country bestowed with thousands of lakes and seashores extending over thousands of miles! Sea means power and liberty, sea is a source of wealth and enlightenment, without sea, there cannot be any tilling of the soil, and a land that is connected with sea can never be suppressed or brought to despair, if not by its own fault.*

Some issues require careful preparation but some could be prepared swiftly and with a reasonable quality



High level of expertise

Interdependency

Automation

Infrastructure

Cyber defence

Operational reliability

Cyber protection

Digitalisation

Cyber drill

Business continuity

Networked operations

Change

Situational picture

Digital security

Incident

Robotisation

Cyber security violation

Cyber Security Centre

Complex

Cyber crime

Operational reliability

Cooperation

Transparency

Operational capability

Beredskap

Responsibility

VAHTI Digitalisation

Overview

Broadband

CERT

Availability

Responsiveness

Productivity

Anticipation

Benefits

Cyber attack

Funding

Risk management

Risk

Information security

Digital services

Cyber risk

Hacking

Cyber environment

Security Operations Centre

Threat

Cyber crime

Centralisation

Society

Data security

Operating environment

Supply chains

TUVE

Communications Regulatory Authority

Trust

Drill

Usability

Service provision

Integration

Uncertainty

Costs

Continuity management

Massdata

Surveillance

Processes

Valtori

General government

Security incident

Cyber Security Strategy

Threat

Common solution

Kompetens

Dependency

EU

Common solution

Digitalisation

Cost impacts

ICT contingency planning

Cross-sectoral

Disruption of daily life

Differing interpretations

Security breach

Purchaser-provider arrangements

Synergies

Production networks

Safety requirements

Reactive behaviour

Remote areas

E-service support services

1 Operational reliability in a digitising society

Digitalisation changes the ways of working both in the private and in the public sector. In addition, an increasing number of actors are participating in the service provision. Due to this, and along with digitisation of services, service provision is becoming more challenging as interdependencies between the various actors increase. On the basis of our audits, the responsibilities concerning operational reliability and information security, in particular, are not fully clear. Ministries should have the readiness to revise their interpretations regarding the division of responsibilities due to the quickly changing operating environment. In addition to the management of serious threats, smooth everyday life should be ensured through operational reliability and information security. The Government ICT Centre Valtori has an important role in terms of central government digital services and should be developed to serve its customers as expected. The role and functional capacity of the National Cyber Security Centre Finland (NCSC-FI) must also be ensured in the future. In connection with structural changes in public administration, it must be ensured that the services can also be provided throughout transition phases.

In this chapter, the topic of operational reliability in an information society is discussed on the basis of the following audits:

- Organisation of cyber protection (in progress)
- Steering of the operational reliability of electronic services (in progress)
- Steering of the Government Security Network (audit report 14/2016)
- Support for the building of broadband network (audit report 8/2016)

Operational reliability in a digitising society has traditionally been approached through the management of serious threats

The objective of the promotion of digitalisation is to improve the productivity of both public and private services. This objective is stated in the Programme of Prime Minister Juha Sipilä's Government¹, the principles of digitalisation prepared by the Ministry of Finance² and in the related funding decisions³, as well as in the Government Resolution on Promoting Intelligent Automation and Robotisation⁴ and the Government Resolution on the Utilisation of Big Data in Business⁵. When promoting digitalisation, operational reliability and information security of the society are at risk of being left behind of other development.

Operational reliability in a digitising society has mainly been approached in central government from the need to be able to manage situations that can pose a threat to the society. ICT contingency planning has focused on the management of extraordinary situations. The most important single action taken so far has been the launch of the Government Security Network (TUVE), which is also the central government's single largest ICT investment so far: the costs of the TUVE project amounted to almost EUR 200 million in 2008–2013.⁶ TUVE has been designed to meet the requirements of high-level contingency planning and information security.

Provision of digital services comprises numerous interdependent elements. If even one of these elements fails, it could interfere with, or even paralyse, the other elements. Defects that at first glance may seem small can expand into serious incidents threatening the security of the society at large. However, it should be noted that even minor disruptions of daily life can cause inefficiencies, increase costs and undermine the trust towards an increasingly digital society. A digitising society is vulnerable to disruptions and failures, if new threats are not taken sufficiently seriously.

Management of serious threats continues to be important, but in addition to that, decision makers must also pay more attention to the ability of public administration to offer its daily services in a smooth and secure manner. This should be a particularly important consideration in the restructuring and reorganisation of public administration.

A digitising society is vulnerable to new types of risks, which must be managed in innovation and development projects

The focus of securing the operational reliability is on safeguarding the critical functions and the critical infrastructure in the society:

The focus of the steering of the information security in central government is on protecting sensitive information instead of on securing undisturbed access to information:

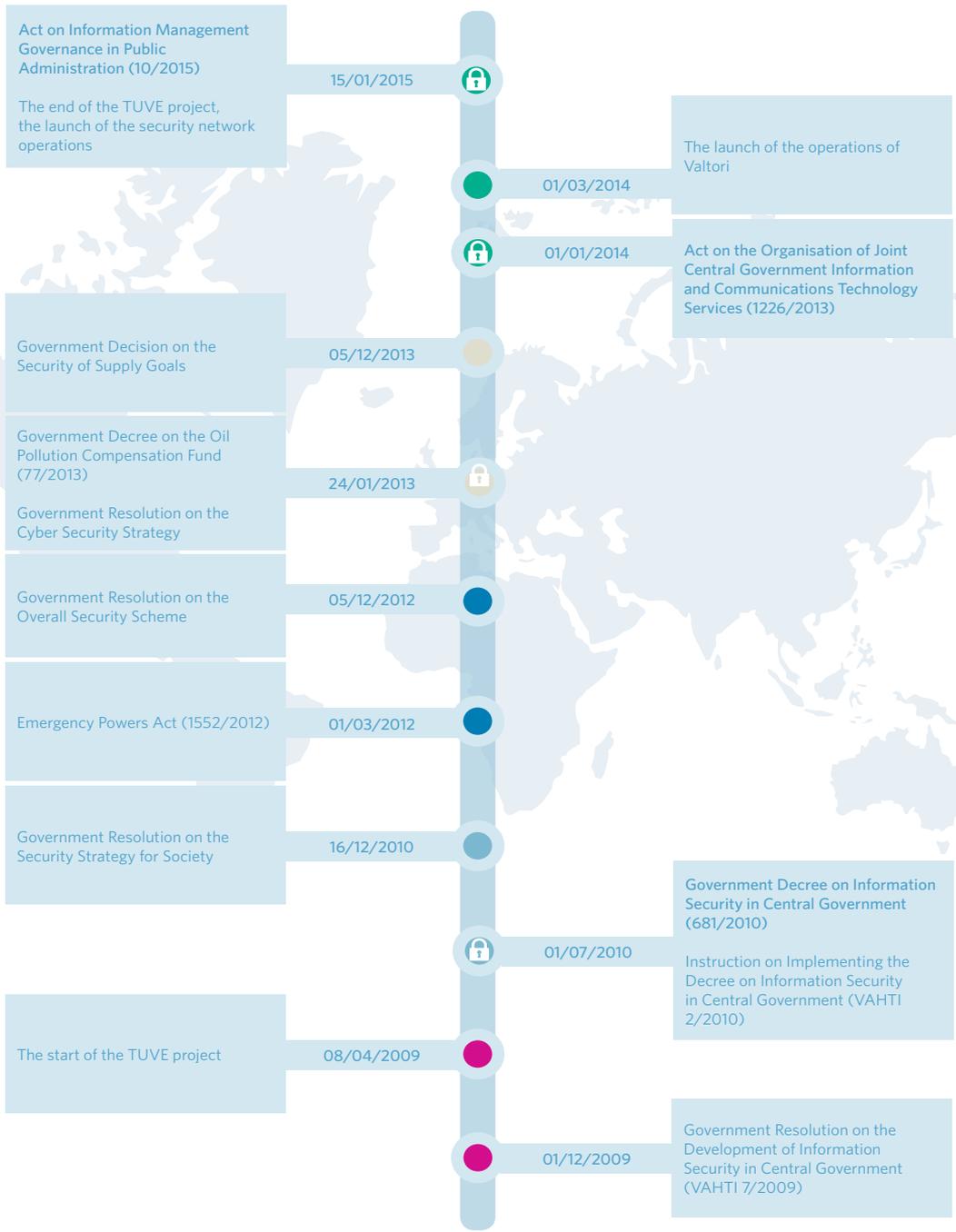


Figure 2: Key decisions and policies regarding the management of severe threats in the past few years

Several actors participate in the provision of public digital services

Public digital services are increasingly produced in cooperation with the private sector. Production networks can also include several authorities from different administrative branches. In practice, public administration's increasingly digital activities always involves the Government ICT Centre Valtori, and services supporting electronic services are often offered by actors such as the Population Register Centre. At ministry level, service provision is steered by purchaser-provider arrangements, according to which the Government's Administrative Services Unit procures services required by ministries from Valtori, which in turn can commission those services from private service providers through framework agreements put out for tender by Hansel Ltd. The service provision chains are becoming increasingly long.

The audits revealed that securing the operational reliability of supply chains is impeded by the multitude of requirements governing information classification and ICT contingency planning⁷ which are interpreted differently between actors. Especially when a service requires integration with processes and information of another authority, there are often divergent interpretations regarding data protection and usability requirements.

Allowing private sector actors and limited companies to participate in the production of public services endangers the transparency on costs and risk management⁸, as well as the usability and incident management. The latter forms a particular risk when responsibilities become blurred at practical level, not all interdependencies are identified or reporting does not meet the needs of all parties.⁹ According to audit findings, particularly the division of responsibilities is not fully clear. Management of interdependencies in supply chains is still partly underdeveloped.

Furthermore, particular attention should be drawn to the fact that provisions are being updated in terms of the responsibilities concerning data security and continuity of operations. The responsibility for data security lies with authorities, but in practice, authorities do not have any real powers to this end because they have the obligation to use the solutions of the government service centre.

Provision of digital services is becoming increasingly complex as the interdependencies between various actors increase

Responsibilities related to operational reliability and data security have not been revised although public duties are changing

The government and public administration guidelines and recommendations concerning operational reliability and information security do not take account of cross-sectional activities or networked operations involving the private sector, which would be important in terms of the objective of single-counter services referred to in the Government Programme. It must also be noted that central government's own corporatisation activities can also weaken the operational transparency.

Transparency on public administration operations must be secured also in the future irrespective of the fact that an increasing number of private sector actors and companies are participating in the service provision. In bill drafting, more attention should be paid to preventing discrepancies between the division of powers foreseen in legislative proposals and responsibilities specified elsewhere in law.

Centralisation of data security competencies can bring benefits but it can also involve risks

In addition to potential cost savings, the Ministry of Finance has justified the establishment of Valtori, for example, by stating that centralisation of data security and contingency planning competencies, management and technologies under a single centre would secure a significantly higher level of data security and contingency planning than in a distributed model.¹⁰ However, these expectations set for the operations of Valtori have proved unrealistic and placed Valtori in a difficult position: Valtori's possibilities to develop its service offering are limited by the fact that at the same time, and with increasingly diminishing resources, Valtori is responsible for the development of new services and provision of numerous existing and differing services under contracts transferred to Valtori.

Valtori's Security Operations Centre, which is responsible for the management of technical security incidents, is in practice currently focusing its monitoring activities only on the Government's shared telecommunications services (i.e. the VY network).¹¹ Valtori's risk and continuity management processes and practices have still not been harmonised.¹² In addition, after transferring as customers of Valtori, agencies dependent on information management services have lost their powers and resources by which they could safeguard their own operational continuity and cyber protection.

Guidelines and regulations do not fully meet the needs of networked activities across administrative branches and the private sector

Valtori has an important role in terms of central government digital services but is not yet able to serve its customers as expected

What does the prefix 'cyber' mean?

According to Finland's Cyber Security Strategy, the term 'cyber domain' or 'cyber environment' is an internationally applied term which means 'an electronic information (data) processing domain comprising of one or several information technology infrastructures'. In other words, when used in the connection with various terms, the prefix 'cyber' means that the term is used specifically in the context of cyber domain.

For example, the term 'cyber protection' means protection against harmful IT activities which aim to undermine the security of the cyber domain. Such harmful activities include, for example, service hacking attempts and attempts to prevent the operation or availability of services.

Centralisation of data security competencies will also create new operational reliability and data security risks: the impact of possible incidents is wide-reaching, which also makes it more likely for agencies to become targets of deliberate attacks. This means that shared solutions will also require more robust contingency planning, which in turn increases costs. According to law, all costs of Valtori (excluding the costs of TUVE) must be covered by customer fees.

Valtori's pricing policy has made the financial situation of particularly smaller agencies more difficult. For example, Valtori made significant price increases during the budget year, which came as a surprise for the customers.¹³ For instance, Valtori increased its VY network prices by 10%. Customers' opportunities to influence the services and prices are quite restricted,¹⁴ and government agencies which are required by law to use the services offered by Valtori have no possibility to switch between service providers.¹⁵

The services and responsiveness of the National Cyber Security Centre Finland (NCSC-FI) of the Finnish Communications Regulatory Authority become particularly important in cyber security violation cases. NCSC-FI has established itself as the authority responsible for preventing cyber security violations and providing information about data security issues (CERT function), but as with other centralised services, NCSC-FI has risks concerning the funding of its activities and resourcing.¹⁶ The funding has mainly been based on fixed-term contracts on chargeable services, whose continuity is always uncertain. The uncertainties related to funding makes it difficult to maintain the level of expertise at NCSC-FI at a high level. If the functional capacity of NCSC-FI would weaken, the consequences could be far-reaching. In the administrative branch of the Ministry of Transport and Communications, there is an ongoing agency reform whose impacts on the role and functional capacity of NCSC-FI still remain unclear.

The situation of Valtori must be closely monitored. The agency reform designed by the Ministry of Transport and Communications for its administrative branch also involves legislative amendments. When drafting those amendments, it must be ensured that the role and functional capacity of NCSC-FI are also secured in the future.

Improvements are needed particularly in risk management and cost-benefit assessments

The Advisory Council on Internal Control and Risk Management has revised the risk management requirements for government agencies in 2017.¹⁷ Each agency is still responsible for its own risk management, but the reform harmonises central government risk management in accordance with the standard SFS-ISO 31000.¹⁸ The aim of the reform is to improve agencies' understanding of their own risks in terms of decision-making and to enhance cooperation between agencies. In addition to the Advisory Council on Internal Control and Risk Management, the Government Information and Cyber Security Management Board (VAHTI) also gives instructions concerning risk management in government agencies. If the risk management guidelines provided by various bodies are not appropriately coordinated, decision makers may end up with an inconsistent or incorrect view of risk management.

Agencies are increasingly more connected to each other and to private-sector actors, which means that risk management requires increasingly more cooperation between the various actors. The audits revealed that, for example, risks related to the Government Security Network (TUVE) also form risks for user organisations, but the handling of these risks has not been appropriately coordinated.

Securing the role and functional capacity of the National Cyber Security Centre Finland is increasingly important in the future

Risk management requires increasing cooperation between central government organisations

Risk management frameworks at the top level of administrative branches or central government are inconsistent and partly underdeveloped. This can prevent achieving synergies in the implementation of risk management activities. Risk management of extensive, cross-sectoral projects would be beneficial if the risk analysis work performed by various administrative branches were carried out in a commensurate and coordinated manner. In addition to identifying and assessing risks in connection with bill drafting, management of those risks should be addressed as early as possible. The cost impacts of risks and risk management should be reported in connection with the reporting of the financial impacts of the legislative proposal.

Agencies do not always take the costs and benefits of risk management activities into account in their assessments. Especially requirements concerning data security and operational reliability have not always been based on a risk-based approach. However, risk management practices vary between agencies. Agencies responsible for basic data resources have incorporated ICT contingency planning as part of their normal operation. Activities in accordance with the standard ISO/IEC 27001 concerning data security management systems are already part of these agencies' daily operation. However, the traditional data security-based risk management has often been based on an incident-based approach instead of a threat-oriented approach. Reactive behaviour could lead to incorrect conclusions regarding the organisation's cyber security status. The need to assess events from a wider perspective than just focusing on failures or isolated incidents is important in the identification of cyber risks.

Prime Minister's Office aims to form a situational picture of the overall security level, including a view of risks and threats. However, the handling and management of risks related to digital security differ between administrative branches and agencies, which makes it difficult to form a reliable overall picture.

Continuity requires more than just technical solutions

Technical solutions have been emphasised in public administration tasks that aim to secure operational reliability. One example of this is the already completed Government Security Network (TUVE) project, which failed to respond to the functional needs of its user organisations in timely fashion. Development of services for the TUVE environment proved to be slow and costly.¹⁹

Costs and benefits of risk management activities are not always taken into account

Agencies responsible for basic data resources have implemented ICT contingency planning and data security mostly well

In cyber security risk management, the focus should be in anticipation instead of reaction

Management of serious situations that can pose a threat to the society has been practised in a national cyber drill.²⁰ In accordance with Finland's Cyber Security Strategy, the aim of the drill was to enhance the cyber defence observation skills and management of incidents in a complex multi-operator environment. Especially larger agencies have also implemented their own drills with their most important cooperation partners such as Valtori. These drills have focused on the observation of disruptions in the technical environment, recovering from those disruptions and communicating on them. The audits revealed that the ways in which services could be provided or work could be done during disruptions are not always planned or practised.

Practising for incidents is part of contingency planning

In addition to national activities, cyber protection requires international cooperation

Over time, the responsibilities and steering relations related to operational reliability have evolved into an extensive and complex entity whose division of responsibilities has been agreed upon between ministries. However, there is no single body who is actually responsible for this entity or for coordinating activities between administrative branches. Advanced cyber attacks alien to the traditional protection methods can progress so fast that the Government could find it difficult to match that speed when deciding on the activities to tackle the incident in accordance with its rules of procedure. In such cases, the management responsibility would remain unclear and it is possible that quickly escalating problems are not addressed in a timely manner, which could lead to losing control of the situation.

Issues concerning the division of powers can undermine the handling of wide-reaching incidents

Cyber protection requires support from other countries. Over time, EU regulation has increased and has also become increasingly binding. Integrating the data security activities of central government to those of society at large and the European Union has not gone smoothly; there are still numerous national practices in place in Finland.

The European Union aims to create the world's most secure network environment for its internal market. This objective is promoted by Directive (EU) 2016/1148 of the European Parliament and of the Council concerning measures for a high common level of security of network and information systems across the Union. According to the Directive, there should be in place a global approach at Union level covering common minimum capacity building and planning requirements, exchange of information, cooperation and common security requirements for operators of essential services and digital service providers.

In Finland, cyber protection is supported by the obligation set for telecommunications operators to continuously monitor their own communications networks and services to identify and prevent incidents that can disturb or risk data security. In terms of the investigation of cyber crimes, there are also separate authorities responsible for the investigation and for coordinating the cooperation between authorities. The CERT function of the Finnish Communications Regulatory Authority's National Cyber Security Centre Finland (NCSC-FI) participates in an extensive international cooperation network, in which the NCSC-FI has established its role as a result of its long-term efforts.

The infrastructure must support electronic services and their operational reliability

Provision of digital services requires that all public administration customers meet the conditions concerning operational reliability and data security required to use the services. The aim is to provide the public with the infrastructure and connections required to use electronic public services and that electronic services become the preferred types of services. Digital services should also be available to people living in remote regions. Building the required infrastructure in remote regions cannot be done on market terms.

Building the required digital service infrastructure in remote regions cannot be done on market terms

Finland has supported building broadband connections to remote regions in the 'Broadband for All' project, which currently continues under the name 'High-Speed Broadband'. The aim of the 'Broadband for All' project was to build a high-speed broadband network available to around 120,000 households with funding from the state and the European Agricultural Fund for Rural Development (EAFRD). However, the support was not allowed to distort competition. The 'Broadband for All' project failed to attract enough operators meeting the set requirements and thus it was implemented unevenly between regions. The construction of the broadband networks was dispersed to a number of companies with differing capabilities to construct and maintain the networks and to practise the related business. The smaller networks constructed under the 'Broadband for All' project proved to be relatively costly to build and maintain.²¹ According to the report published in 2016 by the Finnish Communications Regulatory Authority, majority of the companies who received broadband construction subsidy still consider their future bright. Only a few of the companies are in a worrying financial situation.²²

When analysing the costs and benefits of public administration's digitisation projects, the costs arising from securing service availability must also be taken into account; i.e. how can service availability be ensured in remote regions as well. Even when digitalisation is promoted through individual projects, operational reliability of the entire network must be an important consideration.



**For the structural reform to be successful,
the set goals must be clear and the goals
must guide the preparation work**

2 Knowledge base of decision-making in structural reforms

The importance of an extensive knowledge base and high-quality impact assessments become emphasised in structural reforms. On the basis of the audits performed by the National Audit Office, the reliability of the knowledge base has varied considerably between structural policy decisions. In addition, the weight of information in the steering of the decision-making has varied. Uncertainties related to the impacts have not always been openly discussed in the decision-making process. The audits have recommended stating the uncertainties related to the financial impacts more clearly, because systematic identification of risks and uncertainties facilitates making effective decisions in terms of the set objectives. Effective decision-making can also be supported by reserving enough time for the preparatory work so that the knowledge base can be fully utilised and supplemented, if necessary. The National Audit Office has also recommended increasing openness in terms of the sustainability gap estimates and related background materials used as key justifications for structural reforms.

