



National Audit Office's report on the monitoring of the funding of political parties in 2017



National Audit Office's report
on the monitoring of the funding
of political parties in 2017

R 1/2018 vp

ISSN-L 1796-9530
ISSN 1796-9646 (PDF)
URN:NBN: VTV-R12018VP
[HTTP://URN.FI/URN:NBN: VTV-R12018VP](http://URN.FI/URN:NBN: VTV-R12018VP)

GRANO OY
HELSINKI 2018

PHOTOS
PAGE 10, OFFICE OF THE PRESIDENT OF THE REPUBLIC
PAGE 18, ISTOCK
PAGE 24, MARIKA LONKA, NAOF
PAGE 32, ELINA KECKMAN, NAOF
PAGE 48, ALASINMEDIA
INFOGRAPHICS AND LAYOUT
HEIDI BLACKBURN, NAOF

To Parliament

The National Audit Office has monitored compliance with the provisions of the Act on Political Parties (10/1969) regarding contributions and the use of the party subsidies, as well as the preparation and filing of documents covered by the disclosure obligation during the period 1 September 2016—31 August 2017.

The National Audit Office submits the annual report on its activities in the monitoring of the funding of political parties referred to in section 9e(5) of the Act on Political Parties.

Helsinki 15 February 2018

Tytti Yli-Viikari
auditor general

Klaus Krokfors
principal financial auditor

The Act on Political Parties contains mandatory provisions aimed at promoting the transparency of funding for political parties and party associations.

The aim of the provisions is to increase the transparency of party funding, particularly taking into consideration the recommendations made to Finland by the Council of Europe's Group of States against Corruption (GRECO). According to the recommendations, the public should have adequate information on the funding of parties' basic activities and election campaigns so that the possible ties can be evaluated.

The National Audit Office monitors compliance with the provisions set out in the Act on Political Parties concerning financial support, the disclosure of election campaign costs and funding, and the preparation and submission of related documents by monitored entities. From the beginning of 2016, the National Audit Office has also been responsible for supervising the party subsidies referred to in the Act on Political Parties.

Financial statements for 2016 of political parties, associations referred to in a party subsidy decision, and entities affiliated with a party have been sent to the electronic party funding register.

Contributions totalling over EUR 21.3 million received by parties, party associations and affiliated entities were reported to the party funding register in up-to-date disclosures between 2011 and 2017.

Contributions totalling more than EUR 2.9 million were reported during 2017. The information supplementing the disclosures also apply to earlier years so that the additions made during 2017 totalled approximately EUR 0.4 million (for 2016) and EUR 0.1 million (for 2015). At least some of the information supplementing the disclosures result from audits of political party funding.

A total of 50 audits were conducted on the monitored political parties and their district organisations in 2017. On the basis of the audits, the up-to-date disclosures concerning political party funding together with supplements are correct in essential respects and provide correct information on the financial support received by the audited entities in essential respects.

The auditors discovered a number of cases where the recipient had not always filed up-to-date disclosures of the contributions that it had received. As in the previous audits, it was found out that it is not possible to obtain a reliable overall picture of party funding simply by examining income funding and the proceeds entered into the financial statements. The audited political parties and other entities have different types of accounting transactions that are regarded as pass-through items. Determining their content nevertheless has significance from the perspective of financial support as referred to in the Act on Political Parties.

The focus of the audits of party funding conducted in 2017 was on reviewing the procedures concerning candidate's contributions and MP's contributions. The related decision-making and contractual practices vary by political party. Some district organisations of political parties collect from their MP candidates a candidate's contribution, which is approximately EUR 1,000. Similarly, local associations may also collect candidate's contributions from their municipal election candidates. The monthly MP's contribution varies between EUR 100 and 400. One political party collects from its MPs and MEPs an annual contribution of EUR 700, and another party collects from its MEPs a compensation of EUR 3,000 for their election campaign expenses twice a year.

The National Audit Office has recommended that the up-to-date declaration referred to in the Act on Political Parties be also submitted of candidate's contributions and MP's contributions. However, not all the monitored entities have complied with this recommendation. Thus, the related contributions are not entered as subsidy in the party funding register.

As a rule, the monitored entities' accounting has been managed properly so that monitoring compliance with the provisions in the Act on Political Parties has been possible on the basis of the accounts.

As in previous years, there were again inadequacies in the manner in which the monitored entities had prepared their auditor's reports. Furthermore, the auditors have at times failed to include the statements required under section 9c of the Act on

Political Parties in their auditor's reports. In recent years, there has been improvement in the reporting by the auditors, but the statements issued in the auditor's reports have not always been sufficient or unambiguous.

In the audits of party subsidies, the cost accounting procedures of a total of approximately 150 recipients with the obligation to keep accounts were examined. Where necessary, the recipients were requested to correct their accounts or to submit additional information about their procedures. The party- or party organisation-specific audit memorandums issued of the audits of party subsidies contain findings regarding the party subsidy procedures applied. The memorandums also draw attention to the allocation of party subsidies to entities other than the associations referred to in the Act on Political Parties.

Contents

1	Legislation applying to the task of monitoring party funding	11
1.1	Disclosure obligations prescribed in the Act on Political Parties and information that must be submitted to the National Audit Office	13
2	Interpretation situations regarding the filing of information	19
3	The National Audit Office's role in monitoring political party funding	25
3.1	The measures taken by the National Audit Office in its role as a monitor of political party funding	27
3.2	Audit objectives and criteria	29
3.3	Limits of monitoring	30
4	Disclosures received by the National Audit Office and measures regarding them	33
4.1	Monitored entities' accounting and financial statement procedures	34
4.2	Auditor's reports of the monitored entities	37
4.3	Filing of financial statements and information concerning election campaign costs and funding by monitored entities	39
4.4	Up-to-date disclosures together with supplements	40
4.5	Compliance with restrictions to contributions	47
5	Procedures concerning the transfer and use of the party subsidies	51
	Conclusions	55
	Annex	59



1 Legislation applying to the task of monitoring party funding

The Act on Political Parties (10/1969, as amended) contains mandatory provisions concerning the transparency of funding for political parties and party associations. The aim of the provisions is to increase the transparency of party funding, particularly taking into consideration the recommendations made to Finland by the Council of Europe's Group of States against Corruption (GRECO). According to the recommendations, the public should have adequate information on the funding of parties' basic activities and election campaigns so that the possible ties can be evaluated. Greater transparency in political party funding is expected to increase trust in political activities and thus also improve voter turnout. Another objective is to prevent corruption and influence on parties' activities based on ties.

The Act on Political Parties contains provisions on financial support to political parties, party associations and entities affiliated with a political party. Under the act, all contributions in the form of money, goods, services or other support is, as a rule, regarded as financial support. Only certain contributions that are expressly mentioned in the act are not regarded as financial support and therefore do not come within the sphere of regulation.

The Act on Political Parties also applies to entities affiliated with a political party. An entity affiliated with a political party is a corporation or a foundation or a trust of a corporation or a foundation that a political party, with the consent of the corporation or foundation in question, reports to the National Audit Office as being an entity affiliated with the party.

The Act on Political Parties also contains restrictions on receiving financial support. A political party, a party association and an entity affiliated with a political party may receive contributions up to a maximum value of EUR 30,000 from the same donor in a calendar year. This restriction does not apply to financial support given to a political party or a party association by an entity affiliated with a party, however. The act also contains a ban on receiving contributions from certain public-sector organisations or receiving foreign contributions or contributions from an unidentified donor.

The Act on Political Parties requires a political party, a party association and an entity affiliated with a political party to disclose to the National Audit Office contributions with a value of at least

Under the act, all contributions in the form of money, goods, services or other support is, as a rule, regarded as financial support

EUR 1,500 and their donors. The information contained in these up-to-date disclosures is published in the party funding register maintained by the National Audit Office.

Political parties and associations mentioned in a party subsidy decision must itemise election campaign costs and funding. Each individual contribution and its donor must also be mentioned separately if the value of a contribution is at least EUR 1,500. The information is entered in the party funding register and made available to the public. The first itemisations of election campaign costs and funding had to be sent to the National Audit Office in connection with financial statements for 2011.

The Act amending the Act on Political Parties (683/2010) also amended provisions regarding the task of monitoring political parties. The monitoring of political parties is the responsibility of the National Audit Office, the Ministry of Justice and the auditors of the organisations and foundations in question.

Information on outside funding and election campaigns is part of the financial statements that are prepared according to the Accounting Act and the Act on Political Parties and audited according to the Auditing Act. By law, auditors must in future issue a statement on the correctness of the required information in auditor's reports for a party, district organisations and associations receiving subsidies. The auditor of an affiliated entity must express an opinion on the correctness of an itemisation of received contributions.

The National Audit Office performs its monitoring task independently on the basis of its own audit plan. The National Audit Office monitors compliance with the provisions in the Act on Political Parties concerning financial support, the itemisation of election campaign costs and funding and the preparation and filing of related documents.

The Ministry of Justice has monitored compliance with the Act on Political Parties insofar as monitoring is not the responsibility of the National Audit Office. Until the end of 2015, the Ministry of Justice was responsible for monitoring the party subsidies under the Act on Political Parties.

Under an amendment to the act (1688/2015), the monitoring of the subsidies received by political parties (party subsidy) was transferred from the Ministry of Justice to the National Audit Office on 1 January 2016. The National Audit Office may, on pain of a fine, oblige the monitored entity to meet its obligations. However, the fine can only be imposed after the monitored entity has been cautioned and if the breach is considered substantial.

The National Audit Office performs its monitoring task independently on the basis of its own audit plan

The Act on Political Parties contains a provision on the recovery of party subsidies. Previously, the Government plenary session had the right to order the termination of the payment of a party subsidy that had been granted as party subsidy the recovery of a subsidy that has already been paid, in full or in part, as laid down on recovery in the Act on Discretionary Government Transfers. Terminating payments or recovering a party subsidy can also come into question if a political party substantially neglects its obligations under the Act on Political Parties. From 1 January 2016, the recovery decisions have been made by the National Audit Office.

