



# National Audit Office's report to Parliament on the monitoring of the funding of political parties in 2015





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# To Parliament

The National Audit Office has monitored compliance with the provisions of the Act on Political Parties (10/1969, amended 683/2010) regarding contributions and the preparation and filing of documents covered by the disclosure obligation during the period 1 September 2014–31 August 2015.

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 12 February 2016

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Auditor General

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

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

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.

Financial statements for 2014 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.

In 2015, disclosures concerning contributions totalling more than 3.2 million euros received by political parties, party associations and affiliated entities were reported to the party funding register in up-to-date disclosures. The contributions disclosed for the year 2014 were almost 3.2 million euros; for 2013, almost 2.8 million euros; for 2012, 3.1 million euros; and for 2011, 2.6 million euros. The information supplementing the disclosures also apply to earlier years so that the additions made during 2015 totalled about 0.4 million euros (for 2014), about 0.2 million euros (for 2013) 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 35 audits were conducted in the audited district organisations and affiliated entities. 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. However, especially in the audits of the affiliated entities there have also been cases where the recipients have not filed up-to-date disclosures of all the contributions provided by the affiliated entities.

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 also be paid to the documentation of loans, agreements and contracts, keeping and itemisation of accounting records, the processing of petty cash, membership fees and accounting errors and the return of contributions. The itemisation of election campaign costs and funding should be traceable from bookkeeping and other accounts and should be reconcilable with them.

As in previous years, there were again shortcomings 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.

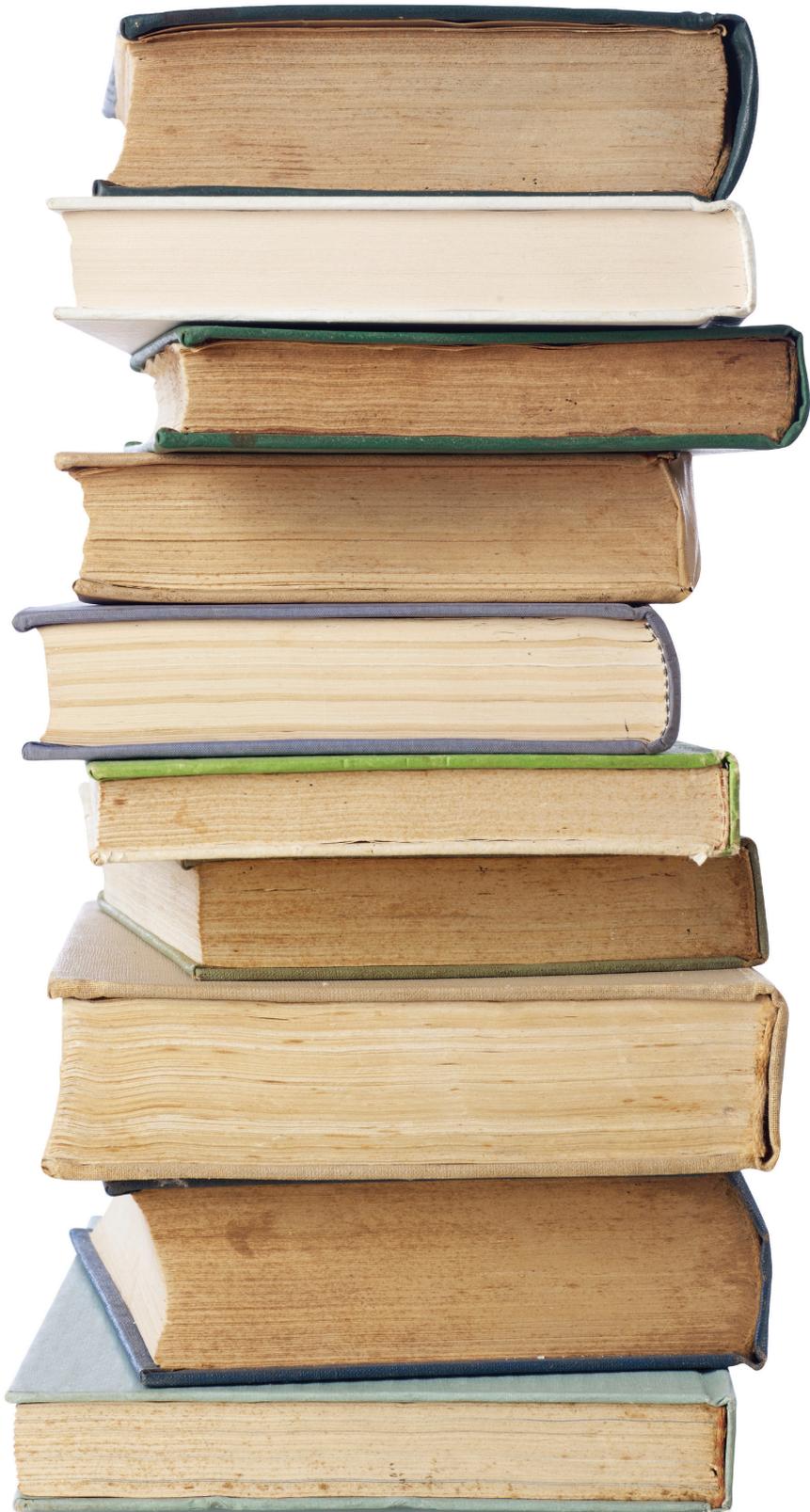
Substantial contributions violating the restrictions laid down in section 8 b of the Act on Political Parties were not discovered in the audit.