The observations presented in this chapter are based on the following audits and reviews:

- Knowledge base of structural policy decisions (audit report 13/2015)
- Interim fiscal policy evaluation report on the 2015–2018 parliamentary term (K18/2016 vp)
- Fiscal risks – international recommendations (report 2/2017)
- Trend projections for social security expenditure (report 1/2017)
- Frequent users of basic health care services (audit report 11/2017)

In addition to the current state information, the knowledge base utilised in structural reforms should also cover expectations for the future.

The need for structural reforms has been emphasised in the most recent Government Programmes and in the fiscal policy recommendations for Finland issued by the European Union, the Organisation for Economic Co-operation and Development (OECD) and International Monetary Fund (IMF). The concepts of ‘structural reform’ and ‘structural policy’ have not been clearly defined in terms of fiscal policy and structural reforms in public administration. For the purposes of the present chapter, ‘structural reform’ means measures aiming to achieve significant positive impacts on the sustainability of public finances in the long term.

Finland has comprehensive registers, statistics and research materials, which provide a good basis for the preparation of structural reforms. Despite this, impact assessments and the assessment of causal relationships related to reforms still involve major challenges in Finland. In addition to a sufficient knowledge base, important question is whether the available knowledge is sufficiently utilised in the decision-making process.

Significant decisions are taken already during the preparatory processes of structural reforms. Data materials are required both in the drafting of the grounds for the reform and in the assessment of the impacts of various alternative measures. The quality of the knowledge base affects how reliable a picture can be drawn of the identified problem and its scope. The next step is to assess the different alternative solutions and their impacts and to make assumptions, for example, of the external development costs and future behaviour of economic operators. As reforms are mostly unique in nature, it is not usually possible to derive exact information from previous reforms or from experiences in other countries and directly apply it to the preparation of the reform at issue. The capabilities to model the impacts of reforms also varied considerably.

Majority of the decision-making process already takes place during the preparatory process of structural reforms

Using the sustainability gap as a ground for reforms is not straightforward

Structural reforms are often justified with the existing general government sustainability gap, and reforms are considered to have a central role in the bridging of the gap. A sustainability gap estimate describes the difference between general government revenue and expenditure in the long term. It also expresses, how much general government finances should be adjusted to achieve a long-term budgetary balance, considering the long-term trends in age-related expenditure.

However, there may be substantial differences in the sustainability gap estimates by the Ministry of Finance, various research institutes or international institutes. The views of the different parties of the impacts of structural reforms and expenditure and revenue adjustments required to achieve long-term balance in general government finances can differ by billions of euros. Despite the scale differences, the estimates have been uniform in the respect that according to all estimates, there indeed is a sustainability gap in Finland.

Sustainability gap calculations are based on a number of assumptions concerning, for example, economic and demographic developments. The age-related expenditure included in the sustainability gap estimate by the Ministry of Finance is calculated by using the social security expenditure analysis model (the social expenditure model) developed by the Ministry of Social Affairs and Health. The social expenditure model results are sensitive to assumptions concerning trends in treatment and care costs included in the age-related expenditure.²³ Such assumptions concern, for example, the productivity trends in the health and social services sector or trends in care service needs. In the report 'Trend projections for social security expenditure' (1/2017), the National Audit Office examined the utilisation of the social expenditure model. The National Audit Office recommended that the results produced with the social expenditure model should be published on a regular basis, as this would make social and health policy decision-making and the sustainability gap estimates produced by the Ministry of Finance more open and transparent and make it easier to develop the model and would consequently improve the reliability of the knowledge base of structural reforms.

The National Audit Office has also emphasised the need to increase the transparency of sustainability gap estimates by including a sensitivity analysis in the regular reporting on the sustainability gap by the Ministry of Finance. In its Economic Survey of spring 2017, the Ministry of Finance expanded the section covering the long-term sustainability of general government finances by a sustainability gap sensitivity analysis. Regular publication of the sensitivity analysis will substantially improve the understanding of uncertainties related to the sustainability gap estimate. Furthermore, the National Audit Office has recommended that the Ministry of Finance should prepare and publish a thorough description of the methodology used in the calculation of the sustainability gap to improve the transparency of the knowledge base utilised in structural reforms. In June 2017, the Ministry of Finance published a separate description of the methodology used in the calculation of the sustainability gap.

Understanding the sustainability gap estimate requires understanding that the estimate is sensitive to changes in the underlying assumptions

Bundling structural reforms together can result in an unbalanced project entity

In addition to the preparation of individual reform projects, Finland has also aimed to decide on measures affecting economic structures as a whole. In the audit 'Knowledge base of structural policy decisions' (13/2015), the National Audit Office covered the knowledge base and preparatory process of the 2013 structural policy programme. The programme was established to narrow the general government sustainability gap, and an assessment was performed on the impacts of the measures selected for the programme. Thus, the programme seemed to form a credible basis for the bridging of the sustainability gap.

However, the audit revealed that the structural policy programme contained dozens of measures of different content and scope, whose connection with the narrowing of the sustainability gap was at times unclear. The estimates of the impacts of the measures on the bridging of the sustainability gap were general in nature and did not form a proper basis for decision-making in terms of the objective of the policy programme, namely narrowing of the sustainability gap.

The reason for the inadequate information used in the decision-making was lacking preparations. The required knowledge base had to be formulated and the practical decision-making process organised within a short time and without any advance planning, and the preparation process was brief. The decision-makers did not have access to uniform or commensurate material on the economic or other effects of the individual measures.

Available calculation models should be fully utilised in the impact assessments

The pension reform, which entered into force at the start of 2017, provides an example of a structural reform whose impacts could be modelled fairly extensively. During the preparatory process of the reform, several estimates were prepared of the impacts, for example, by using the calculation models of the Finnish Centre for Pensions and the Research Institute of the Finnish Economy (Etila). The impact assessments also had a central role in the preparatory process of the reform. In the report 'Fiscal risks – international recommendations' (2/2017), the National Audit Office estimated that in the pension reform, the opportunities to make decisions on the basis of information were good and they were utilised in the preparatory and decision-making processes. The preconditions set for the preparatory process were consistent in terms of the narrowing of the sustainability gap.

However, the National Audit Office found that improvements are still needed in the final decision-making phase. The underlying assumptions used in the impact assessments had been inadequately reported in the Government proposal to Parliament, and the sustainability gap estimate had been made before all final elements of the reform were known. The calculation model used in the preparation of the impact assessments contained in the Government proposal had not been used to perform comprehensive sensitivity analyses. Furthermore, the Government proposal did not include the sensitivity analysis results contained in the separate calculations performed by Etila at the request by the Prime Minister's Office. For example, the quite substantial sensitivity of the impacts to changes in the preference assumptions contained in the model reported by Etila was not reported in the Government proposal.

As part of its report, the National Audit Office commissioned sensitivity analyses on the impacts of the reform from the Finnish Centre for Pensions. The impacts were assessed by using the same calculation model used to determine the employment and pension expenditure impacts reported in the Government proposal. The analyses did not suggest a high level of sensitivity to underlying assumptions, but they emphasised the need to closely monitor the effectiveness of the changes to the pension system.

It is essential that impact assessments reported in Government proposals are as realistic and comprehensive as possible and that Government proposals also cover any uncertainties related to the impacts. In its report, the National Audit Office recommended that Government proposals on major structural reforms or related background materials should include a description of the sensitivity of sustainability gap impacts to changes in underlying assumptions whenever the calculation models used allow it.

Impact assessments played a central role in the preparatory process of the pension reform

The solutions derived from the economic theory largely depend on the assumptions made

Following a multi-stage negotiation process, agreement was reached on the Finnish Competitiveness Pact on 29 February 2016. To support the acceptance of the pact, the Government made a policy decision in June 2016 on tax cuts, the amount of which was linked to the final scope of the contract. The Competitiveness Pact was signed later in June.

The Government has also included the tax cut decisions made in support of the pact in its budget proposal for 2017. In its Economic Survey, the Ministry of Finance noted that there are uncertainties involved in the employment impacts of the Competitiveness Pact, and it presented a calculation according to which the pact will slightly strengthen the general government finances in the long term. In its statement to the Finance Committee of Parliament in October 2016, the Economic Policy Council highlighted the uncertainties related to the estimate given by the Ministry of Finance by presenting an alternative calculation, according to which the employment impacts of the Competitiveness Pact would be significantly smaller than estimated by the Ministry of Finance.

According to the alternative calculation, in the long term, the pact would weaken the general government finances overall, since the revenue losses due to the tax cuts made in support of the pact would exceed the impacts strengthening the general government finances. In its interim fiscal policy evaluation report on the 2015–2018 parliamentary term, the National Audit Office estimated that the Competitiveness Pact will significantly weaken the general government fiscal position in the short term. The National Audit Office considered that if there are no substantial improvements in the employment situation, the pact will make it more difficult to achieve the objective set for general government deficit and the medium-term objective set for structural deficit.

The calculations from the Ministry of Finance and the Economic Policy Council are based on estimates made on the basis of economic theories on the elasticity of labour demand, i.e. on how responsive companies are to changes in labour costs. Estimates of the magnitude of the labour demand elasticity presented in economic literature vary significantly. The case shows that even if the basic understanding of the causal relations relevant in terms of the reform is uniform, the parameters chosen may have a crucial impact on the results of the calculation. Uncertainties and underlying assumptions of impacts are an essential part of the knowledge base utilised in decision-making and should not be exclusively mentioned in technical notes.

Multitude of objectives involved in reforms increases the uncertainties of the knowledge base

There is a clear link between the health and social services reform specified in the Government Programme for the parliamentary term 2015–2019 and the bridging of the sustainability gap. In the Government proposal concerning the health and social services reform, the savings target set out for the reform has been calculated in relation to the basic health and social services expenditure trend produced with the social expenditure model, which is also taken into account in the sustainability gap estimate from the Ministry of Finance. Although scenarios calculated using the social expenditure model are sensitive to changes in underlying assumptions, overall the model provides an appropriate, knowledge-based tool for modelling trends in health and social services expenditure. Thus, the link between the health and social services reform and the sustainability gap can be considered consistent at a general level.

However, when considering the mechanisms through which the reform would, in practice, impact the development of age-related expenditure, the link becomes less clear. The connection between the legislation concerning the reform and the savings target of the reform is very loose. The savings target has been incorporated into the regional financing model, but the uncertainties involved in the impacts on cost trends decrease the reliability of the financing model. The existence of the savings potential in the production of health and social services has been justified in the background materials of the legislative proposal, but the knowledge base concerning the cost impact mechanisms of the reform under preparation is still lacking.

The deficiencies in the knowledge base of the regional financing model concern, for example, identification of those customers who frequently need and use health and social services. According to a number of studies, around 10% of the population or of the customers using the basic health care services are responsible for 70–80% of the health and social services spending. For the savings targets set out for the health and social services system, it is important that frequent users of basic health care services can be identified.

According to the audit findings (Frequent users of basic health care services 11/2017), health centres are not yet particularly well prepared to identify such customers. Frequent users of basic health care services are not yet being systematically identified. According to the audit survey directed at managerial staff at health centres, more than 2.6 million Finns live in the catchment areas of health centres that do not have any written guidelines on identifying such customers or that do not specifically identify them.

Extensive knowledge base also requires information about uncertainties related to the impacts and background assumptions of estimates

Health centres should systematically identify frequent users of services

In its report Fiscal Risks – International Recommendations (2/2017), the National Audit Office examined the uncertainties related to the health, social services and regional government reform. The reform also involves substantial change costs that are more likely to become reality than the savings that the reform is expected to bring. However, there are also deficiencies in the knowledge base concerning change costs, because estimating, for example, the total amount of IT costs, which can total billions of euros, and dividing the costs into additional costs arising from the health and social services reform and costs incurred in any event is extremely difficult. When combined with the slow implementation of the targeted savings, it is even more difficult to estimate the impacts of the reform, which means that it is uncertain whether the reform can narrow the sustainability gap at all.

It is natural that preparing reliable impact assessments can be difficult in the case of in-depth and extensive reforms. However, the difficulty of assessing the impacts is not the only reason for the great uncertainty related to the impacts of the health, social services and regional government reform. The widening of the scope of the reform during the preparation process and the weak role of the sustainability target in the steering of the policy decisions has led to a poor knowledge base of the impacts of the reform during the decision-making process.

Fundamental substantive decisions have been made as part of the reform process, even though the assessments aimed at ensuring the implementation of the main aims have not played a strong steering role in the decision-making. The number of autonomous areas was increased considerably from what was determined to be appropriate to achieve the main objectives according to a report on the topic. In addition, it was decided to include a model based on extensive freedom of choice in the reform before the impacts of the freedom-of-choice model had been examined. In later preparation documents, it was concluded that the relationship between the freedom-of-choice model and the service integration important for the achievement of the targets is problematic. This also provides an example of the compromises affecting the achievement of the main objectives caused by the extensiveness of the reform.

There are uncertainties concerning the impacts of the health, social services and regional government reform on the sustainability gap

Fundamental substantive decisions were made in the reform, irrespective of whether those decisions can contribute to the achievement of the main objectives

Compiling a sufficient knowledge base requires long-term effort

The National Audit Office has focused its audit activities on the knowledge base of structural reforms because, compared to other preparatory and legislative processes, structural reforms have long-term impacts and extensive significance in terms of central government finances. The preparatory process itself involves major investments, and thus the preparation schedule should not determine the quality of the knowledge base used. If a reform involves impacts spanning several decades, situations where short-term time pressure causes unnecessary restrictions regarding the utilisation of available information or the compiling of additional information should be avoided.

It is important that decision-making is based on a systematic process in which maximum emphasis is put on knowledge. However, the requirements concerning the quality of the information must be realistic and proportional to the scale of the problem to be solved. In structural reforms, a clear setting of goals and the central role of the main objectives in the steering of the decision-making decrease the uncertainties related to the reform and make it easier to perform impact assessments. Even if it is not possible to prepare exact impact assessments, it is usually still possible to utilise risk analyses in decision-making to assess the different ways forward.

If no exact or reliable assessments can be prepared on a complex reform, which is often inevitably the case, clear and open communication about the uncertainties involved in the impact assessment can prove useful. It can help to improve the elements involving uncertainties or to choose alternatives with clearer impacts. Stating the uncertainties related to the impact assessment openly will more likely lead to better decisions.

Even when it is not possible to prepare an exact impact assessment, risk analyses can still be utilised in decision-making

It is important to ensure an adequate knowledge base in all stages of the preparatory process, independent of its form (Government-led, tripartite, parliamentary). Although a significant part of structural reform decision-making occurs before issuing Government proposals (and in some cases even outside the legislative process) to ensure the powers of Parliament, it is important that the knowledge base of decision-making is strong when the legislation is discussed in Parliament.

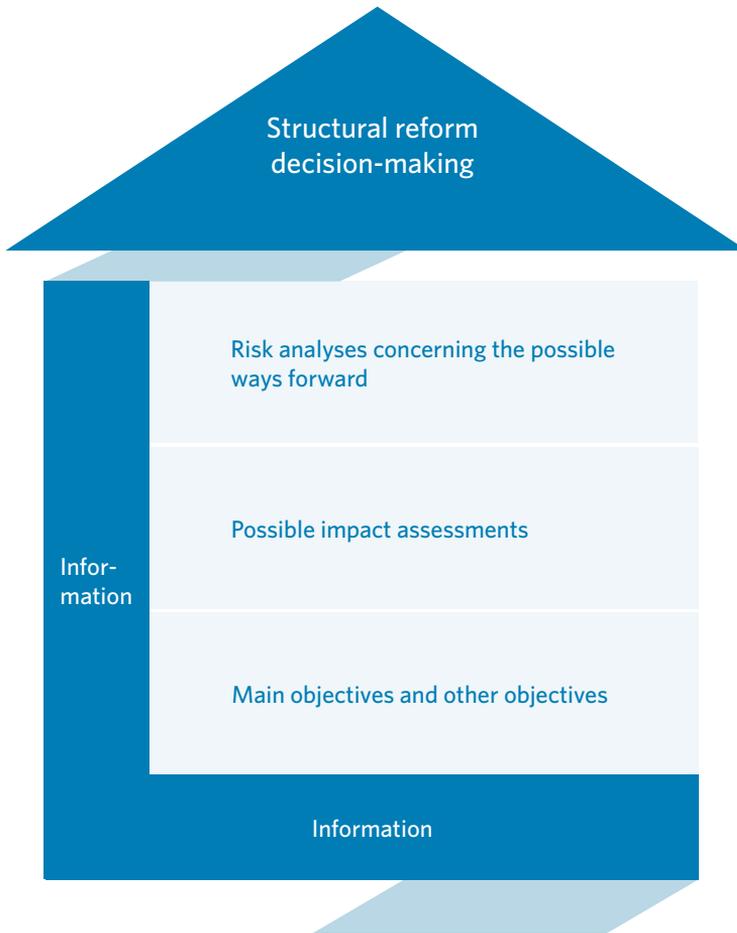


Figure 3: Elements of decision-making in structural reforms

The Council of Regulatory Impact Analysis established in 2016 plays a central role in the development of the quality of economic impact assessments. Partly thanks to the work of the Council of Regulatory Impact Analysis, issues concerning impact assessments have received a lot of publicity, which is likely to also improve the quality of legislative proposals other than just those assessed. It is desirable that in the long-term, positive effects can also be seen at earlier stages of the decision-making process, and consequently also in the substantive elements of the decisions.

Economic policy measures of Prime Minister Juha Sipilä's Government



3 Health, social services and regional government reform

The key audit findings of the National Audit Office regarding the health, social services and regional government reform deal with state financing, organisation of health and social services, regional development and growth services, and digitalisation. Building and development of ICT systems, integration of health and social services, and the functionality of the regional steering system have a critical role in the successful implementation of the health, social services and regional government reform. The requirement to curb public spending should be extended to all duties of regions. The incentive effects related to the funding provided to regions should be assessed as a whole. The allocation and follow-up indicators concerning the funding, which reflect actual funding needs and the level of wellbeing in regions, play a central role in the implementation of the reform.

Achievement of the savings target set for the health and social services reform requires setting milestones and intermediate objectives and systematically monitoring their achievement. The model of freedom of choice will increase the uncertainties related to the economic impacts of the health, social services and regional government reform. The model is based on customer preferences and can thus also create uncertainties regarding the functionality of the health and social services market. The structure of the health and social services reimbursement system provides the best way for regions to impact the cost-efficiency and service quality of health and social services.

State steering in the management of employment, and organising, providing and coordinating recruitment and knowledge-based services, as well as services promoting the integration of immigrants on the basis of customer needs, are also important tools to reduce long-term unemployment and to boost activities stimulating employment.