1.1 Disclosure obligations prescribed in the Act on Political Parties and information that must be submitted to the National Audit Office

The Act on Political Parties contains provisions on submitting different types of information to the National Audit Office. The information submitted by each actor is shown in Figure 1.

Disclosures filed by disclosers

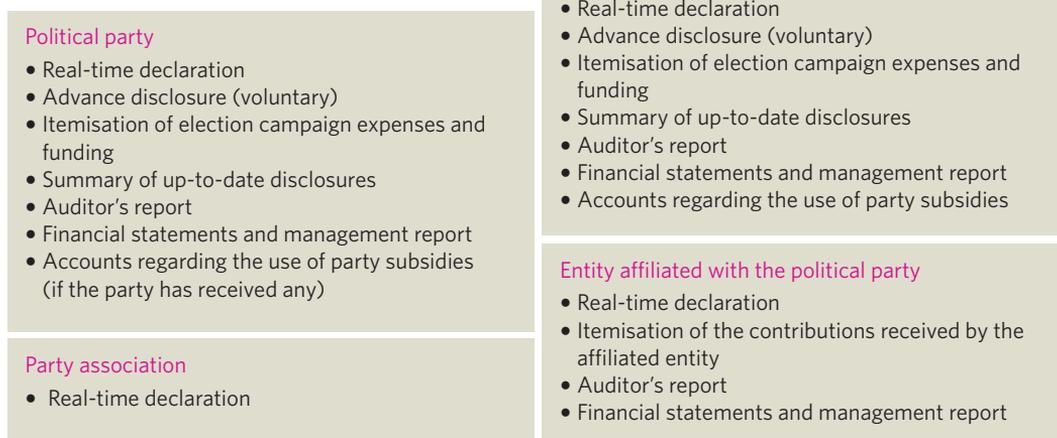


Figure 1: Disclosers under the Act on Political Parties and their disclosures

Up-to-date disclosure

Under section 8c of the Act on Political Parties, a political party, a party association and an entity affiliated with a political party must file a disclosure to the National Audit Office regarding the amount of a contribution and the donor. If the value of an individual contribution or several contributions received by a political party, a party association or an entity affiliated with a party from the same donor is at least EUR 1,500 in a calendar year. An up-to-date disclosure must be supplemented if after a disclosure has been filed or supplemented the value of contributions received from the same donor exceeds EUR 1,500. Thus more than one disclosure may have to be filed regarding contributions from the same donor. This means that a disclosure must always be supplemented whenever the next EUR 1,500 limit is exceeded (for example EUR 3,001, EUR 4,502, etc.). The same donor is defined according to a donor's legal capacity.

The National Audit Office does not handle disclosures regarding contributions with a value of less than EUR 1,500. Supplementary disclosures concerning contributions smaller than EUR 1,500 may, however, be filed.

An up-to-date disclosure must be filed by the 15th day of the month following the month in which a contribution was received. Disclosures filed after this date are considered late.

The disclosures must be filed electronically.

Section 8c of the Act on Political Parties, which contains provisions on up-to-date disclosures, has been applied since 1 January 2011.

The political party in question is responsible for filing the up-to-date disclosures. The political party must also ensure that its party associations and affiliated entities file up-to-date disclosures on contributions received by them.

The disclosures must be submitted to the electronic funding register maintained by the National Audit Office. Political parties may authorise their party associations and affiliated entities to file their own up-to-date disclosures. In that case, the political party in question is responsible for establishing the basic data on the party association in the party funding register. However, the political party is responsible for ensuring that the disclosures are filed in accordance with the Act on Political Parties. The National Audit Office establishes the affiliated entities in its information system on the basis of the disclosures that it has received. After this a user given as a representative of the affiliated entity can file an up-to-date disclosure on behalf of an affiliated entity.

An up-to-date disclosure must be filed electronically by the 15th day of the calendar month following the month in which the contribution was received

All up-to-date disclosures filed by the political parties, their party associations and affiliated entities are available from the electronic party funding register on the website of the National Audit Office. Everybody has the right to obtain details and copies of the disclosures.

Financial statements of a political party and associations referred to in a party subsidy decision

Previously, a political party had to send the National Audit Office financial statements with notes, an auditor's report, an itemisation of election campaign costs and funding, accounts regarding the use of the party subsidies, and the information contained in the up-to-date disclosures referred to in section 8c of the Act on Political Parties for the political party and the associations mentioned in the party subsidy decision, as referred to in section 9b of the Act on Political Parties.

Section 9d of the act was amended on 30 December 2015 (1688/2015) so that a political party must now send to the National Audit Office an auditor's report, a management report, the balance sheet book, and the accounts and other information referred to in section 9a(1) of the act for the political party and the associations referred to in the party subsidy decision.

The filing of financial statements applies to the political party and the associations mentioned in the party subsidy decision. Other party associations do not need to send the above-mentioned information to the National Audit Office.

A political party must send to the National Audit Office an auditor's report and financial statements with notes of the party and the associations referred to in the party subsidy decision, as well as the accounts and information referred to in section 9a(1) of the Act on Political Parties. These accounts and information include accounts regarding the use of the party subsidies, the information contained in the up-to-date disclosures, and an itemisation of election campaign costs and funding.

According to the amendment of 30 December 2015 (1620/2015) concerning Chapter 3, section 1 of the Accounting Act, a management report referred to in section 1a must be attached to the financial statements if the reporting entity is:

1. a public limited liability company;
2. a cooperative or a private limited liability company which is not a micro-undertaking or a small undertaking; or
3. a public-interest entity.

The filing of financial statements applies to a political party and associations mentioned in a party subsidy decision

In the amendment of 30 December 2015, the Accounting Act was also amended so that the requirement to submit the balance sheet in paper format was abandoned. The National Audit Office is of the view that even after these amendments, the Act on Political Parties still requires the monitored entities to submit their full financial statements to the Office, and if a monitored entity has prepared a management report in accordance with its Rules of Procedure, the report must also be submitted and published together with the financial statements.

A political party's financial statements with notes, management report, auditor's report, accounts regarding the use of the party subsidies, and the information contained in the up-to-date disclosures must be sent to the National Audit Office via the electronic party funding register maintained by the National Audit Office on the public data network.

The itemisations of election campaign costs and funding must be sent on an electronic form in connection with the closing of the books for the year when the election was held.

2011	Parliamentary elections
2012	Presidential elections and municipal elections
2014	Elections to the European Parliament
2015	Parliamentary elections

Figure 2: Itemisations of election campaign costs and funding submitted to the NAOF

The National Audit Office publishes the information it receives without delay. The documents are published in the form in which they are sent. Since the National Audit Office will not have access to the itemisations of campaign costs and funding concerning the 2017 municipal elections until the financial statements for 2017 are submitted in 2018, the itemisations were not covered in the audits performed.

Financial statements of affiliated entities

An entity affiliated with a political party is a corporation or foundation or a trust of a corporation or foundation that a political party, with the consent of the corporation or foundation in question, reports to the National Audit Office of Finland as an entity affiliated

with the party. Section 8a(1) of the Act on Political Parties provides only political parties with the possibility to report a corporation or foundation or trust of a corporation or foundation as an entity affiliated with the party, with its consent. Consequently, only a political party entered in the Party Register maintained by the Ministry of Justice can report other corporations, foundations or trusts as its affiliated entities. Likewise, an association that has not been entered in the Party Register cannot have affiliated entities as referred to here that it has reported itself.

Section 9d of the Act on Political Parties was amended on 30 December 2015 (1688/2015) so that an affiliated entity must now send to the National Audit Office its auditor's report, management report and balance sheet book, as well as the itemisation referred to in section 9a(2) and the opinion referred to in section 9c(3) within three months of the approval of the financial statements of the corporation or foundation concerned. A corporation or foundation whose trust has been reported as an entity affiliated with a political party must file the corresponding documents within three months of the approval of the financial statements of the corporation or foundation concerned.

The information must be sent in electronic form to the party funding register maintained by the National Audit Office. The obligation to file financial statements for an entity affiliated with a political party begins with the fiscal year during which it was reported to the National Audit Office as an affiliated entity.

The affiliated entity or the foundation must submit its auditor's report, the financial statements with notes and other required documents.



2 Interpretation situations regarding the filing of information

As part of its monitoring task, the National Audit Office ensures that the financial statements are submitted. Essential ambiguities regarding financial statements did not come to light in the information filed for 2016, with the exception of situations in which full financial statements or the management report referred to in the Act on Political Parties were not submitted to the National Audit Office. This non-compliance was justified by the recent amendment to the Accounting Act restricting the obligation to prepare a management report.

Despite the amendment, the National Audit Office still requested the monitored entities to submit their management report, if any, and has entered these reports to the party funding data system in connection with the related financial statements. According to the Auditing Act, the auditor must nevertheless issue its opinion on the conformity of the management report and the financial statements. If the auditor cannot issue this opinion, the matter must be reported in the auditor's report.

A political party, a party association and an entity affiliated with a party must file an up-to-date disclosure with the National Audit Office if a contribution from one donor totals at least EUR 1,500 during a single calendar year. The term contribution is defined in the Act on Political Parties.

All contributions in the form of money, goods, services or other support are regarded as financial support. However, the following contributions, which have not been deemed a risk in terms of ties, are not regarded as financial support.

Ordinary voluntary work and ordinary free services

The justification for excluding ordinary voluntary work and ordinary free services from the disclosure obligation is practical. The value of voluntary work and free services such as discounts is quite difficult to assess. If making such assessments was required, the disclosures would not be comparable. The changed nature of voluntary work must also be taken into consideration. Nowadays expertise is more important in campaigns than the time spent.

