



# National Audit Office's report to Parliament on the monitoring of the funding of political parties in 2016





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ISSN-L 1798-6427  
ISSN 1798-6435 (PDF)  
URN:NBN: VTV-R12017VP  
[HTTP://URN.FI/URN:NBN: VTV-R12017VP](http://urn.fi/urn:nbn:vtv-r12017vp)  
LÖNNBERG PRINT & PROMO  
HELSINKI 2017

# To Parliament

The National Audit Office has monitored compliance with the provisions of the Act on Political Parties (10/1969) regarding contributions and the preparation and filing of documents covered by the disclosure obligation during the period 1 September 2015 - August 2016.

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

Helsinki 9 February 2017

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 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 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 2015 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 almost 17.9 million euros received by parties, party associations and affiliated entities were reported to the party funding register as updated payments between 2011 and 2016.

Contributions totalling more than 2.3 million euros were reported during 2016. The contributions disclosed for the year 2015 total more than 3.6 million euros; for the year 2014 more than 3.2 million euros; for the year 2013 almost 2.8 million euros; for the year 2012 more than 3.2 million euros; and for the year 2011 almost 2.7 million euros. The information supplementing the disclosures also apply to earlier years so that the additions made during 2016 totalled about 0.4 million euros (for 2015) and about 0.1 million euros (for 2012 and 2011 each). Some of the information supplementing the disclosures are the result of audits of political party funding conducted during the past five years.

A total of 48 audits of political party funding were conducted in the monitored parties and their district and women's organisations in 2016. 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 monitored entities in essential respects.

All political parties represented in Parliament and the affiliated entities reported by them, as well as their district and women's organisations were audited at least once between 2012 and 2016. District organisations that have ceased operations and parties entered in the Party Register that were not represented in Parliament were also audited during the period. A total of 160 audits of political party funding were conducted between 2012 and 2016.

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 in to the 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.

Monitored entities' accounting has as a rule 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. The National Audit Office also points out that under the Accounting Act, all organisations obliged to keep accounts must keep their accounts up to date. Attention should be paid to the documentation of loans, agreements and contracts, keeping and itemisation of accounting records, as well as the processing of petty cash, membership fees and accounting errors. The itemisation of election campaign costs and funding should be traceable from book-keeping and other accounts and should be reconcilable with them.

As in previous years, there were again inadequacies in the manner in which the monitored entities had elected their auditors and prepared their auditor's reports. Authorised auditors have not always been elected as auditors. Neither have the auditors always included the statements required under section 9 c of the Act on Political Parties in the auditor's reports. Contributions violating the restrictions referred to in section 8 b of the Act on Political Parties were also discovered in the audit.



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# 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 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 30,000 euros 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

1,500 euros 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 1,500 euros. 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. Under the Act on Political Parties, the National Audit Office's monitoring task with respect to political parties and district organisations, as well as the entities mentioned in a party subsidy decision remained secondary in 2015. The Ministry of Justice was responsible for monitoring the party subsidies under the Act on Political Parties until the end of 2015.

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

the fine can only be imposed after the monitored entity has been cautioned and if the breach is considered substantial.

The Act on Political Parties contains a provision on the recovery of party subsidies. Until the end of 2015, 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 the disclosers



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

## Up-to-date disclosure

Under section 8 c 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 1,500 euros 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 1,500 euros. 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 1,500 euro limit is exceeded (for example 3,001 euros, 4,502 euros, 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 1,500 euros. Supplementary disclosures concerning contributions smaller than 1,500 euros 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 8 c of the Act on Political Parties, which contains provisions on up-to-date disclosures, has been applied since 1 January 2011. The first up-to-date disclosure could therefore be filed concerning contributions received in 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 election 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 in electronic form and viewable on the website of the National Audit Office's election funding register. 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

A political party must 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 8 c of the Act on Political Parties for the political party and associations mentioned in the party subsidy decision as referred to in section 9 b of the Act on Political Parties. This means that the political party in question is responsible for filing the above-mentioned information on these organisations.

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, financial statements with notes and the accounts referred to in section 9 a (1) of the Act on Political Parties regarding the use of the party subsidies referred to in the party subsidy decision concerning the political party granted the aid, information contained in the up-to-date disclosures and an itemisation of election campaign costs and funding for the political party. Under the rule issued by the National Audit Office (361/41/2011), election campaign costs and funding must be itemised and filed on an electronic form approved by the National Audit Office.

The political party's financial statements with notes, 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 funding register maintained by the National Audit Office on the public data network.

The National Audit Office's electronic disclosure system makes it possible for an association mentioned in a party subsidy decision to send the above-mentioned documents in file form to the political party and for the party to approve them for forwarding to the National Audit Office.

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

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.

Itemisations of election campaign expenses and funding on the following elections have been submitted to the National Audit Office:

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

The National Audit Office publishes the information it receives without delay. The documents are published in the form in which they are sent.

