



**National Audit Office's separate report to Parliament
on the audit of the final central government accounts
for 2008 and the Report on the Final Central
Government Accounts**

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and the Report on the Final Central Government Accounts**

Edita Prima Oy
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To Parliament

The National Audit Office has audited the final central government accounts and the descriptions of central government finances and the financial management of the state as well as the effectiveness of activities in the Report on the Final Central Government Accounts, which has been submitted to Parlia-

ment as the Government's report on central government finances and compliance with the Budget according to section 46 of the Constitution, and on the basis of section 6 of the Act on the National Audit Office (676/2000) submits this separate report to Parliament on its audit.

Helsinki, 18 May 2009

Auditor General Tuomas Pöysti

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Main content

In the Report on the Final Central Government Accounts the Government has reported on the implementation of the measures called for by Parliament in parliamentary communications 11/2008 and 21/2008. Measures and their implementation have not been in line with what Parliament has called for in all respects, however.

The information on Parliament's social effectiveness that is provided in the Report on the Final Central Government Accounts does not give true and fair information in all respects on how well the social-policy objectives that have been set for the allocation of the state's resources have been achieved. On the basis of the special theme reports that were audited, a key objective – improving the usefulness of the Report on the Final Central Government Accounts – has not been achieved. A significant part of information does not meet Parliament's needs. Reporting is often limited to describing activities and lacks an analytical perspective focusing on effectiveness.

On the basis of the audit, the information in the Report on the Final Central Government Accounts concerning compliance with central government spending limits in fiscal year 2008 can be considered true. The economic and financial crisis underlines the significance of transparency in the spending limits procedure and its information base as well as Parliament's role in steering economic and fiscal policy. The 2009 Budget and the first supplementary budget have remained within spending limits although they include about three billion euros in stimulus measures. Stimulus measures focus on tax cuts, which are outside the scope of spending limits. Expenditure that is outside the scope of spending limits has also increased considerably.

The sustainability of central government finances and public finances in general should be examined as a whole, and it should be noted that the spending limits procedure does not in all respects link factors related to the sustainability of the Budget to operational objectives and their social effectiveness.

In the final central government accounts, limiting information concerning authorisations and the state's commitments to reporting at the state budget economy level makes it more difficult to form a true view of the state's financial position and risks.

The Report on the Final Central Government Accounts does not provide information on off-budget funds on the basis of which one can form a true and fair view of them. In order to improve the preconditions for Parliament's budgetary power, Parliament's access to information on off-budget funds should be increased. Provisions concerning off-budget funds should be revised so that the necessary information on funds' finances and activities is included in the Report on the Final Central Government Accounts.

In 2008 the findings that were made in audits of the steering systems in the administrative sectors of the Ministry of Justice and the Ministry of Social Affairs and Health draw attention to the need to focus on the utilisation of evaluation information and to develop the defining of objectives so that in setting objectives one can clearly see the objective level and the connection between appropriations, performance objectives and effectiveness objectives. Partial and interim objectives should be set for broad, long-term objectives.

The National Audit Office notes that the final central government accounts for 2008 have been prepared in such a way that they can be approved.

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1 Financial audit report on the audit of the final central government accounts for 2008

The National Audit Office issues this financial audit report on the audit of the final central government accounts for 2008. The audit was conducted by Financial Audit Principals Aila Aalto-Setälä and Sari Lakka. The audit was supervised by Assistant Auditor General Marjatta Kimmonen.

The audit was conducted in accordance with the National Audit Office's audit guidelines and concerned the final central government accounts as referred to in section 17 a of the State Budget Act and the provision of true and fair information with necessary notes as referred to in section 18 of the Act insofar as they concern the state budget economy. The audit thus included the budget implementation statement, the income and expenses statement, the balance sheet, the funds statement and notes as well as the central bookkeeping on which the information in the final central government accounts is based together with accounting guidelines and control. The audit also focused on procedures aimed at ensuring the unalterability and correctness of information in central bookkeeping and in preparing the final central government accounts.

The final central government accounts

The content and presentation of the financial statements in the final central government accounts and the accounting on which they are based have been examined to the extent

required to determine whether the financial statements in the final central government accounts and notes have been prepared correctly in essential respects.

According to the budget implementation statement, the appropriation in item 33.50.53 (State aid for rehabilitation for the wives of war invalids, 2-year transferable appropriation) was exceeded by 23,260 euros and the appropriation in item 28.60.03 (Pay expenses due to the state's personnel arrangements, 2-year transferable appropriation) by 32,236 euros. According to section 85:1 of the Constitution and section 7:3 of the State Budget Act, a transferable appropriation may not be exceeded.

Otherwise the financial statements in the final central government accounts have been prepared in the manner required by the State Budget Decree.

Note 11 (State budget economy's cash requirements and liquid assets) shows a correction to the cumulative surplus at the end of the previous fiscal year as a result of which 22,541,544.78 euros was added to the cumulative surplus on 1 January 2008. The information supplied in the final central government accounts (Note 11, State budget economy's cash requirements and liquid assets) concerning the technical nature of the difference or that after the correction the cumulative surplus corresponds to real cash assets cannot be verified by audit means. Since the cumulative surplus/deficit and changes in it come about on the basis of the implemen-

tation of the Budget decided by Parliament, in the opinion of the National Audit Office the cumulative surplus/deficit cannot be changed except by a decision of Parliament.

The information in Note 12 (Government guarantees, pledges and other commitments) contains errors and risks of errors. Information is compiled in the final central government accounts from information that is supplied by accounting offices. The note does not provide true and fair information on the amount of all the essential commitments included in its content.

Otherwise the notes to the final central government accounts have been presented in the manner required by the State Budget Decree.

The state's central bookkeeping has been arranged in accordance with the State Budget Decree.

On the basis of the audit, attention is drawn to the following shortcomings affecting the final central government accounts that came to light in the audit that have key significance for good accounting practice as referred to in section 14 of the State Budget Act and the principle of coherence included in it:

- 1 In connection with audits of accounting offices some gaps were observed in the allocation of expenditure to the fiscal year. In some cases allocation errors in budget bookkeeping have signified the lengthening of appropriations' period of use contrary to section 7 of the State Budget Act. Audits of accounting offices also revealed some procedures regarding the use of funds that were contrary to the Budget and section 5 of the State Budget Decree.
- 2 Audits of accounting offices revealed errors in information concerning authorisations that were sent to the State Treasury

for the drafting of the final central government accounts. Consequently the information in the budget implementation statement in the final central government accounts concerning authorisations, their use and expenditure resulting from their use cannot be considered reliable in all respects.

- 3 The carrying over of expenditure arrears connected to fixed appropriations and expenditure budgeted as estimated appropriations was not in line with the principles in section 19 of the State Budget Act in all respects.

Steering and control of bookkeeping

According to the view that was formed during the audit of the final central government accounts, internal control of central bookkeeping has been meant to ensure that the central bookkeeping information that is the basis of the final central government accounts does not contain essential errors. The control of central bookkeeping information is based mostly on the analysis of data, however, and cannot replace the accounting offices' own activities or the steering of the state's central bookkeeping.

Section 21 of the State Budget Act requires all agencies to provide true and fair information on their compliance with the Budget, their revenues and expenditure, and their financial position. The agencies referred to in section 65 a of the State Budget Decree, which are not required to submit final accounts containing financial statements, have mostly presented a statement concerning the implementation of the Budget in their annual report or have otherwise described the implementation of the Budget. A uniform presentation method for all agen-

cies would be appropriate for the usefulness of information. The presentation of a statement of income and expenses and a balance sheet would also support the presentation of true and fair information concerning finances and would also be recommendable for internal control.

Furthermore, audits of agencies have drawn attention to the investment of donated funds and related accounting, the arranging of authorisation accounting and errors and risks of errors with regard to the reporting of information to the State Treasury and in Note 12 (Government guarantees, pledges and other commitments) in the final central government accounts. In the opinion of the National Audit Office, in order to increase the reliability of the information in the note, the essentiality limit in the corresponding note in agencies' final accounts should be lowered and guidelines concerning the presentation of long-term agreements should be tightened.

Helsinki, 18. May 2009

Auditor General Tuomas Pöysti

Principal Financial Auditor Aila Aalto-Setälä

The National Audit Office also draws attention to certain shortcomings regarding the handling of payment traffic and bookkeeping that were observed during the audit of agencies that can also be considered essential and exceptional gaps in internal control. These have been reported in the financial audit reports for agencies.

The National Audit Office's opinion on the approvability of the final central government accounts

The final central government accounts for 2008 have been prepared according to regulations. The shortcomings and risks to which attention has been drawn in this financial audit report and in the financial audit reports for 119 accounting offices and other agencies, considering the principle of essentiality, are not an obstacle to approving the final central government accounts.

2 Compliance with the Budget and key provisions regarding it

Financial audit reports concerning fiscal year 2008 were submitted for 84 accounting offices and 32 agencies that do not operate as accounting offices but were required to prepare an annual report under section 65 a of the State Budget Decree.

Financial audits for fiscal year 2008 revealed improper procedures in 37 accounting offices and 4 other agencies on the basis of which one or more cautions were issued

that constituted procedures contrary to the Budget or key provisions regarding it and concerning which a negative opinion on regularity was included in the financial audit report. In 2007 a negative opinion on regularity was included in the financial audit report for 42 accounting offices and 12 other agencies. Comparable information for three years and a breakdown by administrative sector is presented in the table below.

	FINANCIAL AUDIT REPORTS	NEGATIVE OPINIONS ON		
	IN	REGULARITY IN		
	2008	2006	2007	2008
Office of the President of the Republic	1			
Prime Minister's Office	1	1	1	1
Administrative sector of the Ministry for Foreign Affairs	1	1	1	1
Administrative sector of the Ministry of Justice	2	2	2	
Administrative sector of the Ministry of the Interior	13	1	6	1
Administrative sector of the Ministry of Defence	4	2	2	2
Administrative sector of the Ministry of Finance	13	1	2	5
Administrative sector of the Ministry of Education	28	23	21	19
Administrative sector of the Ministry of Agriculture and Forestry	9	2	2	
Administrative sector of the Ministry of Transport and Communications	10	3	4	5
Ministry of Employment and the Economy	27	12	11	5
Administrative sector of the Ministry of Social Affairs and Health	7	2	2	2
Administrative sector of the Ministry of the Environment	3			
	119	50	54	41

The total number of agencies receiving a negative opinion on regularity fell compared with 2007. The comparability of information for 2006 and 2007 is influenced by the fact that financial audit reports for 2007 were issued for the first time for other agencies besides accounting offices.

The most significant reasons for negative opinions on regularity remained shortcomings in arranging performance accounting and in presenting the annual result for paid activities. Cautions were issued to 11 agencies concerning the monitoring of the profitability of paid activities or the presentation

of the annual result for paid activities. Shortcomings in other information concerning operational efficiency and the arrangement of performance accounting were the reasons for cautions to 22 agencies. Arranging performance accounting is the precondition for presenting information concerning operational performance in final accounts. As a whole, however, the situation has improved somewhat compared with the previous year.

The second most significant category consisted of errors concerning the use of funds appropriated in the Budget. Cautions regarding such errors were included in 14 audit reports. Since cautions concerned different matters, the total number of errors was nearly 30. The most significant errors involved the exceeding of appropriations in two transferable appropriation items. Other cautions in this category concerned errors in the purpose for which funds were intended or errors in allocating expenditure to the fiscal year, which in fact also signified the lengthening of appropriations' period of use. Errors in the exercising of an authorisation and shortcomings in the monitoring of authorisations led to a negative opinion on regularity in the financial audit reports for 4 agencies. Shortcom-

ings generally concerned confirming the use of an authorisation and the period of use as required under section 10 of the State Budget Act.

The National Audit Office also drew attention to certain shortcomings regarding the handling of payment traffic and bookkeeping that were observed during the audit of agencies that can also be considered essential and exceptional gaps in internal control.

Since opinions generally concern some particular area of financial management or individual procedures, from the viewpoint of the financial management of the state as a whole one cannot draw the conclusion that about one-fourth do not meet the set regularity requirement. Nor does a negative opinion on regularity mean that the question involves the abuse of state funds. In evaluating the significance of a negative opinion on regularity one must also keep in mind that agencies vary in terms of financial size.

A negative opinion on regularity should always be regarded as a serious matter for the agency in question, however, and the purpose of financial audit is to report on procedures that signify a deviation from regular compliance with the Budget.

3 Reporting required by Parliament in the Report on the Final Central Government Accounts

In parliamentary communication 11/2008 Parliament called for the Government to report on the implementation of the following measures in the Report on the Final Central Government Accounts for 2008:

- 1 Parliament calls for the Government to prepare the necessary legislation to increase the effectiveness of the state's information management, specifying the Ministry of Finance's steering power and other necessary matters.
- 2 Parliament calls for the Government to take measures to correct shortcomings and problems regarding electronic identification and officials' certificate services and present legislative solutions and other necessary measures regarding them.
- 3 Parliament calls for compliance with good governance and openness in implementing the National Productivity Programme. The Government must report the real productivity benefits of measures in its spending limits calculations and not only reductions in personnel.