Ordinary voluntary work is work done freely without pay. Work is regarded as voluntary as long as it is unpaid, even if it involves a professional. If someone else besides a candidate

The value of voluntary work and free services such as discounts is quite difficult to assess.

pays a professional when the professional in question works on a campaign, this cannot be regarded as voluntary work but as financial support provided to the candidate by a donor.

Only a natural person can do voluntary work. Unpaid services provided by businesses, such as hanging banners, are always financial support.

Market-valued contributions that relate to the ordinary organisational activities or management of the property of a political party or a party association

The restriction concerns contributions received from outsiders that are connected to the everyday management of an association's activities and finances, such as an association's tasks as an employer and controller of fixed assets.

Such contributions include payments received from the sale of an office or office equipment owned by a political party. The requirement is that a contribution is according to the market value, however.

Ordinary contributions such as insurance and damage compensation are also considered as being related to the management of property. Contributions related to raising election campaign funds fall within the sphere of financial support that must be disclosed, however. Ticket receipts from an election seminar are not contributions that relate to ordinary organisational activities, for instance.

The evaluation of ordinary organisational activities is based on activities that are ordinary in all organisations and associations. In this connection consideration cannot be given to all forms of fundraising that are typical for political parties and party associations, although these organisations consider them part of ordinary activities.

In its report to Parliament on the monitoring of the Act on Political Parties (K 5/2013), the National Audit Office has recommended that since compulsory contributions collected from elected officials are a significant source of funding for party associations, compulsory contributions could be presented in connection with final statements.

Compulsory contributions collected from elected officials could be presented as part of financial statements

Contributions that a political party and its party associations receive from each other

Transfers within a party organisation do not involve any risk of ties with outside donors. Such transfers may include allocation of party subsidies or membership fees between a political party and its party associations.

Income from permanent business activities carried out by a political party or a party association

Permanent business activities mean ongoing activities that are carried out on the general market and on market terms. The idea is that political parties and party associations should not be placed in an unfavourable position while engaging in permanent business activities.

Business activities that are of a temporary nature are not permanent activities. For instance, business activities connected with election campaign funding are usually not permanent. Even if raising funds for an election campaign were of a longer-term nature and carried out on the general market, it is usually not on market terms. Giving funds to an election campaign is a typical means of supporting a political party. For example, ticket receipts from seminars arranged to finance a campaign or from the sale of paintings for this purpose are not income from permanent business activities.

The nature of business activities may be difficult to evaluate in practice. A political party may, for example, sublease facilities. However, in that case, it must also be examined whether the activities are market-based. If it is concluded that the price includes a substantial premium, the activities cannot be considered market-based. In this case at least the premium should be evaluated and reported as financial support.

If the rent paid for the premises includes a substantial premium it must be estimated and disclosed as contribution in euros

Income from investment activities carried out by a political party or a party association

Income from investment activities include dividends and interest on deposits, as well as rental income from properties owned by a political party or a party association. The condition is, however, that it specifically involves investment activities carried out by a political party or a party association.

Party subsidies referred to in section 9 of the Act on Political Parties or some other subsidies based on legislation or the state budget or a municipal budget

The granting of such a subsidy is based on conditions laid down in an act or decided in the budget. In practice, a subsidy is granted in a decision that can be appealed.

Other contributions must be interpreted as financial support according to the Act on Political Parties.

The Act on Political Parties also contains restrictions on receiving financial support. A contribution may not be accepted if the identity of the donor cannot be determined. This provision does not apply to contributions received as a result of ordinary fundraising activities, however. The Constitutional Law Committee has nevertheless emphasised that the obligation to determine the identity of the donor should be interpreted with a sense of proportion. Determining the identity of the donor primarily means asking the sender or giver of a contribution the original source of a contribution if there is reason to suspect that the giver is acting as an intermediary. This also concerns the obligation of the giver. According to the Committee Report PeVM 3/2010 vp, the obligation to determine the identity of a donor increases with the value of a contribution. If the donor cannot be identified or the intermediary refuses to disclose the source of the contribution, the contribution may not be accepted.

Contributions exceeding a value of EUR 30,000 may not be accepted from the same donor in a calendar year. This provision does not apply to contributions received from affiliated entities. This ceiling is donor-specific and recipient-specific. The same donor can thus support more than one party association affiliated with the same political party as long as the financial support given to each recipient remains within the legal limit. The ceiling does not apply to financial support provided by an entity affiliated with a party to a political party or a party association or to financial support left in a will.

The Act on Political Parties contains a ban on receiving foreign contributions. The purpose is to restrict improper foreign influence on political activities in Finland. The ban does not concern contributions from private individuals or from international organisations and foundations that represent a party's political orientation. The regulation thus allows receiving financial support from a political party's European umbrella organisation or through a political party's own parliamentary group in the European Parliament, for example.

Contributions may not be received from the state, a municipality, a joint municipal authority, an unincorporated state or municipal enterprise, an association, institution or foundation operating under public law, or a state- or municipal-controlled company. The ban does not apply to the use of facilities or ordinary hospitality, however, for example when a party association meets in a municipality's facilities or coffee is served. Chapter 1, section 5 of the Accounting Act (1336/1997) contains provisions on control of a company. State- or municipal-controlled companies can include

Contributions exceeding a value of EUR 30,000 may not be accepted from the same donor in a calendar year

state-owned companies and water and power companies owned by a municipality or municipalities.

Associations and foundations are considered as operating under public law if they have been set up for a specific purpose in an act or decree. Examples of this are student unions and chambers of commerce. The ban also applies to independent institutions such as the Social Insurance Institution of Finland and the Bank of Finland.

The Government did not include any essential changes to political party funding in its proposal for the acts amending the Act on Political Parties and the Act on a Candidate's Election Funding (HE 73/2015 vp). The act (1688/2015) amending the Act on Political Parties entered into force on 1 January 2016.



3 The National Audit Office's role in monitoring political party funding

Under section 9e of the Act on Political Parties (10/1969), the National Audit Office monitors compliance with the provisions in the act concerning financial support, the disclosure of election campaign costs and funding and the preparation and submission of related documents and information in the activities of a political party, an entity affiliated with a party and an association referred to in a party subsidy decision (monitored entity). In this task the National Audit Office can examine a monitored entity's accounting and use of funds and if necessary urge a monitored entity to fulfil its obligations under the act.

The National Audit Office may, on pain of a fine, require a monitored entity to fulfil its obligations if documents or information in spite of the Office's urging have not been sent, corrected or supplemented or their correctness and adequacy have not been determined and the breach is considered substantial. The Sanction and Penalty Board referred to in section 15 of the Act on the National Audit Office (676/2000) can order the payment of the fine. The imposing of the fine and the ordering of its payment may be appealed against to the Supreme Administrative Court as laid down in the Administrative Judicial Procedure Act (586/1996).

The monitoring conducted by the National Audit Office is in other respects subject to the provisions in the Act on the National Audit Office.

The National Audit Office submits an annual report to Parliament on its activities in monitoring the Act on Political Parties.

Through its monitoring activities and the publication of disclosures based on the Act on Political Parties, the National Audit Office helps create preconditions for the transparency of political party funding so that citizens are provided with the opportunity to evaluate the ties of political parties.

Political parties, associations mentioned in a party subsidy decision as referred to in section 9 of the Act on Political Parties and entities affiliated with a political party fall within the sphere of the auditing right laid down in the Act on Political Parties. The National Audit Office also has the right to audit party subsidies on the basis of the Act on the National Audit Office (676/2000).

The Sanction and Penalty Board may impose a penalty fee

The total number of monitored entities under the Act on Political Parties and party subsidy decisions is 154

At the end of 2016, there were a total of 14 political parties entered in the Party Register. By the end of 2017, the number had risen to 17. A total of eight parties have been represented in Parliament, making them eligible for party subsidies. One political party that did not receive party subsidies was represented in Parliament in 2017.

In 2017, the political parties receiving party subsidies had a total 106 district organisations and six separate women’s organisations. One political party also had in 2017 additional twelve regional women’s organisations, which have all been listed in the relevant party subsidy decision. Thirteen entities affiliated with a political party were reported to the National Audit Office by the end of 2017.

Party subsidies were issued to a total of eight political parties

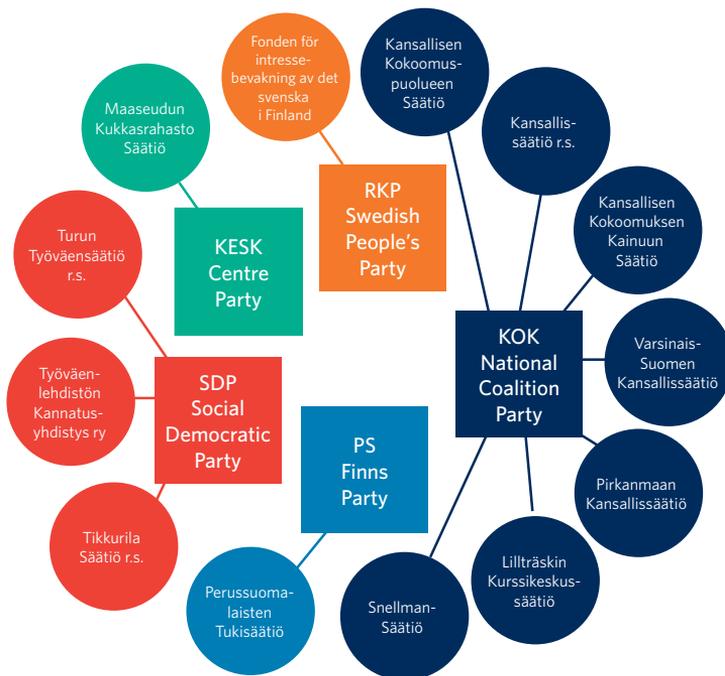


Figure 3: Affiliated entities disclosed by political parties in 2017

In order to perform its control duties referred to in the Act on Political Parties, the objective in the National Audit Office’s long-term planning is for the Office to be able to carry out audits of all monitored entities in six years. Long-term planning must be performed taking into account the obligation to keep vouchers referred to in the Accounting Act (1336/1997), as well as any changes in the boundaries of electoral districts. In planning, consideration can also be given to the picture formed on the basis of audit findings concerning different actors’ inherent risk and control risk.