### 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 8 a (1) of the Act on Political Parties gives only political parties 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.

The affiliated entity of a political party must send to the National Audit Office its auditor's report and financial statements with notes, an itemisation of the contributions it has received and an auditor's statement regarding whether the affiliated entity's activities have complied with the provisions in the Act on Political Parties regarding financial support and related restrictions. An entity affiliated with a political party is thus responsible for filing this information.

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

The information must be sent in electronic form to the election 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.



## 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 2015 with the exception of situations in which signed financial statements were not submitted to the National Audit Office.

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 the same donor is at least 1,500 euros in a 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. This means that the disclosures would not be comparable if such estimates were required. 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 is 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 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.

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

## 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 party funding (R 6/2012) the National Audit Office cited compulsory contributions collected by political parties and party associations from elected officials as an example. The National Audit Office considered that, from the viewpoint of the Act on Political Parties, these should be interpreted as contributions to a political party by a private individual. According to a report submitted by the Audit Committee (3/2012), compulsory contributions collected from elected officials at the municipal level can, however, justifiably be regarded as market-valued contributions that relate to the ordinary organisational activities of a political party as long as they are not used to collect funds for an election campaign.

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.

Ordinary organisational contributions include the proceedings from the sale of party-owned office premises or office fittings at fair value

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 include the distribution 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. Items based on legislation include funds granted under the Act on Slot Machine Funding Assistance (1056/2001).

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. However, this provision does not apply to contributions received as a result of ordinary fundraising activities. 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's 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 30,000 euros 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

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

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 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 Amending the Act on Political Parties (1688/2015) entered into force on 1 January 2016.



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

Under section 9 e 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 can 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). As the Ministry of Justice served as the primary supervisor of party subsidies until the end of 2015, the National Audit Office has played a secondary role in this respect.

The Sanction and Penalty Board may impose a penalty fee

At the end of the year 2015, there were a total of ten political parties entered in the Party Register. By the end of the year 2016, the number had risen to 14. 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 also represented in Parliament until the 2015 parliamentary elections.

In 2016, the parties receiving party subsidies had about 108 district organisations and six separate women’s organisations. Thirteen entities affiliated with a political party were reported to the National Audit Office by the end of 2016.

As the Ministry of Justice has acted as the primary supervisor of government aid, the National Audit Office has played a secondary role in this respect

The total number of monitored entities under the Act on Political Parties and decisions concerning the granting of party subsidies is about 145

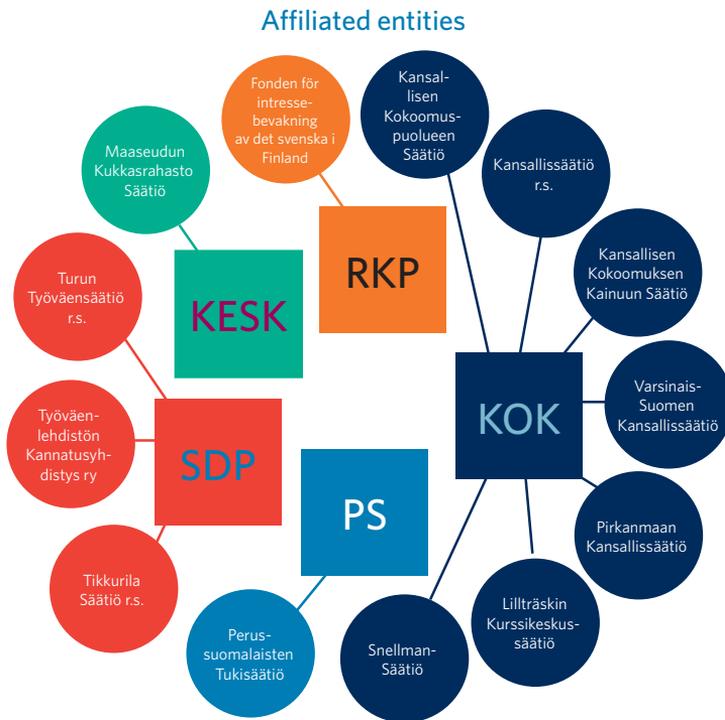


Figure 2: Affiliated entities disclosed by political parties in 2016

In its activities in monitoring the Act on Political Parties the objective in the National Audit Office’s long-term planning is for the National Audit Office to be able to carry out audits of all monitored entities in six years. In long-term planning the obligation to keep vouchers as referred to in the Accounting Act (1336/1997) and changes in the boundaries of electoral districts must be taken into consideration. In planning, consideration can 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.

### 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 8 c), the itemisation of election campaign costs and funding (section 9 b) and the submission of financial statements (section 9 d).