The observations presented in this chapter are mainly based on the following statements:

- Statement to the Ministry of Social Affairs and Health and to the Ministry of Finance of 9 November 2016 on the Government proposal to Parliament for the regional government reform and for the health and social services reform and acts associated with them (registry no. 283/31/2016)
- Statement to the Ministry of Social Affairs and Health of 31 January 2017 on the draft Freedom of Choice Act (registry no. 017/31/2017)
- Statement to the Ministry of Finance of 12 April 2017 on supplementing the draft legislation concerning regional finances (HE 15/2017) (registry no. 128/31/2017)
- Statement to the Ministry of Employment and the Economy of 25 April 2017 on the Government proposal for the Act on Regional Development and Growth Services and for the Act on the Organisation of Growth Services in the Region of Uusimaa (registry no. 118/31/2017)
- Statement to the Ministry of Finance of 12 June 2017 on the legislation concerning the implementation of the regional government reform and the reorganisation of the central government permit, steering and supervision tasks (registry no. 168/31/2017)
- Statement to the Ministry of Employment and the Economy of 15 June 2017 on the Act on Public Recruitment and Knowledge-Based Services, the Act on the Financing of Regional Development and Growth Services, etc. and the Act on the Promotion of Immigrant Integration (registry no. 177/31/2017)
- Statements on the Government proposal to Parliament for the legislation concerning the establishment of regions and the health and social services reform (HE 15/2017): statement to the Administration Committee of 27 March 2017 (registry no. 138/32/2017) and statements to the Social Affairs and Health Committee of 19 April 2017 (registry no. 157/32/2017) and 9 May 2017 (registry no. 178/32/2017)

- Statements on the Government proposal to Parliament for the legislation concerning the customer's freedom of choice in health and social services and amendment of section 2 of the Act on the National Audit Office (HE 47/2017): statement to the Audit Committee of 29 May 2017 (registry no. 191/32/2017), statement to the Finance Committee of 7 June 2017 (registry no. 193/32/2017), statement to the Administration Committee of 9 June 2017 (registry no. 196/32/2017) and statement to the Social Affairs and Health Committee of 16 June 2017 (Government proposal to Parliament for the Act on the Provision of Health and Social Services HE 52/2017) (registry no. 198/32/2017)

Financing of the reform and financial steering

Including regional finances as a separate item in the General Government Fiscal Plan and the fiscal position target set for regional finances are appropriate, because the regional finances concerning health and social services would account for a significant percentage of the entire state budget. This is important in terms of the management of general government finances and regional finances, as well as the achievement of the objectives set for the reform. It is desirable that the financial planning is applied to the entire regional organisation and that the obligation to cover deficits is based on the money flows from operations and investments. The National Audit Office has stated that there are grounds to adopt a financing model mainly based on state funding together with strong state steering in the current state of the Finnish economy. However, the model could not create enough incentives for regions to search for cost-effective and innovative solutions or additional funding.^{24, 26, 30, 31}

The regional financing model and the financial steering model would support the achievement of the savings target of the reform and the target of slowing down cost increases, even though the investment steering procedures and incorporating investments made by regions' subsidiaries into the steering procedures would significantly restrict the decision-making powers of regions.^{24, 26, 30, 31}

On the other hand, long-term service contracts signed by regional organisations, which could involve significant, long-term financial impacts, would be left outside the steering mechanism. There are grounds for the strict budgetary constraints applied to the funding of health and social services, which would cover over 80% of the planned state funding for the reform. The budget constraints would help regions to implement strict financial management in a situation where the sustainability of general government finances has weakened and indebtedness is threatening to continue, despite economic recovery. The National Audit Office has also stated that the proposal resulting from the regional assessment procedure should steer and bind regional councils sufficiently to take corrective action.^{24, 26, 30, 31}

The management of the regional organisation would have extensive steering powers towards the region as well as the regional enterprise and subsidiaries. In complex regional organisations, particular attention should be paid to the clarity of the steering, management and responsibilities, and to creating opportunities for effective ownership steering.^{24, 30, 31}

In its statements, the National Audit Office has concluded that various audit authorities should have clear roles and powers of audit. The National Audit Office could produce objective and independent information about regional finances and operations for Parliament, ministries and organisations under those two. The objective would be to ensure that the state has opportunities to monitor the organisation and provision of services financed through state funding, and concerning, in many ways, fundamental rights throughout the country.^{24, 26, 27, 33}

Health and social services reform savings target and the effectiveness of the reimbursement system

In the view of the National Audit Office, the size and schedule of the savings target of the health and social services reform is very ambitious: compared to the current level, the aim is to cut expenditure concerning the provision of health and social services by 13% by the year 2029. It is possible that intentional cost containment by means of financial steering by central government could also reduce the range and quality of services, which would require prioritising the services offered. The National Audit Office has emphasised in its statements that the achievement of the savings target of the health and social services reform should be systematically monitored. When monitoring the cost trends, changes arising from background variables, such as fluctuations in immigration or morbidity, should be kept separate from the actual impacts of the health and social services reform.^{24, 25, 26, 28, 30, 31, 32}

Achievement of cost savings would require an effective steering system and clear division of responsibilities in regional organisations

Audit authorities should be able to monitor the use of public funding in the organisation and provision of public services nationwide

The savings target and cost trends of the health and social services reform should be monitored systematically

The objectives set for the health and social services reimbursement system include both nationwide and regional objectives, as well as objectives based on population and individuals. The system would also include requirements for service providers concerning competition based on cost efficiency and service quality. Regions could also set their own competition requirements. However, it may be difficult to fulfil these objectives and requirements at the same time. Performance-based reimbursement could help to steer and encourage service providers to make their operations more efficient and to improve their service quality. Performance-based reimbursement would only concern reimbursements outside the scope of the capitation-based fixed reimbursement system.^{25, 30, 31}

Regions could utilise the incentives and terms of contract related to the health and social services reimbursement system to steer the services market and service quality

Regional financing (excluding health and social services, rescue services and environmental health care)

The restriction aiming to curb spending would only be applied to the financing determined on the basis of the calculated costs of health and social services. The National Audit Office has drawn attention to the fact that the curbing of public spending should be implemented in a comprehensive manner and that it should be extended to all the tasks of regions. Otherwise the need for financing could grow in other tasks of the region, particularly if the state funding for regions did not fulfil the regions' true needs on the basis of computational elements.^{27, 29, 31}

The requirement to curb public spending should be extended to all the tasks of regions

The aim of the reform – to centralise duties into larger units to improve the efficiency of service organisation – is positive from the economic perspective. Achieving this target requires smooth cooperation between regions. In its statements, the National Audit Office has found that the proposed elements of the growth services coefficient do not sufficiently take into account factors that differ considerably between regions and that can impact the need to finance growth services. Such factors include, for example, long-term unemployment, amount of public employment and regional dependency ratio.^{27, 31}

Parliament's budgetary powers in the allocation of appropriations would weaken, because the state financing to regions would mainly be universal financing. Of the expenditure that would be covered by the universal financing, over 70% is transfers that would fall under the decision-making powers of regions in the state budget. In the view of the National Audit Office, attention should be paid to regional budget procedures that could ensure that the regions allocate the financing in an efficient and appropriate manner, that the expenditure audit trail from the state budget all the way to the individual recipient of aid or reimbursement can be verified, and that the administrative processes are reliable, in compliance with the provisions, and appropriate.^{27, 31}

Integration and availability of health and social services, and freedom of choice

Equal access to services seems to be affected by how well the financing of health and social services can be allocated to different sectors and how well the priorities of health services, services for the elderly and social services meet the needs concerning the organisation of local services. The risk is that the level of customer fees would vary between regions. At regional level, it is essential that the indicators describing the operations, operating conditions and results reflect the actual state of wellbeing in the region well, and that the region manages to integrate its services and organise customer-oriented service systems efficiently.^{24, 25, 30, 31, 33}

The National Audit Office has stated that region-specific service provider approval and contract procedures could lead to differences in service availability and quality between areas. The legislative proposal would provide regions with the opportunity to set other conditions for providers of direct-choice services in addition to the statutory requirements. However, this would require that regions first determine their service-specific requirements before the registration of service providers and that the conditions set are included in the contracts made with the service providers.

Parliament's budgetary powers would weaken because the financing for regions would mainly be universal financing

The allocation and follow-up indicators concerning the funding, which reflect actual funding needs and the level of wellbeing in regions, play a central role in the implementation of the reform.

The multi-operator system and freedom of choice for customers concerning health and social services make the service system difficult to manage

The National Audit Office considers the fact that contracts made by regions would not cover the subcontracting activities of providers of direct-choice services to be a deficiency in the contract procedures foreseen in the legislative proposal. The contract procedures would enable smaller operators to participate in the provision of services through a network-based operating model, which would require expertise in public procurement and contract management from regions. The fact that the legislative proposal would require service providers to separate their finances concerning the offered services from their other activities and to join in various ICT systems, which could increase the service providers' administrative costs, could create a barrier to smaller operators entering the market.^{24, 25, 30, 31, 33}

Providers of direct-choice services (health and social services centres) would have overall responsibility for the services within the scope of the freedom of choice. This would mean that the possibilities of the region to steer and influence direct-choice services would be based on how the region has determined its services systems and the related minimum requirements. For frequent users of services, the regional enterprise would assess the customer's service need, and the customer could then choose their service providers. This means that the customer would also be partially responsible for the management of their services. However, only a few customers would actually have the opportunity to affect the quality of the services they use. Each customer's opportunities to affect their own services would depend on the service market, referral to services, quality of the information about available services and customer's capability to assess which service is best suited for them.^{25, 31, 33}

In the view of the National Audit Office, the model of freedom of choice would also pose a risk to the implementation of the service integration, because some of the service providers would be outside the direct control of the service organiser. In the health and social services market, market gap situations would be emphasised in decisions, and the utilisation of the market would largely take place through customers' choices instead of a bidding process arranged by public bodies.^{32, 33}

The model of freedom of choice would complicate service integration and create uncertainties regarding the functionality of the services market

Structure of public health and social services
 Health and social services expenditure: EUR 17.9 billion
 (source: Government Proposal HE 15/2017)

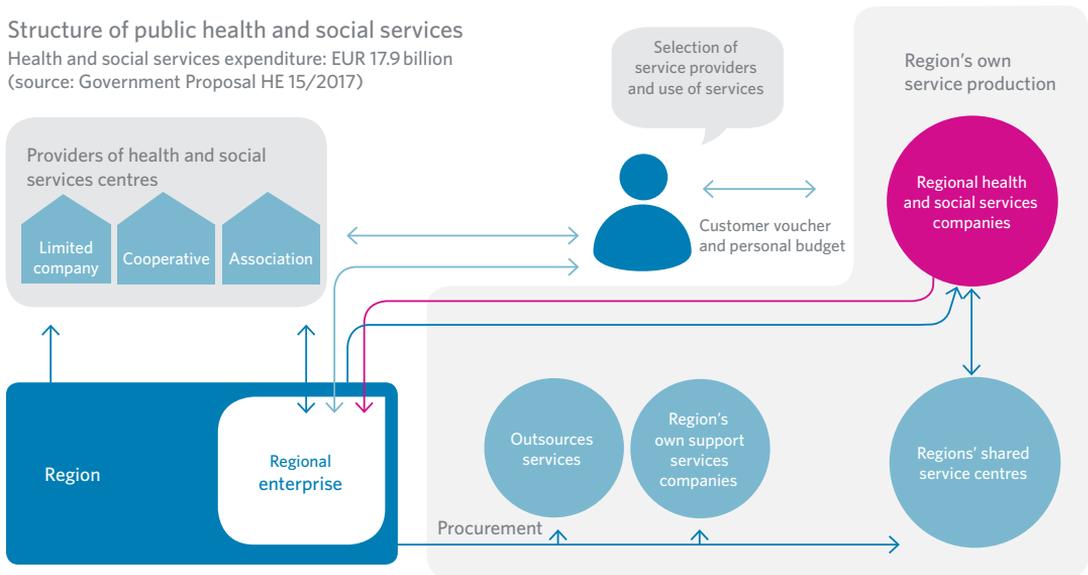


Figure 4: The public health and social services system according to the health and social services reform (source: Ministry of Social Affairs and Health)

Regional development and organisation of growth services in Finland

The reform would improve regions' opportunities to influence the development of their respective regions. In its statements, the National Audit Office has drawn attention to the fact that the legislative proposal should emphasise more the cooperation obligation between regions in the centralisation of services. The National Audit Office has also drawn attention to the fact that the division of responsibilities and duties between nationwide growth services and services organised by municipalities should be clarified, as well as between regional and municipal tasks promoting vitality and integration of immigrants. In addition, the growth services within the scope of freedom of choice and the responsibilities concerning the official tasks covered by the use of public authority should be clearly specified.^{29, 31, 35}

The National Audit Office has drawn attention to the fact that the law would not specify in detail the principles concerning reimbursements made to the providers of growth services; it would leave the reimbursement system for each region to decide and implement.³⁵ Another significant risk concerns the privatisation of the recruitment and knowledge-based services, which could jeopardise equal treatment of customers. The Ministry of Employment and the Economy should have the responsibility for mapping the growth services market so that the Ministry has an up-to-date and reliable understanding of the situation and development of growth services throughout the country.^{29, 31, 35}

In its statement concerning the central government permit, steering and supervisory authority, the National Audit Office concluded that the agency steering model implemented by eight different ministries should ensure an appropriate, task-specific division of responsibilities and duties between the agency and the different operators. It is important to safeguard the safety of customers and patients, constitutional rights and public interest, particularly in the transition stage of the reform. Shifting the focus of supervision from ex-post controls to ex-ante in-house controls is a significant change compared to the current supervision practices.³⁴

The division of responsibilities and duties between national-level operators and regions and municipalities should be clearly specified

Privatisation of growth services and creating the principles for the reimbursement system form a challenge to effective management of employment

Digitalisation in the health and social services reform

In the view of the National Audit Office, integration of ICT systems can result in savings in the long term, but at the same time, the implementation of the reform will increase the need for ICT and other investments and administrative costs during the early years of the reform. Government steering in the implementation of health and social services ICT projects is recommended. Instead of project-specific funding, there should be universal state funding for the promotion of digitalisation in the health and social services reform.^{28, 31, 36}

Successful implementation of the regional government reform requires controlled development and implementation of ICT systems



Figure 5: Estimates of the ICT costs and ICT savings related to the health and social services reform

Recommendations of the National Audit Office towards achieving the target ^{24, 28, 31, 36}

Preparation of a plan on the information system needs and requirements required by the nationwide health and social services structure, and securing the financing required by the systematic and long-term implementation of the services structure during the early years of the reform

Safeguarding a strong national and regional steering and coordination of the information architecture, ICT services and information management concerning health and social services

Implementation of the harmonisation, quality, maintenance and development project concerning the information structures and information architecture of health and social services on the basis of the on-going national preparation, including the development of the Kanta services and the integration of social services customer records to the Kanta services

Resolving issues concerning the transfer and handling of patient and customer records through legislative measures

Securing sufficient expertise in ICT service specification, procurement, contract management, project management and system commissioning in regions and the national ICT service centre

Establishing the national ICT service centre jointly owned by the regions in good time before the entry into force of the reform and specification of the services offered by the service centre to regions

Constructing the regional ICT infrastructure and information systems supporting regional services before the regions start to manage the new tasks transferred to them, including taking account of the services offered by the national ICT service centre, joint ICT investments of regions, and information needs concerning the services within the scope of freedom of choice by customers

Compiling national and region-specific statistical and indicator data to support the steering, monitoring and development of the quality, impacts, costs and effectiveness of health and social services

Good living environment
Unpolluted nature

Infrastructure

Sustainable use of
natural resources

Knowledge-based
decision-making

PMO

MOE

MTC

MAF

Competitive
business taxation

MOF

**Encouraging investments
is the responsibility
of all Ministries**

Skilled workforce
Language skills
High-quality research
Culture

MEC

Good trade relations
Finland's image in
the world

MFA

MOJ

Democracy
Justice system

Innovations
Business subsidies
Marketing Finland as
investment location

MEE

MOD

Peace

Equality
Pension system

MSH

MOI

Safety

Ministry of Transport and Communications (MTC)
Ministry of Agriculture and Forestry (MAF)
Ministry of Education and Culture (MEC)
Ministry of Justice (MOJ)
Ministry of Defence (MOD)
Ministry of the Interior (MOI)
Ministry of Social Affairs and Health (MSH)
Ministry of Economic Affairs and Employment (MEE)
Ministry for Foreign Affairs (MFA)
Ministry of Finance (MOF)
Prime Minister's Office (PMO)
Ministry of the Environment (MOE)

4 Encouraging business investments

The public administration should particularly facilitate the permit and appeals processes in its decision-making processes. At the same time, the central government should aim for long-term and predictable decision-making, which allows companies to plan and carry out their business operations, and make their investments on a more long-term basis.

High-quality education is important for all companies, but its implementation partly depends on the business sector. In the mining industry, training opportunities should be available in the areas close to the mines, while the software industry requires up-to-date continuing professional education for people already in working life and compact ways of training, such as short-cycle degrees. The economic downturn has provided a temporary solution to the workforce availability problem in the retail sector, but as the tasks in the retail sector are changing and becoming more complex, and as the economy is starting to improve, vocational training provided by the public sector is becoming increasingly important for ensuring the supply of a skilled workforce.

Improving the general operating prerequisites of companies is a better way of encouraging business and investments than direct business subsidies. To be able to attract foreign investment, the strengths of the Finnish investment environment must be marketed more strongly abroad by improving the communication of the country's image directed at companies, and by better utilising Finland's top government leaders and business executives, and Finnish embassies, as advocates for Finland.

Part of companies' intangible needs must be met within central government through interaction, not by introducing new regulations. This may involve, for example, expectations and requirements concerning the customer experience, trust and partnership.

Central government must also continue the determined efforts to increase the volume of innovative public procurement.

The observations presented in this chapter are mainly based on the following audits:

- Encouraging business investments Overall assessment (audit report 3/2017)
- Encouraging business investments Views of four sectors (audit report 4/2017)
- Innovative public procurement procedures (audit report 8/2017)
- Implementation of innovation strategy in public procurement (audit report 9/2017)

Finland has a particularly strong basic education system and ICT cluster

Countries are competing for business investments and experts. In this competition, Finland's assets include its skilled workforce, equality and openness. However, these are also strengths in several other countries competing with Finland. On the other hand, due to the small differences between countries, Finland could gain a competitive advantage by reinforcing its current strengths. Finland could stand out in such areas as the performance and innovativeness of public administration and citizens' trust in each other and the authorities. Particularly important is to maintain the two special strengths of Finland, namely its strong basic education system and ICT cluster.

Although building a good investment environment in Finland is the best way to attract foreign investments in Finland, the problem is that Finland's strengths are not known in the world. The country image communications directed at companies should be improved and Finland's top government leaders and business executives should be utilised more as advocates for Finland.

None of Nordic countries alone can typically form a sufficiently large market area to attract international companies to make investments in the country. However, together Nordic countries form an attractive market area even on a global scale. So far, there has been little utilisation of Nordic cooperation and marketing of Nordic countries as a single economic area.

Intangible investments are becoming increasingly important, and public administration must take into consideration new matters that are important for companies in today's world. Public administration should act more swiftly, improve its customer service, support the establishment of networks and centres of excellence, promote experimental culture and cooperate more with companies.

Public contracts should be seen as part of the innovation policy. So far, innovative public contracts have been scarce and mainly made by municipalities.

The problem is that Finland's strengths are not known in the world

Business investments are important to the national economy and central government finances

Increasing production, expanding the tax base and encouraging business investments are central objectives in the Programme of Prime Minister Juha Sipilä's Government.

Investments are important for economic growth because they often lead to productivity improvements (introduction of new technology is one example of this). In the coming years, Finnish economic growth requires productivity improvements. However, a national economy that provides a good environment for business investments, also provides a good environment for economic growth.

In many respects, building a good investment environment means building a good society

Each country must make choices when deciding where it wants to be better than other countries. Welfare states such as Finland use high productivity and good public services as competitive advantages. The productivity of Finland is almost three times higher than the world average when measured by the value of GDP per employee.

Following are some of the factors contributing to a favourable investment environment: size of the market, economic situation, culture, skilled workforce, high-quality research, infrastructure, supply and price of energy, taxes and subsidies, low level of bureaucracy and corruption, effective and impartial judicial system, international image of the country and pleasant living environment. Broadly speaking, encouraging investments is the responsibility of all administrative branches.

According to interviews with business executives performed during the audits, improving the overall operational prerequisites of companies were considered a better way of encouraging investments than direct business subsidies.

Finland cannot solve its problems concerning general government finances if its economy remains stagnant

The strategy of the welfare state is based on high productivity and good public services

It is important for Finland to recognise the role of intangible assets

The increasing importance of intangible factors both in Finland and in other developed countries can also clearly be seen in investments. Particularly, it can be seen in companies' investments in research and product development, brand building, management systems, networks, working conditions, software solutions and other intangible targets. All these investments can accumulate capital in the broad sense of the word.

While an increasingly large proportion of the economy and companies' operations concern intangible assets, many soft and abstract issues are gradually becoming critical issues. Public administration must take into consideration new matters that are important for companies in today's world.

The new criteria applied by companies may involve cultural, experience-based and emotional matters, such as customer experience, experimental culture, permissiveness, trust in the authorities and fellow citizens, partnerships between companies and the authorities. Companies' intangible needs related to a good investment environment and in general to a good business environment must be primarily met through interaction, not by introducing new regulations.

Central government could promote certain intangible success factors in the investment environment, for example, by supporting the establishment of networks and centres of excellence, by improving the status of marketing and marketing skills and by promoting the growth of attractive urban centres.

Central government is expected to make predictable and long-term decisions and have fast processes

The problem is that in the permit administration and regulatory changes, companies would like the politicians and authorities to make quicker decisions, while at the same time they also expect politicians and the authorities to make long-term and predictable decisions.

In terms of predictability, Finland has a competitive advantage that could be utilised more, namely trust capital. Citizens trust each other and the authorities. Trust makes doing business easier because it lowers transaction costs and increases predictability. Equality in society strengthens trust.

Intangible investments are becoming increasingly important

Companies' intangible needs must be met through interaction, not by introducing new regulations

Drawn-out permit and appeals processes can at worst prevent investments

Although companies appreciate the professionalism and impartiality of Finnish authorities, good quality of the permit process primarily means fast processing. Many of the problems concerning permit and appeals processes have already been identified in public administration and, for example, speeding up the permit and appeals processes is included in one of the Government's key projects. Ongoing permit process streamlining projects should proceed without delay.

A smooth permit process is an important advantage in the competition for business investments

Innovative public procurement involves great, currently unused potential

Innovative public procurement means procurement which aims to solve a certain development challenge in a novel way or which has more extensive dynamic impacts on the markets or public sector service structures. Often in innovative public procurement the chosen procurement procedure and contractual solutions also support innovativeness. In practice, however, the interpretation and unclear specification of the concept of innovative procurement may cause problems.

Innovative public contracts are part of the innovation policy

One of the objectives of the Government Programme is that five per cent of all public procurement should involve innovative public procurement. To be able to set such quantitative goals, the concept of innovative procurement should be determined more clearly than presently. At present, it is not yet clear how the achievement of the goal will be monitored, but the ongoing 'Roadmap to effective innovative public procurement' project aims to develop the concept of innovative public procurement and the ways to measure it.

Public procurement has a great potential to promote innovativeness because the total value of public procurement in Finland amounts to around EUR 35 billion per year.

Innovative public contracts became part of the innovation policy in the EU area in the 2000s. Increasing public sector demand was hoped to generate innovative solutions, accelerate the distribution of innovations and increase the interest of the private sector towards innovation.