In parliamentary communication 21/2008 Parliament called for the Government to report on the implementation of the following measures in the Report on the Final Central Government Accounts for 2008:

- 4 Parliament calls for the Government to provide Parliament an account of development policy lines for the state's cash management and the need to amend legislation regarding the Budget.
- 5 Parliament calls for the Government to take measures to ensure the compatibility

of public administration's and first of all health care's information systems, shared application services and open interfaces for the smooth exchange of information between information systems.

In the Report on the Final Central Government Accounts for 2008 the Government has reported on the measures concerning which Parliament has called for it to report.

Points 1–5 above, with the exception of point 3, were direct focuses in the National Audit Office's audit for 2008. Information concerning them has also been included in reports submitted by the National Audit Office to Parliament. Information concerning points 1 and 2 was included in the National Audit Office's separate report to Parliament on the audit of the final central government accounts for 2007 and the Report on the Final Central Government Accounts. Information concerning points 4 and 5 was included in the National Audit Office's annual report to Parliament on its activities for fiscal year 2007.

The present report evaluates reporting concerning points 1 and 2 and the regularity and adequacy of the measures that have been implemented after the submission of the Report on the Final Central Government Accounts for 2007 and Parliament's position on it. In connection with point 3 it should be noted that the Ministry of Finance had selected the National Productivity Programme as a significant special theme in terms of social effectiveness to be reported more broadly and deeply and that the National Audit Office has audited this theme reporting and reported the results of

this audit in Chapter 3 of this report, Information on social effectiveness in the Report on the Final Central Government Accounts.

Reporting concerning points 4 and 5 and the regularity of related measures will be evaluated in the National Audit Office's annual report to Parliament on its activities for fiscal year 2008, which will be submitted in September 2009. This report will also deal with tax subsidies in connection with reporting previously called for by Parliament and will also report on problems regarding the development of productivity on the basis of audits that will be completed in spring 2009 under the heading of Productivity in the central government.

Increasing the effectiveness of the state's information management (point 1)

The preparation of legislation called for by Parliament has started. A decision that was made by the Cabinet Committee on Economic Policy on 6 March 2009 according to which decision-making concerning the state's information and system architecture will be transferred to the Ministry of Finance at the group level by amending legislation can be considered development in the right direction on the basis of the audits that have been conducted. The proposed changes are intended to respond to the shortcomings and problems to which attention has been drawn in audits. During the year results with concrete effects were not reached in the arrangement of the steering of IT activities, however. The National Audit Office emphasises that carrying out this change can be considered a great challenge, which should not be underestimated. In future work, skilful official leadership and preparation of legislation is needed. Changes also require adequate resources in public administration so that the full implementation of changes and steering independent of IT suppliers can be ensured.

Developing identification and certificate services (point 2)

The National Audit Office's audit found that the pricing of the Population Register Centre's certificate services has not been appropriate. Producing certificates has been very unprofitable from the start and in 2008 commercial performances covered only 40 per cent of costs. On the other hand the biometric certification of passports, priced as a public law performance, has been over-priced. The National Audit Office has drawn attention to the pricing of certificate services in its financial audit of the Population Register Centre for 2008.

Steps have been taken to resolve problems regarding the production and organisation of the Population Register Centre's certificate services since 2003 in several studies. In October 2008 the Ministry of Finance established a new working group to study problems regarding the Population Register Centre's certificate services. The intention is to take measures on the basis of this study in 2010. On the other hand measures concerning the harmonisation of the identification of officials (the VIRTU project) have proceeded according to plan. The Ministry of Transport and Communications has prepared a Government proposal for an Act on Strong Electronic Identification and Electronic Signatures and certain other Acts (GP 36/2009). In the statement that it submitted to the Ministry of Transport and Communications on 15 April 2009 the National Audit Office noted that the information in the Government proposal is not free of error and nonconflicting in all respects and that the proposed Act will not eliminate the problems to which attention was drawn in the audit concerning the development and use of identification services, except to a marginal degree.

To sum up, although development in line with Parliament's position has taken place, the development of identification and certificate services has proceeded slowly. The National Audit Office also draws attention to the quality of the preparation of legislation influencing the development of the information society. **15**

4 Information on social effectiveness in the Report on the Final Central Government Accounts

4.1 The National Audit Office's opinions

In the three previous years the National Audit Office has audited general information on effectiveness in the Report on the Final Central Government Accounts and has noted in its separate report that the information that has been presented has not provided useful information on social effectiveness in the desired way. The audit of information on social effectiveness in the Report on the Final Central Government Accounts for 2008 focused on special themes in individual administrative sectors, in which social effectiveness can and should be dealt with more broadly and deeply than in the ministry's other reporting concerning performance in the administrative sector. A key purpose of reporting on special themes in individual administrative sectors is to improve the usefulness of the Report on the Final Central Government Accounts.

From the viewpoint of these requirements, as a result of the audit one can note that the special theme texts in the audit of effective-

ness information were largely of poor quality. On their basis it is not possible to form a complete picture of the social effectiveness of the special theme and its development. The Report on the Final Central Government Accounts for 2008 is the fifth such report in its present form and the third one in which special themes have been included in their present form, so there can no longer be any question of a practice stage in more demanding information production. The risk is that the inadequate quality of effectiveness information will remain a permanent phenomenon.

The obligation and opportunity for ministries to present broader and deeper information desired by Parliament on social effectiveness in special themes does not meet the purpose in its present form. On the basis of the audit, the key objective of special theme reporting, which is to improve the usefulness of the Report on the Final Central Government Accounts, has not been achieved.

4.2 Scope and implementation of the audit and methods

The administrative sectors report on one or two special themes each year. The intention is for the ministries to deal with timely themes from the viewpoint of evaluating effectiveness so that they can bring essential supplementary information to the Report on the Final Central Government Accounts from the viewpoint of the state's financial decision-making and social effectiveness.

Reporting on one special theme was audited for each administrative sector. If the administrative sector reported on more than one special theme in the Report on the Final Central Government Accounts, the special theme concerning which the most recent audit data were available was selected for the audit.

Social effectiveness means the degree to which objectives set for social policy have been achieved or in other words the achievement of the desired social impacts. The audit focused on examining the information that was provided on social effectiveness. It also looked at operational performance reported in special themes if information on oper-

ational performance had a key significance for social effectiveness or information was an essential part of the theme or if essential errors or shortcomings were observed in information. Operational performance includes operational efficiency (economy, productivity, profitability, cost-covering), outcomes and quality management as well as the management of human resources.

The audit's comparison and background data and sources included data produced by the National Audit Office (audit reports, follow-up reports, statements etc) and outside sources (working group reports, studies, literature etc).

The key purpose of reporting on special themes in individual administrative sectors is to improve the usefulness of the Report on the Final Central Government Accounts. In the selected special themes social effectiveness can be dealt with more broadly and deeply than in the ministry's other reporting concerning performance in the administrative sector.

4.3 Selection of special themes in ministries

Since the selection of special themes can significantly influence the content and usefulness of special theme reporting, in connection with the audit all 12 ministries were asked to give a brief account of the process on the basis of which the ministry decides what special theme will be included in the Report on the Final Central Government Accounts. On the basis of the accounts received from the ministries, all the ministries strive to select a topic that is relevant for social effectiveness and is of interest to Parliament.

The selection of a good special theme and the efficient use of preparation resources is promoted if the process for selecting and preparing a special theme has been systemised, provided with guidelines and documented as part of the preparation of the Report on the Final Central Government Accounts. One example of a good practice is the process used by the Ministry of Transport and Communications, in which the provision of information for the Report on the Final Central Government Accounts is a delegated and documented part of the ministry's planning, monitoring and reporting process. The process manual adopted by the Ministry of Transport and Communications describe the starting point and purpose of reporting for

the Report on the Final Central Government Accounts, content requirements, the starting impulse for the process, the issuing of annual process guidelines, the process flow and time and connections to other documents and processes.

The lack of a systematic approach can be visible for example in the fact that the selection process depends too much on one person or unit, discussions regarding the selection of the theme are partly left to chance, potential themes are not prioritised and written memoranda giving reasons for selecting a theme are not prepared. Although systemising the process helps ensure the selection of a good special theme, it is only one stage in quality assurance and does not guarantee the quality of reporting on effectiveness information in the special theme.

Regardless of the selection process, the selection of a specific theme as a special theme in an administrative sector appears to be promoted if a relatively extensive effectiveness study, evaluation or report has recently been completed on the potential theme, from which background material can be obtained for reporting on the special theme.

4.4 Audit findings for special themes

4.4.1 Snapshot of asylum matters (Ministry of the Interior)

Conclusions

Reporting on asylum matters has long been merely descriptive and lacks an analytical and critical perspective. The special theme has not been dealt with from the viewpoint of the evaluation of effectiveness and it does not bring essential supplementary information to the Report on the Final Central Government Accounts from the viewpoint of the state's financial decision-making and social effectiveness. The Finnish Immigration Service has not presented effectiveness figures concerning the handling of asylum matters, except for the permanence of appealed decisions handled in the immigration section. The presentation of figures describing operational performance has also been inadequate, so the usefulness of the information supplied by the special theme is minor from the viewpoint of monitoring and developing matters.

Quality and critical viewpoints are almost entirely lacking, and possible obstacles to official activities and development possibilities are not discussed.

Effectiveness indicators have still not been created for the most part, although development work has gone on since 2006. The information in the Report on the Final Central Government Accounts should focus on examining the achievement of set effectiveness objectives. In setting objectives more attention should be paid to the cross-sectoral managing of asylum matters (as well as other immigration matters). Making fair asy-

lum decisions that are based on correct information requires close and up-to-date cooperation among different authorities. Cooperation also has an essential significance in placing asylum seekers in reception centres and municipalities and in integrating them into society.

Audit findings

In studying the snapshot of asylum matters the reorganisation that was implemented at the beginning of 2008 and its effects on the activities of the Migration Department at the Ministry of the Interior and the Finnish Immigration Service have not been analysed in special theme reporting. Organisational changes substantially affect the administration of asylum matters by placing new challenges on it and by creating opportunities for the more efficient and fairer management of matters.

Cooperation among authorities has a great significance in asylum matters as in other immigration matters. Although administration has been consolidated, activities still require permanent cross-sectoral cooperation among ministries and municipalities. These matters were not discussed in the special theme.

In 2006 a project concerning the measurement of effectiveness was conducted with the help of a consultant in the immigration administration¹. This project modelled the effectiveness and cost-effectiveness of

¹ The effectiveness of Finland's immigration administration. Final report. Accenture 8.6.2006.

the immigration administration for the first time. The model and the effectiveness objectives and indicators that were created in the project were meant to be used in setting objectives for and monitoring cross-sectoral processes and in steering development work.

The project report drew attention to some of the same factors influencing the effectiveness of activities as the National Audit Office's audit report on the activities of the Directorate of Immigration² and a follow-up report³, which emphasise the significance of the flexibility and coordination of cross-sectoral processes and shared information systems. In the project report that was prepared by the consultant, international cooperation was viewed as often the most cost-effective way to improve effectiveness.

A report on developing the activities of the immigration administration and the Finnish Immigration Service⁴ was completed in 2008. The report contained proposals that concerned the structural development of the immigration administration as well as different authorities' steering responsibilities and to some extent social effectiveness objectives for immigration.

The Finnish Immigration Service's performance agreements have not described its social effectiveness objectives clearly enough. The Finnish Immigration Service's performance agreement for 2008 contained the objective of creating indicators in cooperation with the Migration Department to measure social effectiveness objectives.

The actual effectiveness indicators in the Budget for 2008 were only for the permanence of appealed decisions and waiting periods in reception centres. The objective

was that appeal court decisions overturning decisions made by the Directorate of Immigration (now the Finnish Immigration Service) because of the misinterpretation of the law or a procedural error would be less than 5 per cent of the total number of appeals. The objective for waiting periods in reception centres was a maximum of two months. The length of accommodation in reception centres or private accommodation depends on how long it takes to process asylum applications and to handle any appeals that are made.

The permanence of decisions was examined in the section concerning the immigration administration rather than in the special theme section. This simply notes that this objective was achieved. Asylum matters were not discussed separately and there were no comments on the achievement of the objective concerning reception centres.

In the special theme there is no mention of a potentially quite significant change affecting the operating environment in the Finnish Immigration Service's performance agreement for 2009, namely the tightening of practices in the other Nordic countries concerning family reunification. It is quite likely, however, that this will have a great significance on the number of asylum seekers, which exceeded 4,000 in 2008 and is expected to reach 6,000 in 2009 according to the Finnish Immigration Service's analysis of the operating environment.

The snapshot of asylum matters examines the number of asylum seekers arriving in Finland, the routes they take, responsibility for examining asylum requests (Dublin Regulation), the costs of receiving asylum seek-

² National Audit Office's audit report 74/2004 The Directorate of Immigration's activities, mainly from the viewpoint of operational processes.

³ National Audit Office's follow-up report 31.12.2006.

⁴ Developing the immigration administration and the activities of the Finnish Immigration Service. Rapporteur Ole Norrback. Ministry of the Interior Publications 15/2008.

ers and the need for accommodation capacity. The text does not say anything about the number of cases under consideration or the backlog, which have a decisive significance for the capacity of service centres and the costs resulting from asylum seekers. According to the Finnish Immigration Service's annual report for 2008, at the end of 2008 about 2,700 asylum seekers were on the waiting list for interviews and decisions. During the first half of 2008 the processing time was 176 days following the normal procedure for asylum applications and 57 days following a fast-track procedure. Owing to a sharp increase in the number of applications, by the end of the year the processing time following the normal procedure had increased to one and a half years.