However, the number of audits depends on the statutory tasks of the National Audit Office and its resources.

The long-term audit target has been met because all monitored entities were audited at least once by the end of 2016. However, the 2017 audits covered several entities that had previously been audited in 2011 when the audits of political party funding first began.

3.1 The measures taken by the National Audit Office in its role as a monitor of political party funding

The Act on Political Parties states that the National Audit Office can issue rules regarding the filing of up-to-date disclosures (section 8c), the itemisation of election campaign costs and funding (section 9b) and the submission of financial statements (section 9d).

Under the Act on Political Parties, the National Audit Office has issued the following rules and guidelines:

- National Audit Office’s rules regarding the filing of up-to-date disclosures as referred to in section 8c of the Act on Political Parties (360/41/2010)
- National Audit Office’s general guidelines regarding the filing of up-to-date disclosures as referred to in section 8c of the Act on Political Parties (358/41/2010)
- National Audit Office’s rules regarding the itemisation of election campaign costs and funding as referred to in section 9b of the Act on Political Parties and the submission of information as referred to in section 9d(1) of the Act on Political Parties (365/41/2016)
- National Audit Office’s guidelines regarding the filing of the itemisation of election campaign costs and funding and financial statements (367/41/2016)
- National Audit Office’s rules regarding the submission of financial statements and other information for an entity affiliated with a political party as referred to in section 9d(2) of the Act on Political Parties (364/41/2016).

The rules and guidelines have been sent to political parties. Guidelines are also available in the FINLEX database and on the website maintained by the National Audit Office at www.vaalira-hoitusvalvonta.fi.

The National Audit Office provides instructions and advice

The guidelines on processing complaints at the National Audit Office (307/01/2014) repealed and replaced the previous guidelines on the same matter (02/01/2014) on 1 January 2015.

The National Audit Office has maintained an advice service that was introduced in 2010, and it also has an online service providing advice in matters concerning the interpretation of the Act on Political Parties. Advice has also been provided by e-mail. Questions and answers that are deemed to have broader significance in guiding interpretations are published on the website.

The information system that was procured to allow the National Audit Office to carry out its tasks under the Act on a Candidate's Election Funding and the Act on Political Parties is used to receive and publish election funding disclosures as well as the disclosures prescribed in the Act on Political Parties. In the electronic disclosure procedure, a person who has logged in and completed an election funding disclosure can publish the disclosure on the monitoring website so that all disclosures have a uniform appearance. The disclosures received in paper form are recorded in the information system by the National Audit Office without delay. With regard to the filing of information required under the Act on Political Parties the aim has been to have a fully electronic filing system.

The National Audit Office conducted a total of 50 audits on political party funding in 2017. The audits were conducted by Principal Financial Auditors Klaus Krokfors and Pontus Londen.



Figure 4: Process of auditing political party funding

3.2 Audit objectives and criteria

The objective of the audits of political party funding conducted in 2017 was to determine whether

- the disclosers statutory disclosures provide true and fair information based on accounts regarding political party funding and compliance with restrictions according to provisions and from the viewpoint of monitoring needs
- the disclosers have kept proper accounts, as required under the Act on Political Parties and whether the disclosers have complied with key provisions on political party funding and related restrictions laid down in the act.

The audit criteria were specified on the basis of the Act on Political Parties.

From the start of 2016, the National Audit Office of Finland has also been responsible for monitoring the party subsidies and for this reason the aim was also to examine procedures concerning the transfer and use of the party subsidies.

The audits covered all eight political parties represented in Parliament and a total of 42 of their district organisations in Helsinki, Häme, Southeast Finland, Pirkanmaa, Savo-Karelia, Uusimaa and Southwest Finland. Thus, a total of 50 audits were conducted.

This period included the filing of the audited entities' financial statements and auditor's reports for the years 2011–2016 and essential accounting transactions from the perspective of the Act on Political Parties.

The audits of the district organisations covered the financial statements and accounts for the years 2011–2016 that have been entered in the political party funding system for the period between 1 January 2011 and 31 August 2017, all up-to date disclosures and the election funding disclosures for parliamentary, local and Presidential elections and the elections to the European Parliament.

The audited entities were notified of the audits in March 2017, and the audits were conducted as document audits in autumn 2017, after the electronic audit material had been examined. In addition, an on-the-spot inspection was performed on all political parties represented in Parliament.

The following matters were taken into consideration in the focusing of the audits:

- overall arrangements concerning the accounts, payment traffic and fund management of the audited entities;
- itemisation of funding and costs in the accounting from the perspective of the Act on Political Parties (such as bank accounts, cash in hand and deeds of donation);

The audits took place in autumn 2017

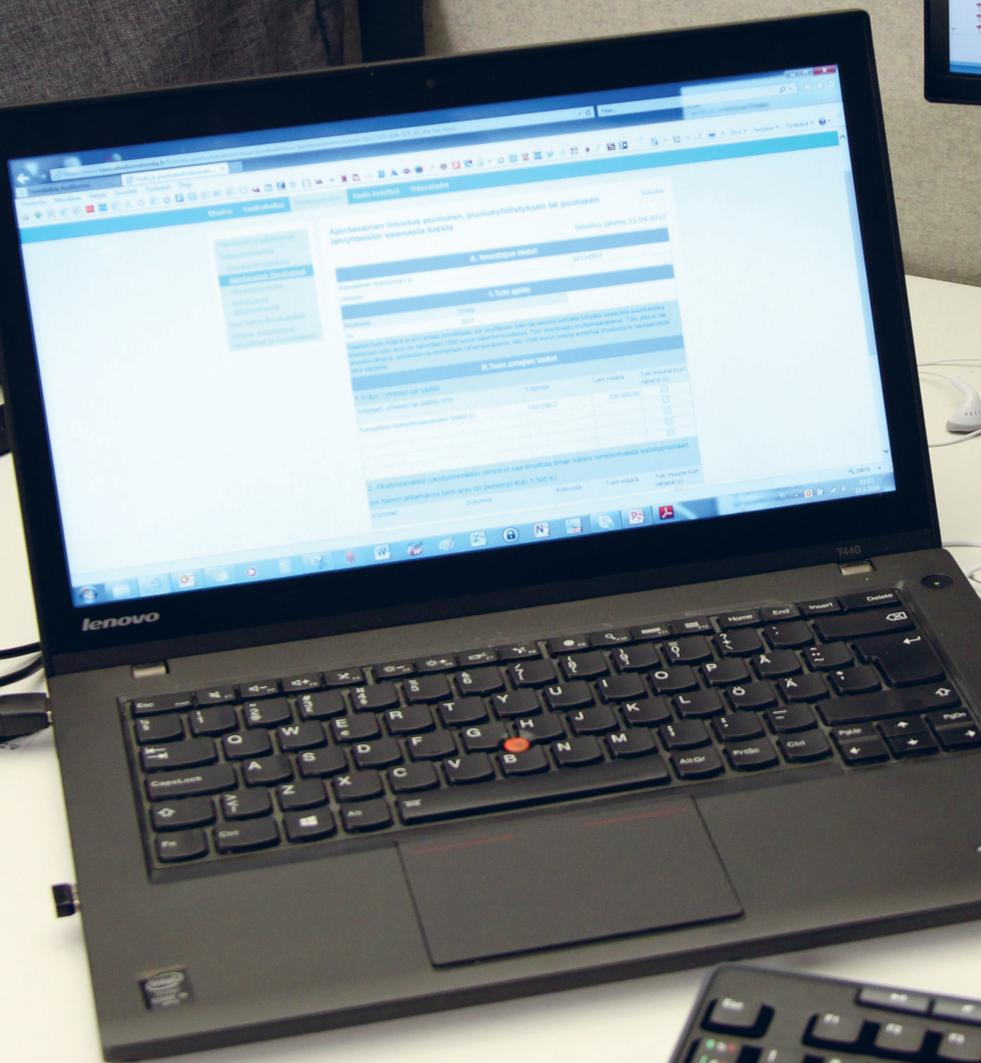
- compliance with the restrictions concerning the support laid down in the Act on Political Parties by the political parties in the period following the previous audit between 1 September 2016 and 31 August 2017 and by the audited district organisations between 1 January 2011 and 31 August 2017 at the most;
- coverage of up-to-date disclosures on the basis of accounting and checks of disclosures’ information content;
- the monitoring of non-monetary contributions and their consideration in the disclosure procedure;
- comparison of the information in disclosures filed by a party and an affiliated entity or other organisation;
- propriety of statements in an auditor’s report from the perspective of the Act on Political Parties and if necessary examination of the content of a financial audit;
- procedures concerning the use and transfer of the party subsidies.

3.3 Limits of monitoring

From the perspective of interpreting the results of the monitoring conducted by the National Audit Office, essential limits regarding the monitoring system should also be pointed out.

The most significant limit to the transparency of political party funding as a whole concerns the fact that the monitoring does not cover all party associations. On the basis of the Act on Political Parties, the National Audit Office is only responsible for monitoring political parties, associations mentioned in a party subsidy decision, and entities affiliated with a political party. The number of monitored entities totals 154. Other party associations (in total approximately 6,000) are not monitored by the National Audit Office. Consequently, most of the associations remain outside the scope of monitoring. Monitoring these would also be a very significant resource question.

The monitoring of the approximately 6,000 party associations remaining outside the monitoring process would require substantial additional resources



4 Disclosures received by the National Audit Office and measures regarding them

The National Audit Office has monitored the filing of disclosures and documents regarding political party funding in its electronic funding register. If necessary, the National Audit Office has urged monitored entities to supplement or correct disclosed information and to supply the missing documents.

In autumn 2017, on the basis of section 9e(2) of the Act on Political Parties (10/1969), the National Audit Office conducted audits on all the parties represented in Parliament and their district organisations.