As a whole, fairly few innovative procurement projects have been completed in the 2010s, and their number should be increased. Even though the national innovation strategies have set quite ambitious innovative procurement goals, in practice only municipalities have so far implemented innovative public procurement projects. Only single innovative procurement projects have been completed at central government level.

Most of the innovative contracts have been made by municipalities

The practical significance of the national innovation strategies in procurement units has been fairly minor. Hardly any of the strategies have been identified or applied by the organisations that are responsible for procurement. The national innovation strategies need to be implemented more efficiently in all procurement units in public administration.

The main factor hindering innovation in the public sector is a risk-avoiding attitude. Strategic development of procurement units' own procedures should provide a basis for systematic development of innovative public procurement. Innovation should become part of organisations' daily activities.

The formulation of the concrete procurement practices applied in the health and social services sector once the health, social services and regional government reform is implemented has only just begun. Independent of the solutions decided upon in connection with the reform, attention should be paid to the procurement strategies of the new regional procurement units and to partly re-designing the forms of cooperation and policy steering of the new procurement sector.

The main factor hindering innovation in the public sector is a risk-avoiding attitude

The strengths of Finland's investment environment are not well known in the world

Sweden, Denmark and the Netherlands are very similar to Finland in terms of their geographical location, as well as economically, culturally and socially. Thus, they also compete with Finland in the increasing competition for business investments. The investment environments of these four countries are compared in Figure 6 by using the traffic light principle. The figure illustrates the National Audit Office's overall estimate, which is based on international competitiveness indexes.

A green light means that based on this variable, the country is in the top group of developed countries. A yellow light means that the country is well-placed in relation to other developed countries but not in the top group. A red light means that the country has no more than fair performance in relation to other developed countries.

The arrow next to the light describes the way in which the factor has developed between 2008 and 2015. The arrow pointing upwards means that there has been an improvement in this factor in relation to the other developed countries, and the arrow pointing downwards denotes that there has been a weakening in the factor. If there is no arrow, no major changes have taken place concerning this factor.

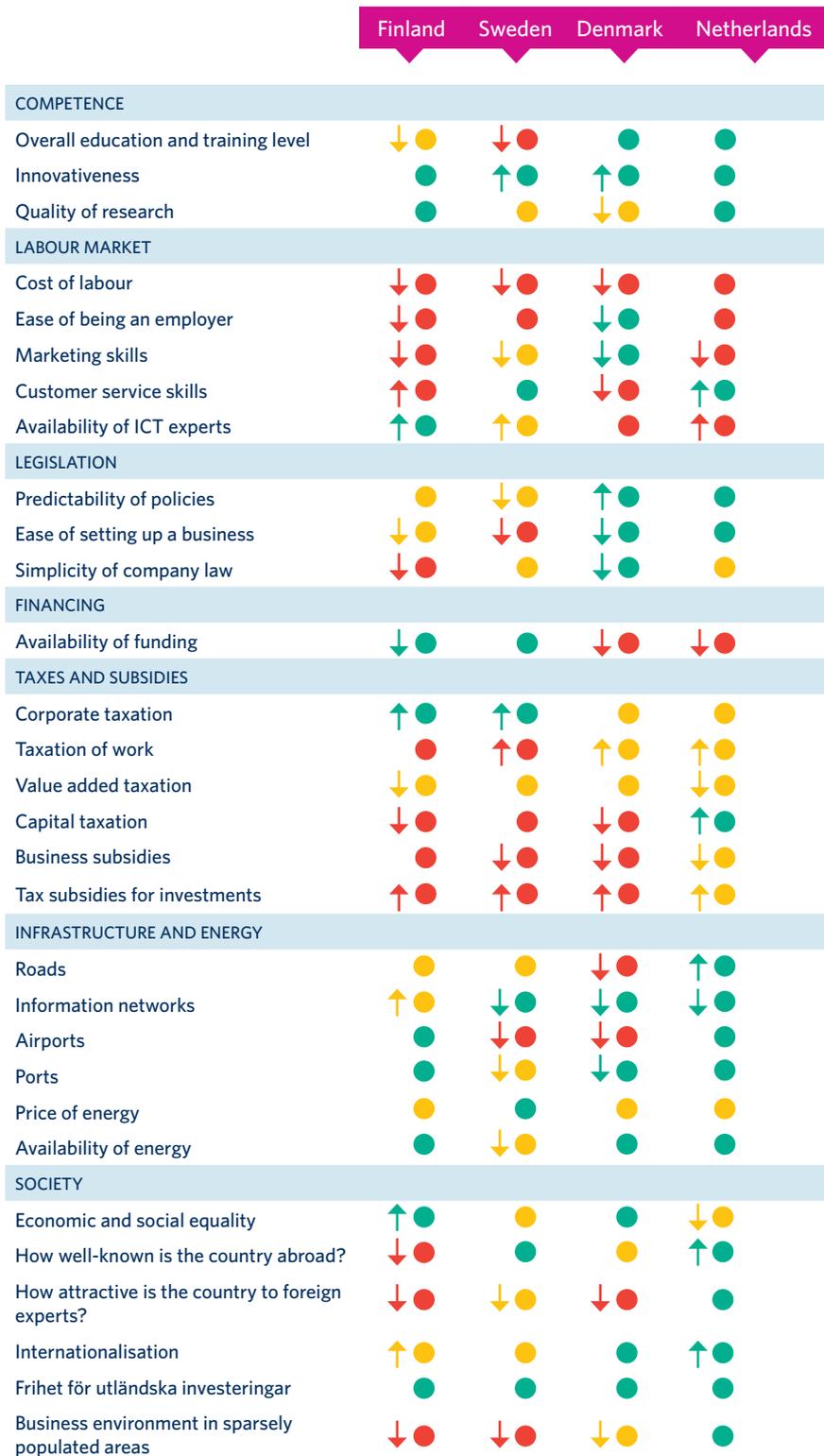


Figure 6: Overall assessment of the investment environment and changes in it in Finland, Sweden, Denmark and the Netherlands.

There are no clear differences in the quality of the investment environments of the four countries when measured using the traffic light table. In terms of overall educational levels of the population and the quality of research, all reference countries are doing equally well, except for Sweden, where the overall educational level of the population is no more than fair when compared with other developed countries. All four countries are in the top league in innovativeness and it is essential for Finland to remain in this group. Finland stands out among the reference countries in the availability of ICT experts. In contrast, Finland is the only one of the reference countries rated no more than fair in marketing and customer service skills.

None of the reference countries is known for low tax rates. However, taxation in the Netherlands is lower than in Finland, Sweden or Denmark. Relatively low business tax rates provide Finland with a competitive advantage and corporate taxes have also been lowered twice in the past few years. According to interviews with business executives performed during the audits, the level of corporate taxation in Finland was considered reasonable and competitive.

In addition to social security contributions, high taxation is a factor making labour costs high in all four countries, at least in low-productivity jobs. However, welfare states such as Finland, Sweden, Denmark and the Netherlands do not primarily compete as tax havens characterised by low labour costs as they use quality of work as a competitive advantage. The services and equality provided by a welfare state may also make a country attractive to foreign experts and high-productivity investments.

Finland lags behind other reference countries in the simplicity of company law and the trend in this area has been negative. In such areas as political predictability and the ease of setting up a business Finland is not among the world's best either. At the same time, Denmark and the Netherlands do extremely well in these areas.

Finland also lags behind the other reference countries in the variables measuring how interesting the country is in the eyes of foreign companies (how well-known the country is in the world, how attractive the country is to foreign experts and how internationally oriented the country is). The Netherlands is number one in these areas, which is partly explained by its location in Europe. It seems that Finland's strengths are not known in the world. This is a problem because foreign investments are important in many ways: they help to create jobs, expertise, networks and competition.

All reference countries use competence as their most important competitive advantage

All four reference countries have high tax rates but they do not use taxation as their main competitive advantage

Finland is less known and less international than the other reference countries

Finnish infrastructure of good quality, considering long distances and a unfavourable geographical position. In global comparisons, Finland's roads, airports and ports are at least of good quality. In data networks, Finland does slightly worse than the other reference countries but the new submarine cable between Helsinki and Germany has improved Finland's data communications links.

The new submarine cable between Helsinki and Germany has improved Finland's data communications links

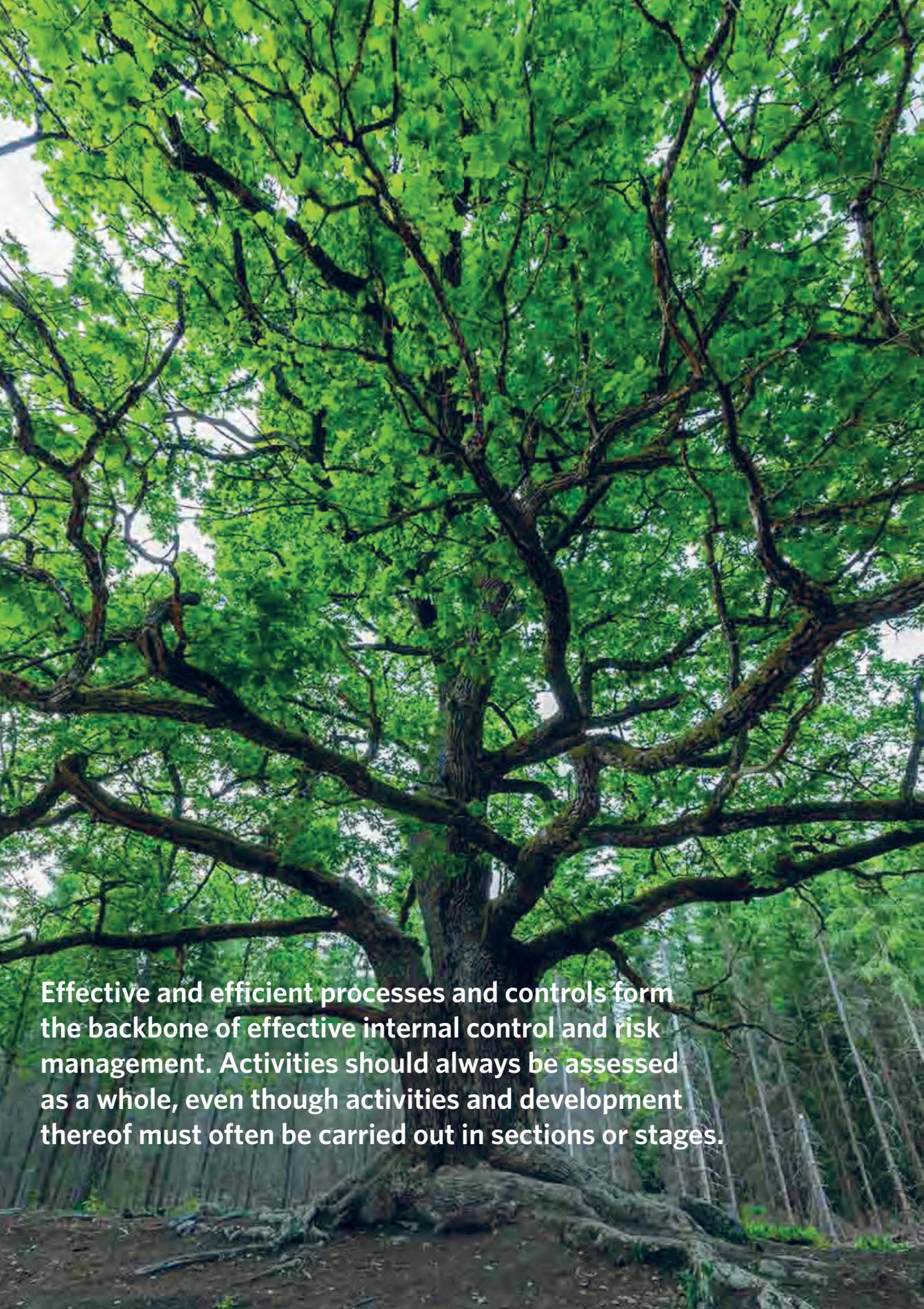
The Netherland does better than the other reference countries in infrastructure, which is partially due to its location and small size.

Strengths and weaknesses of Finland as an investment environment

Figure 7 presents a summary of the strengths and weaknesses of Finland as an investment environment.



Figure 7: Strengths and weaknesses of Finland as an investment environment



Effective and efficient processes and controls form the backbone of effective internal control and risk management. Activities should always be assessed as a whole, even though activities and development thereof must often be carried out in sections or stages.

5 Good governance and management of central government finances

In central government finances, good governance means, among other things, compliance with the state budget, legality of the activities and effective internal control and risk management. The National Audit Office audits the effectiveness of good governance in all of its audits.

Financial audits cover budget procedures, final accounts, internal control and compliance with the state budget and key budget provisions. For the 2016 budget year, the National Audit Office submitted 64 financial audit reports on the basis of the financial audits of accounting offices.

In compliance audits, the focus is on the audit of the compliance with legislation and other key provisions. Two separate compliance audits were performed during the audit period. These concerned business subsidies and the status of internal control and risk management in central government. Furthermore, as part of the financial audits, the National Audit Office has also reviewed the revenue from chargeable services, agricultural subsidies and immigration expenditure.

The cautions issued on the final accounts mainly concerned the budget outturn statement. In overall terms, there have been no material changes in the setting of operational performance targets in recent years. The situation concerning the trueness and fairness of the information on operational efficiency is, in overall terms, fairly good.

Effective and efficient processes and controls form the backbone of effective internal control and risk management. Activities should always be assessed as a whole, even though activities and development thereof must often be carried out in sections or stages.

5.1 Compliance with the state budget

Compliance with the budget should be an important consideration

The state budget can be considered a parliamentary decision steering the management of central government finances. It provides the economic framework, obligations and legal basis for the work of public administration. As part of the financial audits, the National Audit Office audits budget procedures and compliance with the state budget and key budget provisions.

In 2016, the number of adverse opinions on regularity issued to accounting offices was 13, i.e. five more, compared with 2015. As they concerned a broad range of issues, the total number adverse opinions on regularity was 32.

The most significant reasons for the adverse opinions on regularity concerned the use of appropriations in violation of the state budget. A total of 11 accounting offices received 27 adverse opinions on regularity for these issues. In 2015, the figures had been 8 and 15, respectively. The adverse opinions on regularity issued in the financial audit report for the year 2016 concerned the use of appropriations in violation of the state budget, allocation of expenditure to the budget year in a manner that was in violation of the state budget, and the carrying over of appropriations in violation of section 7 of the State Budget Act.

As in previous years, the National Audit Office would like to draw attention to procedures that are in violation of the state budget and key budget provisions. At the same time, they are often also in violation of the provisions on central government funding laid down in the Constitution of Finland.

Most of the adverse opinions on regularity concerned sectors of financial administration or specific procedures. Thus, one should not conclude on the basis of the adverse opinions on regularity that central government finances are not in compliance with the legality requirement laid down for them or that the adverse opinions on regularity had been prompted by misappropriation of central government funds. However, an adverse opinion on regularity should always be considered to be a serious issue with regard to the financial management of the agency in question.

The National Audit Office must be notified of any corrective measures taken

Under section 5(1) of the Act on the National Audit Office, the auditee and the ministry under whose administrative branch the auditee operates, must notify the National Audit Office of the measures that have been taken on the basis of the cautions contained in the audit report. The financial audit report specifies the cautions that require the above-mentioned reports and the deadline for submitting them.

Financial audit reports in 2016		Reporting obligations		
Administrative branch	Quantity	2014	2015	2016
Office of the President of the Republic	1			
Prime Minister's Office	1			
Ministry for Foreign Affairs	1	●	●	●
Ministry of Justice	5			
Ministry of the Interior	8			●
Ministry of Defence	3	●	●	●
Ministry of Finance	12			●
Ministry of Education and Culture	7			
Ministry of Agriculture and Forestry	5		●	●●
Ministry of Transport and Communications	5	●	●	●
Ministry of Employment and the Economy	8	●●	●	●●
Ministry of Social Affairs and Health	5			
Ministry of the Environment	3	●●		
Total	64	7	5	9

Figure 8: Obligation to report to the National Audit Office

The adequacy of the corrective measures is audited in connection with the next audit. Even though most adverse opinions on regularity are also matters requiring a report, the reporting obligation may also be imposed as a result of cautions that have not resulted in an adverse opinion on regularity.

The number of those obliged to submit a report has remained almost unchanged in recent years. According to the 2016 financial audits, six accounting offices were required to submit a report. The reasons for the obligation concerned deficiencies in compliance with the state budget and in related internal control procedures.

5.2 Accountability and management of central government finances

Documents provide a visible manifestation of accountability

The following documents help to ensure accountability in central government finances: Government's annual report, final central government accounts and the final accounts of state enterprises, off-budget entities and government agencies designated as accounting offices.

As part of the financial audits, the National Audit Office audits the final central government accounts, final accounts of the accounting offices and the notes to them, as well as the information on operational efficiency presented by the accounting offices in their reviews of their operations.

Of the other information presented by the Government in its annual report, the National Audit Office has audited information on societal effectiveness and the state of general government finances. These issues and the audit of final central government accounts are reported in the separate report K 9/2017 vp.

Provisions on the final accounts of central government agencies are contained in the State Budget Act and in the State Budget Decree. In addition to the Office of the President of the Republic and ministries, the agencies that the Ministry of Finance has ordered to operate as accounting offices are, under the State Budget Decree, obliged to prepare final accounts and final accounts that also include a review of operations.

The final accounts are prepared by each accounting office

Under section 21 of the State Budget Act, the final accounts must contain true and fair information on compliance with the state budget and the revenue and expenditure and financial position of the agencies. This requirement applies to accounting offices.

	Cautions		
	2014	2015	2016
Budget outturn statement	11	10	12
Statement of income and expenses	3	3	1
Balance sheet	1	1	3
Notes	4	4	2
Examination of financial statements			
Approval of final accounts	1	1	1

Figure 9: Accounting offices cautioned about their financial statements

A total of 12 financial audit reports contained cautions on final accounts and notes to them. The cautions issued on the final accounts mainly concerned the budget outturn statement.

The budget outturn statement contains the information on budget revenue and expenditure and the information on authorisations and their use. The cautions issued concerned the use of appropriations in violation of the state budget, allocation of expenditure to the budget year in a manner that was in violation of the state budget, and the carrying over of appropriations in violation of section 7 of the State Budget Act.

In 2016, authorisations were used by 28 accounting offices. Two accounting offices were cautioned about the presentation of authorisation information or the use of authorisations.

Setting of clear targets should be improved

In performance guidance, the requirements concerning operational efficiency and service capacity are reconciled with productivity and economic efficiency. Irrespective of the steering system, productivity and economic efficiency targets and information provide a basis for the assessment of the effectiveness, service capacity and operational efficiency.

The grounds for the budget proposal must lay out the societal effectiveness and operational performance targets of the proposal. After Parliament has published the state budget, the ministries must approve the performance targets for central government agencies. The figures on operational performance reported in the review of operations contained in the final accounts must be true and fair. The review must present a description of operational performance (including key indicators) and a comparison with the performance targets set.

As part of the financial audits, the National Audit Office has also assessed the comprehensiveness of the productivity and economic efficiency targets approved by the ministry concerned and the information on them contained in the final accounts.

The productivity and economic efficiency targets approved by the ministries remain inadequate. Comprehensive economic efficiency targets had only been approved for 42% of the accounting offices. The situation concerning economic efficiency targets has remained almost unchanged compared to the previous years. In their performance agreements, the ministries had provided a slightly higher proportion (48%) of the accounting offices with productivity targets.

There have been no material changes in the setting of targets

Table 1: Setting of targets in 2014–2016

Year	Economic efficiency	Productivity
2014	46 %	51 %
2015	40 %	47 %
2016	42 %	48 %

When the comprehensiveness of the productivity and economic efficiency targets are assessed together, it transpires that adequate targets had been set to only about 34% of all accounting offices.

When the productivity and economic efficiency targets are assessed on the basis of ordinary operating expenses, it transpires that the economic efficiency targets cover 38% and the productivity targets 76% of the central government operations. However, some form of productivity and economic efficiency targets need to be set for all agencies and ministries.

Operational efficiency is fairly well reported

The purpose of the financial audits is to verify that the figures on operational performance presented in the review of operations contained in the final accounts are true and fair. Operational efficiency covers productivity, economic efficiency, chargeable services and their profitability and the cost-effectiveness of jointly funded activities.

Table 2: Economic efficiency information in final accounts

Year	True and fair information
2014	93 %
2015	92 %
2016	94 %

Table 3: Productivity information in final accounts

Year	True and fair information
2014	91 %
2015	93 %
2016	95 %

The economic efficiency information was found to be true and fair in 60 accounting offices, which is 94% of all accounting offices. There have been no essential changes in this respect in recent years. Most of the figures provided in final accounts concern costs and other corresponding quantities. The method of presentation can in most cases be considered sufficient.

The productivity figures were found to be true and fair in 61 accounting offices, i.e. in 95% of all accounting offices.

When the comprehensiveness of the true and fair figures on productivity and economic efficiency are assessed on the basis of ordinary operating expenses of the agencies, true and fair economic efficiency information and productivity information covered 96% of the central government activities. This figure has increased by around 30% from the previous year due to changes in two accounting offices with significant expenses.

Productivity and economic efficiency covered 96% of the central government activities

When the information on operational efficiency is assessed as a whole, the figures presented by 61 accounting offices, or 95% of all accounting offices, could be considered true and fair. In overall terms, there has been a slight improvement in the situation in the previous years.