There is no mention of risk analyses concerning the Finnish Immigration Service in the special theme. According to risk analyses⁵, the biggest social effectiveness risks involve shortcomings in the steering of the administrative sector. This risk has been estimated at 80 per cent. Risks whose probability has been estimated at 50 per cent or more involve the administration of documents and the correctness of register entries, the inadequacy of resources and the introduction of new information systems.

4.4.2 The National Productivity Programme (Ministry of Finance)

Conclusions

One good aspect of special theme reporting is that the National Productivity Programme has been examined from several perspectives. The selected perspectives reflect the

fact that projects aimed at improving productivity have effects on and connections to many different factors in addition to reducing the number of person-years.

One problem in special theme reporting is that reporting on the National Productivity Programme focuses largely on giving a general description of activities and describing the start of activities and to a lesser extent on activities' results and effects on reporting. Reporting emphasises the presentation of changes in person-years and new objectives for reducing person-years without providing deeper information on productivity measures and related productivity benefits.

The total reform of the state's financial and personnel administration, which is significant for productivity, would have required a deeper and more analytical discussion in reporting. Reporting does not give a true and fair view of the significance of the total reform of the state's financial and personnel administration as part of the National Productivity Programme. The text does not present the reform's starting situation, current situation or target situation. It is therefore not possible to evaluate the degree to which the objective has been achieved or the effectiveness of activities, nor is this presented in the report. The text does not present information on objectives and results describing operational performance such as the total volumes of activities, changes in them, number of person-years, performances and costs.

The objective of the National Productivity Programme is to improve productivity by reforming structures and processes taking advantage of information technology. The special theme text does not have anything more specific to say about these matters, however. Taking advantage of informa-

⁵ Source: Finnish Immigration Service's performance agreement for 2009.

tion technology generally requires changes in operational structures and processes, in which case key information for decision-making would be to report such changes in the way of operating and any legislative amendments they may require.

Reporting should have provided more information on the grounds for productivity benefits based on service centre activities, what stage reforms are in and what matters should be given attention in future on the basis of studies. In spring 2009 a broad final evaluation and an external quality evaluation were prepared on the State Treasury's Kieku programme (development programme for financial and personnel administration) and the information in them could have been utilised better in reporting.

Reporting lacks a critical perspective. The text does not draw attention to challenges regarding service centre activities or to matters that are of key importance for the success of service centre activities and the materialisation of productivity benefits, which Parliament could influence through its decision-making. The success of service centre activities also requires changes in the activities of customer agencies. The reforms that are taking place or need to take place in customer agencies to reap benefits from service centre activities were not discussed.

The Ministry of Finance has conducted a study on the effects of implementing the National Productivity Programme in localities undergoing restructuring and the Government Institute for Economic Research has studied the effects of the state's relocation programme and the National Productivity Programme in the regions. To improve the usefulness of the special theme, the key results of evaluations that have been conducted and commissioned should have been presented.

Reporting on the National Productivity Pro-

gramme in the Action Report on the Budget section is similar to reporting in the special theme, giving a general description of the background and objectives of the National Productivity Programme. On the basis of the text it is very difficult to form a picture of what productivity measures have been carried out in practice and what results they have produced.

The special theme was not considered from the viewpoint of evaluating effectiveness and it does not bring essential supplementary information to the Report on the Final Central Government Accounts from the viewpoint of the state's financial decision-making and social effectiveness.

Audit findings

According to the special theme a key measure influencing the improvement of productivity and the reduction of the need for labour in 2008 was the total reform of the state's financial and personnel administration. The text does not present the reform's starting situation, target situation or current situation, however. With regard to reducing the need for labour the text mentions an evaluation conducted by the State Treasury according to which the effect of the reform of financial and personnel administration on reducing the need for labour compared with the starting situation in 2003 has been about 500 person-years up to now. As a result of the National Productivity Programme, the text mentions that the total number of state personnel fell by about 1,300 person-years from 2006 to 2007 and by about 2,400 person-years from 2007 to 2008.

The special theme text notes that measures to implement the National Productivity Programme were included in the spending lim-

its decision (25 May 2007) and key measures concerning the implementation of the programme in the Budget. The content of these measures is not analysed in the text, however, which only mentions the measures' objective: to reduce the number of person-years by 2,170 in 2008.

In a report⁶ that it issued in connection with its handling of the Report on the Final Central Government Accounts for 2007, the Audit Committee noted that the original productivity grounds in the National Productivity Programme have been replaced by personnel reduction objectives and that the programme has not complied adequately with good governance and performance management principles. Nevertheless, special theme reporting still emphasises changes in person-years and new objectives regarding reductions in person-years.

According to the theme text, the Ministry of Finance has conducted a study on the effects of implementing the National Productivity Programme in localities undergoing restructuring, in addition to which the Government Institute for Economic Research has studied the effects of the state's relocation programme and the National Productivity Programme in the regions. No results of these studies are presented. The text notes that the National Productivity Programme consists of the productivity-boosting effects of improving administrative sectors' structures, activities and processes as well as the use of information technology together with the effects of cross-sectoral projects and projects involving several administrative sectors. The text says nothing about these matters. Furthermore the theme text does not describe how the Ministry of Finance has strived to take into consideration the results and propos-

als of an external evaluation of the National Productivity Programme that was commissioned by the Government financial controller's function in continuing the implementation of the National Productivity Programme.

The Ministry of Finance also reported on the reform of the state's financial and personnel administration in the description of performance in the ministry's administrative sector under the heading "The state's group steering and shared services". The text notes that the reorganisation of financial and personnel administration is intended to achieve a significant improvement in productivity. The text describes the volume of service centre activities, such as the number of personnel, establishments and the number of performances. It notes that customer satisfaction with the services provided by service centres has improved and it gives a mark for this (3.78). No target figures for these activities or the improvement of productivity are presented. It is therefore impossible to evaluate the success of activities in relation to objectives. The text does not draw attention to challenges regarding service centre activities or to matters that are of key importance for the success of service centre activities and the materialisation of productivity benefits.

The National Audit Office has audited the reform of the state's financial and personnel administration particularly with regard to the Shared Service Centre of the Ministry of the Interior⁷. One of the main findings in the audit was ambiguity in specifying the starting situation and target situation for the state's financial and personnel administration as a whole. This was also visible in special theme reporting, in which information concerning objectives was lacking or vague.

In 2004 the State Treasury started the

⁶ Audit Committee report 1/2008.

⁷ National Audit Office's draft audit report: The Shared Service Centre of the Ministry of the Interior, DNo 97/54/07, 24.2.2009.

Kieku programme, whose objective was to improve the efficiency of financial and personnel administration tasks by 40 per cent by developing procedures and structures. Another objective was to improve customer satisfaction and job satisfaction in these tasks. The audit found that the Kieku programme's objective has in several connections been presented simply as a percentage figure. The National Audit Office considers that an objective regarding the improvement of efficiency expressed as a percentage does not provide a concrete picture of the process and procedural changes that are required to achieve the objective at the state level or their scope and effects on the number of person-years and costs.

The audit also found that although ministries have made decisions to become customers of a service centre, agencies in administrative sectors have shifted only a small part of their tasks or only parts of the process to the service centre. This being the case, the percentage shares that are reported regarding customers may give a misleading picture of the success of activities.

In addition to the special theme and the general section concerning performance in the ministry's administrative sector, information on the National Productivity Programme is presented in the Action Report on the Budget section. Reporting in three different places makes it difficult to form a complete picture of the subject. The Action Report on the Budget section mentions that there are over 200 productivity measures in different administrative sectors. Information is not provided on the concrete achievement of objectives or research results; instead administration's activities are merely listed.

4.4.3 Results of rural development during the programming period 2000–2006 (Ministry of Agriculture and Forestry)

Conclusions

Special reporting provides clear information on objectives and their achievement. Evaluating the actual effectiveness of the programmes discussed in the special theme is quite challenging, however. Public financing has brought new jobs, but their permanence and quantity are not as good as one might conclude from theme reporting.

The effectiveness results mentioned in special theme reporting of up to tens of thousands of jobs are based on project leaders' own notifications, which should be treated quite critically on the basis of previous audits conducted by the National Audit Office as well as follow-up evaluations of programmes. In order to obtain a true and fair view, information should be based on other evidence besides information supplied by project leaders.

In order to audit effectiveness information in this special theme the National Audit Office analysed the employment effects of project financing with the help of municipality-level panel data, and the results indicated that the permanent effects of development projects on employment are probably quite marginal.

Owing to the reasons mentioned above, the figures presented in special theme reporting cannot be used directly as a basis for decision-making, but in making decisions it is necessary to consider the reservations presented above regarding the validity of information.

Audit findings

A key objective of rural development programmes has been to ensure income and jobs for people living in sparsely populated areas and to slow migration from the countryside. A report⁸ that was published by the Ministry of Agriculture and Forestry in 2008 calculated that financing resulted in the creation of over 15,000 new jobs and over 7,000 new enterprises. Special theme reporting speaks of an even larger number of new jobs – over 20,000 – but slightly fewer new enterprises – around 6,000. Programmes' combined objective was 17,000 new jobs and 4,000 new enterprises, so in this respect the programmes actually exceeded the objective.

So far the National Audit Office has not focused performance audits on the programming period 2000–2006 as a whole, but in 2000 it audited⁹ the reliability of project leaders' job notifications in development programmes during the programming period 1995–1999 and found that reported job numbers were exaggerated. The average number of new jobs recorded in the project register was over twice the actual number of person-years. In other words the number of jobs was less than half the figure that was reported.

Similar results were obtained in an audit¹⁰ that was conducted by the National Audit Office in 2004, which examined local action groups as developers of rural areas in 2000–2003. On the basis of the audit it was noted that the permanence of the effects of projects is difficult to evaluate. In many cases employment effects were likely to be limited to the period covered by projects. In the projects that were audited, the creation of new enterprises also appeared to be limited.

The biggest programme in money terms during the programming period 2000–2006 was the Regional Rural Development Programme, for which a follow-up evaluation was completed at the end of 2008. In the report summary the research and consulting group that evaluated the programme noted the following, among other things:

- migration from rural areas has slowed down, but this is due more to cyclic trends than to measures in the programme
- projects' direct effects on population development were minor
- influencing large population trends with this type of programme is very challenging
- no jobs are created or preserved simply as a result of a project or programme
- information concerning jobs is based on project actors' own notifications, which may be biased
- job development is influenced most by general economic and technical development rather than the projects financed in the programme
- it is very difficult to evaluate to what extent measures have influenced the income level of the rural population, since this is also influenced by so many other factors.

No actual statistical analyses were used in the follow-up evaluation, or at least they are not mentioned in reporting. In evaluating programmes, however, it would be useful to know whether the effects of projects can be verified using empirical evidence. Therefore, in auditing the effectiveness information in this special theme, an evaluation was made of the effects of project financing on unem-

⁸ Ministry of Agriculture and Forestry (2008): Rural development programmes 2000–2006.

⁹ National Audit Office's audit report 11/2000 Rural development projects.

¹⁰ National Audit Office's audit report 89/2004 Local action groups as developers of rural areas.

ployment figures with regard to the Regional Rural Development Programme. Municipality-level panel data from 2001–2006 were used for this purpose. The results were adjusted to take cyclic and local factors into account.

When the results were studied it was found that rural development projects have had an effect on the unemployment rate. An additional one thousand euros in development funds has cut the unemployment rate by about 0.0006 percentage points. The average project payment in municipalities with less than 50,000 inhabitants – 74,000 euros per municipality a year – has thus reduced the municipality's unemployment rate by about 0.04 percentage points. The effect has not been very large but is still statistically significant. The direct effect of Regional Rural Development Programme financing on employment has averaged 1.5 persons a year per municipality. At the national level this translates to slightly over 300 jobs in the entire area covered by the programme in Southern and Western Finland. Subsequent employment effects were not observed in the data, at least after 1–2 years.

4.4.4 Promoting mining (Ministry of Employment and the Economy)

Conclusions

The special theme is discussed very briefly and on too general a level, emphasising positive aspects, and concerns matters on the basis of which one cannot evaluate or draw conclusions concerning the social effectiveness or operational performance of the state's measures. The text fails to provide

information on actual mining operations as well as measures taken by the state to promote them, the objectives that have been set for measures and the outputs and impacts that have been achieved. The text otherwise makes no attempt to describe or evaluate the objectives set for the state's measures or the outputs and impacts achieved through them.

The theme was not discussed from the perspective of evaluating effectiveness on in such a way as to bring essential supplementary information to support decision-making or provide a basis for evaluating social effectiveness. The text does not give a true and fair view of the social significance of promoting mining or the operational performance of this activity. The usefulness of the information that is presented can be considered quite small.

Audit findings

Special theme reporting focused on three matters: how fluctuations in the international economy are reflected in mining operations, Finland's competition factors and the meeting of the Cabinet Committee on Economic Policy on 16 September 2008. The National Audit Office has issued an audit report¹¹ on the subject of mining.

The special theme describes mining operations and measures taken by the state to promote mining, emphasising positive aspects and without examining the matter analytically and considering the need to coordinate the interests of landowners and society. The negative impacts of mining operations and measures to promote mining or matters causing conflicting views have not been analysed.