The audits covered accounting arrangements, payment traffic and financial management, from the perspective of the Act on Political Parties and on the basis of the accounting information covering the period 2011–2017. The itemisation of funding and costs in accounting, and attention to restrictions on financial support were reviewed in the political parties during the period between 1 September 2016 and 31 August 2017. In district organisations, the same matters were reviewed during the period between 1 January 2011 and 31 August 2017 at the most, depending on the time of the previous audit on the district organisation.

The audits on political party funding covered all eight political parties represented in Parliament and 42 of their district organisations. A total of 50 audits were conducted, compared with 48 in the previous year.

The audited entities were notified of the audits in March 2017, they submitted the requested audit material to the National Audit Office before the audits, and the audits were carried out according to the audit plan in autumn 2017. The audited district organisations were located in Helsinki, Häme, Southeast Finland, Pirkanmaa, Savo-Karelia, Uusimaa and Southwest Finland.

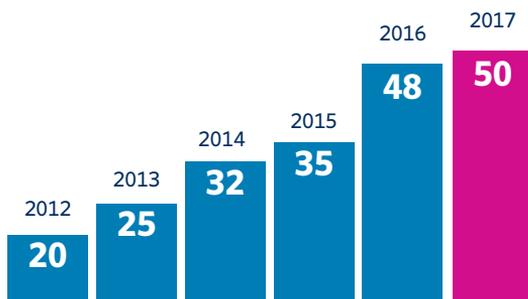


Figure 5: Number of audits of political party funding 2012–2017

The draft feedback memorandums concerning the audits were sent for comments in November 2017. The final feedback memorandums were sent to the audited entities in December 2017. Each political party also received the draft and final feedback memorandums concerning the audits carried out in their district organisations. The audited entities were asked to send comments on the memorandums to the National Audit Office by 19 January 2018. The feedback, which was mostly in the form of notifications of the measures taken after the completion of the draft feedback memorandums and technical corrections has been taken into consideration in the preparation of this audit report.

4.1 Monitored entities' accounting and financial statement procedures

The National Audit Office's monitoring task does not directly concern audited entities' accounting arrangements. The National Audit Office nevertheless publishes the financial statements that are sent to it through the party funding register according to law. Its task includes monitoring the preparation and submission of the documents referred to in the Act on Political Parties. Comments intended as recommendations can be presented concerning accounting arrangements and financial statement procedures.

The purpose of the audit was to examine the accounting arrangements of the entities in question expressly from the perspective of the monitoring of outside funding. It also sought to determine how reliably the actual amount of outside funding can be deduced on the basis of the information in accounts.

As in the previous audit, it was found out that it is not possible to obtain a reliable overall picture of party funding simply by examining income funding and proceeds according to financial statements. The audited political parties and other entities have many kinds of accounting transactions that are regarded as pass-through items. Determining their content nevertheless has significance from the perspective of financial support as referred to in the Act on Political Parties.

Under the Act on Political Parties, income from permanent market-based business activities carried out in the general market or investment income is not considered support. Likewise, fair-value contributions that relate to the ordinary organisational activities or management of the assets of a political party or a party

association are not considered support. However, in practice it is extremely difficult to determine by means of a retrospective audit that contractual arrangements between an affiliated entity and a party or a party association have not involved support.

The Accounting Act allows different compensation and adjustment entry procedures that reduce the net volumes of accounts, which can influence conclusions drawn from financial statements and thus comparisons between different organisations. When such an exceptional procedure has been followed, it is not possible to form an adequate picture of the actual amount of outside contributions received by political parties on the basis of the financial statements.

The obligation to keep accounts laid down in Chapter 1, section 1 of the Accounting Act (1336/1997) applies to all associations and foundations. Under Chapter 2, section 4 of the amendment to the act (1304/2004), all cash payments must be recorded in the order of payment without delay on a daily basis. Other entries may be made on a monthly or other such basis within four months of the end of the calendar month or period. Under an amendment to the act adopted on 30 December 2015 (1620/2015), all cash payments must be recorded on a daily basis, while other entries and combined entries in auxiliary accounts can be transferred to the main accounts on a monthly or other similar basis, unless more specific entries are required elsewhere in the law or in provisions issued under it.

It was discovered in the audit that there were some essential inadequacies that concerned keeping the accounts up to date or organisation of the accounts. Even if they had only a small number of receipts and entries in their main accounts, the monitored entities should keep their accounts up to date so all up-to-date disclosures and contributions can be monitored on a cumulative basis.

The accounts of one audited district organisation of the Finns Party (Perussuomalaiset) for the years 2011 and 2012 were unavailable for audit. However, on the basis of financial statements, the auditors were able to determine with sufficient reliability that the inadequacies did not have any practical significance from the perspective of political party funding.

For the sake of clarity, the audited entities were urged to close unnecessary bank accounts and to modify their account schemes accordingly. District organisations were also requested to itemise in their accounts and financial statements party subsidies and other contributions, as well as payments received from support foundations, as necessary.

The monitored entities are obliged to keep accounts and ensure that they are up to date

The content and scope of the financial statements that were sent to the National Audit Office varied. The financial statements sent to the National Audit Office are public documents as referred to in the Act on the Openness of Government Activities (621/1999) and as such they are published.

As in previous audits, the openness to interpretation of section 9a(1) of the Act on Political Parties with regard to the application of the new financial statement obligations was apparent in the audit in that the interpretation of the information that must be presented in connection with financial statements varied. In addition, there have been differences in the interpretation of the amendments implemented in late 2015 regarding the obligation to prepare and submit a management report. Despite the amendments, the National Audit Office has nevertheless requested the monitored entities to also file their management report, if one has been prepared.

In audits covering accounts of more than one year, the auditors discovered situations in which the openness to interpretation of the economic boundaries of a political party or another organisation is also reflected in accounting. For example the boundary between a political party and its parliamentary group has been open to interpretation. The position of the parliamentary groups has changed somewhat after the entry into force of the Act on Parliamentary Groups (979/2012) at the start of 2013. However, the monitored entities have continued to file up-to-date disclosures of contributions paid by parliamentary groups. Parliamentary groups have also paid Member of Parliament's contributions on behalf of MPs.

As in the previous audit of the Social Democratic Party of Finland (Suomen Sosialidemokraattinen Puolue), the auditors drew attention to the fact that the non-registered association Sosialidemokraattiset Naiset is a party organisation. The association nevertheless has its own bookkeeping and bank account. However, the details of the party's financial statements entered in the political party funding system also contain the share of the non-registered association. At the same time, the non-registered association in question has produced its own itemisation of election campaign costs, which is not included in the itemisations supplied by the party. In order to ensure the correctness of the information, all information must be reported to the political party funding system in a consistent manner, and all corrections made to such information must concern the appropriate years. Summaries of the up-to-date disclosures must also be updated so that they are in accordance with the up-to-date disclosures.

4.2 Auditor's reports of the monitored entities

The provisions in section 9c of the Act on Political Parties regarding the arranging of financial audits entered into force on 1 January 2011. These provisions apply to financial audits for a political party receiving party subsidies, an association mentioned in a party subsidy decision and an entity affiliated with a party. They do not apply to parties that do not receive party subsidies.

Under the Auditing Act, not all associations are obliged to elect an auditor. Some of the associations to which section 9c of the Act on Political Parties does not apply, may elect a performance auditor that prepares a performance audit report. The election of a performance auditor or the preparation of the performance report have not been taken into consideration in the Act on Political Parties, which only contains references to an auditor's report. The National Audit Office also publishes the reports prepared by performance auditors, however.

Under section 9c of the Act on Political Parties, the auditor of a political party receiving party subsidies or an association referred to in a party subsidy decision must be an authorised auditor or in practice an authorised public accountant.

In an auditor's report, in addition to what is laid down in the Auditing Act, an auditor gives an opinion on

1. whether the provisions of this act and the conditions in a party subsidy decision have been complied with in the use of party subsidies and related reporting and
2. whether the provisions in this act concerning financial support and restrictions on financial support as well as the disclosure of election campaign costs and funding have been complied with.

In addition to what is laid down in the Auditing Act, the auditor of an entity affiliated with a political party or a corporation or foundation with a trust that is an affiliated entity gives an opinion on whether the provisions in the act concerning financial support and restrictions on financial support have been complied with in the affiliated entity's activities.

The content of statements in auditor's reports also varied and was not always in accordance with section 9c of the Act on Political Parties. The auditors of some party associations have also issued separate statements or notifications.

Opinions required under the law had also been given after the audits. Some of the audited entities had a performance audit report as well as an auditor's report.

Although the obligation to prepare a management report was restricted by an amendment to the Accounting Act, the Auditing Act still requires that the auditor must issue its opinion on the conformity of the management report and financial statements. If the auditor cannot issue this opinion, the matter must be reported in the auditor's report.

The objective of the Act on Political Parties is that the monitoring of the act's provisions should be based essentially on audits of political parties receiving party subsidies, their affiliated entities and their district organisations and women's organisations that are conducted by their own auditors. The special provisions on financial audits laid down in the Act on Political Parties do not apply to political parties that do not receive party subsidies or the basic branches or local associations of political parties. The monitoring of party organisations thus depends largely on the election of professional auditors with the necessary expertise and knowledge of their tasks and reporting requirements. However, according to the National Audit Office's findings, this is still not always the case, since inadequacies were observed in the auditor's reports of several monitored entities. In this respect the monitoring system is not yet functioning in the intended manner.

Attention in the audits of political party funding has also been drawn to the manner in which auditors have interpreted the requirement contained in section 9c of the Act on Political Parties under which the auditor must issue an opinion on whether the use of the party subsidies and the reporting on its use has been in accordance with the Act on Political Parties and the party subsidy decision. It was noted in the audits that in some cases the auditor had submitted the auditor's report before the cost accounting form for the party subsidies received during the year in question had been sent to the state aid authority. The period covered by the opinion or to which year's subsidy use the opinion applies is rarely clear from the auditor's reports.