The ministries have presented most of the economic efficiency figures as cost information by result area or by using a corresponding breakdown. The manner in which the ministries present the information can be considered appropriate. Except for the Ministry for Foreign Affairs and the Ministry of Employment and the Economy, the information provided by the ministries can be considered true and fair.

The situation concerning the trueness and fairness of the information on operational efficiency is, in overall terms, fairly good. Information concerning productivity and economic efficiency is significant in terms of achieving accountability which becomes manifested in the final accounts but also in terms of decision-making in general. Well-organised performance accounting and related true and fair information also enable the generation of versatile information outside the final accounts for use in various decision-making processes.

Under the State Budget Act, the monitoring of the profitability of chargeable services must be organised so that their annual results can be presented as part of the final accounts unless the chargeable services are only provided in a small scale. Under the State Budget Decree, reviews of operations must provide information on the profitability of chargeable services and a comparison with the targets set.

According to consolidated accounting, the revenue of the central government's chargeable services totalled EUR 1.1 billion. Of this total, public-law services provided under the Act on Criteria for Charges Payable to the State accounted for 0.4 billion, services with market-based pricing for 0.3 billion and services priced under special legislation for 0.4 billion. In addition, the chargeable services of agencies outside the scope of the chargeable services legislation totalled EUR 0.3 billion.

In 2016, the number of accounting offices providing chargeable services referred to in the State Budget Act totalled 46. The ministries had set performance targets for chargeable services for 35 accounting offices, which was 76% of all accounting offices providing chargeable services.

Of all accounting offices providing chargeable services 44 offices (98%) presented true and fair information on their chargeable services and their results for the budget year. In 2014, the figures were 36 accounting offices and 84%.

Chargeable services are adequately reported

When the comprehensiveness of the true and fair information on chargeable services is assessed on the basis of revenue generated by chargeable services, true and fair information covered 97% of all chargeable services. In the previous year, the corresponding figure was around 80%. As a whole, the information on chargeable services contained in the final accounts is presented in a fairly comprehensive manner.

Setting of targets is a basic requirement for successful performance guidance

Success of performance guidance can, on the basis of the financial audits, be assessed from the perspective of the setting of economic efficiency targets and the reports produced on the implementation of them. The comprehensiveness of the economic efficiency targets set by the ministries and the information on the implementation of them presented by the accounting offices in their reviews of operations are used as the assessment criteria.

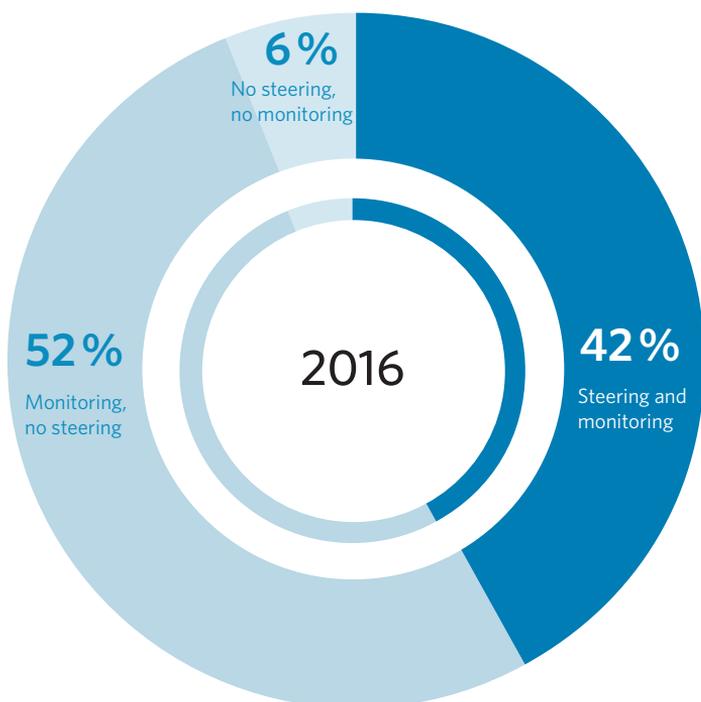


Figure 10: Successful performance guidance

Compared with the previous years, there has been a slight increase in the proportion of accounting offices that are guided by adequate economic efficiency targets and that present true and fair information in their final accounts. When assessed on the basis of ordinary operating expenses, it means that the figure for all central government activities is around 40%.

If in the assessment of the state of performance guidance, the setting of productivity and economic efficiency targets and the presentation of true and fair information on the implementation of them are combined, it transpires that only a third of all accounting offices have adequate targets and present true and fair information. The ministries have failed to set sufficient productivity and economic efficiency targets for six per cent of all accounting offices, and these accounting offices have failed to present true and fair information about their productivity and economic efficiency.

Only fewer than half of all accounting offices have workable performance guidance practices

5.3 Internal control and risk management

Performance of internal control is evaluated in all audits

Internal control means procedures, organisational solutions and operating practices contained in steering and operating processes that help to ensure that operations and finances are in accordance with the law, the state budget is adhered to and the assets are secured. Internal control procedures also help to ensure that the financial and performance information is reported in a true and fair manner.

In the financial audits conducted by the National Audit Office, internal control has been assessed as part of a risk analysis and audited in connection with the auditing of accounts, monitoring of authorisations and performance accounting and separately in connection with certain other audits. These have included the ICT audits conducted as part of the financial audits and separate compliance audits.

Asset transfers and use of assets in the European Union are also covered in the financial audits. In the audits, attention has been drawn to the accuracy of the accounts, the legality of the activities, operational steering and, particularly, on different issues concerning asset management and the organisation of internal control. The audit positions have been reported to the accounting offices that the audits concern or that are responsible for rectifying the deficiencies.

Internal control covers all the main sectors of financial administration in an accounting office



Figure 11: Internal control in the 2016 budget year (authorisations were used by 28 accounting offices)

The number of accounting offices with material internal control deficiencies requiring measures amounted to 22% of all accounting offices in 2016. The proportion has remained almost unchanged compared to the previous years.

The proportion of accounting offices with no material deficiencies in the arrangements of internal accounting control remained almost unchanged compared to previous years, i.e. at 86% of all accounting offices. A total of 12% of all accounting offices were found to have material deficiencies in the organisation of internal accounting control that would require measures.

Authorisations were used by a total of 28 accounting offices. A total of seven per cent of them were found to have material deficiencies in the monitoring of authorisations warranting caution that would require measures by the accounting offices in question. When assessed in this manner, the situation concerning the monitoring of authorisations has improved from the previous year.

The internal control of accounting and monitoring of authorisations help to verify the correctness of final accounts

A service channel not intended to be used as a system for client service processes has been used in the communication between customer agencies and the shared service centre. Application controls ensuring the integrity and correctness of the data submitted to the service centre via the service channel would improve the overall effectiveness of the internal control of client service processes.

Effective and reliable internal control requires up-to-date and effective authorisation administration and application controls. Authorisations should be used more effectively to avoid risk-prone work combinations or too extensive job descriptions. This would require development of the internal control of the authorisation administration processes. The application controls should steer towards the appropriate handling process so that expenditures are handled in accordance with the State Budget Decree. The controls concerning the integrity and correctness and contract alignment procedures of invoicing must be improved.

The responsibility for the appropriateness and adequacy of the internal control of the information systems used in client service processes and the information security connected with it is not clear. The responsibilities for internal control should be clarified.

The most important provisions concerning performance accounting are contained in section 16 of the State Budget Act, and more detailed provisions on performance accounting are laid down in the State Budget Decree. Accounting and performance accounting must be arranged so that they produce the essential information required for the external steering of the agency and the information required for final accounts and the review of operations.

Regarding performance accounting, it seems that from the perspective of internal control the situation is improving in public administration. In 2016, material deficiencies on the basis of which corrective action is required in financial audit reports were noted only in two per cent of all accounting offices.

Internal control and risk management must be considered as a whole

The State Budget Act and the State Budget Decree contain provisions on the organisation of internal control and risk management. Internal control must safeguard the achievement of the objectives specified in the State Budget Decree, and applicable international standards and recommendations must be taken into account in the organisation of internal control. During the audit period 2016–2017, the National Audit Office carried out a compliance audit on the organisation of internal control and the related risk management processes throughout the central government.

The high data volumes processed in service centres require efficient internal control practices

The internal control of performance accounting works effectively

In recent year, changes have been implemented in the central government to reduce internal control procedures through regulatory reforms and guidelines.

An efficient control environment provides the basis for successful internal control.

According to international standards, the attitude of the management towards controls and agreed procedures has a central role in successful internal control. In Finland, the central government has always operated according to high ethical standards and carried out its activities in compliance with applicable provisions. This provides a strong basis for an efficient control environment. Particularly important role models and leaders in this respect are senior officials of ministries and agencies, as well as the authorities responsible for the steering and guidelines concerning internal control and risk management. It is important that these role models also take into account in their internal activities their contributions to the development of the control environment.

Effective and efficient processes and controls form the backbone of effective internal control and risk management. Thus, it is important to pay attention to processes as a whole in the organisation of operations. Activities should always be assessed as a whole, even though activities and development thereof must often be carried out in sections or stages. This is particularly true in major reforms where organisational structures and operators change considerably. Effective controls are often automated and utilise information systems already in early process stages. Controls are necessary when they cover material risks. Processes should be designed so that measures performed as controls in a previous process stage could also be utilised in later stages. Repeating controls does not improve the internal control process.

In addition to shared information systems, central government financial management processes are also performed in agency-specific information systems. These processes concern, for example, government transfers and invoicing. Control of agency-specific information systems has been one of the focus areas of the audit activities.

Several improvement recommendations have been issued on the basis of the audits. Most of the recommendations have concerned the authorisation administration processes and the process and methodology descriptions concerning the information systems in use. In addition, on the basis of the audits, several recommendations have been issued on the development of complete audit trails and the reconciliation procedures of agency-specific information systems.

Effective internal control requires effective processes and controls

Internal audit typically reports directly to the senior management of an organisation. Pursuant to the State Budget Decree, if there is due cause in view of the scope and content of their finances and operations and related risks, agencies must arrange for internal auditing. In connection with the compliance audit, the operation of internal auditing in agencies was also reviewed. Agencies' internal audit functions generally consider that they are able to operate independently and in accordance with the internal auditing standards. Senior officials of agencies generally consider the internal audit function fairly useful for their organisation. However, the National Audit Office draws attention to the fact that the resources allocated to internal audit in central government have been reduced and are overall quite limited.

According to the State Budget Decree, a statement of the status and the most essential developmental needs of internal control must be included in the final accounts of the accounting office. Preparation of this statement in the accounting offices was examined in connection with the compliance audit. In most cases, the statement was prepared on the basis of a framework recommended by the State Treasury or a similar model. The statement preparation process has generally been incorporated as part of the management process. However, based on the survey performed among senior officials of agencies, there are differing opinions regarding the necessity and usefulness of the statement.

In 2003, the Government Financial Controller's Function was established under the Ministry of Finance. According to the State Budget Act, one of the duties of the Function is to develop the arrangement of internal control. The National Audit Office considers that the role of the Government Financial Controller's Function has remained small in this respect. However, recently the Function has become more active also in this field and has prepared in 2017 a common risk management policy model for the entire central government.

Internal auditing plays a central role in ensuring effective internal control

Estimation of the necessity of business subsidies is challenging

The number of business subsidies has increased in recent years, but at the same time, the number of companies receiving subsidies has decreased. The increase in the subsidies is mainly attributable to loans. In 2016, the state budget included a total of EUR 4.136 billion of business subsidies (in 2015, the figure was EUR 3.265 billion). The audit activities were focused on a total of twelve different types of subsidies, covering a quarter of all business subsidies paid in 2016.

The aim of the business subsidy audit was to determine whether the applying for and the granting and payment of business subsidies and the monitoring of their use have been in accordance with the law. Furthermore, the aim was to examine whether the internal control concerning business subsidies has been appropriately arranged. The audits revealed some individual irregularities and deficiencies in internal control.

The Act on Discretionary Government Transfers lays down provisions on the general grounds for granting discretionary government transfers. Among these is that the transfer must be considered necessary. A transfer is considered necessary if a project could not be implemented without the transfer or if a socially useful project could only be implemented according to a significantly slower pace or with a reduced scope without the transfer. Discretionary government transfers are not considered necessary if the applicant for the transfer could finance the project or activity through their own funds or through other funding comparable to equity funding.

On the basis of the audit, the estimation and determination of whether a transfer can be considered necessary seems to be difficult because, as a rule, external financing always brings some additional value to the project, which is why this cannot be used as the only evidence supporting the necessity of the transfer. The legislation should be developed in this respect, or the current legal interpretation should be clarified, so that business subsidies would not become automatic sources of funding for companies who could also arrange their project financing through other sources. When estimating the necessity of a subsidy, attention should always be paid to the general objectives of the programme to be funded and the activities of the organisation granting the subsidy, as well as the criteria according to which the necessity of a subsidy is determined in the Government proposal concerning the Act on Discretionary Government Transfers.

The necessity of subsidies must be estimated

Wood production subsidies have been granted in violation of law without requiring written applications for the subsidy. In addition, documents containing decisions concerning research funding have not been appropriately signed, and subsidy decisions have not always been justified as required in the Administrative Procedure Act.

When determining the amount of expenditure used as the basis for calculating the discretionary government transfers for ambulance helicopter activities, the statutory compensations for patient transports have not been considered as deductions. This is in violation of the Act on Discretionary Government Transfers and the state budget.

Business development aid has been paid in violation of the law to projects started prior to the application for support, and costs incompatible with the relevant conditions have been accepted as eligible costs. Furthermore, accounting vouchers have not been archived as required by law. In addition, the audit revealed some deficiencies in internal control concerning documentation, compliance with the conditions, and guidelines and support schemes concerning the business development aid and the support for research, development and innovation activities.

Compatibility with the internal market of all the business subsidies covered in the audit has been examined before the granting of those subsidies, and adequate measures have been taken to ensure that the subsidies are in compliance with the state aid provisions of the EU.

The application for support must be submitted before starting the project

It is necessary to prepare for changes in reception activities

The compliance audit performed in connection with the financial audit of the Finnish Immigration Service focused on reimbursements paid by the Immigration Service for reception activities. In 2016, the Immigration Service paid a total of EUR 513.8 million as reimbursements for reception activities. The aim of the audit was to determine whether the reimbursement of immigration activities has complied with law and whether the internal control of the reimbursement process is appropriately organised. The audit covered 13 reception centres.

The management of the agency is in charge of the internal control arrangements and it is also responsible for ensuring that the arrangements are on a proper basis. The aim of internal control is to verify, for example, the legality and effectiveness of the finances and activities and to protect the funds and assets also when they have been transferred under the control of another body.

The audit revealed deficiencies in the contractual provisions referred to in section 10 of the Act on the Reception of Persons Seeking International Protection. In addition, the audit also revealed some booking procedures that are in violation of the state budget.

The internal control of the reimbursement process related to the Finnish Immigration Service's reception activities has not been arranged in a manner required in the State Budget Decree. There are material differences in the contracts between the Finnish Immigration Service and different reception centres in terms of the grounds for providing reimbursement. The contracts also include conflicting, inadequate and vague provisions. The procedures of the Finnish Immigration Service concerning reimbursement of costs from reception activities are partly inconsistent. Contractual provisions with varying content and the inconsistencies in the reimbursement process mean a higher risk of errors in the different stages of the process. The inconsistent procedures also impede the monitoring of the activities. Deficiencies were also found in the contents of the annual reports of the reception centres and in the monitoring procedures concerning property procured by the reception centres by using state funding.

Reception activities fall under the responsibility of the Finnish Immigration Service. The Immigration Service should prepare for changes in reception activities, for example, by creating practices and models for contracts and for the treatment of operational expenditure and revenue and state assets. During the audit period, material changes occurred in the reception activities, and the Immigration Service should have been prepared for these changes.

There are deficiencies in the internal control of reception activities

Agricultural subsidies have been granted according to law

In connection with the 2016 financial audit of the Agency for Rural Affairs, the National Audit Office also carried out a compliance audit of agricultural subsidies. The aim of the audit was to determine whether the internal control of the administrative and payment process of agricultural subsidies has been arranged so that the use of the funds complies with the state budget and the principles of good governance. With respect to arable crop premiums, Nordic livestock aid, general hectare-based aid and milk production aid, the National Audit Office checked on the basis of the information systems whether the subsidies have been granted according to law.

The internal control of the administrative and payment process of agricultural subsidies is, in essential parts, properly organised. With respect to the audited subsidies, the subsidies have essentially been granted in compliance with law.

The agricultural subsidy system forms a complex entity and involves a number of requirements concerning the granting of subsidies. The support scheme contains numerous plant codes, livestock units and percentage-based calculation units. According to the audit conclusions, the large number of different variables and calculation stages make determining the amount of agricultural subsidies complex, which can increase the risk of errors. Particularly when amending support conditions, the complexity of the scheme can create additional functionality requirements for the electronic support systems. Due to this, for example, the payment of the 2015 agricultural subsidies was delayed compared to previous years.

Smoothly functioning information systems have a central role in the administration of agricultural subsidies. Municipal rural business authorities are responsible for the handling of the support applications, but the Agency for Rural Affairs makes the payments typically as mass payments. This means that the automated controls incorporated in the electronic support applications are important in terms of internal control.

Subsidies are usually paid in two instalments: the first one is paid in advance and the second as a final payment. The actual support decision is given to the beneficiary after the support is fully paid. This practice has been in place in Finland throughout its EU membership.

Support decisions concerning the 2015 agricultural subsidies were sent to the beneficiaries exceptionally late. The delay resulted from the reform of the EU's common agricultural policy and the related legislation, which also involved significant amendments to the conditions for agricultural subsidies. Consequently, the information systems used in the administration of agricultural subsidies also needed to be changed. The delay was also affected by the fact that the Agency for Rural Affairs and the Ministry of Agriculture and Forestry decided to prioritise the payment of the subsidies in accordance with the new schedule over the preparation of the support decisions and sending them to the beneficiaries. Support decisions should be made before making any payments.

Complexity of the support scheme makes internal control challenging

The support decision must be made before making any payments

Chargeable services under public law are in accordance with law

In 2016, the revenue from the central government's chargeable services under public law totalled EUR 691.2 million. The compliance audit focused on the most significant accounting offices in terms of revenue and covered a significant proportion of all on-budget chargeable services under public law.

Chargeable services under public law mostly comply with the applicable law, which includes the Act on Criteria for Charges Payable to the State, legislation on special charges and other provisions concerning chargeable services. There were deficiencies in the setting the charge according to cost price and in the rectification instructions provided in connection with the charge. In addition, some deficiencies were found in the compliance with the legislation on special charges.

According to the Act on Criteria for Charges Payable to the State, the size of the charge made by the State for a performance under public law shall correspond to the total costs incurred by the State from producing the performance (i.e. cost price). The pricing should correspond to the cost price at the level of individual performance or, with respect to fixed-price performances in accordance with the Act on Criteria for Charges Payable to the State, at the level of performance categories containing similar performances.

With respect to several accounting offices, the conclusion was that in some individual areas of chargeable services under public law, the cost correspondence, and consequently the setting of performance charges, materially deviated from the requirement of pricing according to cost price. In many of the offices, this had been going on for some time. According to the accounting offices, they have taken a number of actions to improve the cost correspondence in those areas.

Pursuant to the Act on Criteria for Charges Payable to the State, when a charge is made, the authority setting the charge shall provide instructions for the rectification procedure. A party required to pay a charge can ask the authority that set the charge for rectification within six months of the charge being made in accordance with the provisions of the Administrative Procedure Act. The purpose behind this is to provide flexibility in terms of rectifying an error in a charge. Unlike claims under private law, charges for a performance under public law can be collected without a separate decision. For this reason, it is necessary to clearly notify to the party required to pay a charge not only the grounds for the charge but also the rectification instructions.

The pricing should correspond to the cost price

It is important to provide the customer with appropriate rectification instructions

Usually the rectification instructions are provided in connection with an invoice or a decision given to the customer or an appendix thereof. However, it seems that electronic services do not usually include the rectification instructions required in the Act on Criteria for Charges Payable to the State. Irrespective of the form of service, the accounting offices should always ensure that the rectification instructions are provided in connection with the setting of a charge.

The authority responsible for the performance should ensure that the costs incurred from the provision of the performance do not exceed the appropriate quality level concerning the performance. Pricing of performances under public law according to cost price means that all costs arising from the provision of the performance are covered by the charge irrespective of the operational effectiveness of the authority responsible for the performance. Chargeable services usually have cost-effectiveness targets, but there is variation in the setting of other targets. The ministries steering the accounting offices should pay attention to the setting of productivity, economic efficiency and handling time targets for their chargeable services under public law.

According to the audit, the internal control of chargeable services under public law is, in essential parts, properly organised. Individual deficiencies were found in the monitoring of performances and delegation of tasks to third parties, information systems of chargeable services, pricing and cost calculations, and reporting on the cost correlation at the level of performance categories.

Under section 16 of the State Budget Act, the monitoring of the profitability of chargeable services must be organised so that their annual results can be presented as part of the final accounts. Accounting offices should improve their performance in terms of preparing the required reports and, as required, include in their final accounts a description of the cost-effectiveness of their performances under public law at a more detailed level than the entire sector. This means preparing, for example, additional calculations on the cost-effectiveness of different performance categories or even individual performances, provided that the accuracy of the calculation method so allows.