The audit indicated that public authorities have not been able to present details on

¹¹ National Audit Office's audit report 154/2007 The state as a promoter of exploration and mining.

Finland's geological potential and resources or their adequacy now and over the long term as a basis for political decision-making. The National Audit Office recommended that sufficient information should be obtained and presented concerning Finland's mineral potential and resources so that the exploitation of minerals can be steered in an economically, socially and ecologically sustainable way.

The special theme text says that citizens have taken a positive attitude towards mining particularly in areas with high unemployment. Citizens' attitudes have not been entirely positive even in areas with high unemployment, however. Prospecting for uranium, at least, has been viewed with plenty of doubts or even negatively.

According to special theme reporting the employment effect of mining operations is one of the key reasons for promoting mining. The audit report evaluated criteria concerning the employment effect of mining operations and found that studies had been carried out mainly during the planning and development stage of mine projects. Very little research information was available on actual employment and its regional focusing. Furthermore national input-output models give an overly optimistic picture in small and undiversified areas. According to the audit, an increasing part of the employment effect of mines may wind up outside the region and Finland. The National Audit Office recommended that the employment effects of mining operations should be studied more thoroughly.

In its audit the National Audit Office noted that promoting mining at the Ministry of Employment and the Economy has focused on increasing mining operations and creating the proper conditions for exploiting deposits. Negative impacts and outside actors have not received sufficient attention.

Waste rock already accounts for a third of excavated rock at mines and a third of the total volume of waste in Finland. Authorities have not paid sufficient attention to waste rock or ways to reduce or exploit it, however. The audit also pointed out that companies have been able to engage in mining operations in Finland partly at others' risk. The Mining Act says nothing about responsibilities extending decades after operations cease or a situation in which a mining company no longer exists or can no longer bear responsibilities.

On the basis of the audit, the National Audit Office considered it important for the Ministry of Employment and the Economy to investigate the social benefits and negative impacts of mining operations as grounds for measures. Coordinating different perspectives regarding mining should take place in connection with the reform of the Mining Act. Special theme reporting notes that legislation has been stable, but the reform of the Mining Act, which has been under discussion for years, has not been taken into consideration and nothing is said about the reform. A draft Mining Act was circulated for comments in the latter part of 2008.

4.4.5 The National Development Programme for Social Welfare and Health Care (Ministry of Social Affairs and Health)

Conclusions

The Ministry of Social Affairs and Health reported on the special theme of the National Development Programme for Social Welfare and Health Care (Kaste).

Special theme reporting did not pay attention to the evaluation of effectiveness, although this is meant to be a key focus in

reporting. The topic selected by the ministry prevents the direct presentation of performance and effectiveness information. Reporting on the Kaste programme mainly provides decision-makers general information on the programme's objectives and starting measures.

In presenting the Kaste programme, the objectives of the ministry's key planning and steering instrument and their implementation are nevertheless explained. In this regard the theme text examines core questions concerning effectiveness from the perspective of the planning stage: whether the programme is intended to do the right things and whether it is getting off to a good start.

Audit findings

Special theme reporting consists almost entirely of a description of the Kaste programme's background, objectives, methods and resources. The final part of the text also describes the measures that have been carried out in the first year. In this connection information is provided on the start of the programme and the preparation of an implementation plan designed to revise objectives and measures.

The text confines itself almost exclusively to describing the programme's internal, administrative organisation. The only external factor that is mentioned is for what purposes development project funds tied to the programme during the first year have been granted. Special theme reporting has not used quantitative or relative indicators or tables or figures containing information on changes.

Effectiveness information on the Kaste programme or information describing its operational performance is not presented. It was

not possible to include the effectiveness and performance perspective in the examination because the programme is only getting started and it does not yet have external outputs. The programme got under way at the beginning of 2008 and will be implemented up to the end of 2011.

The Kaste programme is the key planning and steering instrument in the administrative sector of the Ministry of Social Affairs and Health, and for this reason it has a clear linkage to the sector's effectiveness objectives. The results of the Kaste programme will be monitored with the help of 19 statistical indicators, according to plans. The programme's objectives have been spelled out in the form of clear quantitative objectives, but information is not yet available on the results of interventions during the initial stage of implementation. The text notes that an overall evaluation of the Kaste programme has been postponed to 2009.

On the basis of the above, the selection of the Kaste programme as a special theme of effectiveness reporting at this stage of the programme cannot be considered successful. If the concept of effectiveness is understood more broadly than the external effects of outputs separated from the process itself, the selection of the Kaste programme as a special theme can be justified for example on the grounds of the effectiveness of the preparation of the programme. If the ministry's objective has been to provide information on the effectiveness of measures during the planning stage of the Kaste programme, reporting should have been more analytical. The ministry should have compared key differences between the Kaste programme and its predecessor, the Target and Action Programme for Social Welfare and Health Care (TATO) with regard to planning and implementation. Shortcomings that were observed

in the implementation of the TATO programme¹² and its poor effectiveness on local authorities' activities should have been presented openly, along with a description of how problems have been resolved better in the new programme model. Using a critical and comparative approach, the planning and implementation of the programme could have been evaluated from the perspective of effectiveness. The report did not consider these perspectives in a comparative manner, however.

4.4.6 The maintenance and recreational use of protected areas (Ministry of the Environment)

Conclusions

The effectiveness perspective is lacking in the special theme text for the most part and it does not provide essential supplementary information for decision-making or social effectiveness. The underlying logic of reporting (objectives – action – outputs/performances – impacts) has not guided the preparation of the theme text. The text is mainly descriptive and there is little analysis. Figures have not been used to illustrate output-input relations. Tables mainly show inputs and do not provide information on objectives, results or impacts.

The text tells about different plans, aims, measures and events but these are not prioritised in any way. It is impossible to judge the significance or essentiality of the information in the text or its significance for performance and future development.

Indicators and key figures have been

presented to some extent, but they do not describe the effectiveness of activities very well, being mainly concerned with performances and inputs.

Special theme reporting has not been able to move from miscellaneous facts to broader wholes and impacts or to place the theme in a broader framework. The theme is linked to an extensive field in which there are many actors and perhaps in some respects conflicting objectives, but this is not discussed and the matter is not analysed. Risks, threats or conflicts regarding objectives and activities have not been analysed, nor does one obtain a clear picture of the adequacy of resources in relation to achievements and future objectives, for example.

The special theme text does a fairly good job giving up-to-date information on current projects, plans and to some extent objectives, but essential information on effectiveness and the achievement of objectives in relation to applied resources is not supplied in the text. The usefulness of information for debate on social effectiveness or analysis is therefore fairly poor.

Audit findings

Conserving biodiversity and promoting the recreational use of nature are two basic objectives of protected areas. Nature conservation objectives have priority and place restrictions on the recreational use of protected areas.

The special theme text says that promoting tourism, nature tourism or the recreational use of nature is included in the Government Programme and Government resolu-

¹² National Audit Office's audit report 40/2002 The Target and Action Programme for Social Welfare and Health Care – the programme's implementation and effect on local authorities.

tions¹³. Nothing more is said about objectives or their achievement, however, and terms are not defined. For example, there is no generally agreed definition of nature tourism¹⁴. The heading speaks of maintenance and the first sentence speaks of maintenance tasks, but these are not defined, for instance in relation to the management of protected areas. Nothing is said about the special features of national parks (35 in number) as large protected areas established on state land each covering over 1,000 hectares and open to the public, or about other state-owned protected areas or hiking areas (7 in number), which are intended for recreational use.

Metsähallitus (formerly the Forest and Park Service) is mentioned several times, but the text does not clearly describe its role and tasks or refer to the section on performance in the administrative sector of the Ministry of the Environment, in which Metsähallitus is discussed under a separate heading. Among other things this section says that Metsähallitus Natural Heritage Services manages state-owned protected areas and hiking areas under the supervision of the Ministry of the Environment, which provides financing.

One of the tasks of Metsähallitus Natural Heritage Services is to create possibilities for nature tourism. On the other hand the Metsähallitus Group's Wild North business unit is responsible for marketing and selling (nature) tourism services. The group's business operations and the relation between these and maintaining protected areas and promoting their recreational use, which is a public administrative function, have not been analysed in the theme text.

Potential or actual conflicts and problems

are not described or analysed in the text. The priority of nature conservation objectives over recreational objectives is not stated directly. There is no analysis of a possible conflict between nature conservation objectives and recreational objectives. The theme text tells about practical measures aimed at trying to reduce the negative impacts of recreational use but it does not analyse or evaluate the situation in any way. In connection with sustainable tourism the text notes that ensuring sustainability requires adequate resources for monitoring use and its impacts. No evaluation is made of whether resources are adequate, however.

The theme text notes that growth in the number of visitors increases the need for resources in maintenance tasks. A table presents financing for Metsähallitus Natural Heritage Services and the application of funds in 2008, but the content of figures is not explained. Metsähallitus Natural Heritage Services' annual report for 2008¹⁵ says that the overall condition of service equipment remained good or fairly good on average, but 19 per cent of buildings and 12 per cent of bridges were in poor condition.

With regard to the total cost of recreational use the theme text did a good job analysing how a real decrease in financing, which is due to different reasons, endangers the maintenance of routes and structures that are important for tourism and how steps have been taken to adjust to the situation by improving productivity, reducing services and postponing investments.

Although indicators and key figures have been used to some extent in presenting information, the presentation of indicators and the

¹³ Government resolution on Finland's tourism policy 21.12.2006, Government resolution on an action programme to develop the recreational use of nature and nature tourism 13.2.2003 (VILMAT programme).

¹⁴ Professor of Nature Tourism Liisa Tyrväinen, inaugural presentation, 28.2.2006, University of Lapland.

¹⁵ Final accounts and annual report for the public administrative functions of Metsähallitus in 2008. Nature Protection Publications of Metsähallitus. Series B 115.

analysis of features still need to be improved considerably.

The theme text does not say which indicators are effectiveness indicators and which are performance indicators. For example, positive feedback on the Luontoon.fi website and the development of the number of visitors are effectiveness indicators, while the development of the number of visitors on the Luontoon.fi website is a performance indicator¹⁶.

The theme text does not say that Metsähallitus has defined principles for sustainable tourism in protected areas and that sustainability is measured using indicators that are based on the Limits of Accessible Change (LAC) model. Principles for sustainable nature tourism were defined by Metsähallitus six years ago¹⁷. As early as 2003 it was noted that the evaluation of sustainability will be developed according to the LAC model and pilot areas were specified in 2003. Special theme reporting should have presented indicator results and an analysis of them or an explanation of why results were not available.

The special theme text tells about impacts on the local economy, using the Pallas-Yllästunturi area as an example. It is good that information in money terms has been provided on economic impacts, but it is not possible to tell from a single example whether the observed impacts are average, above average or below average. The figures should

also have been placed in perspective. For example, Metsähallitus Natural Heritage Services' annual report for 2007¹⁸ says that the impact of the recreational use of the most popular protected areas and nature tourism contributes about 250–300 million euros to local economies and creates about 3,500 person-years of work at the annual level.

The text mentions external evaluations but only sketchily. It says that the latest international evaluation of the management of Finland's protected areas was conducted in 2005 and that the evaluation concluded that the level of management is good. Since nearly five years have passed since the evaluation was conducted¹⁹, from the viewpoint of effectiveness it would have been good to tell what has happened as a result of the evaluation and later on. To improve the efficiency and effectiveness of nature conservation the evaluation team made a number of recommendations, on the basis of which Metsähallitus decided to develop its information management and start publishing State of the Parks reports every five years. The State of the Parks report that was published in May 2007 provides an overall picture of the present state of the system of protected areas in Finland and the level of information on the subject, and the report can be used in evaluating the effectiveness of new protection measures and the management of protected areas.

¹⁶ Ministry of the Environment report 1/2008: Key objectives and tasks in the administrative sector of the Ministry of the Environment in 2009–2012. The Ministry of the Environment's performance objectives and resources for 2009.

¹⁷ Sustainable nature tourism principles project 2002–2003.

¹⁸ Final accounts and annual report for the public administrative functions of Metsähallitus in 2007. Nature Protection Publications of Metsähallitus. Series B 90.

¹⁹ The evaluation was conducted mainly in 2004 and the report was published in April 2005. Management Effectiveness Evaluation of Finland's Protected Areas. Nature Protection Publications of Metsähallitus. Series A 147.

5 The spending limits procedure and fiscal policy reporting

5.1 Audit of the spending limits procedure in 2007–2011

The National Audit Office annually audits the financial management of the state and as part of it the information base for fiscal policy decision-making as well as the functioning and effects of fiscal policy management tools. A permanent audit subject is the reporting of true and fair information concerning the effectiveness of fiscal policy by the Government to Parliament. Special attention is given to the spending limits procedure. The main objective is to evaluate the functioning of the spending limits procedure as an economic steering and fiscal policy tool. Audit work in this area aims to determine whether the spending limits procedure has been transparent, whether the spending limits procedure has functioned in the intended way and whether the spending limits procedure has achieved objectives.