There were inadequacies in the auditor's reports of a number of monitored entities

4.3 Filing of financial statements and information concerning election campaign costs and funding by monitored entities

According to Chapter 3, section 6 of the Accounting Act (1336/1997), the financial statements must be prepared within four months of the end of the accounting period. According to section 9d of the Act on Political Parties, a political party must submit financial statements together with the information referred to in section 9a(1) of the Act on Political Parties to the National Audit Office within three months of the approval of the financial statements. Financial statements and information for an association referred to in a party subsidy decision must be submitted within one month of the approval of the financial statements and the documents required of an affiliated entity within three months of the approval of the financial statements.

The financial statements referred to in the Act on Political Parties concerning 2016, together with information on election campaign costs and funding, were sent to the electronic party funding register maintained by the National Audit Office. Some of the information was not received by the system until the audit was under way.

The itemisation of election campaign costs and funding should be traceable from bookkeeping and other accounts and should be reconcilable with them. Careful documentation of the itemisation grounds also facilitates the preparation of the itemisation and subsequent verification of the information. However, not all monitored entities had carried out the documentation with equal thoroughness.

If necessary, the National Audit Office has sent the entities obliged to supply financial statements a request to submit the missing financial statements information and a consultation letter as follows:

Year	Request	Consultation letter
2017	0	0
2016	2	0
2015	3	0
2014	4	2
2013	15	2

Figure 6: Reminders and hearings in 2013—2017

Not all financial statements referred to in the Act on Political Parties could be received electronically in a smooth manner and in a form corresponding to the original documents

4.4 Up-to-date disclosures together with supplements

Under section 8c of the Act on Political Parties, a political party, a party association and an entity affiliated with a political party must file a disclosure to the National Audit Office regarding the amount of a contribution and the donor. If the value of an individual contribution or several contributions received by a political party, a party association or an entity affiliated with a party from the same donor is at least EUR 1,500 in a calendar year. An up-to-date disclosure must be supplemented if after a disclosure has been filed or supplemented the value of contributions received from the same donor exceeds EUR 1,500. Thus more than one disclosure may have to be filed regarding contributions from the same donor.

In 2017, contributions totalling over EUR 2.9 million received by political parties, party associations and affiliated entities were reported to the party funding register in up-to-date disclosures. The amount of contributions reported for 2016 totalled over EUR 2.7 million, meaning that contributions totalling EUR 0.4 million have been reported after the 2016 audits. A total of more than EUR 3.7 million in contributions received by party associations and affiliated entities were reported for 2015, i.e. EUR 0.1 million have been reported after the 2016 audits. Up-to-date disclosures for 2014 totalled more than EUR 3.2 million, for 2013 almost EUR 2.8, for 2012 more than EUR 3.2 million, and for 2011 almost EUR 2.7 million. In total, the amount of retrospective disclosures submitted in 2017 was approximately EUR 0.5 million.

At least some of the supplementing disclosures submitted during 2017 resulted from audits of political party funding. The up-to-date disclosures filed after the deadline referred to in the Act on Political Parties can be viewed in the party funding register.

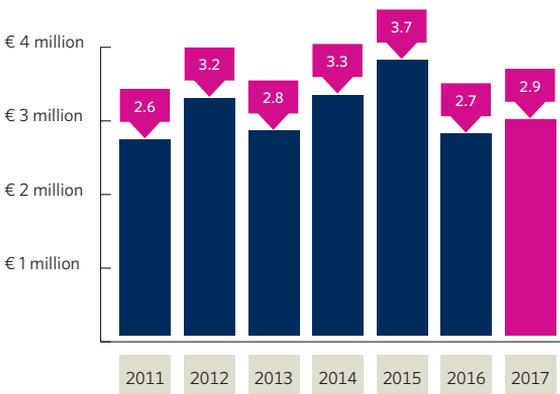


Figure 7: Contributions of EUR 1,500 or over reported to the party funding register in 2011–2017 (up-to-date disclosures)

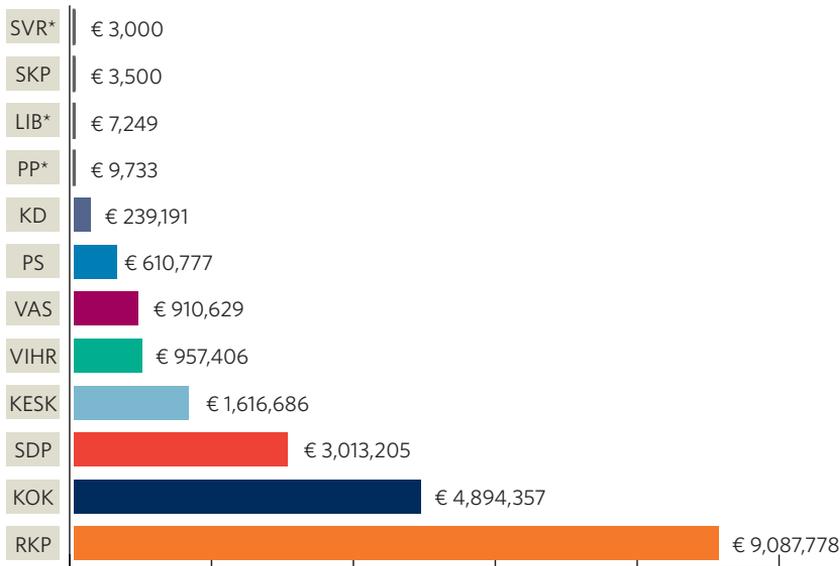
It was discovered in the audit that most of the contributions received by the monitored entities were reported in up-to-date disclosures. Especially contributions referred to in the Act on Political Parties received from affiliated entities or private persons that had not been reported to the system nevertheless came to light. The conclusion was that in some cases the failure to file disclosures was due to negligence and changes in personnel.

The disclosers were requested to supplement and correct the disclosures during the audits. When the contributions for different years are compared, it should also be noted that no elections were held in 2013 or 2016.

Some types of contributions that were not reported are open to interpretation but most often were legal contributions as referred to in the Act on Political Parties that must be reported and have not been listed as exceptions in the Act. Audited entities usually considered such contributions or other benefits that can be valued in money pass-through items or transactions based on an agreement. These include, for example, advertising revenues, as well as candidate's contributions and MP's contributions. In addition, one political party collects from its MEPs an annual contribution for their election campaign expenses. Since the size of such contributions and the related collection practices vary significantly, and some individuals may be obligated to also pay other contributions, the cumulative annual disclosure limit of EUR 1,500 is easy to exceed. The support may also include contributions made for consideration in full or in part.

Since it is in practice difficult to make a distinction between the different types of contributions, the National Audit Office has recommended submitting up-to-date disclosures for all contributions made by private persons and their support groups. However, not all the party associations have complied with this recommendation.

In the course of the audit, the political parties and their district organisations made numerous new up-to-date disclosures. Some of them detailed substantial sums. If monetary or non-monetary support is considerable, the need may arise to report a new affiliated entity to the National Audit Office.



SVR* Sinivalkoinen Rintama r.p. (no longer in the Party Register in 2017)
 PP* Piraattipuolue r.p.
 LIB* Liberaalipuolue - Vapaus valita r.p.

Figure 8: Contributions of EUR 1,500 or over reported to the party funding register in 2011–2017 (up-to-date disclosures) by political party

During the audit, the audited entities were urged to monitor received contributions cumulatively in order to comply with disclosure thresholds and ceilings. For example, the total amount charged from a person as a candidate’s contribution and an MP’s contribution during the same calendar year may exceed EUR 1,500, in which case the total amount exceeds the limit for an up-to-date disclosure. The disclosure limit may also be exceeded when the officials of an entity obliged to file a disclosure give up their meeting allowances and these, together with other contributions, will total at least EUR 1,500 during a single calendar year. When more than one person from the same organisation attend an event for which a fee is charged, their total contributions may exceed the disclosure limit.

According to the up-to-date disclosures, a total of over EUR 21.2 million in contributions were received between 2011 and 2017. Affiliated entities reported by political parties accounted for approximately EUR 13.5 million of this total (around 63.5%). The support foundation of one party has not granted any support requiring disclosure.

The audited entities have also been urged to monitor contributions in a cumulative manner

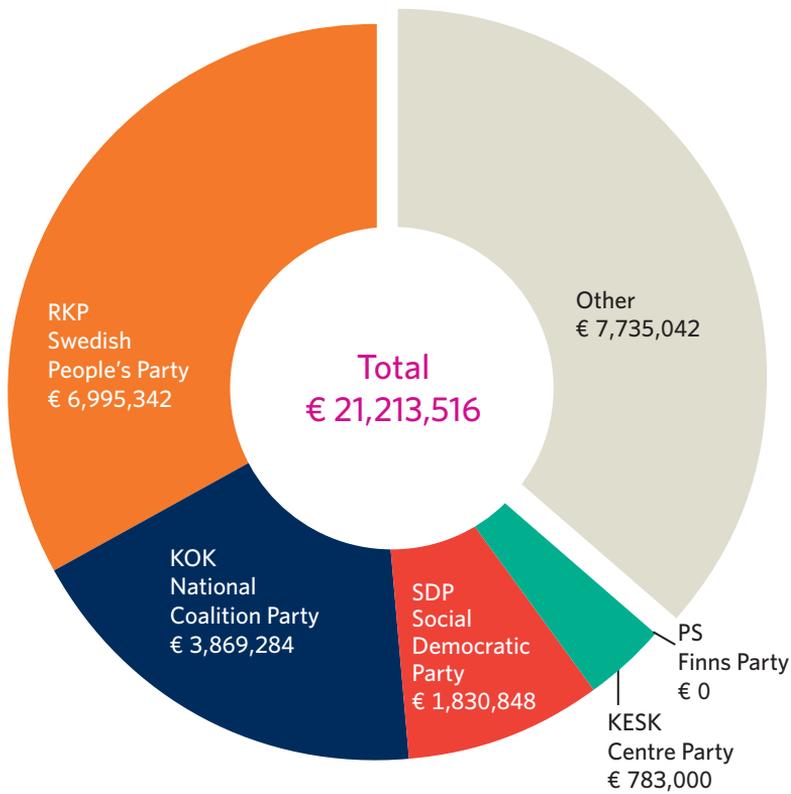


Figure 9: Contributions of EUR 1,500 or over received from affiliated entities and other entities reported to the party funding register in 2011–2017 (up-to-date disclosures)