Targets must be set for chargeable services

Internal control of chargeable services is generally appropriately organised

Administration of EU funds is audited according to the same criteria as national funds

The transfer, administration and supervision of EU funds were audited in 2016 in accordance with the principle of equal protection as part of the financial audits and compliance audits conducted by the National Audit Office. The audits were carried out in accordance with the same principles and procedures as the audits of national funds.

In the financial audits, attention was on the accuracy of the accounts, the legality of the activities, proper state of operational steering and on issues concerning asset management and the organisation of internal control.

In the 2016 budget year, the financial audits of the transfer of European Union funds covered project and business subsidies in the ELY Centre for Kainuu and in the Agency for Rural Affairs that are part-financed by the European Agricultural Fund for Rural Development. In the audit of the project and business subsidies in the Agency for Rural Affairs, attention was drawn to the verification of the state subsidy criterion concerning business subsidies, insofar as the subsidy was not granted according to the *de minimis* rules. The electronic archive of the administration system for project and business subsidies (Hyrrä) continued to have deficiencies related to the commissioning of the archive.

Regarding the European Regional Development Fund, the audit dealing with the transfers of EU funds and their internal control focused on the ELY Centre for Central Finland. The audit of the internal control of the assets of the European Regional Development Fund revealed deficiencies in the payroll costs concerning the verification of eligibility. In other respects, eligibility had been ensured and documented in an appropriate manner. It was recommended in the audit that observations made in connection with funding and payment controls should be recorded in checklists in the future to facilitate the on-the-spot checks of expenditure.

Procedures for electronic administration of business subsidies should be created to check the correctness of the information provided by the applicants and to ensure proper internal control of the subsidy administration process. In the commissioning stage of new electronic service systems, implementation of sufficient internal controls must be ensured.

In the audit of the assets of the European Social Fund (ESF) and the European Regional Development Fund (ERDF), the focus was to review the data content, timeliness, functionality and access rights management of the EURA 2014 information system. The data content of the EURA 2014 information system is still lacking and partly incorrect. Due to the incorrect data, it is not always possible to form a clear picture of the status of a project, and it has not yet been possible to start making control visits.

There were differences in the interpretation of the confidentiality provisions of the Act on the Openness of Government Activities in the funding application handling process. The Ministry of Employment and the Economy should prepare common guidelines for bodies managing the funds regarding the application of the Act on the Openness of Government Activities in structural fund projects.

5.4 Abuses and complaints concerning central government finances

Under section 16 of the Act on the National Audit Office, the National Audit Office receives reports on abuses from state authorities and reports on irregularities concerning the use of EU subsidies. In addition, the National Audit Office handles complaints relevant to its administrative branch.

Statutory reports on abuses submitted by public administration

The National Audit Office becomes aware of abuses of state funds or property on the basis of its own audit activities and reports on abuses submitted by public administration actors.

In 2016, the National Audit Office received 13 reports from state authorities concerning abuses of state funds or assets in their operations (in 2015 and 2014, the figures were 9 and 12, respectively). The reports concerned several administrative branches.

The reports submitted by government agencies did not include any cases involving suspected abuses by recipients of government aid. There was one such case in 2015 and three cases in 2014.

As in the previous years, the National Audit Office received only a small number of reports on abuses, and their overall economic importance has been negligible.

Typically only a small number of reports of abuses are made, and their economic importance has been negligible

The National Audit Office receives reports on irregularities concerning the use of EU funds from the Ministry of Employment and the Economy and the Agency for Rural Affairs

The Ministry of Employment and the Economy and the Agency for Rural Affairs administer the EU subsidies and report to the National Audit Office any irregularities in the use of the subsidies. In addition to the National Audit Office, they also submit the reports on irregularities to the European Union in accordance with the relevant Commission regulations.

The National Audit Office received a total of 53 such reports in 2016 (in 2015 and 2014, the figures were 63 and 60, respectively). This total comprises both new reports and follow-up reports.

The reports on irregularities have been insignificant in terms of their economic importance.

Only a small percentage of the reports warrants specific action

A private citizen or an organisation suspecting that there have been irregularities concerning the legality of central government finances may submit a written complaint to the National Audit Office. The complaint may concern the legality of central government finances or compliance with the state budget. The National Audit Office does not consider appropriateness issues as complaints.

During 2016, the National Audit Office received a total of 25 complaints (in 2015 and 2014, the figures were 43 and 31, respectively) and the number of complaints addressed during the year totalled 25 (in 2015 and 2014, the figures were 44 and 40, respectively). Most (about two thirds) of the complaints referred to matters concerning appropriateness and thus did not warrant any action on part of the National Audit Office. The remaining matters were subjected to complaints procedure in which the authority subject to the complaint was requested an opinion on the matter concerned. A decision on the complaint issued by the National Audit Office concluded the processing of the complaint.

The complaints have been of little economic significance. Of the complaints, a case involving procurement by a ministry can be highlighted as a case involving important principles. In the complaints decision on the case, the National Audit Office stated that as a rule, similar procurements should be put out to tender if their total value exceeds the threshold value referred to in the Act on Public Contracts (348/2007) valid at the time of the procurement. In public procurement, government agencies should avoid situations where there is danger that procuring expert services repeatedly from previously used service providers could lead to the emergence of a service provider monopoly. As a rule, procurements should be put out to tender by using a simplified tendering process in accordance with the procurement guidelines of ministries.

Private persons can also submit complaints regarding irregularities concerning central government finances

Similar procurements should be put out to tender if their total value exceeds the threshold value referred to in the Act on Public Contracts



13

administrative
branches

64

accounting
offices

6 Good governance and accountability by administrative branch

As part of the financial audits, the National Audit Office assesses whether the final accounts of accounting offices present true and fair information on compliance with the budget and the revenue and expenditure of government agencies and whether the figures presented on operational performance are true and fair. Furthermore, the aim is to determine whether the budget procedures are appropriate. The financial audits also aim to assess the effectiveness of performance guidance, i.e. whether sufficient targets have been set for economic and operational efficiency and whether true and fair information have been presented on the targets.

Performance audit and fiscal policy audit observations and significant follow-up observations that are not included other parts of this report are also discussed below.

6.1 Office of the President of the Republic

State of the administration on the basis of the financial audits

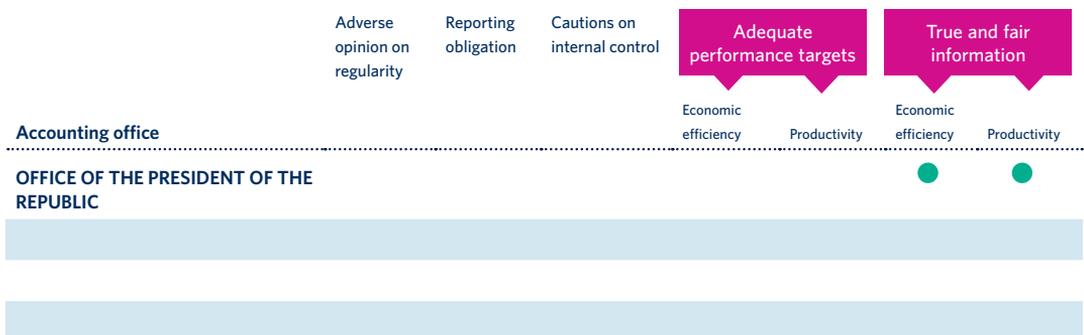


Figure 12: Summary of the financial audit

According to the financial audit, the state budget and the key budget provisions have been complied with.

6.2 Prime Minister's Office

State of the administration on the basis of the financial audits

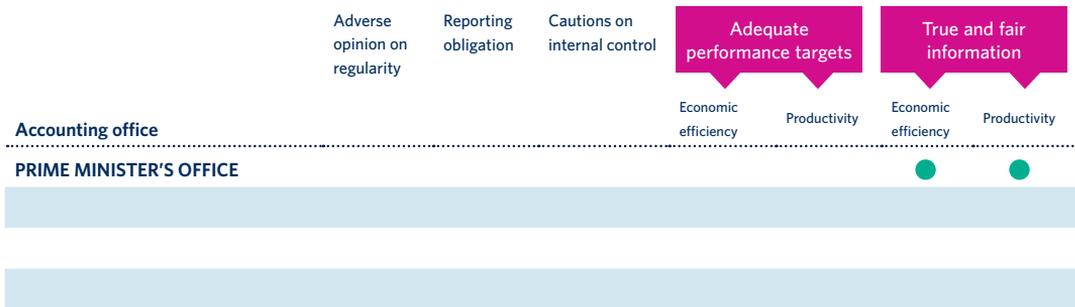


Figure 13: Summary of the financial audit

According to the financial audit, the state budget and the key budget provisions have been complied with.

Using the national margin of manoeuvre and the related impacts must be stated more clearly in Government proposals

According to the findings of the audit concerning the implementation of EU legislation (12/2017), Government proposals do not always clearly state if the national margin of manoeuvre allowed by EU law has been used, the grounds for and impacts of using the margin, or the changes made on the basis of consultations. Furthermore, some of the Government proposals reviewed in the audit did not state clearly enough which choices were based on national decisions and which originated directly from EU law.

Government proposals should always openly state if the national margin of manoeuvre allowed in directives is used and the impacts of its use. The rationale of the Government proposal should also clearly describe which provisions are based on obligations required by EU law and which are proposed to satisfy national needs. This is important, for example, to be able to utilise Government proposals in the parliamentary decision-making. Impact assessments could be used to support the use of the national margin of manoeuvre and to assess the appropriateness of the use. Furthermore, it is important to clearly state which changes are made on the basis of statements on the Government proposal, particularly in cases where the EU provisions to be implemented allow for a national margin of manoeuvre and the received statements have discussed the possibility of using the margin. This would make Government proposals clearer in terms of how the national margin of manoeuvre has been applied in comparison with the views of the stakeholder groups.

Government proposals should openly state if a margin of manoeuvre is used and the impacts of its use

6.3 Administrative branch of the Ministry for Foreign Affairs

State of the administration on the basis of the financial audits

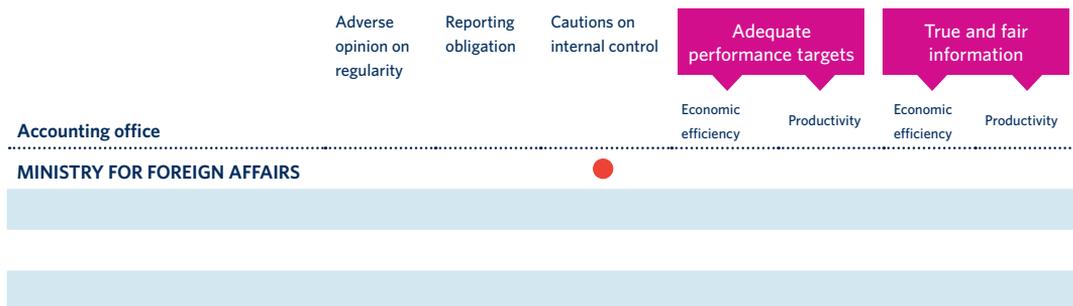


Figure 14: Summary of the financial audit

According to the financial audit, the state budget and the key budget provisions have been complied with.

The conclusion was that there are deficiencies in the internal control procedures concerning chargeable services under public law and that the ministry should take action as a result.

The objectives of the development cooperation should be further specified and the reporting of the results should be improved

In the audit concerning multilateral development cooperation (6/2017), the National Audit Office concluded that Finland has been active in the boards of various international organisations and other decision-making bodies and that Finland has also been able to successfully further its objectives.

Finland has previously had numerous different development policy objectives whose order of importance has never been clearly specified. This has fragmented the sector and thus has likely weakened the impacts of the advocacy work. However, in the Government report on the Finnish development policy published in 2016, the number of objectives has been clearly reduced. At present, the Ministry for Foreign Affairs does not have in use an information system which could be used to systematically compile and categorise the results of the development cooperation to support the advocacy work and in the related reporting.

In the report, the National Audit Office recommended focusing on a limited number of development cooperation goals that are as clear and concrete as possible, as well as measurable. In addition, the Ministry for Foreign Affairs should develop its data systems in such a manner that they can be effectively utilised in the compilation of the results of the development cooperation, in related reporting and in development efforts.

Attention has been drawn to the large number of development policy objectives

6.4 Administrative branch of the Ministry of Justice

State of the administration on the basis of the financial audits

Accounting office	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
MINISTRY OF JUSTICE	●		●	●	●	●	●
Legal Register Centre				●	●	●	●
Criminal Sanctions Agency				●	●	●	●
Prosecution Service				●	●	●	●
Enforcement Service				●	●	●	●

Figure 15: Summary of the financial audits

The adverse opinion on regularity contained in the financial audit report on the Ministry of Justice concerned the appropriation under item 25.01.29 (Value added taxes of the administrative branch of the Ministry of Justice, variable appropriation) has been used for paying an expenditure of EUR 44,744 belonging to item 25.10.50 (Compensations paid to private legal aid attorneys, variable appropriation). This is in violation of the state budget.

The conclusion was that there are deficiencies in the internal control concerning the allocation of expenditure to the budget year in the Ministry of Justice and that the ministry should take action as a result.

The state of performance guidance was assessed as part of the financial audit on the basis of the setting of economic efficiency and productivity targets for the administrative branch of the Ministry of Employment and the Economy and the true and fair final account information on them. All accounting offices in the administrative branch were found to have sufficient targets and to report true and fair information.

6.5 Administrative branch of the Ministry of the Interior

State of the administration on the basis of the financial audits

	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
Accounting office							
MINISTRY OF THE INTERIOR							
ICT Agency HALTIK					●	●	●
Emergency Response Centre Administration				●	●	●	●
Finnish Immigration Service	●	●	●	●	●	●	●
Emergency Services College				●	●	●	●
National Police Board	●		●	●	●	●	●
Finnish Border Guard				●	●	●	●
Finnish Security Intelligence Service							

Figure 16: Summary of the financial audits

The adverse opinion on regularity contained in the financial audit report on the Finnish Immigration Service concerned the allocation of expenditure and expenditure adjustments to the budget year. The adverse opinion on regularity contained in the financial audit report on the National Police Board concerned the processing of revenue on an expenditure item in violation of the state budget and section 3a of the State Budget Act.

Except for the ministry itself, all other accounting offices in the administrative branch provided chargeable services. These accounting offices also presented true and fair information on these activities.

The deficiencies in internal control concerned balance sheet items and chargeable services under public law, as well as compliance with the state budget and the reimbursement procedures concerning reception activities.

The state of performance guidance was assessed as part of the financial audit on the basis of the setting of economic efficiency and productivity targets for the administrative branch of the Ministry of the Interior and the true and fair final account information on them. The conclusion was that all accounting offices in the administrative branch are guided by adequate targets and base their reporting on true and fair information, except for the Ministry of the Interior, the Finnish Security Intelligence Service and the ICT Agency HALTIK.

6.6 Administrative branch of the Ministry of Defence

State of the administration on the basis of the financial audits

Accounting office	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
MINISTRY OF DEFENCE				●		●	●
Construction Establishment of Defence Administration				●	●	●	●
Finnish Defence Forces					●	●	●

Figure 17: Summary of the financial audits

According to the financial audits, the state budget and the key budget provisions have been complied with in all accounting offices of the administrative branch.

The Finnish Defence Forces and the Construction Establishment of Defence Administration provide chargeable services and the opinion of the National Audit Office was that both had presented true and fair information on the services in their final accounts.

The state of performance guidance was assessed as part of the financial audit on the basis of the setting of economic efficiency and productivity targets for the administrative branch of the Ministry of Defence and the true and fair final account information on them. The conclusion was that the Ministry of Defence and the Construction Establishment of Defence Administration are guided by adequate targets and base their reporting on true and fair information. When the assessment also includes productivity, only the Construction Establishment of Defence Administration had proper performance guidance arrangements.

6.7 Administrative branch of the Ministry of Finance

State of the administration on the basis of the financial audits

Accounting office	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
MINISTRY OF FINANCE						●	●
State Department of Åland						●	●
Regional State Administrative Agency						●	●
Financial Stability Authority						●	●
Statistics Finland				●	●	●	●
Finnish Customs				●	●	●	●
State Treasury						●	●
VATT Institute for Economic Research					●	●	●
Finnish Government Shared Services Centre for Finance and HR		●	●	●	●	●	●
Government ICT Centre Valtori			●			●	●
Finnish Tax Administration				●	●	●	●
Population Register Centre				●	●	●	●

Figure 18: Summary of the financial audits

According to the financial audits, the state budget and the key budget provisions have been complied with in all accounting offices of the administrative branch.

The deficiencies in internal control in the Government Shared Services Centre for Finance and HR concerned customer service processes. These deficiencies also resulted in a reporting obligation. The deficiencies in internal control in the Government ICT Centre Valtori concerned keeping of accounts.

The state of performance guidance was assessed on the basis of the setting of productivity and economic efficiency targets for the administrative branch of the Ministry of Agriculture and Forestry and the true and fair final account information on them. The conclusion was that in the administrative branch of the Ministry of Finance, there were five accounting offices that are guided by adequate targets and base their reporting on true and fair information: Finnish Customs, the Finnish Tax Administration, the Population Register Centre, Statistics Finland and the Government Shared Services Centre for Finance and HR.

The steering of the administrative branch requires further attention

On the basis of the follow-up to the performance audit concerning the steering system in the administrative branch of the Ministry of Finance (9/2014), no significant improvements have taken place in the steering system compared to the situation of the audit. Main title-level targets have been set in the state budget to support the overall steering of the administrative branch of the Ministry of Finance, but the comprehensive strategy for the administrative branch referred to in the audit recommendations has not been prepared. However, the setting of targets in the state budget has been developed towards a more hierarchical direction, and the reporting of the achievement of the targets has been improved. Nevertheless, the Ministry of Finance has not re-assessed its organisation from the perspective of steering, and the performance guidance of the operating units has not been developed to better serve the achievement of the higher-level targets.

The setting of targets that are material in terms of the steering has improved

Finnish Tax Administration has improved its services

The audit 1/2017 focused on the assessment of how successful are the structural reforms implemented in the Finnish Tax Administration from the perspective of performance. Over the past ten years, structural reforms have been introduced in the Tax Administration and they have been justified with the need to improve efficiency and quality of operations. The organisation has been made into a one-tier organisation and the numbers of staff and tax offices have been reduced. In addition, the Tax Administration has invested in electronic systems and extended its services to cover the entire country.

The structural reforms in the Finnish Tax Administration have been amply justified with changes in the operating environment and the legislation concerning the powers of the tax authorities. The Finnish Tax Administration gave adequate consideration to its strategic development targets as part of its performance management during the restructuring process. The measures implemented through these legislative changes help the Finnish Tax Administration to achieve its strategic development objectives and, consequently, to improve its operational performance. However, the targeted improvements were not described in sufficient detail in the Government proposals.

The Government failed to consider the proposal of the Finance Committee on monitoring the impacts of the reform and on reporting on it to Parliament. The detailedness of the final central government accounts and the Government's annual reports has varied and therefore it was not possible to have a complete picture on the development of the operations. The quality of reporting in the Government's annual reports should be improved and attention should be paid to the reporting to Parliament. The monitoring activities of the Ministry of Finance have been sufficient.

On the basis of the audits, the structural reforms have helped the Finnish Tax Administration to improve its effectiveness, productivity, economic efficiency and service capacity, as well as the quality of its operations. However, the Tax Administration has been unable to determine the impacts of the structural reforms on the development, and the real impact of the reforms on different performance factors is not clear from the reports.

The audit revealed that no clear plan had been prepared on the monitoring and reporting of the impacts of the reforms when preparing the structural reforms. When major structural reforms in the public administration are prepared, there should be clear plans and decisions on how the achievement of the targeted performance improvements is monitored and reported. Major structural reforms in the public administration must be based on detailed information on the anticipated impacts of the reforms on operations and operational performance.

Structural reforms have been implemented to react to changes in the operating environment

The economic efficiency and productivity of the Tax Administration have improved

The monitoring of the achievement of reform objectives should be performed in a more systematic manner

Risks must also be considered in the reform of tax audit information systems

The follow-up to the implementation of the recommendations given in the performance audit concerning tax auditing activities of the Finnish Tax Administration (5/2013) revealed that there has been progress in the tax auditing activities. The organisational position of tax auditing has changed so that tax auditing is no longer performed in a separate unit but it is now part of the Corporate Taxation Unit and tax control activities. A real-time auditing model has been taken into use in tax auditing, and the Finnish Tax Administration is currently in the process of deploying a shared information system. These changes provide new opportunities to improve the performance of tax auditing activities; however, there are some risks involved in them.

The performance targets concerning tax auditing are still insufficient in terms of creating adequate prerequisites to verify the actual developments in the performance of tax auditing activities.