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 8 c 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 8 c 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 9 b of the Act on Political Parties and the submission of information as referred to in section 9 d (1) of the Act on Political Parties (361/41/2010)
- National Audit Office’s general guidelines regarding the itemisation of election campaign costs and funding as referred to in section 9 b of the Act on Political Parties and the submission of information as referred to in section 9 d (1) of the Act on Political Parties (356/41/2010)
- 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 9 d (2) of the Act on Political Parties (359/41/2010).

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](http://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 48 audits on political party funding in 2016. In 2015, 2014, 2013 and 2012, the audits totalled 35, 32, 25 and 20, respectively. The audit procedure and major findings are described in chapter 4. A list of the audits is appended to this report. The audits were conducted by Principal Financial Auditors Seppo Akselinmäki, Klaus Krokfors and Pontus Londen, as well as Senior Auditor Hanna Surakka.

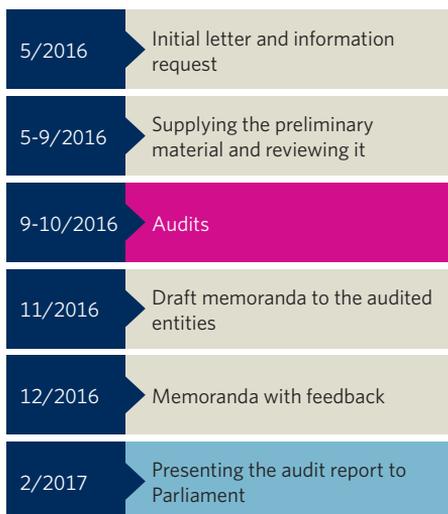


Figure 3: Process of auditing political party funding

## 3.2 Audit objectives and criteria

The objective of the audits of political party funding conducted in 2016 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. Special attention was paid to compliance with ceilings on received contributions and restrictions on financial support stipulated in provisions. At the same time, the financial statements and reports on operations of the donors were compared with the up-to-date disclosures filed by the recipients. 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.

All eight parties represented in Parliament and a total of 33 of their district organisations (in South Savo, Northern Ostrobothnia, North Savo, Satakunta, Kainuu and Lapland) were audited. One district organisation operating in Southeast Finland and all six women's organisations of the parties in question that are registered were also audited. The district organisation in Southeast Finland was also in possession of the accounts of the party's district organisation for South Savo (which had disbanded). Thus, a total of 48 audits were conducted.

This period included the filing of the audited entities' financial statements and auditor's reports for the years 2011-2015 and essential accounting transactions from the perspective of the Act on Political Parties.

The audits of the district organisations covered the financial statements, accounts and bank statements for the years 2011-2015 that have been entered in the political party funding system for the period between 1 January 2011 and 31 August 2016, 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 May 2016 and the audits were conducted as local-level audits in autumn 2016, after the electronically supplied preliminary material had been examined.

The following matters were taken into consideration in focusing 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, fundraising, bank statements and deeds of donation)
- 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 2014 and 31 August 2016 and by the audited district and women’s organisations between 1 January 2011 and 31 August 2016
- 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
- procedures related to parties’ obligations to ensure that local associations’ disclosures are filed properly
- 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 transfer and use of the party subsidies.

The audits in the district organisations took place in autumn 2016

### 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 small number of monitored organisations in relation to the total number of 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. Monitored entities totalled about 145. Other party

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

associations are not monitored by the National Audit Office. As a result, most of the associations (about 6,000) remain outside the scope of monitoring. Monitoring these would also be a very significant resource question.



## 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 2016, on the basis of section 9 e (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 and women's organisations.

The audits covered the general arrangements of accounting, payment traffic and fund management of the audited entities and the itemisation of funding and costs in accounting, and attention to restrictions on financial support in the political parties during the period between 1 September 2014 and 31 August 2016 and in their district and women's organisations audited for the first time, in the period between 1 January 2011 and 31 August 2016, from the perspective of the Act on Political Parties and on the basis of the accounting information covering the period 2011-2016.

Audits of political party funding were conducted in all eight political parties represented in Parliament, 34 of their district organisations and six women's organisations. A total of 48 audits were conducted, compared with 35 in the previous year. The audit memorandum on one of the district organisations was still being examined in early 2017. In 2014, 2013 and 2012, the audits totalled 32, 25 and 20, respectively.

The audited entities were notified of the audits in May 2016, they submitted most of the requested preliminary material to the National Audit Office before the audits, and the audits were carried out according to the audit plan in autumn 2016. Most of the audited district organisations were located in South Savo, Kainuu, Lapland, Northern Ostrobothnia, North Savo and Satakunta .