Contributions by affiliated entities reported by political parties 2011—2017	
Ruotsalainen kansanpuolue r.p. RKP (Swedish People's Party in Finland)	
Fonden för intressebevakning av det svenska i Finland	€ 6,995,342
Kansallinen Kokoomus r.p. KOK (National Coalition Party)	
Kansallisen Kokoomuspuolueen Säätiö	€ 1,700,000
Kansallissäätiö	€ 838,112
Kansallisen Kokoomuksen Kainuun Säätiö	€ 544,670
Varsinais-Suomen Kansallissäätiö	€ 375,426
Pirkanmaan Kansallissäätiö	€ 214,075
Snellman-Säätiö	€ 197,000
Lillträskin Kurssikeskussäätiö	€ 13,500
Suomen Sosialidemokraattinen puolue r.p. SDP (The Finnish Social Democratic Party)	
Työväenlehdistön Kannatusyhdistys ry	€ 874,000
Turun Työväensäätiö	€ 519,347
Tikkurila Säätiö	€ 437,500
Suomen Keskusta r.p. KESK (Centre Party of Finland)	
Maaseudun Kukkasrahasto Säätiö	€ 783,000
Perussuomalaiset r.p. PS (The Finns Party)	
Perussuomalaisten Tukisäätiö	€ 0

Donors that contributed more than € 100,000 between 2011 and 2017 (other than affiliated entities)	
Stiftelsen för utbildning och kultur på svenska i Finland sr	€ 930,000
Stiftelsen Tre Smeder	€ 343,000
Föreningen Konstsamfundet r.f.	€ 279,000
Yksityisyrittäjien Säätiö sr	€ 210,000
Turun Itäinen Järjestöyhdistys r.y.	€ 211,500
Svenska litteratursällskapet i Finland rf	€ 190,000
Suomen Kunnantyöntekijäin Liitto ry	€ 181,500
Stiftelsen Brita Maria Renlunds Minne sr	€ 179,000
Helsingin Työväenyhdistys ry	€ 175,000
Palvelualojen ammattiliitto PAM ry	€ 166,430
Teollisuuden ja Työnantajain Keskusliiton (TT) -säätiö	€ 170,000
KD-Mediat Oy*	€ 141,333
Pirkanmaan Työväen Keskus ry	€ 139,400

*The figure concerning KD-Mediat Oy covers rents for premises and fees for publications and articles

Figure 10: Support granted by affiliated entities of political parties, as well as by other entities

Under the Act on Political Parties, a recipient may receive a total of EUR 30,000 in contributions during one calendar year. This provision does not apply to affiliated entities. This means that one donor supporting several groupings may give each of them a maximum of EUR 30,000 during this period.

The compulsory contributions collected from elected municipal officials is considered an expense incurred in acquiring or maintaining income and is thus deductible in taxation. Even though it is not necessary to disclose compulsory contributions collected from elected officials in up-to-date disclosures, they are of substantial economic importance nationwide. According to the information obtained from the Finnish Tax Administration, tax-deductible compulsory contributions amounted to between EUR 5.7 and 7.1 million each year between 2010 and 2016.



Figure 11: Compulsory contributions collected from elected officials 2010—2016 (source: Finnish Tax Administration)

All the up-to-date disclosures prepared and supplemented during the audit were published in the register on the website maintained by the National Audit Office. If a disclosure was prepared or supplemented after the deadline referred to in the Act on Political Parties, this is also indicated.

The auditors also drew attention to a case in which the Finns Party (Perussuomalaiset) had given support to its support foundation, which functioned as one of its affiliated entities, by providing the foundation with a total of EUR 140,000 during five years. The foundation Suomen Perusta -säätiö has also received support from

the Finns Party, but the foundation is not one of the party's affiliated entities and is thus not obligated to disclose the support. Affiliated entities or foundations of political parties usually support their own parties and do not receive support from them. Therefore, it was also investigated in the audit whether any party subsidies were used in the support concerned. According to the corrected party subsidy accounts of the Finns Party for 2016, this was not the case.

Contributions between Left Alliance (Vasemmistoliitto) and its district organisations had also been reported to the party funding register. As the parties concerned do not intend to file any up-to-date disclosures of these contributions, they were removed from the funding register so that the total amounts of contribution would not be distorted.

According to the up-to-date disclosures concerning 2017 (totalling over EUR 30,000), parties have received most support from their affiliated entities, as expected. However, major supporters also include two foundations that are not reported as affiliated entities, as well as one trade association. This is possible, provided that the amount of support per recipient does not exceed EUR 30,000 per year. The foundation Stiftelsen för utbildning och kultur på svenska i Finland has granted a total of EUR 180 000 to six different recipients, and Service Union United PAM a total of EUR 33 000 to a number of different recipients.

Largest donors in 2017

Fonden för intressebevakning av det svenska i Finland	€ 1,362,336
Kansallisen Kokoomuspuolueen Säätiö sr	€ 200,000
Kansallissäätiö sr	€ 185,306
Stiftelsen för utbildning och kultur på svenska i Finland sr	€ 180,000
Turun Työväensäätiö sr	€ 110,555
Maaseudun Kukkasrahasto Säätiö sr	€ 95,000
Varsinais-Suomen Kansallissäätiö sr	€ 83,000
Tikkurila Säätiö sr	€ 61,000
Stiftelsen Tre Smeder sr	€ 36,000
Palvelualojen ammattiliitto PAM ry, Servicefacket PAM rf	€ 33,750

In 2017, after political parties, the largest recipients included two youth organisations, one district organisation, one women's organisation, and two local associations (over EUR 30,000 in total).

Largest recipients in 2017

Ruotsalainen kansanpuolue r.p. RKP (Swedish People's Party in Finland)	€ 1,362,336
Kansallinen Kokoomus r.p. KOK (National Coalition Party)	€ 200,000
Helsingin Kokoomus ry	€ 178,306
Helsingin Vihreät ry	€ 150,752
Suomen Keskustanuoret ry	€ 101,000
Suomen Sosialidemokraattinen Puolue r.p. SDP (The Finnish Social Democratic Party)	€ 100,000
Turun Sosialidemokraattinen Kunnallisjärjestö	€ 90,664
Svensk Ungdom, Svenska folkpartiets ungdomsorganisation r.f.	€ 90,500
Varsinais-Suomen Kokoomus ry	€ 83,000
Tikkurilan Työväenyhdistys ry	€ 71,500
Svenska Kvinnoförbundet r.f.	€ 41,000
Suomen Keskusta r.p. KESK (Centre Party of Finland)	€ 31,560
Vihreä liitto r.p. VIHR (Green League)	€ 30,392

The users of political party funding system may also themselves produce summary reports on largest donors or largest recipients.

4.5 Compliance with restrictions to contributions

Section 8b of the Act on Political Parties contains restrictions on receiving financial support, and these restrictions were also covered by the audit.

A political party, a party association and an entity affiliated with a party may not receive a contribution if the identity of the donor cannot be determined. This provision does not apply to contributions received as a result of ordinary fundraising activities, however.

A political party, a party association and an entity affiliated with a party may not receive contributions exceeding a value of EUR 30,000 from the same donor in a calendar year. This does not apply to financial support provided by an entity affiliated with a political party to a party or a party association or to financial support left in a will, however.

A political party, a party association and an entity affiliated with a party may only receive foreign contributions from private individuals and from international organisations and foundations that represent a party's political orientation.

A political party, a party association and an entity affiliated with a party may not receive contributions from the state, a municipality, a federation of municipalities, an unincorporated state or municipal enterprise, an association, institution or foundation operating under public law, or a company controlled by the state or a municipality in the manner referred to in Chapter 1, section 5 of the Accounting Act. This does not apply to the use of facilities or ordinary hospitality, however.

A political party and a party association must make sure that a paid advertisement that is part of an election campaign or intended to support it shows the name of the person paying for the advertisement. However, the name of a private individual may not be published without their express consent if the value of an advertisement paid for by the individual is smaller than EUR 1,500.

Under to section 8b of the Act on Political Parties, foreign contributions may only be received from private individuals and from international organisations and foundations that represent a party's political orientation. Foreign contributions can be considered prohibited contributions at least in part because the Act on Political Parties does not contain exceptions regarding support paid by international organisations.

No wills, donations of shares or payments or funds not entered in the accounts that would be important from the perspective of political party funding were discovered in the audit.

Contributions exceeding EUR 30,000 or non-monetary support from organisations that had not been party associations or reported as entities affiliated with a party were not discovered in the 2017 audits. Moreover, no new affiliated entities were reported to the National Audit Office during 2017.

The audit indicated that in principle political parties and other organisations have filed up-to-date disclosures regarding donations, contributions from affiliated entities and different types of

No wills, donations of shares or payments or funds not included in accounts were discovered in the audit

participation charges. The volumes reported during the audit have increased. As has been noted before, according to audit findings disclosers had received financial support or similar contributions for which they did not file up-to-date disclosures. In addition to support received from affiliated entities, these include, for example, advertising revenue. During the audit, the disclosers filed new or revised up-to-date disclosures that partly remedied the situation.

The auditors did not discover substantial contributions that would be explicitly prohibited under the Act on Political Parties and for which the disclosers had failed to file up-to-date disclosures.