The National Audit Office includes the most important findings regarding the ongoing audit of the information base and effectiveness of the spending limits procedure and fiscal policy each year in its separate report to Parliament on the audit of the final central government accounts and the Report on the Final Central Government Accounts. The separate report to Parliament contains information on compliance with spending limits and the relation between spending limits and the final central government accounts on the basis of the audit findings of the Nation-

al Audit Office's Financial Audit and Performance Audit units. Reporting on the functioning of the spending limits procedure as a whole will be presented in a theme report in 2010. The theme report will consist of the key findings and conclusions of separate audits and annual monitoring. A separate report for the entire electoral period 2007–2011 will be completed in 2012.

Significance of information concerning fiscal policy options and reasoning

The current economic and financial crisis and reactions to it emphasise the need for the adequate documentation of fiscal policy decision-making and the preparation of decision-making. Evaluations of the impacts and risks of different options should be based on true and fair information. Using active fiscal policy as a tool to smooth business cycles and in general a more active role for the public sector in the economy involves significant information problems. These concern the timing of stimulus measures and their withdrawal as well as the allocation and selection of public aids.

Basing fiscal policy decision-making on true and fair information and the adequate documentation of the reasoning used in decision-making draw attention to the question

of the significance and role of the handling of Parliament's report on spending limits as part of the management of economic and fiscal policy. From a constitutional viewpoint it is easy to argue that Parliament as the supreme exerciser of fiscal power and related oversight power is ultimately entitled to decide on policies regarding the size and strategic development of public finances. Parliament has a constitutional right to receive true and fair information concerning fiscal policy decision-making options and reasoning. The fiscal policy information base and the preparation of fiscal policy as well as the performance and social impacts of fiscal policy also fall within the scope of Parliament's financial oversight.

Spending limits are the key medium-term financial planning and policy tool for central government finances. Spending limits are also one of the most significant and effective tools used in the steering of state activities and finances at the group level. At the same time, however, spending limits are mainly a political planning tool used by the Government. The balancing of public finances and related objectives are mainly taken into consideration in setting spending limits as a whole. Since the primary objective of spending limits is to keep costs down, and since the goal has been to keep the spending limits procedure as simple as possible, state revenues and tax subsidies have not been included in the deliberation of spending limits. Thus revenues are not taken into consideration in spending limits with the exception of a rule according to which the use of revenues exceeding 400 million euros from the sale of shares must be presented in spending limits. The report on spending limits is presented to Parliament in the middle of the spring term and the parliamentary handling of the report takes place in April. At the beginning

of May the final central government accounts for the previous year and the Report on the Final Central Government Accounts, which contains essential information on the development of public finances and risks, are submitted to Parliament. The budget proposal, which is submitted to Parliament in the middle of September, and the update of Finland's stability programme that is prepared later in the autumn contain calculations regarding the sustainability of public finances and other matters that provide essential background on spending limits. The update of Finland's stability programme is referred to the appropriate parliamentary committee for consideration, as required by the Constitution. In deciding whether to increase documentation, one must also decide when and how additional documentation should be presented to Parliament.

Compliance with spending limits in fiscal year 2008

The current economic crisis puts the functioning of the spending limits procedure to a real test in sudden and unforeseeable situations. The transparency of decision-making is now especially important. The significance of adequate and true documentation is increased.

In the Report on the Final Central Government Accounts for 2008 the Government reports on compliance with spending limits. According to the Report on the Final Central Government Accounts, spending limits were complied with in 2008 despite the fact that the second and third supplementary budgets in 2008 contain stimulus measures. When spending limits were decided in May 2007, an overall spending limit of 33,577 million euros was set for 2008, at the 2008 price

level. In accordance with the spending limits decision, spending has been revised technically through price and structural corrections, after which the overall spending limit was revised to 34,332 million euros at the 2008 price level. The total amount of appropriations in the Government's budget proposal was 33,890 million euros, which left a reserve of 46 million euros in unallocated funds. In addition to the budget proposal the Government also submitted three supplementary budget proposals to Parliament during the year. These included 714 million euros in additional appropriations.

On the basis of the National Audit Office's audit, the evaluation of compliance with spending limits in 2008 can be considered true.

With regard to 2008 the audit was conducted by comparing the spending limits decision that was revised on 25 May 2007 with the calculated spending limits prepared by the National Audit Office for 2008, the budget proposal for 2008 and the final Budget for 2008, which includes the actual Budget together with all the supplementary budgets for 2008. Key problems in verifying compliance with spending limits are connected to the documentation of price and structural corrections.

In spending limits decisions structural changes have been presented in aggregate by item and price and cost level revisions according to the economic nature of spending by item group. Particularly from the viewpoint of managing structural changes, this increases the transparency of the spending limits procedure and makes it easier to prepare comparison tables.

In the table appended to the decision, some changes have been presented in a general way, so the focusing of corrections cannot be verified definitely from the decision.

With regard to price indices one problem is that, although the applied indices together with their content and changes have been presented in the spending limits decision, the grounds for the corrections that have been made have not been presented for each index or in aggregate in the spending limits decision.

The Ministry of Finance monitors compliance with spending limits by comparing price and structurally corrected expenditure development with the Budget. This supports the curbing of growth in spending, which is the objective of the spending limits procedure. In connection with the audit of compliance with spending limits, the National Audit Office compared the corrected spending limits with expenditure according to the final central government accounts for 2008. In the light of the information in the final central government accounts, it appears that the spending limits procedure has tended to curb spending in normal conditions.

The expansion of the global financial crisis into a recession in all the developed economies in 2008 places new challenges on the spending limits procedure, however. This is particularly because spending limits are dimensioned in connection with the first spending limits decision of the electoral term, in which case a strong turn in the business cycle during the Government's term can lead to a situation in which the dimensioning of spending limits is no longer appropriate for the situation. This problem is lessened by the fact that automatic stabilisers are outside spending limits.

At the present moment spending limits can be considered too insensitive to the handling of state revenues and changes in them considering the basic objectives of the spending limits procedure. The spending limits decision nevertheless includes an evaluation of

the balance of public finances and revenues and key tax policy lines. It is important that these are examined as a whole and are presented together in a single official document. In this respect the spending limits system has developed in a positive direction.

Adjustment of spending limits in the 2009 Budget and the first supplementary budget

The budget proposal for 2009 that was submitted in September 2008 was stimulative. Taxation was cut by 1.8 billion euros, benefits for families with children and people with low incomes were improved, and support was provided for housing construction and repairs. Furthermore in autumn 2008 additional stimulus measures were approved in the third supplementary budget for 2008 and a revision of the 2009 budget proposal. The first supplementary budget proposal in 2009 includes stimulus measures that put in motion projects costing 1.6 billion euros. The weakening effect on the balance of the state budget economy will be about 0.7 billion euros in 2009.

All in all the budget effect of these stimulus measures will be about 1.5 per cent of gross domestic product in 2009, according to the Ministry of Finance's revised estimate. This is in line with the objective that was set in the European Economic Recovery Plan that was approved by the European Council in December 2008.

Estimating roughly the supplementary budgets for 2008, the 2009 Budget and the first supplementary budget for 2009 contain about 3 billion euros in stimulus measures. This includes about 2.3 billion euros in tax cuts and 0.7 billion euros in increased spending. Of the 2.3 billion euros in tax cuts, 1.3

billion euros consists of cuts in income tax. The main focus of stimulus measures in Finland is thus on taxation.

This creates the impression that, owing to the binding nature of spending limits, stimulus measures revolve around expenditure that is excluded from spending limits as well as factors on the revenue side, such as tax cuts. This impression is strengthened by the fact that, according to decisions that were approved in the Government's spending limits session on 24 March 2009, the agreed level of spending will not be cut but increases in spending will be technical. The Government is preparing 200 million euros in revisions within the framework of spending limits for the budget proposal for 2010.

The fiscal policy stimulus measures announced by the EU member states are divided more or less equally between revenues or tax cuts and increases in spending. In Finland the fact that the focus of stimulus measures is clearly on taxation means that the functioning of stimulus measures depends largely on consumers' behaviour. Consumer demand in turn is influenced by the sharp slowing of economic growth and the darkening of consumer opinion as unemployment increases.

Part of tax cuts will also be used by consumers to shore up savings. In Finland's case one can justifiably expect that consumers' caution and the savings rate in relation to disposable income will rise. There is already pressure for this in view of the fact that consumers' savings rate last year was -0.9 per cent according to preliminary national accounts data.

Important criteria for stimulus measures are their speedy impact and their temporary nature, so that once the recession is over, reducing spending will not be a problem. Most of the stimulus measures that have been

decided are one-off or temporary. Spending increases have been focused particularly on moving up renewal, repair and investment projects, which supports the speedy impact of spending increases if the implementation of projects can begin in 2009 and 2010, when the negative impacts of the recession on employment will be strongest, according to the baseline estimate. Permanent spending increases, such as increases in benefits for families with children and people with low incomes, account for only a small part of the total cost of stimulus measures.

The Report on the Final Central Government Accounts for 2008 notes that the tax cuts included in stimulus measures are meant to be permanent.

The National Audit Office has also evaluated compliance with spending limits with regard to fiscal year 2009. The 2009 budget proposal and Budget were compared to the spending limits decision that was approved on 13 May 2008 and price and structurally corrected expenditure development prepared by the Ministry of Finance in connection with the drafting of the Budget. At the time of the evaluation the Budget had been supplemented with one supplementary budget and this was taken into consideration in the evaluation.

After the first supplementary budget for 2009 the level of expenditure appears to be within spending limits, but the deepening of the recession will place considerable pressures on staying within spending limits. It should be pointed out that expenditure excluded from spending limits has increased considerably. This is influenced by the functioning of automatic stabilisers and also by the increase in financial investments. One can say that the spending limits procedure has allowed investment in expertise and innovations and the continuity of

business and corporate financing through an increase in financial investments. Through financial investments the state's share of the Aalto University's capital has been channelled to supporting the innovation system, for instance.

The transparency of spending limits in 2009

In Finland the economy and economic policy have been managed in an exemplary way by international standards. An international comparison shows that in Finland the information content of parliamentary documents has been quite meagre, however. A lot of essential information is shared through unofficial networks and presentations. The grounds used in different calculations and the assumptions on which they are based are often not presented clearly enough so that an external evaluator could easily examine the assumptions behind calculations. The meagreness of official documents' information base also applies to spending limits. The spending limits decision for 2010-2013 is, according to the objectives of the current spending limits system, limited temporally and focuses on the central government's expenditure and individual measures. Its "mental focus" is also on the economic crisis and recovery, and it does not contain longer-term development policies and strategies.

In this connection one should mention problems regarding the presentation of price and structural corrections in spending limits decisions, although in recent years there has been a considerable improvement in the presentation of corrections compared with the spending limits for 2008-2011. On the basis of the audit findings of the National Audit Office, there is no reason to assume that

calculation in itself includes shortcomings or errors, but the lack of documentation and to some extent continuity between spending limits decisions and between spending limits and the preparation of the Budget is a serious shortcoming with regard to the transparency of the spending limits procedure. In 2008 the Ministry of Finance prepared a description of the calculation process, which partly improves the transparency and documentation of calculation.

The Economics Department at the Ministry of Finance is responsible for assessing the impacts of economic policy measures and making sure that economic aspects are taken into consideration in policy decisions. One of the key tasks of the Economics Department is to produce data for the preparation of economic policy and particularly the preparation of the Budget and the medium-term framework budget. The Economics Department publishes an economic survey twice a year that contains a detailed analysis of the economic situation and outlook. The survey that is published in September is also appended

to the budget proposal. The spring survey, on the other hand, is published at the same time as the spending limits decision and contains background information on the decision. The economic survey that was published in March 2009 (Ministry of Finance Publications 16a/2009) served as a memorandum on spending limits - like the survey that was published in spring 2008. The economic survey is not officially submitted to Parliament as part of the report on spending limits, however, nor is it referred to in the spending limits decision or the report on spending limits. If a key purpose of the spring economic survey is to serve as a memorandum on spending limits, it should be linked more clearly to the report on spending limits.

Basing fiscal policy decision-making on true and fair information and adequately documenting the reasoning behind decision-making also raise the question of the significance and role of the handling of the report on spending limits by Parliament as part of the management of economic and fiscal policy.

5.2 Information concerning the central government's financial position and the sustainability of public finances

Good financial management requires that the sustainability of the central government's revenues, expenditure and balance as well as central government finances and public finances in general are examined as a whole and over a sufficiently long term. It is also necessary to present a sustainability scenario for central government finances and remarks concerning the effects of operating methods on the level of taxation or the need to adjust public spending. Only then is the management of central government finances stable and credible and able to promote economic stability.

According to the Report on the Final Central Government Accounts, the surplus in central government finances was 0.8 per cent of gross domestic product in national accounting terms in 2008. Continued economic growth has strengthened central government finances. In spite of this the central government's financial position will go into deficit in 2009 in national accounting terms. Owing to the global financial crisis and stimulus measures, the deficit is expected to grow in 2010. In 2011 the deficit is expected to be 4.3 per cent of gross domestic product.

The Government Programme includes the objective that central government finances will show a structural surplus of one per cent of gross domestic product at the end of the electoral period in 2011. This was also a key objective of the Government's economic and fiscal policy in 2008 according to the general commentary in the budget proposal for 2008. According to a decision that was made by the Government at its policy ses-

sion on 23–24 February 2009, the structural surplus objective set in the Government Programme can be temporarily suspended if decisions that strengthen public finances structurally are made at the same time. On the other hand, the Government is still committed to spending limits.