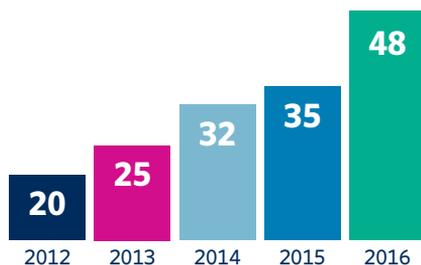


Figure 4: Figure 4: Number of audits of political party funding 2012-2016

The draft feedback memoranda concerning the audits were sent for comments in November 2016. The final feedback memoranda were also sent to the audited entities in November 2016. Each of the political parties also received the feedback memoranda concerning the audits carried out in their district and women's organisations. The audited entities were asked to send comments on the memoranda to the National Audit Office by 07/12/2016. The feedback, which was mostly in the form of notifications of the measures taken after the completion of the draft feedback memoranda 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 election 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 a number of essential inadequacies in a small number of the audited district organisations. They 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 for the years 2011 and 2012 were unavailable for the audit or they contained essential inadequacies. However, on the basis of financial statements, general ledger and bank 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.

In the audit, attention was again drawn to the information content of the bank statements. When a political party or another organisation has received several payments in its bank account, for example in the form of membership fees or donations, these may have been presented in summary form on a bank statement.

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

From the viewpoint of keeping accounts up to date, it is always necessary to present an adequate itemisation to ensure that individual contributions do not exceed the 1,500 euro threshold for an up-to-date disclosure. Under chapter 2, section 7 of the Accounting Act, accounting must be organised so that the connection between transactions, receipts and entries with the main accounts (through auxiliary accounts) and further on to the financial statements can be easily determined in both directions. The same applies to the periodic accounting-related notifications submitted to the authorities for taxation or other purposes.

For the sake of clarity, the audited entities were urged to close unnecessary bank accounts and to make the model account scheme actor-specific so that the account schemes used by the actors would be in accordance with their accounting practices and assets. Organisations that until then had only received payments from their own parties were also asked to itemise contributions received from such payers as support foundations, as necessary.

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 the financial statements are published in the public data network in accordance with the Act on Political Parties, they should not include non-public information such as ID numbers or bank account numbers. On the other hand the financial statements that are sent to the electronic party funding register should be complete, which means that they should include all the numbered pages of the financial statements. In connection with financial statements a party should send copies of the original signed financial statements so that the conclusive nature of the documents can be verified.

As in previous audits, the openness to interpretation of section 9 a (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.

As regards monitored foundations, it should be noted that the provisions on financial statements and reviews of operations applicable to contributions to related parties contained in the new Foundations Act (487/2015) became mandatory under the act implementing the act (488/2015) from 1 December 2015, which means that they already applied to the 2015 financial statements.

Special attention should be paid to documenting the content of loans, agreements and contracts

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 entered in the political party funding system in a consistent manner and all corrections 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 9 c 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 9 c 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 9 c 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.

With regard to section 9 c of the Act on Political Parties it was again noticed that the auditing obligations laid down in the section, which entered into force on 1 January 2011, are not always properly complied with. In some party associations, the 2012 financial audits had been performed by non-certified auditors. The content of statements in auditor's reports also varied and was not always in accordance with section 9 c 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.

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

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

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 9 c 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 aid 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 party subsidies use the opinion applies is not clear from the auditor's reports.

### 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 9 d of the Act on Political Parties, a political party must submit financial statements together with the information referred to in section 9 a (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.

Nearly all the financial statements referred to in the Act on Political Parties concerning 2015 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.

More financial statements have been received through the electronic system. 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
2016	2	0
2015	3	0
2014	4	2
2013	15	2

## 4.4 Up-to-date disclosures together with supplements

Under section 8 c 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 1,500 euros 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 1,500 euros. Thus more than one disclosure may have to be filed regarding contributions from the same donor.

In 2016 contributions totalling about 2.3 million euros received by party associations and affiliated entities were reported to the party funding register in up-to-date disclosures. A total of more than 3.6 million euros in contributions received by party associations and affiliated entities were reported for 2015. Corresponding disclosures for 2014 totalled more than 3,2 million euros, for 2013 almost 2,8 million euros, for 2012 more than 3,2 million euros and

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

for 2011 almost 2,7 million euros. Disclosures for previous years were also received during 2016.

The figures are not fully comparable as the disclosures may also be supplemented retroactively. Some of the information supplementing the disclosures are the result of audits of political party funding. The information supplementing the up-to-date disclosures filed after the deadline referred to in the Act on Political Parties can be viewed in the register.

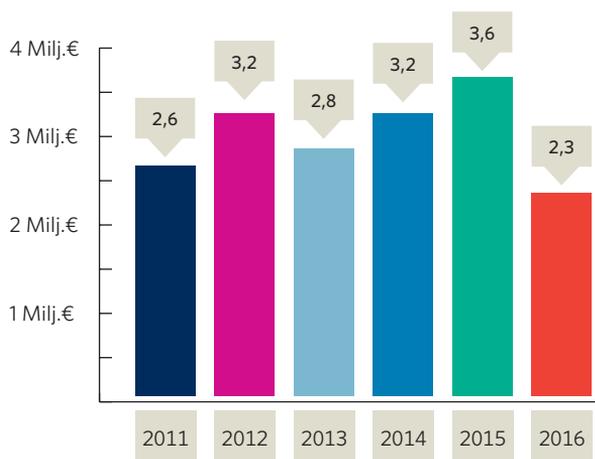


Figure 5: Figure 5: The contributions of at least 1,500 euros reported to the party funding register 2011-2016 (up-to-date disclosures)

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 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.