Productivity targets should better support the monitoring of the performance

The efficiency of complaint processing has improved in the Regional State Administrative Agencies

In the audit concerning the improvement of complaint processing in the Regional State Administrative Agencies (20/2016), the National Audit Office concluded that the key figures describing the productivity and economic efficiency of complaint processing are quite reliable and comparable. However, they are hardly ever used as performance management tools. In addition, the transition to electronic processing of administrative complaints has not progressed as planned. An amendment to the Administrative Procedure Act that entered into force in 2014 and amendments to the Act on the Status and Rights of Patients and the Act on the Status and Rights of Social Welfare Clients that entered into force in 2015 have improved the efficiency of complaint processing. According to the audit, the opportunities of the Regional State Administrative Agencies to improve the cost-effectiveness of complaint processing are good. However, the Regional State Administrative Agencies should still improve the utilisation of key figures in the Agencies' performance management. The findings of this audit will be useful when the tasks of the Regional State Administrative Agencies are transferred to the central government permit and supervisory authority in connection to the health, social services and regional government reform.

6.8 Administrative branch of the Ministry of Education and Culture

State of the administration on the basis of the financial audits

Accounting office	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
MINISTRY OF EDUCATION AND CULTURE			●			●	●
Centre for International Mobility CIMO						●	●
National Archives						●	●
National Board of Antiquities				●		●	●
National Board of Education						●	●
Academy of Finland				●		●	●
Governing Body of Suomenlinna				●	●	●	●

Figure 19: Summary of the financial audits

According to the financial audits, the state budget and the key budget provisions have been complied with in all accounting offices of the administrative branch.

Five accounting offices provided chargeable services. Except for the Governing Body of Suomenlinna, the accounting offices providing chargeable services presented true and fair information on their chargeable services and their results for the budget year.

The internal control deficiencies of the Ministry of Education and Culture concerned the control of information systems.

The state of performance guidance was assessed as part of the financial audit on the basis of the setting of economic efficiency and productivity targets for the administrative branch of the Ministry of Education and Culture and the true and fair final account information on them. The conclusion was that in the administrative branch, only the Governing Body of Suomenlinna has adequate performance guidance. When the corresponding assessment is made on the basis of economic efficiency targets and the true and fair information on them, there is adequate performance guidance in the Academy of Finland, National Board of Antiquities and the Governing Body of Suomenlinna. There have been no changes to the situation from the previous years.

6.9 Administrative branch of the Ministry of Agriculture and Forestry

State of the administration on the basis of the financial audits

Accounting office	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
MINISTRY OF AGRICULTURE AND FORESTRY	●		●			●	●
Finnish Food Safety Authority Evira	●			●		●	●
Natural Resources Institute Finland				●	●	●	●
National Land Survey of Finland	●	●	●	●	●	●	●
Agency for Rural Affairs				●		●	●

Figure 20: Summary of the financial audits

The adverse opinion on regularity contained in the financial audit report on the Ministry of Agriculture and Forestry concerned using the appropriation under item 30.20.47 (Development of the national food chain, three-year deferrable appropriation in the 2014 state budget) for paying expenditure totalling EUR 183,500 belonging to the year 2017. This is in violation of the state budget and section 5a of the State Budget Decree. Another adverse opinion concerned using the appropriation under item 30.20.47 (Development of the national food chain, three-year deferrable appropriation in the 2014 state budget) for paying expenditure totalling EUR 57,648 belonging under item 30.01.21 (International cooperation, two-year deferrable appropriation in the 2015 state budget). This is in violation of the state budget.

The adverse opinion on regularity contained in the financial audit report on the Finnish Food Safety Authority Evira concerned using the appropriation under item 30.01.21 (International cooperation, three-year deferrable appropriation in the 2015 state budget) for paying a total of EUR 32,785 of salary expenses of civil servants. This is in violation of the state budget.

The adverse opinion on regularity contained in the financial audit report on the National Land Survey of Finland concerned the deposit of funds to a banking institution without the authorisation of the State Treasury in violation of section 33 of the State Budget Decree and revenue accounting procedures in violation of section 44 of the State Budget Decree.

There were three accounting offices in the administrative branch providing chargeable services and all of them were considered to have provided true and fair information on these services.

Two accounting offices in the administrative branch of the Ministry of Agriculture and Forestry were found to have such deficiencies in internal control that require measures on the part of these offices. The deficiencies concerned the application procedures for discretionary government transfers and the organisation of accounting.

The state of performance guidance was assessed as part of the financial audit on the basis of the setting of economic efficiency and productivity targets for the administrative branch of the Ministry of Agriculture and Forestry and the true and fair final account information on them. The conclusion was that in the administrative branch, the National Land Survey of Finland and the Natural Resources Institute Finland have adequate performance guidance. When the corresponding assessment is made only on the basis of economic efficiency targets and the true and fair information on them, there was adequate performance guidance in all accounting offices, except for the ministry itself.

6.10 Administrative branch of the Ministry of Transport and Communications

State of the administration on the basis of the financial audits

Accounting office	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
MINISTRY OF TRANSPORT AND COMMUNICATIONS					●	●	●
Finnish Meteorological Institute					●	●	●
Finnish Transport Agency	●	●	●		●	●	●
Finnish Transport Safety Agency					●	●	●
Finnish Communications Regulatory				●	●	●	●

Figure 21: Summary of the financial audits

The adverse opinion on regularity contained in the financial audit report on the Finnish Transport Agency concerned the allocation of expenditure to the budget year. The reporting obligation contained in the financial audit report on the Finnish Transport Agency concerned deficiencies in internal control.

The information on chargeable services was considered true and fair in all four accounting offices providing chargeable services.

The financial audit of the Finnish Transport Agency revealed internal control deficiencies in accounting practices and chargeable services under public law.

The state of performance guidance was assessed as part of the financial audit on the basis of the setting of economic efficiency and productivity targets for the administrative branch of the Ministry of Transport and Communications and the true and fair final account information on them. The conclusion was that the Finnish Communications Regulatory Authority is guided by adequate targets and bases its reporting on true and fair information. However, the financial audit showed that in terms of productivity, performance guidance functions properly in all accounting offices of the administrative branch.

6.11 Administrative branch of the Ministry of Employment and the Economy

State of the administration on the basis of the financial audits

	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
Accounting office							
MINISTRY OF EMPLOYMENT AND THE ECONOMY	●	●	●				
Development and Administrative Centre for ELY Centres and TE Offices	●	●	●			●	●
Energy Authority						●	●
Geological Survey of Finland						●	●
Tekes - the Finnish Funding Agency for Innovation	●		●	●	●	●	●
Finnish Competition and Consumer Authority					●	●	●
Finnish Patent and Registration Office				●	●	●	●
Finnish Safety and Chemicals Agency (Tukes)						●	●

Figure 22: Summary of the financial audits

The adverse opinion on regularity contained in the financial audit report on the Ministry of Employment and the Economy concerned the use of an appropriation in a manner that was in violation of the budget. A total of EUR 25,000 of the appropriation under item 32.01.01 (Operating expenditure of the Ministry of Employment and the Economy, two-year deferrable appropriation) has been used for paying transfers. This is in violation of the state budget. A total of EUR 677,847 of the appropriation under item 32.20.41 (Discretionary government transfers for promoting growth and internationalisation of companies, three-year deferrable appropriation in the 2015 state budget) has been used for funding a central government agency development project. This is in violation of the state budget.

The financial audit report on Tekes – the Finnish Funding Agency for Innovation contained a caution which concerned paying expenditure belonging to item 32.60.40 (Energy subsidies, variable appropriation) from item 32.20.40 (Support for research, development and innovation activities, variable appropriation). This is in violation of the state budget.

The financial audit report on the Development and Administration Centre for the ELY Centres and TE Offices contained several adverse opinions which concerned using appropriations in violation of the state budget and certain accounting procedures.

A total of EUR 26,236 in expenditure that should have been allocated to 2017 have been allocated to 2016 under item 32.01.20 (Non-military service, variable appropriation). This is in violation of the state budget and section 5a of the State Budget Decree. Using the procedure, the Centre for Economic Development, Transport and the Environment for South Savo has carried over an appropriation in violation of section 7 of the State Budget Act.

The expenditure waiting to be entered on the budget account includes a total of EUR 777,602 in advance payments paid that under the state budget and section 5a of the State Budget Decree should have been entered as expenditure for the year 2016 under item 32.70.30 (State compensation to municipalities, variable appropriation).

The appropriation on item 35.10.20 on item (Combating of environmental pollution, two-year deferrable appropriation) has been used for paying transfer expenditure (EUR 297,946), which is in violation of the budget.

The appropriation on item 32.30.45 (Support for business development projects, variable appropriation) has been used for paying business development subsidies to projects started prior to the application for support in violation of section 15(2) of the Act on Discretionary Government Transfers for Developing Entrepreneurial Activities (1336/2006), and costs in violation of the specific conditions laid down in the support decision have been accepted as eligible costs in violation of section 17 of the same act. Furthermore, accounting vouchers related to discretionary government transfers have not always been archived as required in section 46 of the State Budget Decree.

Three accounting offices in the administrative branch of the Ministry of Employment and the Economy were found to have such internal control deficiencies that require measures on the part of the accounting offices. The deficiencies concerned compliance with the state budget, granting of certain types of subsidy and internal control of chargeable services under public law.

The state of performance guidance was assessed on the basis of the setting of economic efficiency and productivity targets for the administrative branch of the Ministry of Employment and the Economy and the true and fair final account information on them. The conclusion was that Tekes – the Finnish Funding Agency for Innovation and the Finnish Patent and Registration Office are guided by adequate targets and base their reporting on true and fair information.

Structural fund programmes have had a positive impact on employment

According to the audit on the effectiveness of structural fund programmes (21/2016), structural fund programmes have helped to reduce unemployment and increase the number of jobs. The number of unemployed was reduced particularly in areas where the aid had grown manifold. In addition, the programme administration has been improved, which in turn has resulted in cost savings. However, the monitoring of the programmes has not been enough thorough or informative. The audit focused on the employment and income impacts of the European Regional Development Fund in the programming period 2007–2013.

Structural fund programmes have reduced unemployment

Development of the processing of business subsidies requires improvement of the monitoring activities' knowledge base

In connection with the regional government reform, the processing of business subsidies is transferred to regions. The overall steering and strategic development of growth services (such as management of employment and promotion of prerequisites for business) should belong to the Ministry of Employment and the Economy. With respect to growth services provided with funding from the EU's structural fund programmes, the Ministry of Employment and the Economy could supervise the activities in the capacity of a managing authority and a certifying authority. According to the audit on the cost-effectiveness of the processing of business subsidy decisions at ELY Centres (19/2016), improvement of the processing of business subsidies requires that the knowledge base utilised in the monitoring of business subsidies is reliable, that the development activities are based on verifiable key indicators and that the reporting is focused on the achievement of the performance targets.

Subsidising wind power is not cost-effective from the perspective of the central government finances

According to the audit on the wind power feed-in tariff, a feed-in tariff based on target prices is an expensive way to increase the proportion of renewable electricity in electricity production. Although it is likely that the targeted combined nominal capacity of 2,500 megawatt amperes of wind power plants referred to in the Act on Production Subsidy for Electricity Produced from Renewable Energy Sources (1396/2010) will be achieved, the cost-effectiveness of the subsidy will still remain weak as long as the market price of electricity remains low. Based on the current price trends, the subsidy expenditure is estimated to rise to EUR 2–3 billion between 2017 and 2030. The proportion of wind power from the total production will remain at around 3.5% even after the support measures and production increase and under 3% of the overall electricity consumption.

For electricity producers, feed-in tariff is a secure source of subsidy but from the perspective of the management and steering of central government expenditure, it is an inflexible arrangement. During the subsidy period, it will be nearly impossible to review the scheme from the perspective of its costs and appropriateness if the operating environment changes. When preparing government subsidy schemes, cost-effectiveness targets should be determined for the subsidy, and mechanisms that enable the steering of the scheme during the subsidy period should be included in the schemes. Consideration should also be given to the option whereby the subsidy scheme will not be implemented at all.

The wind power feed-in tariff is an expensive and rigid scheme

6.12 Administrative branch of the Ministry of Social Affairs and Health

State of the administration on the basis of the financial audits

Accounting office	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
MINISTRY OF SOCIAL AFFAIRS AND HEALTH	●		●	●	●	●	●
Finnish Medicines Agency				●	●	●	●
National Supervisory Authority for Welfare and Health				●	●	●	●
Radiation and Nuclear Safety Authority				●	●	●	●
National Institute for Health and Welfare				●	●	●	●

Figure 23: Summary of the financial audits

The adverse opinion on regularity contained in the financial audit report on the ministry concerned using a total of EUR 1.2 million of the appropriation under item 33.60.40 (State funding for ambulance helicopter activities, three-year deferrable appropriation) for first aid research and development work in violation of the state budget and not considering the statutory compensations for patient transports as deductions when determining the final expenditure arising from ambulance helicopter services that is used as a basis for discretionary government transfers in violation of section 6 of the Act on Discretionary Government Transfers.

The caution on internal control included in the audit report on the ministry concerned procedures related to the granting of business subsidies and budgeting.

6.13 Administrative branch of the Ministry of the Environment

State of the administration on the basis of the financial audits

Accounting office	Adverse opinion on regularity	Reporting obligation	Cautions on internal control	Adequate performance targets		True and fair information	
				Economic efficiency	Productivity	Economic efficiency	Productivity
MINISTRY OF THE ENVIRONMENT	●					●	●
Housing Finance and Development Centre of Finland	●					●	●
Finnish Environment Institute					●	●	●

Figure 24: Summary of the financial audits

The adverse opinion on regularity contained in the financial audit report on the ministry concerned using a total of EUR 1,753,724 of the appropriations under items 35.10.20 (Certain nature protection expenditure, three-year deferrable appropriation in the 2015 state budget) and 35.10.22 (Certain environmental expenses, three-year deferrable appropriation in the 2014 state budget) for paying transfers. This is in violation of the state budget.

The adverse opinion on regularity contained in the financial audit report on the Housing Finance and Development Centre of Finland concerned a total of EUR 20 million in expenditure that should have been allocated to the year 2016 under item 35.20.55 (Renovation grants, three-year deferrable appropriation) but have not been allocated.

A vibrant rainbow arches across a dramatic, cloudy sky, casting a soft glow over a vast, golden wheat field. The foreground is filled with the texture of ripe grain, while the background shows a dark line of trees under the heavy, overcast sky. The overall mood is one of natural beauty and tranquility, despite the stormy weather.

Long-term change processes
require monitoring

7 Monitoring of the positions adopted by Parliament

The National Audit Office monitors the measures arising from its reports to Parliament. In addition, the National Audit Office also monitors the implementation of the reporting obligations laid down in positions adopted by Parliament.

Positions adopted by Parliament deal with matters in which the process of introducing changes is often slow. At the same time, the positions usually pertain to issues that are highly significant in terms of society at large. For this reason, the National Audit Office also monitors the implementation of the issues set out in the positions after the Government has submitted the reports requested by Parliament. The positions adopted by Parliament concern specific issues and thus do not form an overall picture on the basis of which the developments in public administration could be assessed.

The numbers of the positions listed below refer to the numbering of the register of parliamentary resolutions. The total number of positions exceeds significantly the number of positions presented here. This report covers only the positions relevant to the operations of the National Audit Office.

Table 4: The National Audit Office monitors the measures implemented on the basis of the positions adopted by Parliament

Position 1/2015

K 9/2015 vp - K 15/2015 vp - EK 26/2015 vp

Development of the Government's annual reporting

Parliament calls for the Government to develop its annual reporting, giving consideration to the points of view already presented in the report. The material contained in the annual report should be more reader-friendly and informative and contain analytical information on the effectiveness of the activities and operating changes, especial societal effectiveness and the achievement of the targets set. The annual report must be a smoothly functioning part of the central government planning and monitoring system, which requires clearer target-setting in the drafting of the state budget.

Monitoring results

The National Audit Office audits the final central government accounts and the Government's annual report each year and submits a separate report on its audit to Parliament. Based on the financial audits, the Government's annual reporting has improved. The annual report now better explains the performance and effectiveness of the operations and the achievement of the set targets. The structure of the report is also more cohesive and compact.

The issue concerning the setting of targets has not improved. According to the 2016 Government's annual report, the issue will be addressed in connection with the General Government Fiscal Plan 2018–2021 and the 2018 state budget proposal to be submitted to Parliament in autumn 2017.

Position 93

K 12/2014 vp - K 16/2014 vp - EK 37/2014 vp

Assessment of important ICT projects

Parliament calls for the Government to assess the results, costs and productivity benefits of important ICT projects as part of the monitoring of the project portfolio and to report on the results to Parliament.

Monitoring results

In its annual report for 2016, the Government has briefly described the results of the monitoring of the targeted benefits. So far, the monitoring of the project portfolio has not revealed any significant productivity benefits. The audits carried out by the National Audit Office on the operational reliability in a digitising society have revealed issues concerning the estimation of costs related to the preparing for threats. There is room for development particularly in risk management and cost-benefit assessments.

Position 2/2015

K 9/2015 vp - K 15/2015 vp - EK 26/2015 vp

Combating of the shadow economy

Parliament calls for the Government to provide Parliament with a report by the end of 2016 on the measures the Government has taken to improve the exchange of information between authorities in terms of combating the shadow economy and in general.

Position 5/2016

K 10/2016 vp, K 15/2016 vp - EK 14/2016 vp

Parliament calls for the Government to include in the policy programme the projects with key significance in terms of combating of the shadow economy and to ensure sufficient resources required to implement the projects.

Monitoring results

In spring 2017, the National Audit Office completed its follow-up to the audit in the programmes for combating the shadow economy and coordinating the work (4/2015). On the basis of the follow-up, the activities of the Government and the management group for combating the shadow economy have complied with the audit recommendations and the positions adopted by Parliament. The strategy for combating the shadow economy published in 2016 aims to ensure the continuity of the operations beyond one parliamentary term. Furthermore, the programme for combating the shadow economy takes better account of the monitoring of the impacts of the project activities.

18

performance audit reports

Separate report on the audit of the final central government accounts 2016 and the Government's annual report

NAOF's report on its activities to the 2016 parliamentary session

4

reports to Parliament

68

financial audits and audit reports

11

follow-ups

Interim Report on Fiscal Policy Evaluation for the Parliamentary Term of 2015-2018

2

compliance audits

Report on the monitoring of the funding of political parties in 2016

8 Work and effectiveness of the National Audit Office

The National Audit Office is Finland's supreme external audit institution and its position is laid down in section 90 of the Constitution of Finland. It operates independently in affiliation with Parliament. The National Audit Office audits central government finances, evaluates fiscal policy and monitors political party and election campaign funding. The aim of the National Audit Office is to ensure that the principles of the public administration, rule of law, democracy are adhered to. The work of the National Audit Office, its achievements, opinions and recommendations generate added value for Finnish society and has an impact on the management of Finland's general government finances. The National Audit Office carries out fiscal policy, compliance, financial and performance audits.

The aim of the National Audit Office is to create a basis for sustainable renewal of general government finances and public administration. The National Audit Office has been able to achieve the external effectiveness and performance targets set for the Office, and the overall effectiveness of the Office is very good. In terms of the supervisory powers of Parliament and the duties of the National Audit Office, it would be appropriate that Parliament could utilise audits performed by the National Audit Office to oversee the operation of regions with respect to the use of state funding once the foreseen regional government reform is implemented. In its capacity of external professional auditor of central government finances, the National Audit Office could also produce objective and independent information about regional finances and operations to Parliament.

In its capacity of external professional auditor, the task of the National Audit Office is to produce independent information



Figure 25: Duties and management guidelines of the National Audit Office

The aim of the National Audit Office is to promote sustainable renewal of general government finances and public administration

The aim of the National Audit Office is to promote effective and high-quality management of central government finances and to create prerequisites for sustainable renewal of general government finances and public administration.

The National Audit Office performs this task by producing information and by participating in public debate. The Office aims to provide timely information to meet any current information needs. In the audits, the issues are examined from a development-oriented and increasingly future-oriented perspective. The National Audit Office uses multiple channels to inform the various target groups of its audits. The communication activities aim to take account of the information needs and reachability of the main target groups.

The trend is to support sustainable renewal of general government and public administration

In Parliament and central government, most of the information on audit findings is obtained directly from the audit reports. Central government also uses the work of the National Audit Office more versatile than other stakeholders.

Media is an important source of information for other stakeholders. Based on the media monitoring, most of the media hits associated with the National Audit Office are neutral. The aim of the media communications activities of the National Audit Office is to highlight the most significant findings for public debate. By conducting audits, the Office also strengthens citizens' trust in central government. The stakeholder communications activities highlight the recommendations related to audit findings, scenarios for the future and interaction. Social media contents highlight topical issues and help to build the organisational image of the National Audit Office.