The objective of the spending limits procedure is to manage and curb growth in budget appropriations. Thus the spending limits procedure as a tool can be rather mechanical and lead to the making of small changes or the restricting of changes instead of evaluating activities and finances substantially, genuinely and simultaneously. As a model it does not necessarily contain enough elements that would connect factors related to the sustainability of the Budget to the objectives of activities and ultimately their social effectiveness. For example, information concerning development plans for foresight and education have remained fragmentary in relation to key decision-making procedures for public finances and financing, such as the spending limits decision and the Budget. Different plans and legislation also steer development in a conflicting direction to some extent. In addition to developing foresight it is necessary to make better use of foresight and evaluation information in decision-making.

Information concerning central government revenues

Tax revenues form about 85 per cent of total revenues in the Budget. In the current eco-

nomic situation the intake of tax revenues is subject to significant risks. The large-scale disturbance of international trade will cause a great deal of uncertainty in Finland's economic development in the near future. Finland is a small open economy that is especially dependent on the recovery of export markets. Exports' share of Finland's gross domestic product is considerably higher now than during the slump of the early 1990s. If the upturn in the global economy is delayed and the recession in Finland consequently deepens, the development of tax revenues will be considerably weaker than has been anticipated in the baseline scenario.

The rapid ageing of the population presents a significant additional challenge for Finland. The lengthening of the international recession together with the ageing of the population can lead to a drop in production potential in Finland. The baby-boom generation will begin retiring in 2010. If the global recession has not eased by then, possibilities for growth and the intake of tax revenues will remain quite weak.

The most significant uncertainty factor regarding central government tax revenues is the recovery of the international economy from the current economic crisis. If the recession continues and deepens, tax revenues will remain considerably lower than projected as a result of the reduction in economic activity. On the other hand it should also be noted that domestic stimulus measures and their success will have a significant influence in maintaining employment and consumer confidence, and therefore these measures will also influence tax revenues. Successful stimulus measures will increase economic activity and thus tax revenues.

With regard to central government tax revenues one must also keep in mind that dividends, profit crediting and interest payments

have been a significant source of revenues even in fiscal policy terms, which have made it possible to maintain a high level of central government spending and transfers. In the final central government accounts for 2007 profit crediting contributed 2.273 billion euros and in 2008 2.423 billion euros according to the budget implementation statement. The biggest items were dividends paid by state-owned companies and profit crediting by unincorporated state enterprises. These revenues will also decline sharply as a result of the recession.

The most significant risks mentioned in the Report on the Final Central Government Accounts for 2008 are the continuation of the global recession and the ageing of the population. These factors will significantly weaken the balance of central government finances. In spite of this, the analysis of revenues focuses on presenting figures for fiscal year 2008, and future risks concerning different types of revenues are not discussed. This should have been done in the current exceptional situation, however.

The section of the Report on the Final Central Government Accounts that deals with economic development and economic and fiscal policy notes that the pressure on public finances caused by the ageing of the population has been evaluated using harmonised methods in the sustainability scenario prepared by the EU's Economic Policy Committee most recently in 2006. According to this scenario age-related expenditure is expected to increase in Finland by about 5 percentage points in relation to gross domestic product by 2050. In 2008 work went into preparing an updated scenario. The new scenario will be completed in spring 2009. The Report on the Final Central Government Accounts also notes that, owing to the weakening of the outlook for public finances, the 2008 stabil-

ity programme update doubled the estimate of the sustainability deficit in public finances compared with the previous year's estimate. The new estimate is 3 per cent of gross domestic product. Either public expenditure must be reduced or revenues increased by this amount by the beginning of the next decade for public finances to be on a sustainable basis. On the other hand the sustainability deficit could be eliminated with structural reforms that influence the sustainability of public finances over the longer term.

In the opinion of the National Audit Office, improving the sustainability of public finances and central government finances will be a significant challenge for economic policy and the preparation of the Budget during the present spending limits period. It is necessary to maintain strict control over expenditure while making sure that the central government and other public authorities can support the economy's growth potential and the renewal of the economy. It is likely that, in order to ensure the sustainability of central government finances, it will be necessary in the coming years to consider the level of public spending and the proper targeting of funds and to make decisions concerning the reallocation of funds. It is extremely important with regard to public measures and spending to pay attention to the cost-effectiveness of spending.

Information concerning central government debt

At the end of 2008 the nominal value of central government debt amounted to 54 billion euros. At the end of the year 88 per cent of debt was long-term and 12 per cent was short-term. Central government debt was nearly 10 billion euros lower than at the

beginning of the decade. In relation to gross domestic product debt fell to less than 30 per cent last year. In spite of the reduction in debt, interest costs were slightly higher than the year before, which according to the Report on the Final Central Government Accounts was due to the volatile financial market situation in 2008.

Responding to the economic crisis is, however, clearly easier than if the level of central government debt had been considerably higher than at present: additional borrowing will not lead as easily to an uncontrolled debt spiral since the starting level is relatively low. The low share of central government debt in relation to gross domestic product that has been achieved as a result of good economic and fiscal policy and the amount of central government debt provide manoeuvring room for the economy and central government in a recession. A low amount of debt is thus a factor that improves an economy's ability to bear risk.

Debt can grow quickly; in the 1990s central government debt grew by 60 billion euros in just a few years. Central government debt is expected to rise to 64 billion euros by the end of this year and to 76 billion euros by the end of next year. From the level at the end of 2008 central government debt is expected to grow by nearly 50 billion euros by the end of 2013 or nearly double in nominal terms. So far the Finnish state has been able to borrow money at reasonable interest rates. With debt growing sharply, the risk is that the risk premium on loans will increase. The current account has also shown a deficit for the first time in years. A deficit in both central government finances and the current account has in practice been a factor that often leads to a lowering of a country's credit rating and thus a rise in the risk premium on loans. An increasing debt burden in any case reduces the econo-

my's and central government's ability to bear risk.

Up to the middle of last year different countries received long-term financing on capital markets with quite similar risk premiums. Interest on the EU member states' loans and the total costs of loans hardly varied. In late summer the difference in risk premiums on government loans began to widen.

Germany has traditionally been able to borrow money on the best terms. The other EU member states are generally compared with Germany. In the latter part of last year risk premiums on government loans began to widen so that Greece and Ireland, which are in the weakest position, pay about 2.5–3.0 percentage points higher interest on loans than Germany. The Finnish government has also faced higher risk premiums, but these have only been about 0.5–0.75 percentage points higher than Germany. This means that the Finnish government still receives the second or third least expensive loans on the market. Finland is among the top countries among government borrowers along with the Netherlands and France, for instance. The Finnish government's credit ratings for both short- and long-term borrowing were and remain the best that are possible.

The rise in Finland's risk premium reflects investors' generally increasing caution towards government borrowers more than a change in Finland's risk position on the market. It should be pointed out, however, that both credit rating agencies and investors constantly evaluate the success and sustainability of different countries' economic policy, including Finland's. If suspicion arises on the market concerning the economic policy that is practiced or the level of debt or the increase in debt, market reactions can result in higher risk premiums on new loans and a lower credit rating for Finland.

Information concerning the central government's financial position

In addition to actual fiscal policy stimulus, in the current economic crisis important measures are loans and loan guarantees granted to companies to ensure their financing. Guarantee authorisations have been increased as part of stimulus measures, and for this reason the central government's outstanding loan guarantees are rising sharply. According to the economic survey that was published by the Ministry of Finance in spring 2009, in 2008 5.4 billion euros worth of new state guarantees were granted, and at the end of 2008 outstanding state guarantees totalled 15.3 billion euros.

The state guarantees included in the final central government accounts total 3.8 billion euros. The balance sheet in the final central government accounts and information concerning guarantees outside the balance sheet are prepared only for the state budget economy. Consequently they do not include state assets and liabilities in off-budget funds or assets and liabilities of state-owned companies that would be included in consolidated accounts according to the Accounting Act. Furthermore the balance sheet does not directly show the amount of the central government's pension liabilities. In the final central government accounts and notes, information concerning the central government's financial position is presented quite briefly through balance sheet values.

An examination limited to the information in the final central government accounts does not allow the formation of a true and fair view of the central government's financial position and associated risks. It is difficult to draw conclusions concerning the central government's financial position particularly

over the long term in the light of the information that has been provided. The central government's financial position is also influenced significantly by commitments resulting from expenditure extending over several years as well as different central government liabilities. For example, state guarantees are visible in budget and accounting figures only if they fall due or preparations are made to pay them in the Budget.

The Finnish state has 11 off-budget funds, which operate in six different administrative sectors. Their combined balance sheet was about 25.6 billion euros at the end of 2008. According to the results of a performance audit concerning the steering and administration of off-budget funds, Parliament has not been provided adequate information on the basis of which it could form a true and fair picture of off-budget funds. The information that is received by Parliament concerning off-budget funds in the Report on the Final Central Government Accounts is scanty, and the off-budget position of funds reduces Parliament's budgetary power.

In a report²⁰ that it submitted to the Speaker's Council on 2 May 2002, a parliamentary working group on reporting policies that was appointed by the Speaker's Council stated that Parliament does not receive adequate information on the activities of off-budget funds. A working group on final accounts that was appointed by the Ministry of Finance noted in its report, which it submitted to the ministry on 31 March 2002, that improving information and accountability requires the harmonisation of legislation concerning off-budget funds with regard to funds' management organisations and responsibilities

as well as bookkeeping, final accounts and accounting policies.

The Government proposal for an amendment to the State Budget Act (GP 56/2003) noted that legislation concerning off-budget funds needs to be revised so that the requirements of good governance can be met and the necessary information on funds' finances and activities can be included in the Report on the Final Central Government Accounts.

A proposal by the working group on final accounts, which prepared a proposal aimed at reforming reporting on the final central government accounts and procedures to ensure accountability, concerning an analysis of off-budget funds' final accounts was not included in the Report on the Final Central Government Accounts²¹. Proposals to harmonise legislation concerning off-budget funds with regard to funds' management organisations and responsibilities as well as bookkeeping, final accounts and accounting policies in order to improve information and accountability have not been implemented.

In the Report on the Final Central Government Accounts the possibility to provide additional information on off-budget funds' activities has not been used. To improve Parliament's budgetary power, the information received by Parliament on off-budget funds should be increased. The Ministry of Finance should arrange the revision of legislation concerning off-budget funds in order to include information on funds' finances and activities in the Report on the Final Central Government Accounts, according to the principles outlined by the working group on final accounts. Off-budget funds form such a significant whole financially that, in studying

²⁰ Developing reporting procedures as part of parliamentary supervision of the financial management of the state. Report of the Parliamentary Working Group on Reporting Policies 15.5.2002. Parliamentary Office Publications 7/2002.

²¹ Towards better accountability - Principles of the central government's accountability reform. Working Group on Final Accounts (Ministry of Finance 138:00/2001).

legislation under the direction of the Ministry of Finance, consideration should be given to issuing a joint report concerning funds' activities to Parliament each year. The analysis of off-budget funds should be included in the Report on the Final Central Government Accounts.

Forming a true and fair view of the central government's financial position and associated risks based on the information in the final central government accounts requires that the Ministry of Finance takes steps to reform provisions on the final central government accounts so that they include consolidated information at the level of central government finances in addition to information on the state budget economy.

Information concerning tax subsidies

The amount of tax subsidies has been increasing in recent years. Since the primary objective of spending limits is to keep costs down, and since the goal has been to keep the spending limits procedure as simple as possible, state revenues and tax subsidies have not been included in the deliberation of spending limits.

In evaluating the use of tax subsidies a key question is whether the preparation and monitoring of legislation regarding tax subsidies is on an adequate level. An essen-

tial question is also whether there are other factors, linked mainly to central government spending limits, behind the use of tax subsidies. For example, owing to the binding nature of spending limits, have stimulus measures been focused on expenditure excluded from spending limits or on the revenue side, such as tax cuts? The use of tax subsidies as a policy tool can be problematic. Tax subsidies are not automatically subject to the same kind of evaluation as budget appropriations. Tax subsidies are not subject to regular reevaluation, for instance, and no annual ceilings have been set on them. The difference in preparation and approval processes may lead to the steering of subsidies through the tax system. This is a risk particularly when fiscal policy places restrictions on expenditure through such means as spending limits. As a result of inadequate monitoring, tax subsidies can remain permanent or long-term. These aspects of tax subsidies are in conflict with the principles of good governance. Under the direction of the Ministry of Finance a project has been set up to conduct a new study on tax subsidies. This study has not yet been completed. A report that has been called for by Parliament on the handling of tax subsidies as part of the central government spending limits and budget procedure has not been prepared, nor has the Government informed Parliament on the measures it has taken in this matter.

6 Steering systems in administrative sectors

The National Audit Office has audited the steering systems in the administrative sectors of the Ministry of Justice and the Ministry of Social Affairs and Health. The main question was whether the steering system is adequate to deliver and ensure performance in the administrative sector. The audit did not evaluate performance in the administrative sector as such but focused on the arranging of steering and steering methods in the administrative sector. The audit examined planning, management, reporting, accounting and evaluations systems, and internal control in the administrative sector.