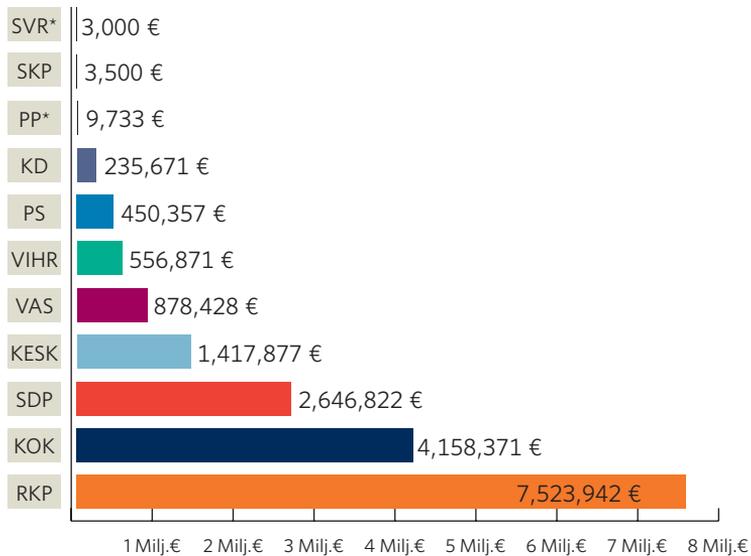
The auditors also sought to determine how the political parties have ensured that party associations' up-to-date disclosures are filed properly. On the basis of the audit the National Audit Office recommends that political parties should inform their local associations more systematically regarding the obligations laid down in section 8 c of the Act on Political Parties and, if necessary, agree on the division of tasks so that the disclosure obligation is met.

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.

The up-to-date disclosures did not always include advertising revenue, the importance of the excess of the charges actually received for the use of conference and other facilities or the contributions received from MPs. From the perspective of monitoring it is necessary to interpret to what extent payments or benefits that can be valued in money are financial support and to what extent they are part of ordinary activities, which are permitted. The essential thing, however, is that the Act on Political Parties is aimed at ensuring transparent funding, which is implemented with up-to-date disclosures. If an organisation referred to in the Act on Political Parties is involved in different types of funding and contractual arrangements, it should evaluate whether this constitutes financial support as referred to in the Act on Political Parties and file the necessary up-to-date disclosures. As the line between advertising revenue and contributions is vague, the National Audit Office recommends that there should also be up-to-date disclosures of advertising revenue.

There was also one case in which a political party's women's organisation had received contributions from two foreign donors for its candidate. Under section 8 b of the Act on Political Parties, no contributions may be received from unknown or foreign sources that are not private individuals or international organisations or foundations representing the party's political orientation. At the same time, section 8 c of the Act on Political Parties does not recognise a situation in which no up-date-disclosures are required for contributions received in violation of the act.

In the course of the audit, the political parties and other 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.



PP\* Piraattipuolue r.p.  
 SVR\* Sinivalkoinen Rintama r.p.

Figure 6: Contributions of more than 1,500 euros reported to the party funding register in 2011-2016 (up-to-date disclosures)

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 1,500 euros, 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 1,500 euros 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 almost 17.9 million euros in contributions were received between 2011 and 2016. Affiliated entities reported by political parties accounted for about 11.1 million euros of this total (62.4%). The support foundation of one party has not provided any support requiring disclosure.

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

Altogether 17,884,578 €

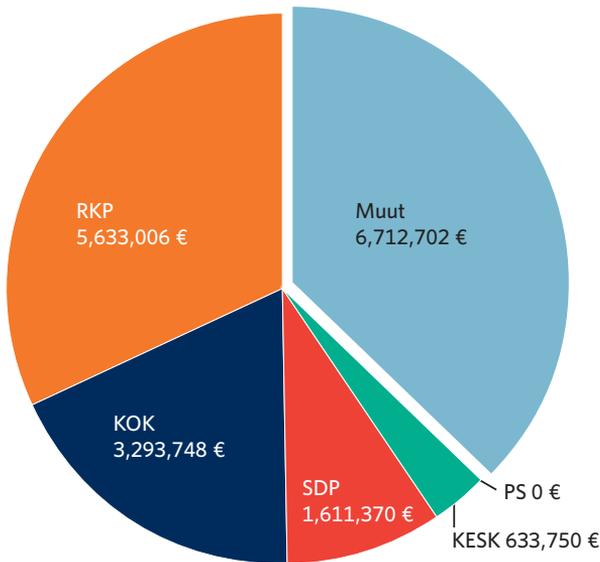


Figure 7: Contributions of at least 1,500 euros reported to the party funding register in 2011-2016 by payer group (up-to-date disclosures)