Under section 8(2)(1) of the Act on Political Parties, ordinary voluntary work is not considered a contribution. Even though the concept of ordinary voluntary work is open to interpretation, the matter is of importance when the difference between ordinary voluntary work and non-financial support is determined. Under section 8(2)(6) of the Act on Political Parties, statutory grants or grants based on the state or municipal budget are not considered contributions.

It was previously noted in the oversight of political party funding that there have been contributions made in Bitcoin virtual currency that do not explicitly state the name of the donor. The recipient of the contribution must ensure that the donor does not remain unknown on account of the payment method. In 2017, no new contributions made in Bitcoin were reported to the party funding system.



5 Procedures concerning the transfer and use of the party subsidies

Under its decision of 26 January 2016 (VNK/2186/25/2015), the Government has granted party subsidies under section 9 of the Act on Political Parties to the registered associations entered in the Party Register as political parties. The party subsidies totalled approximately EUR 29 million, and they may be used for supporting the public activities laid out in the associations' rules and general programme. The party subsidy decision combines the support for political activities and support for the parties' communications activities.

In the view of the National Audit Office, combining two separate party subsidy decisions into one has harmonised the process of cost accounting and facilitated the monitoring of the use of the party subsidies.

Under the terms and conditions for the party subsidies laid out in the Government decision, to the extent that the aid granted to a political party is used for purposes other than the party's own activities, the party must conclude an agreement on the use, supervision and the terms and conditions for them with the associations (including district organisations and women's organisations) and foundations using the aid, as laid down in section 7(2) of the Act on Discretionary Government Transfers. The agreement must be in accordance with the terms and conditions of the party subsidy decision.

In the audits of political party funding conducted in autumn 2017, it was noted that there are substantial differences in contractual practices between political parties and that some parties had not concluded any agreements. Contractual practices were covered for the first time in the 2016 annual report on the monitoring of the funding of political parties. During the 2016 audits, one party concluded its first agreements for the year 2017.

Under section 9(1) of the Act on Political Parties, part of the party subsidies granted to a political party can also be allocated to supporting the activities of other associations. Under the terms and conditions of the party subsidy decision made in 2016, the agreement on the use of the party subsidies can, however, also be concluded with a foundation or another entity. In addition to associations, party subsidy agreements have been concluded with media companies and cooperatives, and according to the accounts of the monitored entities, party subsidies have actually been transferred to those companies and cooperatives.

On 6 September 2017, the National Audit Office requested the Prime Minister's Office to clarify why the terms and conditions of the Government party subsidy decision of 26 January 2016 make a reference to an agreement on the use of the party subsidies to support the activities of other associations or foundations referred to in the party subsidy decision. According to the reply issued by the Government on 25 September 2017, the Act on Political Parties does not contain any detailed provisions regarding the allocation of party subsidies, and thus section 7(2) of the Act on Discretionary Government Transfers, which covers the contract procedure applied to other recipients, becomes applicable. The Prime Minister's Office considers that the term of the party subsidy decision in question complies with the Act on Discretionary Government Transfers and therefore does not warrant for any further measures.

The National Audit Office is of the view that the party subsidy decision in question has extended the intended use of party subsidies specified in the Act on Political Parties by also enabling transfer of party subsidies to limited companies or foundations. The Act on Political Parties is a special act and thus takes precedence over the Act on Discretionary Government Transfers and its more general provisions. Since the recipients of the party subsidies have complied with the terms and conditions of the party subsidy decision in question, the National Audit Office considers that there is currently no need to recover the granted party subsidies.

However, the Act on Political Parties and the terms and conditions of party subsidy decisions should be linked more closely together. Transfer of subsidies to limited companies may also have significance from the perspective of business subsidies and the value-added tax. Furthermore, in ambiguous cases, it is recommended that political parties use funds other than party subsidies for supporting limited companies or foundations. The need to revise the terms and conditions of party subsidy decisions was discussed with representatives of the Prime Minister's Office in November 2017.

Under the 2016 party subsidy decision, each of the political parties receiving the aid must use five per cent of the aid for funding the activities of its district organisations and the party must transfer the aid to its district organisations during the year in which the aid is granted. One of the political parties had not transferred any of the aid to its district organisations and some parties had paid personnel expenses of their district organisations and entered them in their own accounts and financial statements. However, this practice does not give an accurate overall picture of the parties' financial activities.

The National Audit Office is of the view that the terminology used in the party subsidy decision must be clarified to ensure that the terms and conditions concerning the use of the party subsidies and their transfer to other recipients are clear and that the accounts on the use of the party subsidies would be comparable.

The audits and monitoring of the use of the party subsidies also revealed that there were some differences in the accounts on the use of the party subsidies between political parties and their district organisations. The audited entities have been requested to correct their accounts to match each other, and some entities complied with this request already during the audits. Attention was also drawn to the fact that only the entities referred to in the party subsidy decision are obligated to keep accounts under the public political party funding system. However, this does not seem to be adequate, since political parties are also entitled to allocate their party subsidies to other associations than those referred to in the party subsidy decision.

Financial statements of political parties, the associations referred to in a party subsidy decision and the entities affiliated with political parties have been sent to the electronic party funding register.

As a rule, audited entities' accounts had been managed properly so that monitoring of the provisions in the Act on Political Parties could be carried out on the basis of the accounts.

Deficiencies were still observed in the auditor's reports of the monitored entities. The auditors of political parties, their district organisations and affiliated entities have not always included the opinions laid down in section 9c of the Act on Political Parties in their auditor's reports. In this respect the primary monitoring system concerning organisations receiving party subsidies is not yet working in the intended manner. The auditor's opinions on the reporting on the use of the party subsidies have also been vague.

The party funding register is intended to promote transparency, and the nature of a received contribution can be clarified in disclosures with additional information. However, the concept of contribution should be made more specific on the basis of practical situations and audit observations. In its report 9/2013 vp, the Audit Committee has already drawn attention to the need to specify the concept of contribution.

With regard to audited entities it can be noted that up-to-date disclosures together with supplements are correct in essential respects and provide correct information on financial support received by the monitored entities in essential respects. However, according to the audit findings, not all support or candidate's or MP's contributions have been entered in the political party funding system before the audits. This has particularly been the case with support and other contributions provided by affiliated entities. The sums have been substantial.

In 2017, no contributions clearly violating the restrictions laid down in section 8b of the Act on Political Parties were discovered in the audit.

In the audits of political party funding conducted in autumn 2017, attention was drawn to the inadequacies regarding the ambiguity of the terms and conditions and contractual proce-

dures concerning the use of the party subsidies. The possibility to clarify the terms and conditions of the party subsidy decision was discussed with representatives of the Prime Minister's Office in November 2017.

The monitoring of the accounts on the use of the party subsidies revealed that support reported by political parties as transferred to their district organisations often differed from the amounts reported as received in the audited party subsidy accounts of the district organisations or in the accounts and financial statements of other operators. The audited entities have been requested to clarify their procedures, and once the requested corrections are implemented, the 2016 party subsidy accounts should match each other.

Audited organisations

Helsingin Kokoomus ry	Pirkanmaan Vasemmistoliitto ry
Helsingin Sosialidemokraatit ry	Pirkanmaan Vihreä Liitto ry
Helsingin Vasemmistoliitto ry	Savo-Karjalan Kokoomus ry
Helsingin Vihreät ry	Savo-Karjalan Sosialidemokraatit ry
Hämeen Kokoomus ry	Suomen Keskusta r.p. (Centre Party of Finland)
Hämeen Sosialidemokraatit ry	Suomen Kristillisdemokraatit (KD) r.p. (Christian Democrats in Finland)
Kaakkois-Suomen Kokoomus ry	Suomen Kristillisdemokraattien (KD) Helsingin piiri ry
Kaakkois-Suomen Sosialidemokraatit ry	Suomen Kristillisdemokraattien (KD) Pirkanmaan piiri ry
Kansallinen Kokoomus r.p. (National Coalition Party)	Suomen Kristillisdemokraattien (KD) Uudenmaan piiri ry
Keskustan Etelä-Hämeen piiri ry	Suomen Kristillisdemokraattien (KD) Varsinais-Suomen piiri ry
Keskustan Helsingin piiri ry	Suomen Sosialidemokraattinen Puolue r.p. (The Finnish Social Democratic Party)
Keskustan Karjalan piiri ry	Svenska folkpartiet i Egentliga Finland rf
Keskustan Kymenlaakson piiri ry	Svenska folkpartiet i Finland r.p. (Swedish People's Party in Finland)
Keskustan Pirkanmaan piiri ry	Svenska folkpartiet i Helsingfors rf
Keskustan Pohjois-Karjalan piiri ry	Svenska folkpartiet i Nyland rf
Keskustan Uudenmaan piiri ry	Uudenmaan Kokoomus ry
Keskustan Varsinais-Suomen piiri ry	Uudenmaan Sosialidemokraatit ry
Perussuomalaiset r.p. (The Finns Party)	Uudenmaan Vasemmistoliitto ry
Perussuomalaisten Hämeen piiri ry	Uudenmaan Vihreät ry
Perussuomalaisten Pirkanmaan piiri ry	Varsinais-Suomen Kokoomus ry
Perussuomalaisten Pohjois-Karjalan piiri ry	Varsinais-Suomen Sosialidemokraattinen piiri ry
Perussuomalaisten Uudenmaan piiri ry	Varsinais-Suomen Vasemmistoliitto ry
Perussuomalaisten Varsinais-Suomen piiri ry	Vasemmistoliitto r.p. (The Left Alliance)
Pirkanmaan Kokoomus ry	Vihreä Liitto r.p. (Green League)
Pirkanmaan Sosialidemokraattinen piirijärjestö ry	Vihreän Liiton Varsinais-Suomen piiri ry



NATIONAL AUDIT OFFICE OF FINLAND
PORKKALANKATU 1, P.O.BOX 1119, FI-00101 HELSINKI
TEL. +358 9 4321, WWW.VTV.FI

ISSN 1796-9646 (PDF)