The main focus in steering in the administrative sector of the Ministry of Justice is performance management, which includes the direct operational expenses of the courts and agencies in the administrative sector. The core of the administrative sector of the Ministry of Social Affairs and Health, on the other hand, is the social security system, which includes social welfare and health services and income security. The different nature of the administrative sectors was a factor behind the focusing of audits on these areas.

6.1 The steering system in the administrative sector of the Ministry of Justice

Conclusions

On the basis of the audit, the steering system in the administrative sector of the Ministry of Justice has not been able to link the funds appropriated by Parliament to the administrative sector sufficiently well and transparently to operational performance. Consequently the setting of objectives and performance reporting produced by the steering system in the administrative sector does not ensure accountability in a proper manner.

The steering system in the administrative sector nevertheless has well-implemented parts and good practices in line with the principles of performance management and shows positive development. Planning documents and the arrangement of activities in the administrative sector clearly reflect the common goal of steering activities through performance objectives. The administrative sector comprehensively uses effectiveness and operational performance objectives according to the performance model. The presentation of descriptions of performance, in which information on objectives and their implementation is presented systematically together and closely linked to each other, is very good. As a rule actors in the administrative sector also do a good job reporting on those objectives that have been set for the period in question in the relevant documents.

Audit findings

The audit focused on the setting of objectives and performance reporting in the administra-

tive sector for the fiscal year 2008. In addition the audit examined the administrative sector's organisation, planning system, performance and management's accounting and other monitoring, evaluation activities and internal control procedures. The audit also strove to produce information on whether the steering system in the administrative sector of the Ministry of Justice functions in a way that enables the production of true and fair information for decision-making inside the administrative sector and by Parliament. The information presented in the budget proposal and the description of performance in the Report on the Final Central Government Accounts should - as a key part of the steering system - provide a credible basis for steering activities in the administrative sector.

The administrative sector of the Ministry of Justice has not been organised in operational wholes according to performance management principles. The ministry's performance steering has concentrated strongly on two of its departments. There are few sets of objectives that bind different actors and their activities together in the administrative sector. Particularly in the courts the lack of a central administrative unit has led to a large number of separate negotiating parties. This is the situation especially in the field of the general courts. In this case the performance manager does not have negotiating parties that are responsible for sets of objectives. Objectives and responsibility for performance are fragmented and actors in the administrative sector do not necessarily have an opportunity to develop and formulate objectives together. This is underlined in the formulation of joint

objectives in different sectors of the administrative sector. On the other hand especially in the administrative courts and in the courts in general, according to the findings of performance audits conducted by the National Audit Office, it has been considered important for the courts' management to maintain contacts with the ministry that are as direct as possible.

In evaluating the structures used in performance steering of the courts, one must also consider the provisions in section 99 of the Constitution, according to which the Supreme Court and the Supreme Administrative Court are responsible for supervising the administration of justice in their own fields of competence. According to background documents, the duties in section 99 include monitoring coherence in the administration of justice, processing times for cases and the adequacy of court resources, arranging negotiation days and taking care of training for personnel. The Supreme Court and the Supreme Administrative Court are therefore responsible mainly for monitoring the lower courts. This task is closely connected to performance management. Under the direction of the Supreme Court and the Supreme Administrative Court, an annual report based on legislation regarding the Budget is submitted on the general courts, the Labour Court and the administrative courts. A performance audit that was conducted by the National Audit Office concerning the administrative courts found that in the administrative courts the presence of the Supreme Administrative Court in performance negotiations is good for the flow of information. Steering, reporting and monitoring by the Supreme Court and the Supreme Administrative Court particularly have significance in matters regarding the quality of courts' activities and its prerequisites.

There is a strategy document in the administrative sector for the period 2003-

2012. Since the period is so long, the document needs to be updated from time to time. This has not been done very well, however. The social effects of the administrative sector extend over a long term, so the strategy should be a key starting point in pursuing performance objectives and in planning activities at the annual level.

The performance agreements with different actors in the administrative sector have been compiled into an annual planning document for the administrative sector. Planning and performance documents in the administrative sector are also easily available on the ministry's website.

The key focus in planning and the preparation of planning documents should, however, be on administration's internal planning of its own activities. It is important for the administrative sector to be aware of different planning documents' significance and the content they require. The administrative sector should prepare a description of its steering system. The functioning of the planning process in the administrative sector as a whole should be promoted by the better linking of actors' roles and different documents' content regarding objectives to a scheduled flow chart.

To arrange credible and legitimate steering the administrative sector should consider the significance of courts' and individual judges' independence from the viewpoint of steering and management. Performance objectives cannot be properly pursued without documented and jointly agreed policies and concepts regarding independence. Steering can naturally focus on courts' operating conditions and management frameworks. The content of steering should, however, ensure courts' independence and autonomy in exercising judicial power. Steering should pay special attention to ensuring the preconditions for courts' performance and good man-

agement. On the basis of performance audits that have been conducted by the National Audit Office concerning the courts, important matters are the functioning and utilisation of information systems and the further development of the criteria used in the measuring of performance and the evaluation of operational efficiency and quality. Describing performance requires a broader range of indicators and criteria that take into consideration differences in the nature and scope of different matters and types of matters, the total length of legal processes as prescribed in the European Convention on Human Rights and section 21 of the Constitution regarding protection under the law and the case structure of individual courts and process chains for types of cases and changes in it. The administrative sector should ensure the reliability of the monitoring of working time and the joint approval of criteria, since this is a key starting point for the usefulness of steering information, both in pursuing performance objectives and simply in allocating resources.

The arrangement of accounting should be developed so that proper indicators can be developed and utilised. A special challenge is to link internal accounting with the active management of operational efficiency at the agency and unit level and in the administrative sector as a whole. Accounting and the production of other steering information should also be better able to promote the monitoring of the achievement of individual upper-level effectiveness objectives and verify the resources linked to them.

Objectives for the administrative sector of the Ministry of Justice in the budget proposal

In the main division's explanatory part, performance objectives have been set in

the budget proposal according to guidelines by policy sector in line with performance management principles. In the text in the explanatory part the matters that have been presented as objectives can be clearly seen under headings according to policy sector. Objectives have been presented in normal sentence structure and a single sentence may contain several objectives. There are about 20 sentences containing social effectiveness objectives in the main division. From these one can specify a total of over 40 separate preliminary social effectiveness objectives that require reporting. Applied to a single budget year this amount can be considered quite large. One or more indicators have been attached to some of these objectives in the main division or the objective has been stated as a numeric value.

In the main division's explanatory part, effectiveness objectives have not been set for the prosecution service and legal aid offices, although these are significant functions in the administrative sector. In general, with the exception of the above, effectiveness objectives cover the current field of activities reasonably well. In developing the presentation of objectives, the amount of money allocated to activities should be reflected more clearly in weighting. The matters presented as objectives are by nature expressions and visions that are linked to the development or improvement of the situation. Since they lack a clear target level, they do not form a very good basis for real performance reporting.

Objectives have not been clearly defined so as to apply strictly to the budget year. They are often broad, long-term objectives and visions and even a reporting period of 3-5 years is not sufficient for most of them. Concrete partial objectives for the budget year and the medium term should be set for the objectives that have been present-

ed. Many objectives are quite general and vague. They do not have a sufficient motivating influence on the actor. The goal of focusing resources on effectiveness objectives or policies that connect them is not visible in the budget proposal.

In connection with the presentation of the objectives in the main division, the chapters and articles in which there are measures designed to implement effectiveness objectives and operational objectives regarding legal protection and criminal policy objectives as a whole have been mentioned. It is positive that objectives presented at different levels are linked together. The goal, however, should be a structure in which objectives linked to a single upper-level objective are specified as a clear whole. Objectives presented at the main division level should form an objective hierarchy together with the objectives set for policy sectors, agencies and actors in the administrative sector at the chapter and article level. How objectives at the chapter level are linked to objectives at the main division level is not sufficiently clear. For many upper-level objectives one cannot find lower-level objectives that support them.

The administrative sector employs clear and uniform headings for operational performance objectives at the chapter and article level. Objectives have been set for all the key actors in the administrative sector, generally quite comprehensively. Objectives have not been set so as to apply to the entire administrative sector, however. The time series that have been used are too short. The administrative sector should have followed a uniform practice in which results are given for at least three years, in which case one could see some sort of development trends in objectives.

The objectives in the administrative sector should show the hierarchic structure of

objectives expressed clearly in indicators. The social effectiveness objectives in the main division of the budget proposal should be clearly linked to the effectiveness objectives in the chapter explanations and appropriation proposals as well as agencies' most important objectives and appropriations. The functioning of performance objectives should be improved so that their degree of achievement and linkage to resources can be reliably measured and evaluated. The coherent examination of time series and figures describing development over a sufficiently long period should be increased. Productivity and economy should be included in coherent objectives and steering concerning the entire administrative sector. The budget proposal should make clear the resources allocated to each key social effectiveness objective. This is a natural starting point in developing performance management and particularly accounting. Shorter-term partial objectives should be formulated for long-term objectives and visions. A reporting timetable should be presented for long-term objectives.

The description of performance in the administrative sector of the Ministry of Justice in the Report on the Final Central Government Accounts

In the main division explanations in the budget proposal, key effectiveness objectives were set for the administrative sector of the Ministry of Justice under policy sector headings. Reporting is based on the same headings, although the order of presentation is slightly different. The description of performance focuses on the description of the achievement of key social effectiveness objectives according to guidelines. In addition, for some actors the achievement of key oper-

ational objectives at the chapter and article level is reported quite comprehensively according to guidelines. Objectives have been presented so that they are clearly separated and reporting is well linked to the setting of objectives. In an unfortunately large number of cases, however, reporting linked to objectives is not of sufficiently good quality or does not focus on the objective very well. Little information has been provided on risks regarding the achievement of objectives and their connection to social effectiveness.

Tables have been used quite extensively. For the most part information on social effectiveness has been reported in text form without a longer-term examination, in which case a description of the development of effectiveness over several years is lacking. The use of graphs and tables makes it easier to describe performance in relation to the objective and to express the degree to which the objective has been achieved. In describing performance in the administrative sector, percentage differences between objectives and results have been presented well.

The text states in several places that objectives have not been achieved. In most cases an attempt has also been made to present reasons for this. Providing information on objectives that have not been achieved and the reasons for which objectives have not been achieved is part of good and impartial reporting.

In describing performance some actors' personnel and costs for the past three years have been presented in table form. No linkage between effectiveness and the application of funds can be discerned, however. Reporting does a good job describing the number of outputs and measures and especially processing times. On the other hand, there is practically no reporting on productivity and economy, which are key factors for operational performance.

According to guidelines information has been provided on a special theme in the administrative sector. The theme is headed Promoting legal policy effectiveness through research. The text gives a good description of the role and significance of research in examining the effectiveness of the administrative sector and different operational sectors and producing information on which to base decision-making. The Report on the Final Central Government Accounts does not reveal the grounds on which the topic was selected as a special theme, however. The theme has not been linked to the effectiveness objective in any way.

The description of performance in the Report on the Final Central Government Accounts should include a reference or link to broader reporting on performance in the administrative sector. This reporting should include information on the achievement of all the objectives that are mentioned in the budget proposal. To ensure accountability according to performance management principles and the transparency of administrative activities, the description of performance should be presented as a clear whole in future. Evaluations of the social effectiveness of activities in the administrative sector should be given a more significant role as part of reporting in future. The connection between agencies' performance objectives and broader social effectiveness objectives should be clearly visible in the Report on the Final Central Government Accounts. On the basis of the Report on the Final Central Government Accounts it should be possible to evaluate clearly the development of social effectiveness and the relation between agencies' operational performance and the funds that are appropriated to the administrative sector.

6.2 The steering system in the administrative sector of the Ministry of Social Affairs and Health

Conclusions

The steering system in the administrative sector of the Ministry of Social Affairs and Health is adequate and functions well in most respects. The core of the steering system in the administrative sector is the Budget. The budget proposal gives a fairly good picture of the allocation of funds in the main division. Reporting to Parliament in the Report on the Final Central Government Accounts is also adequate in most respects. Information is provided on the achievement of most objectives, but objective levels are not presented clearly. Reporting presents the achievement of objectives, measures and resources separately, but there is not a clear connection among these three.

Strengths of the steering system appear to be particularly strategic long-term planning, the clarity and management of the performance management process, information production structures and management's commitment to developing the steering system. The ministry has a strong tradition of strategic planning and the strategy is systematically updated. The financing of social welfare spending can be evaluated over the long term with a transparent calculation model. Strategic lines have been included in the performance agreement and clear reporting and feedback channels have been created for performance management. The administrative sector has strong expertise in producing information, and information structures in the administrative sector have been developed.

Another strength is the way the ministry's

management is committed to developing the steering system. In the present decade among the functions included in the steering system the structure and information content of the Budget, the organisational structure in the administrative sector, the content of performance management and procedures, the information steering of local authorities, the structures of information production in the administrative sector, the measuring of productivity, the division of the ministry into departments and the calculation and evaluation of social welfare spending have been developed. With regard to the structure of social welfare and health services, the implementation of the restructuring of municipalities and services is very significant. The significance of all these changes for the functioning of the steering system in the administrative sector and thus performance cannot be evaluated at this point.