### Contributions by affiliated entities reported by political parties:

<b>Ruotsalainen kansanpuolue r.p.</b>	
Fonden för intressebevakning av det svenska i Finland	5,633,006 €
<b>Kansallinen Kokoomus r.p.</b>	
Kansallisen Kokoomuspuolueen Säätiö	1,500,000 €
Kansallissäätiö	549,500 €
Kansallisen Kokoomuksen Kainuun Säätiö	539,670 €
Varsinais-Suomen Kansallissäätiö	287,426 €
Snellman-Säätiö	197,000 €
Pirkanmaan Kansallissäätiö	196,152 €
Lillträskin Kurssikeskussäätiö	11,000 €
<b>Suomen Sosialidemokraattinen puolue r.p.</b>	
Työväenlehdistön Kannatusyhdistys ry	844,000 €
Turun Työväensäätiö	404,870 €
Tikkurila Säätiö	362,500 €
<b>Suomen Keskusta r.p.</b>	
Maaseudun Kukkasrahasto Säätiö	633,750 €
<b>Perussuomalaiset r.p.</b>	
Perussuomalaisten Tukisäätiö	0 €

## Donors that contributed more than 100,000 euros between 2011 and 2016 (other than affiliated entities):

Stiftelsen för utbildning och kultur på svenska i Finland	720,000 €
Stiftelsen Tre Smeder	307,000 €
Föreningen Konstsamfundet r.f.	264,000 €
Turun Itäinen Järjestöyhdistys r.y.	191,500 €
Svenska litteratursällskapet i Finland rf	190,000 €
Yksityisyrittäjien Säätiö	180,000 €
Stiftelsen Brita Maria Renlunds minne	170,000 €
Palvelualojen ammattiliitto PAM ry	162,680 €
Teollisuuden ja Työnantajain Keskusliiton (TT) -säätiö	160,000 €
Suomen Kunnantyöntekijäin Liitto ry	151,500 €
Helsingin Työväenyhdistys ry	150,000 €
KD-Mediat Oy	141,333 €
Pirkanmaan Työväen Keskus ry	139,000 €

Under the Act on Political Parties, a recipient may receive a total of 30,000 euros 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 30,000 euros during this period. It was noted in the audits of political party funding that in 2011 the company KD-Mediat Oy, which is owned by the Christian Democratic Party (Suomen Kristillisdemokraatit), had supported the party with a total of 96,333.17 euros, which means that the maximum limit laid down in the law had been exceeded during the year in question. Moreover, the limited liability company in question had not been reported as an affiliated entity of the party. However, the total amount reported as contributions includes rents for premises, and fees for publications and articles and the party has not corrected the information that it has submitted for the election funding register.

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 5.7 and 7.1 million euros each year between 2010 and 2015.



Figure 8: Figure 8: Compulsory contributions collected from elected officials 2010-2015 (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 a political party had given support to its support foundation, which functioned as one of its affiliated entities, by providing the foundation with 84,000 euros during three years. Even though this is not prohibited under the Act on Political Parties, affiliated entities of political parties usually support their own parties and do not receive support from them.

A total of 40,000 euros in contributions between a political party and its district organisations had also been reported to the election 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.

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 8 b 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. However, this provision does not apply to contributions received as a result of ordinary fundraising activities.

A political party, a party association and an entity affiliated with a party may not receive contributions exceeding a value of 30,000 euros 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 1,500 euros.

Under to section 8 b 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 30,000 euros 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 2016 audits. Moreover, no new affiliated entities were reported to the National Audit Office during 2016.

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 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 the grants provided by affiliated entities, these also included at least rent and salary support, payments for advertisements and support for training and related materials. 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. Such contributions include travel and other cost reimbursements from foreign donors and from the parliamentary groups.

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. However, attention was drawn in the audit to seminars in which leading personalities of various organisations give speeches. In the same connection, efforts have also been made to ensure that the seminars have not been supported in a non-monetary manner through non-charging for premises expenses, other services or catering. However, if non-monetary support has been provided, efforts have been made to ensure that up-to-date disclosures are filed for all non-monetary support of at least 1,500 euros.

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

It was again 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. According to the up-date-disclosures filed, one political party has received a total of 1,846.15 euros and 6,387.68 euros in Bitcoin donations in 2016 and 2015, respectively. The recipient of the contribution must ensure that the donor does not remain unknown on account of the payment method.



## 5 Procedures concerning the transfer and use of the party subsidies

Under its decision on 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 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 harmonises the process of cost accounting and facilitates 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 aid decision.