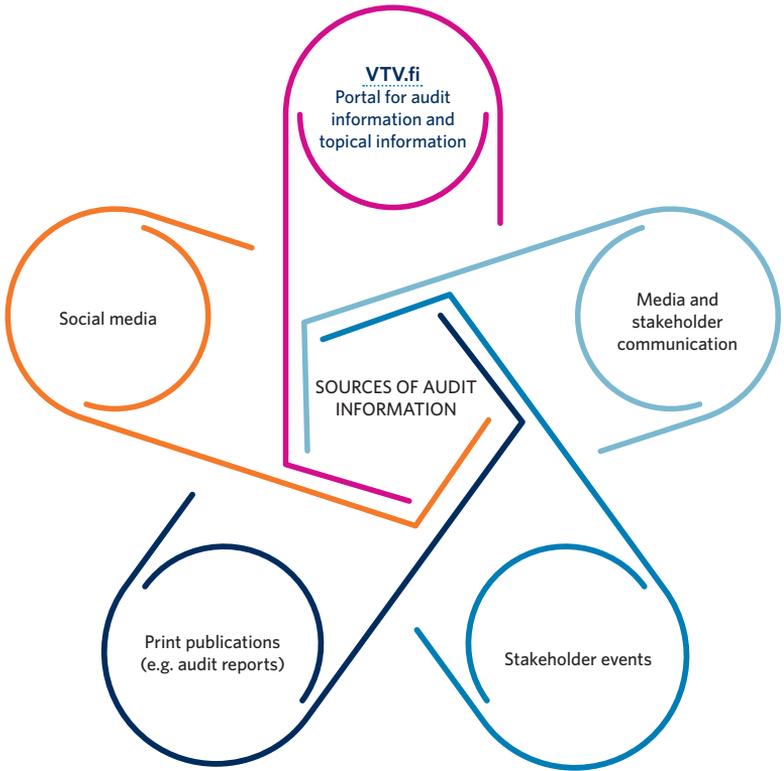


Figure 26: Sources of audit information

The independent information generated by the National Audit Office on the basis of its audit activities is important for societal debate. Digitalisation of the audit processes enables utilising more extensive data sources along with the automation of the data processing and data analysis.

Based on the 2015 stakeholder survey, the National Audit Office has improved its feedback practices towards a more systematic direction, and the Office has also introduced a feedback survey which is now systematically used after each audit. The National Audit Office also continues its efforts to develop interaction during audits, to make its conclusions more feasible and to ensure the materiality of its audit findings.

During the last year, the National Audit Office has focused its internal communication efforts particularly on change communication due to moving to new premises. The move was facilitated by organising open workshops for the staff, by increasing staff communications, by improving communication between the management and supervisors and the staff, and by introducing other opportunities for interaction. The operating processes and rules related to the move and settling to the new premises have been developed together with the staff.

The National Audit Office assesses the national implementation of sustainable development targets

A total of 17 sustainable development goals (SDGs) have been a central theme in the international cooperation between supreme audit institutions. In its capacity as Second Vice-President of EUROSAI (European Organisation of Supreme Audit Institutions) between 2014 and 2017, the National Audit Office has actively encouraged audit institutions to support the UN in the monitoring of the national implementation of the goals. The National Audit Office has contributed to the preparation of the new strategy for EUROSAI and produced content for the 10th congress of EUROSAI.

The National Audit Office has coordinated the preparations of EUROSAI to the congress of INTOSAI, the international umbrella organisation of supreme audit institutions, in which covered the theme of sustainable development in December 2016. The supreme audit institutions play an important role in the assessment of the implementation of the sustainable development goals at national level. They can audit the national prerequisites for implementing sustainable development goals and carry out audits focusing on the theme of sustainable development. The sustainable development goal 16 is closely connected with the sector of the National Audit Office as it includes the building of effective, accountable

Building of effective, accountable and transparent institutions is one of the sustainable development goals

and transparent institutions. The National Audit Office can promote the achievement of the goal by issuing recommendations for the development of good governance and financial management in the public sector and by setting an example as an effective and transparent auditing institution.

As part of the cooperation between audit institutions in the European Union, the National Audit Office participates in three parallel audits, in which the following themes were reviewed: risks to fiscal sustainability, national banking supervision as part of the Single Supervisory Mechanism and the impact of structural funds on the implementation of the EU2020 strategy. The National Audit Office promotes the implementation of transparency, responsibility and openness in economic policy coordination in the EU. Through the parallel audits, the National Audit Office has continued to monitor banking supervision and pointed out that it does not have the right to audit the operations of the Financial Supervisory Authority, which is affiliated to the Bank of Finland. Finland chairs the Network on Fiscal Policy Audit of national audit offices of the EU.

The National Audit Office produces objective information to Parliament within its auditing rights

The provisions on the auditing rights of the National Audit Office are laid down in the Act on the National Audit Office (676/2000).

In connection with its statement on the Government proposal to Parliament for the legislation concerning the establishment of regions and on the health and social services reform (HE 15/2017) that in terms of the supervisory powers of Parliament and the duties of the National Audit Office, it would be appropriate that Parliament could utilise the services of the National Audit Office to oversee the operation of regions with respect to the use of state funding. According to the Government proposal, the National Audit Office would continue to have the right to perform audits to ensure that regional finances and the finances of the organisations and foundations belonging to the regional organisation referred to in section 4 of the Act on Regions are properly managed and in compliance with the law. Furthermore, according to the Government proposal, the National Audit Office would also have the right to perform audits to ensure that the finances of the organisations, foundations and agencies outside the regional organisation referred to in section 4 of the Act on Regions are properly managed and in compliance with the law, insofar as the finances relate to the provision of services under the financing responsibility of regions or to other activities of regions concerning their assets, contracts or financing.

Under the Government proposal, the scope of the National Audit Office's auditing rights covering regional operations would be extensive. The expansion of the scope of the auditing rights would be based on the fact that regional operations are foreseen to be mainly financed through state funding. This makes it appropriate that Parliament would have the right to utilise the auditing services of the National Audit Office to oversee the operation of regions with respect to the use of state funding. Thus, the expansion of the scope of the auditing rights of the National Audit Office would have a factual connection with the scope of duties of the National Audit Office laid down in section 90 of the Constitution of Finland. Expanding the scope of the auditing rights would not jeopardise the independence of the National Audit Office.

The National Audit Office could also produce objective and independent information about regional finances and operations to Parliament. In addition to Parliament, objective audit information on regions generated by the National Audit Office could also serve ministries and government agencies in the performance of their statutory duties. The National Audit Office could also perform assessments on the achievement of the overall targets of the reform and possible later changes.

In terms of the health, social services and regional government reform, it should also be considered that the Social Insurance Institution of Finland accounts for a significant proportion of the central government finances. Currently, the National Audit Office is also entitled to receive information from the Social Insurance Institution. If the scope of the auditing rights of the National Audit Office was also extended to the Social Insurance Institution, in its capacity of an external professional auditor, the Office could also provide essential information to Parliament about the finances of the Social Insurance Institution.

The scope of the auditing rights of the National Audit Office also determines which type of audit and control information the Office can produce for Parliament

National Audit Office assesses the implementation of its performance targets annually

The implementation of the National Audit Office’s performance targets for 2016 has been assessed by using the assessment of the departments and units of the National Audit Office and the stakeholder survey so that the assessment of external and qualitative targets would be balanced. The National Audit Office has laid out its performance targets in its 2017–2021 audit plan. The National Audit Office has been able to achieve the external effectiveness and performance targets set for the Office, and the effectiveness of the Office is very good. The National Audit Office has been able to achieve the internal performance targets well or fairly well. The achievement of the performance targets is described in the figure illustrating the monitoring of performance targets in 2016:

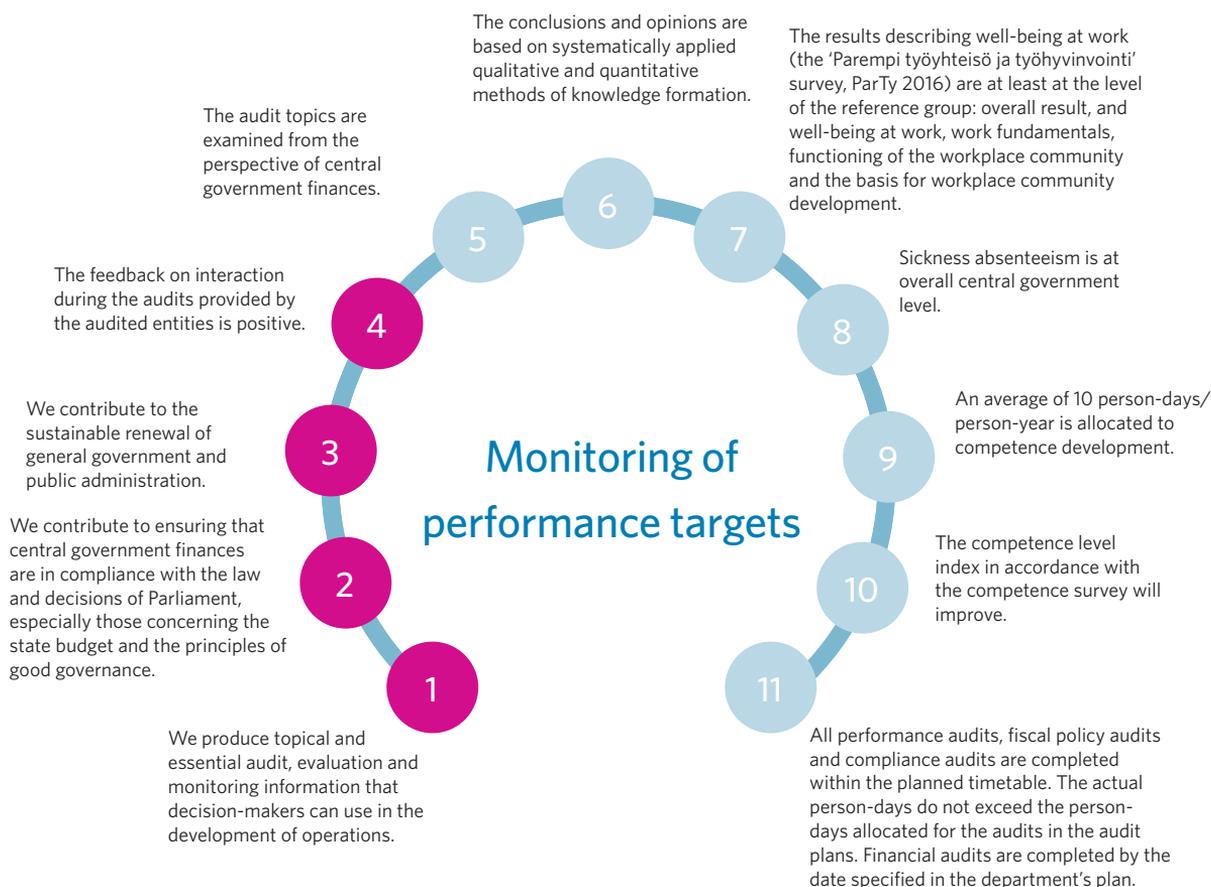


Figure 27: Monitoring of performance targets 2016

Audit reports 09/2016–08/2017

Reports to Parliament

R 17/2016 vp	National Audit Office's report on its activities to the 2016 parliamentary session
R 18/2016 vp	National Audit Office's separate report to Parliament: Interim Report on Fiscal Policy Evaluation for the Parliamentary Term of 2015–2018
R 1/2017 vp	National Audit Office's report to Parliament on the monitoring of the funding of political parties in 2016
R 9/2017 vp	National Audit Office's separate report to Parliament on the audit of the final central government accounts 2016 and the Government's annual report

Financial audit reports by administrative branch

67/53/16	Final central government accounts
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Office of the President of the Republic

6/53/16	Office of the President of the Republic
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Prime Minister's Office

7/53/16	Prime Minister's Office
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Administrative branch of the Ministry for Foreign Affairs

8/53/16	Ministry for Foreign Affairs
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Administrative branch of the Ministry of Justice

9/53/16	Ministry of Justice
194/53/16	Legal Register Centre
10/53/16	Criminal Sanctions Agency
163/53/16	Prosecution Service
175/53/16	Enforcement Service

Administrative branch of the Ministry of the Interior

11/53/16	Ministry of the Interior
12/53/16	ICT Agency HALTIK
13/53/16	Emergency Response Centre Administration
14/53/16	Finnish Immigration Service
15/53/16	Emergency Services College
16/53/16	National Police Board
17/53/16	Finnish Border Guard
18/53/16	Finnish Security Intelligence Service
68/53/16	Fire Protection Fund

Administrative branch of the Ministry of Defence

19/53/16	Ministry of Defence
20/53/16	Construction Establishment of Defence Administration
21/53/16	Finnish Defence Forces

Administrative branch of the Ministry of Finance

22/53/16	Ministry of Finance
23/53/16	State Department of Åland
24/53/16	Regional State Administrative Agency for Southern Finland
25/53/16	Financial Stability Authority
26/53/16	Statistics Finland
27/53/16	Finnish Customs
28/53/16	State Treasury
29/53/16	VATT Institute for Economic Research
30/53/16	Finnish Government Shared Services Centre for Finance and HR
31/53/16	Government ICT Centre Valtori
32/53/16	Finnish Tax Administration
33/53/16	Population Register Centre

Administrative branch of the Ministry of Education and Culture

34/53/16	Ministry of Education and Culture
35/53/16	Centre for International Mobility CIMO
36/53/16	National Archives
37/53/16	National Board of Antiquities
38/53/16	National Board of Education
39/53/16	Academy of Finland
40/53/16	Governing Body of Suomenlinna

Administrative branch of the Ministry of Agriculture and Forestry

41/53/16	Ministry of Agriculture and Forestry
42/53/16	Finnish Food Safety Authority
43/53/16	National Resources Institute Finland
44/53/16	National Land Survey of Finland
45/53/16	Agency for Rural Affairs

Administrative branch of the Ministry of Transport and Communications

46/53/16	Ministry of Transport and Communications
47/53/16	Finnish Meteorological Institute
48/53/16	Finnish Transport Agency
49/53/16	Finnish Transport Safety Agency
50/53/16	Finnish Communications Regulatory Authority
69/53/16	State Television and Radio Fund

Administrative branch of the Ministry of Employment and the Economy

51/53/16	Ministry of Employment and the Economy
52/53/16	Development and Administrative Centre for ELY Centres and TE Offices
53/53/16	Energy Authority
54/53/16	Geological Survey of Finland
55/53/16	Tekes - the Finnish Funding Agency for Innovation
56/53/16	Finnish Competition and Consumer Authority
57/53/16	Finnish Patent and Registration Office
58/53/16	Finnish Safety and Chemicals Agency

Administrative branch of the Ministry of Social Affairs and Health

59/53/16	Ministry of Social Affairs and Health
60/53/16	Finnish Medicines Agency
61/53/16	National Supervisory Authority for Welfare and Health
62/53/16	Radiation and Nuclear Safety Authority
63/53/16	National Institute for Health and Welfare

Administrative branch of the Ministry of the Environment

64/53/16	Ministry of the Environment
65/53/16	Housing Finance and Development Centre of Finland
66/53/16	Finnish Environment Institute
70/53/16	Finnish Oil Pollution Compensation Fund

Compliance audit reports

187/52/16	Business subsidies
188/52/16	Current state of internal control and risk management in central government

Fiscal policy evaluation reports

10/2017	Fiscal policy evaluation report spring 2017
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Performance audit and follow-up reports by administrative branch

Prime Minister's Office

1/2016	Assessment of cross-sectoral impacts of statutes
5/2017	Steering and implementation of corporate social responsibility in state-owned companies Case: Arctia Ltd, Kemijoki Oy and Vapo Oy

Administrative branch of the Ministry for Foreign Affairs

6/2017	Multilateral development cooperation
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Administrative branch of the Ministry of Justice

18/2016	Reducing recidivism during and after punishment
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Follow-up reports

5/2014	Public legal aid
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Administrative branch of the Ministry of the Interior

Follow-up reports

14/2015	Programmes for combating the grey economy and coordinating the work
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Administrative branch of the Ministry of Defence

2/2016 Industrial participation in the HX fighter program

Administrative branch of the Ministry of Finance

20/2016 Cost-effectiveness of administrative complaint processing
(Regional State Administrative Agencies)
1/2017 Structural reforms in the Finnish Tax Administration
2/2017 Fiscal risks – international recommendations

Follow-up reports

5/2013 Success of tax auditing activities
9/2014 Steering system in the administrative branch of the Ministry of Finance
2/2015 Central government pay systems

Administrative branch of the Ministry of Education and Culture

Follow-up reports

8/2013 Special needs education in basic education

Administrative branch of the Ministry of Transport and Communications

Follow-up reports

233/2011 VR Group: State ownership steering and purchases of
passenger services

Administrative branch of the Ministry of Employment and the Economy

19/2016 Cost-effectiveness of the processing of business subsidy
decisions at ELY Centres
21/2016 Effectiveness of structural fund programmes
2/2017 Feed-in tariff as an instrument for subsidising wind power
3/2017 Encouraging business investments Overall assessment
4/2017 Encouraging business investments Views of four sectors
8/2017 Innovative public procurement procedures
9/2017 Implementation of innovation strategy in public procurement

Follow-up reports

8/2014 Dealing with youth unemployment

Administrative branch of the Ministry of Social Affairs and Health

1/2017	Trend projections for social security expenditure
11/2017	Frequent users of basic health care services
3/2017	Preventing children's mental health problems and supporting their wellbeing through school health care services

Follow-up reports

3/2015	Using technical assistive devices in services for older persons provided at home
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Administrative branch of the Ministry of the Environment

Follow-up reports

2/2014	Management of and responsibilities for oil spills from vessels in the Gulf of Finland
6/2014	Cyclical renovation grant scheme

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- 2 Digitalisation to support the development of public services, Press release of the Ministry of Finance of 3 February 2016
- 3 <http://vm.fi/prosessien-digitalisointi>
- 4 Government Resolution on Promoting Intelligent Automation and Robotisation, 2 June 2016
- 5 Government Resolution on the Utilisation of Data in Business, 19 May 2016
- 6 National Audit Office (2016): Steering of the Government Security Network. 14/2016, p. 12
- 7 Government Decree on Information Security in Central Government 681/2010; Government Information Security Management Board VAHTI (2010): Instruction on Implementing the Decree on Information Security in Central Government, 2/2010; Government Information Security Management Board VAHTI (2012): Requirements for ICT Contingency Planning, 2/2012
- 8 National Audit Office (2016): Steering of the Government Security Network, 14/2016, p. 27 and 33
- 9 National Audit Office (2017, to be published): Steering of the operational reliability of electronic services
- 10 Government Proposal to Parliament for legislation concerning the organisation of joint central government information and communications technology services, HE 150/2013, p. 17.
- 11 National Audit Office (2017, to be published): Organisation of cyber protection
- 12 National Audit Office (2017, to be published): Steering of the operational reliability of electronic services
- 13 National Audit Office (2017, to be published): Steering of the operational reliability of electronic services
- 14 National Audit Office (2017, to be published): Steering of the operational reliability of electronic services
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- 16 National Audit Office (2017, to be published): Organisation of cyber protection
- 17 Recommendation of the Government Financial Controller's Function on the common risk management policy for the central government, 3 May 2017 (VM/532/00.01.00.00/2015)
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- 19 National Audit Office (2016): Steering of the Government Security Network, 14/2016, p. 26 and 41
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- 25 Statement to the Ministry of Social Affairs and Health of 31 January 2017 on the draft legislation concerning freedom of choice (response to an electronic enquiry, registry no. 017/31/2017)
- 26 Statement of an expert to the Administration Committee of 27 March 2017 on the Government proposal to Parliament (HE 15/2017) for the legislation concerning the establishment of regions and the health and social services reform and on the giving of the notification referred to in Article 12 and 13 of the European Charter of Local Self-Government (theme: auditing of administration and finances, registry no. 138/32/2017)
- 27 Statement to the Ministry of Finance of 12 April 2017 on supplementing the draft legislation concerning regional finances (HE 15/2017) (registry no. 128/31/2017)
- 28 Statement of an expert to the Social Affairs and Health Committee of 19 April 2017 on the Government proposal to Parliament (HE 15/2017) for the legislation concerning the establishment of regions and the health and social services reform and on the giving of the notification referred to in Article 12 and 13 of the European Charter of Local Self-Government (theme: digitalisation, ICT services and information management, registry no. 157/32/2017)
- 29 Statement to the Ministry of Economic Affairs and Employment of 25 April 2017 on the Government proposal for the Act on Regional Development and Growth Services and for the Act on the Organisation of Growth Services in the Region of Uusimaa (response to an electronic enquiry, registry no. 118/31/2017)
- 30 Statement of an expert to the Social Affairs and Health Committee of 9 May 2017 on the Government proposal to Parliament (HE 15/2017) for the legislation concerning the establishment of regions and the health and social services reform and on the giving of the notification referred to in Article 12 and 13 of the European Charter of Local Self-Government (theme: financing of the health and social services reform, registry no. 178/32/2017)
- 31 Statement of an expert to the Audit Committee of 29 May 2017 on the Government proposal to Parliament for the legislation concerning the customer's freedom of choice in health and social services and amendment of section 2 of the Act on the National Audit Office (HE 47/2017) (theme: statements of the National Audit Office concerning the health and social services reform; financing, freedom of choice and digitalisation, registry no. 191/32/2017)
- 32 Statement of an expert to the Finance Committee of 7 June 2017 on the Government proposal to Parliament for the legislation concerning the customer's freedom of choice in health and social services and amendment of section 2 of the Act on the National Audit Office (HE 47/2017) (registry no. 193/32/2017)
- 33 Statement of an expert to the Administration Committee of 8 June 2017 on the Government proposal to Parliament for the legislation concerning the customer's freedom of choice in health and social services and amendment of section 2 of the Act on the National Audit Office (HE 47/2017) (theme: particularly freedom of choice but also its link to the regional government (democracy) in the proposed Act on Regions and the Act on Organising Health and Social Services, registry no. 196/32/2017)

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100

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