Key challenges for the steering system in the administrative sector are the statute-based distance of the steering system from the implementation of social security, the management of the preparation of legislation by the ministry, the management of the merging of organisations and the coordinating of reporting to Parliament. A special feature of the implementation of social security is the independence of the implementing organisations, which is partly based on the Constitution: the steering relation vis-à-vis local authorities is largely set procedurally and information steering is still being developed. There is no clear steering relation vis-à-vis the Social Insurance Institution, although the implementation of social secu-

rity in quite strictly regulated in benefit legislation. The ministry has strived to develop the preparation of legislation, but resources for this purpose are relatively small. The significance of the preparation of legislation in economic planning underlines the legal basis of appropriations in the administrative sector. In reporting to Parliament the Report on the Final Central Government Accounts and the Government's annual report are overlapping in some respects. The conciseness of the Report on the Final Central Government Accounts places strict limits on the possibility to report on a broad operational field. The Report on Social Affairs and Health, which is submitted every four years, offers the best possibility to provide a thorough evaluation of social welfare and health policy over the longer term.

Audit findings

Provisions concerning the administrative sector of the Ministry of Social Affairs and Health are contained in the Government Rules of Procedure (2003/262) on the basis of the Government Act (2003/175). The administrative sector's core is the social security system, which includes social welfare and health services and income security. The significance of the administrative sector is reflected by the fact that social expenditure in 2008 totalled about 48 billion euros or about 25 per cent of gross domestic product. The central government financed about 25 per cent of social expenditure. Other sources of financing were employers and employees, local authorities and social security funds' returns on investments.

The audit focused on the steering system in the administrative sector of the Ministry of Social Affairs and Health. The term steer-

ing system refers to the procedures and systems with the help of which the administrative sector's management strives to achieve and ensure performance in the administrative sector. The main audit question was whether the steering system in the administrative sector of the Ministry of Social Affairs and Health is adequate to produce and ensure performance in the administrative sector. The audit question was divided into five parts, which concerned planning, management, reporting, accounting and evaluations systems, and internal control in the administrative sector. The audit did not evaluate performance in the administrative sector as such but focused on the arranging of steering and steering methods in the administrative sector.

Planning

The administrative sector of the Ministry of Social Affairs and Health has a clearly presented published strategy that is used as a framework and content guide for planning and monitoring documents. The strategy extends beyond government terms, as a result of which it has a conflicting timetable in relation to the Government Programme, but owing to the scope of social security and the need for long-term development this is understandable. The content of the strategy is sometimes loose and deals more with the organising of activities in the administrative sector than strategic choices.

The ministry has clear processes and procedures for revising the strategic plan. The ministry has participated in the Government's foresight network and can take advantage of the materials that are produced in it. The ministry's own foresight activities are strong, particularly in evaluating social expenditure,

in which a key tool is a long-term calculation model for the financing of social security. The model has recently been made more transparent, reliable and easy to use.

In planning finances and activities the ministry has considered a four-year operational and financial plan unnecessary; operational planning relies heavily on the strategy and financial planning is based on central government spending limits. The budgeting guidelines that the ministry issues to the administrative sector are adequate and planning has been reasonably successful at the main division level; the net accumulation of appropriations in 2008 was quite close to the original budget proposal.

The structure of the Budget in the administrative sector is fairly clear and makes it possible to obtain a picture of the targeting of expenditure in the main division. The main division's explanatory text presents the ministry's main strategic lines with social effectiveness objectives and indicators under them, which can be considered adequate for budget needs. However, the measures presented under strategic lines and objectives and the procedures for coordinating and steering them have not been presented logically and clearly, as a result of which it is difficult to see a connection between finances, activities and objectives. Objectives according to budget guidelines are not always presented in chapter explanations.

Concerning the indicators used to measure effectiveness objectives in the Budget, the audit looked more closely at the use of a weight index to describe obesity in the population. The weight index in itself is a suitable tool to measure obesity. The data collection method excludes data on children and young people, which would be important with regard to reducing obesity. Indicator information is artificially precise and results

can change because of random fluctuations, when it would be more useful to describe trends in obesity. Clearly longer-term objectives should be presented for budget proposals and not merely an estimate for the budget year.

Management

With regard to management the audit question was whether the administrative sector has a management system that allows set objectives to be achieved.

The organisational structure in the administrative sector has changed strongly since the beginning of 2009. From the viewpoint of performance management in the administrative sector, the organisational structure is now clearer and improves the ministry's preconditions to steer subordinate agencies. The ministry's division into departments also changed in 2008, according to the strategic lines in the administrative sector. The ministry was in the process of starting a study on the position of state community homes and mental hospitals in the administrative sector, but the study was dropped. The Government proposal and a committee report express different views on whether institutions' current position is temporary or permanent.

The ministry's operational plan is based on the Government Programme and the strategy for the administrative sector, and the structure of the plan is in accordance with central government performance terminology. The implementation of the operational plan has been monitored adequately by the ministry's management group. The ministry's planning of legislation is adequate, along with the monitoring of the preparation of legislation. The ministry has strived to develop the preparation of legislation in accordance with the

Government Programme and to improve the evaluation of the economic impacts of legislation. The ministry has a micro-simulation model that can also be used to evaluate the impacts of social benefits and taxation at the individual level in preparing legislation. The resources available for preparing legislation have been considered insufficient in view of tasks and requirements regarding the preparation of legislation. This has been reported to the ministry's management in an adequate way.

The performance management system in the administrative sector has been developed actively during the present decade. The performance management process has been described and provided with guidelines properly and central government performance terminology has been applied. The content of the performance agreement is guided by the strategy for the administrative sector and operationally also by the Government Programme's policy lines. The performance management process included adequate reporting and feedback mechanisms. The four-year performance agreement period is reasonable: activities during the current year are placed in relation to longer-term development and serve the achievement of longer-term objectives.

Substitute variables for units' productivity and economy have been presented in performance agreements. Together with Statistics Finland the ministry has strived to create indices for productivity at the unit level in the administrative sector, but indices have not yet been developed because of organisational changes in the administrative sector and gaps in accounting systems. A corresponding calculation regarding economy in the administrative sector has not been prepared. Total operating costs in the administrative sector rose by about 2 per cent in real

terms from 2005 to 2008. There are large differences in changes in costs between units. Differences partly reflect changes in units' tasks.

Key support functions in the administrative sector are financial and personnel administration, information management, the steering of human resources, procurement and the management of facilities. Although support functions are in principle the responsibility of each unit's management, the ministry is responsible for steering and coordinating the arrangement of support functions in the administrative sector as a whole. In most support functions the ministry has developed suitable steering tools. Attention has been focused most clearly on the steering of financial and personnel administration, information management and the steering of human resources.

A special feature of the administrative sector of the Ministry of Social Affairs and Health is that key functions regarding the implementation of social security are outside the scope of ministerial steering: social welfare and health services are arranged by local authorities and income security is mostly taken care of by the Social Insurance Institution and employment pension institutions. Other outside actors include the Farmers' Social Insurance Institution, the Seamen's Pension Fund, the Central Pension Security Institution, the Slot Machine Association and the Finnish Institute of Occupational Health. The ministry's steering relation to these providers of social security varies greatly. The ministry's steering of social welfare and health services arranged by local authorities has been examined in a number of audits that have been conducted by the National Audit Office. Criticism has focused especially on the lack of information steering tools and weak steering effects. The ministry has emphasised the

development of information steering particularly as the task of the National Institute for Health and Welfare. The Social Insurance Institution operates as an independent pension institution under Parliament's supervision, and the ministry does not steer or control its activities. In practice detailed benefit legislation steers implementation. In spite of the independent position of the Social Insurance Institution, the exchange of information between the ministry and the Social Insurance Institution has been considered adequate at the official level.

A number of broad action programmes have been under way in the administrative sector. The relations between programmes and the whole formed by them is not clear, which weakens the functioning of programmes as independent information steering tools. The reasons for starting programmes are different; in some programmes the motive is more coordination between administrative sectors or within the administrative sector, in which case the functioning of programmes should be evaluated from another perspective than as part of information steering. In terms of content no conflict was observed between programmes.

Reporting

Audit questions regarding reporting were whether the reporting system in the administrative sector is adequate and whether the reporting system has produced true and fair information on activities, finances and results in the administrative sector.

Inside the ministry the reporting system to the ministry has been divided into three parts, which cover different periods: reporting on appropriations, the achievement of annual objectives and the entire performance

agreement period. The division is reasonable from the viewpoint of steering. Reporting on the use of appropriations is adequate for management needs. Reporting on the implementation of annual plans in the early autumn makes it possible to change activities. Reporting for the whole year in numbers also requires the ministry to evaluate those objectives for which clear indicators do not exist.

The final accounts of agencies in the administrative sector together with notes have been prepared properly in essential respects. The information presented in agencies' annual reports regarding operational efficiency has contained gaps: four of seven agencies presented true and fair information on operational efficiency for 2007. In three cases the information that was presented could not be considered adequate, since it contained estimated costs and incomplete person-year information, among other things.

The Ministry of Social Affairs and Health reports to Parliament on its activities in three reports that are prescribed by law: on its performance in the Report on the Final Central Government Accounts, on measures and activities based on parliamentary statements in the Government Annual Report, and on the state and development of public health and social security in the Social and Health Report.

The scope and period of reports differ considerably. The Report on the Final Central Government Accounts and the Government Annual Report are concise annual surveys, while the Social and Health Report is a much broader general presentation that is submitted every four years. The reports are also handled by Parliament in different ways.

In the Report on the Final Central Government Accounts for 2009 the Ministry of Social Affairs and Health reported on its performance according to the structure of strategic

lines. Compared to the Budget the theme of family welfare, which is based on the Government Programme, is not reported under a separate heading. The reporting structure - implementation of objectives, measures during the year and use of resources - was reasonable and easy for the reader to understand. Ministry-level measures were mainly presented, particularly the preparation or presentation of legislation and the preparation or implementation of national programmes. The report covered most of the objectives presented in the 2008 budget proposal. The fact that information was not provided on every objective was due at least in part to the vagueness of objectives. Confirming accountability was hampered by the fact that the report did not clearly compare results with the objectives in the Budget. Many of the indicators in the 2008 Budget appear to have been optimally set on the basis of the results presented in the Report on the Final Central Government Accounts.

Accounting and evaluation systems

The audit question regarding accounting and evaluation systems was whether management's accounting and evaluation systems are adequate to produce true and fair information for planning, management and reporting in the administrative sector.

Information production structures in the administrative sector are in order for the most part.

Research responsibilities for tasks falling within the ministry's scope have been defined quite comprehensively in legislation regarding agencies in the administrative sector. Responsibilities regarding the regulation of insurance and research on gender equality are loosely defined in legislation.

In the present decade a broad project has been conducted in the administrative sector to evaluate and develop information structures and the production, reporting and use of information. On the basis of the project, information structures in the administrative sector were reasonably good and the project's development proposals have been implemented in part. The project as such has ended and the ministry does not currently have a strategic steering tool for information structures in the administrative sector. Information steering resources in the ministry are quite limited.

The ministry has also defined information production focuses in its performance management development projects. Numerous indicators have been included in performance management. The ministry has also strived to create indicators for productivity at the organisational and administrative sector level, but this work is still under way. Agencies' cost accounting in the administrative sector is mostly adequate for the monitoring and reporting of their own activities, but the administrative sector does not have a common cost structure.

Numerous evaluations have been conducted in the administrative sector. The most comprehensive studies have concerned research institutions and broad reform and development projects in the administrative sector. Evaluations of individual functions and projects have also been conducted, but it is not possible on the basis of the audit to judge how comprehensive these have been. According to a previous audit, evaluations have not always had a strategic basis and the results of evaluations have not always been handled and utilised clearly.

With regard to accounting the administrative sector lacks a harmonised accounting framework. Instead agencies produce cost

information concerning operational efficiency in their own way. With the exception of two agencies cost information is based on subsequent calculations and cost information is not available during the fiscal year. Cost accounting information is in the main adequate for agencies' own accounting, however.

Internal control

With regard to internal control the audit question was whether audit control is adequate to ensure the proper and sound management of tasks in the administrative sector.

The functioning of internal control was evaluated on the basis of financial audits of agencies in the administrative sector. In financial audit reports for 2007 only one of the seven agencies in the administrative sector was cautioned about the arrangement of the internal control of performance accounting. On the other hand all the agencies have been cautioned about shortcoming in other aspects of internal control, mostly concerning bookkeeping.

Three of the seven agencies in the administrative sector have internal audit functions and one has a full-time internal audi-

tor. Financial audits have not contained cautions on the arrangement of internal audit in recent years. The need to organise internal audit may change as a result of the 2009 agency reforms.

Evaluation and approval statements regarding internal control have been issued properly in the administrative sector. On the basis of audits, statements and preparation procedures can be considered proper in essential respects and they are not in conflict with audit findings. An internal control and risk management evaluation framework based on the COSO ERM reference framework is used in the administrative sector as a rule.

According to section 66 of the State Budget Decree, the ministry must issue a statement, including grounds, on the final accounts of an accounting agency in its administrative sector and measures warranted by the final accounts or the auditors' report issued by the National Audit Office. On the basis of the audit, the ministry has issued statements, including grounds, on the final accounts of agencies in its administrative sector. The ministry's own measures on the basis of final accounts and to improve performance can be considered adequate and appropriate in other respects as well.



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