In the audits of political party funding conducted in autumn 2016, it was noted that there are substantial differences in contractual practices between political parties and that some parties had not concluded any agreements. During the autumn, agreements were also concluded retroactively. Agreements were also revised because of inadequacies in their content. In one case, the agreement between the political party and its women's organisation had only been signed, in the name of both parties, by the political party's financial manager who also served as the financial manager of the women's organisation.

Despite the fact that the individuals in question may have the right to sign for both parties, such merging of authorisations should be avoided when agreements are signed. Based on legal practice and legal literature, questions may be asked about the validity of legal acts carried out by virtue of merging of authorisations. This uncertainty can be removed so that each party to the agreement decides that it undertakes to comply with the agreement and notifies the

other party of its decision or so that the agreement is signed again by different individuals representing the parties. In order to avoid any legal uncertainty, the National Audit Office recommends that the agreement in question should be supplemented or corrected using either of the options referred to above.

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. As part of the audits of political party funding conducted in autumn 2016, the auditors also examined the procedures concerning the transfer of party subsidies. It was noticed that party subsidy agreements have been concluded with both associations and media companies. According to the accounts of the monitored entities, party subsidies has also been transferred to foundations and private persons.

Under the 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. However, one of the political parties had not transferred any of the aid to its district organisations and had paid personnel expenses of its district organisations and entered them in its own accounts and financial statements. This is not in agreement with the party subsidy decision in question and the procedure does not give an accurate overall picture of the party's financial activities.

In the view of the National Audit Office, the existing party subsidy cost accounting forms and the itemisation methods and concepts used in them are unclear and leave room for interpretation. Moreover, many of the cost accounting forms have been inadequately completed, the aid recipients have not been itemised and the payments have not been in accordance with the itemisations concerning the election campaign expenses and funding. For this reason, the National Audit Office asked, at the end of 2016, the Ministry of Justice to update the cost accounting form and the guidelines on it so that the cost accounting procedures for the party subsidies in 2016 would be in accordance with current requirements.





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. On the basis of section 9 d of the Act on Political Parties a party must submit financial statements within three months of the approval of the financial statements. Financial statements for an association referred to in a party subsidy decision must be submitted within one month of the approval of the financial statements. The role of the main user and the more punctual filing of information are important from the perspective of transparency.

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. Again, it should be emphasised, however, that, as a rule, all parties obliged to keep accounts must keep their accounts up to date, as laid down in the Accounting Act. Attention should also be paid to the documentation of loans, agreements and contracts, itemisation and up-to-date nature of accounts, processing of membership fees and the accounting of petty cash. The itemisation of election campaign costs and funding should be traceable from bookkeeping and other accounts and should be reconcilable with them.

According to the findings of the National Audit Office, there were inadequacies in the election of auditors or in the auditor's reports of several of the monitored entities. An authorised auditor as required by the Act on Political Parties has not been elected in all cases. The auditors of political parties, their district organisations and affiliated entities have not always included the opinions laid down in section 9 c 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.

Attention should be paid to documenting financial transactions. The purpose of the audits of political party funding is to determine the actual content of the contributions on the basis of the available documentation. If there is no documentation concerning

the content of a contribution, a received contribution can be interpreted as financial support that must be disclosed.

Receiving pass-through items and compensation that may be open to interpretation should be avoided. This can be done by contractual arrangements simplifying monetary transactions.

From the perspective of the Act on Political Parties, contributions in the form of money, goods, services or other services are regarded as financial support. Contributions that are not regarded as financial support are specified in sections 8 and 8 a of the act. The concept of financial support is thus quite broad from the perspective of the act. Political parties and party associations should constantly examine the contributions they receive on the basis of the concept of financial support specified in the Act on Political Parties. According to the audit findings, the flow of information between political parties and their party associations should be improved and political parties should ensure that their party associations submit the necessary up-to-date disclosures to the National Audit Office.

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 also 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 has 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.

Since compulsory contributions collected from elected officials are a significant source of funding for party associations, they could be presented in connection with final accounts.

In 2016, the auditors did not discover substantial direct contributions explicitly violating the restrictions in section 8 b of the Act on Political Parties, which came from another organisation besides an entity affiliated with a political party.

In February 2014, Parliament called for the government to examine needs to update the legislation concerning election and political party funding in accordance with the proposals contained in the report of the Audit Committee. In its report on the 2011 parliamentary elections, the Organization for Security and Co-operation in Europe also recommended that Finland should introduce reforms in election and political party funding. On 21 November 2014, the Ministry of Justice appointed a working group to prepare revisions in legislation on election and political party funding. The Government proposal, prepared on the basis of the draft presented by the working group, and the amendment to the Act on Political Parties, which was based on the Government proposal and entered into force on 1 January 2016, did not contain any substantial changes to the funding of political parties.

In the view of the National Audit Office, the fact that in 2016, two earlier party subsidy decisions were combined into one decision harmonises the process of cost accounting and facilitates the monitoring of the use of the party subsidies.

In the audits of political party funding conducted in autumn 2016, attention was drawn to the inadequacies in the contractual procedures concerning the party subsidies. It has also been noted that there is room for improvement in the party subsidy cost accounting procedures. The National Audit Office has asked the Ministry of Justice to update the form and the guidelines on it so that the cost accounting procedures for the party subsidies in 2016 would be in accordance with current requirements.



## Appendix

Audited organisations	Place of audit	Audit date
Kaakkois-Suomen Vasemmistoliitto ry (ml. Etelä-Savo)	Kotka	22.9.2016
Kainuun Kokoomus ry	Kajaani	7.9.2016
Kainuun Vasemmisto ry	Kajaani	7.9.2016
Kansallinen Kokoomus r.p.	Helsinki	17.10.2016
Keskustan Etelä-Savon piiri ry	Mikkeli	23.9.2016
Keskustan Kainuun piiri ry	Kajaani	8.9.2016
Keskustan Lapin piiri ry	Rovaniemi	13.9.2016
Keskustan Peräpohjolan piiri ry	Kemi	5.10.2016
Keskustan Pohjois-Pohjanmaan piiri ry	Oulu	22.9.2016
Keskustan Pohjois-Savon piiri ry		*
Keskustan Satakunnan piiri ry	Pori	15.9.2016
Kokoomuksen Naisten Liitto ry	Helsinki	18.10.2016
Lapin Kokoomus ry	Rovaniemi	14.9.2016
Lapin Sosialidemokraattinen Piiri ry	Rovaniemi	14.9.2016
Lapin Vihreät ry	Rovaniemi	15.9.2016
Oulun Sosialidemokraattinen Piiri ry	Oulu	20.9.2016
Oulun vaalipiirin Vihreät ry	Oulu	22.9.2016
Perussuomalaiset Naiset ry	Helsinki	11.10.2016
Perussuomalaiset r.p.	Helsinki	10.10.2016
Perussuomalaisten Etelä-Savon piiri ry	Pertunmaa	23.9.2016
Perussuomalaisten Kainuun piiri ry	Kajaani	8.9.2016
Perussuomalaisten Lapin piiri ry	Rovaniemi	13.9.2016
Perussuomalaisten Pohjois-Pohjanmaan piiri ry	Oulu	20.9.2016
Perussuomalaisten Pohjois-Savon piiri ry	Kuopio	12.10.2016
Perussuomalaisten Satakunnan piiri ry	Pori	15.9.2016
Pohjois-Pohjanmaan Kokoomus ry	Oulu	21.9.2016
Pohjois-Pohjanmaan Vasemmisto ry	Oulu	21.9.2016
Pohjois-Savon Vasemmisto ry	Kuopio	12.10.2016

## Appendix

Audited organisations	Place of audit	Audit date
Satakunnan Kokoomus ry	Pori	16.9.2016
Satakunnan Sosialidemokraatit ry	Pori	19.10.2016
Satakunnan Vasemmistoliitto ry	Pori	20.10.2016
Satakunnan Vihreät ry	Pori	19.10.2016
Suomen Keskusta r.p.	Helsinki	8.9.2016
Suomen Keskustanaiset ry	Helsinki	9.9.2016
Suomen Kristillisdemokraatit (KD) r.p.	Helsinki	24.10.2016
Suomen Kristillisdemokraattien (KD) Pohjois-Pohjanmaan ja Kainuun piiri ry	Oulu	9.9.2016
Suomen Kristillisdemokraattien (KD) Pohjois-Savon piiri ry	Kuopio	11.10.2016
Suomen Kristillisdemokraattien (KD) Satakunnan piiri ry	Pori	16.9.2016
Suomen Kristillisdemokraattien (KD) Etelä-Savon piiri ry	Mikkeli	22.9.2016
Suomen Kristillisdemokraattien (KD) Lapin piiri ry	Rovaniemi	6.10.2016
Suomen Kristillisdemokraattiset (KD) Naiset ry	Helsinki	25.10.2016
Suomen Sosialidemokraattinen Puolue r.p.	Helsinki	7.9.2016
Svenska folkpartiet i Finland r.p.	Helsinki	28.10.2016
Svenska Kvinnoförbundet r.f.	Espoo	10.10.2016
Vasemmistoliiton Lapin piiri ry	Kemi	5.10.2016
Vasemmistoliitto r.p.	Helsinki	6.9.2016
Vihreä Liitto r.p.	Helsinki	26.10.2016
Vihreät Naiset ry	Helsinki	27.10.2016

\* As the agreed audit date was cancelled, the audit was conducted as a document audit, which continued into 2017.



*Suomi*  
*Finland*  
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NATIONAL AUDIT OFFICE OF FINLAND  
ANTINKATU 1, P.O.BOX 1119, FI-00101 HELSINKI  
TEL. +358 9 4321, [WWW.VTV.FI](http://WWW.VTV.FI)

ISSN 1798-6435 (PDF)