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# 1 Legislation applying to the task of monitoring party funding

The Act on Political Parties (10/1969, amended 683/2010) contains mandatory provisions aimed at promoting the transparency of funding for political parties and party associations. The objective of provisions is to increase the transparency of party funding, particularly taking into consideration the recommendations made to Finland by the Council of Europe Group of States against Corruption (GRECO). The public should have adequate information on the funding of parties' basic activities and election campaigns to evaluate possible ties. Greater transparency in party funding is expected to increase confidence in political activities and thus improve voter turnout. Another objective is to prevent corruption and influence on parties' activities based on ties.

The Act on Political Parties includes provisions on financial support to parties, party associations and entities affiliated with a party. According to the Act, all contributions in the form of money, goods, services or other such services are 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 party. 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 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 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. In addition the Act 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 1,500 euros and their donors. The information contained in these

Under the Act, all contributions in the form of money, goods, services or other support must, as a rule, be regarded as financial support

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. When election campaign costs and funding are itemised,

each individual contribution and its donor must also be mentioned separately if the value of a contribution is at least 1,500 euros. Information is entered in the party funding register and made available to the public. It should be noted, however, that the first itemisations of election campaign costs and funding only 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 voice 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 of the Act on Political Parties concerning financial support, the itemisation of election campaign costs and funding and the preparation and filing of the related documents.

The Ministry of Justice monitors 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, district organisations and the entities mentioned in a party subsidy decision remained secondary in 2015. In 2015, the Ministry of Justice was responsible for the supervision of the party subsidy under the Act on Political Parties.

The National Audit Office can require a monitored entity to fulfil its obligations on pain of a penalty. A penalty can be imposed only after an entity has been cautioned, however, and if the breach is considered substantial.

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

The Act on Political Parties contains a provision concerning the recovery of party subsidies. A government plenary session can order the termination of the payment of a party subsidy that has been granted and the recovery of a subsidy that has already been paid, in full or in part, according to the provisions on recovery in the Act on Discretionary Government Transfers. Terminating payments or recovering a party subsidy can also come into question if a party substantially neglects its obligations under the Act on Political Parties.

## 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 following deals with what information must be submitted and who is responsible for submitting the information.

### Disclosures filed by the disclosers

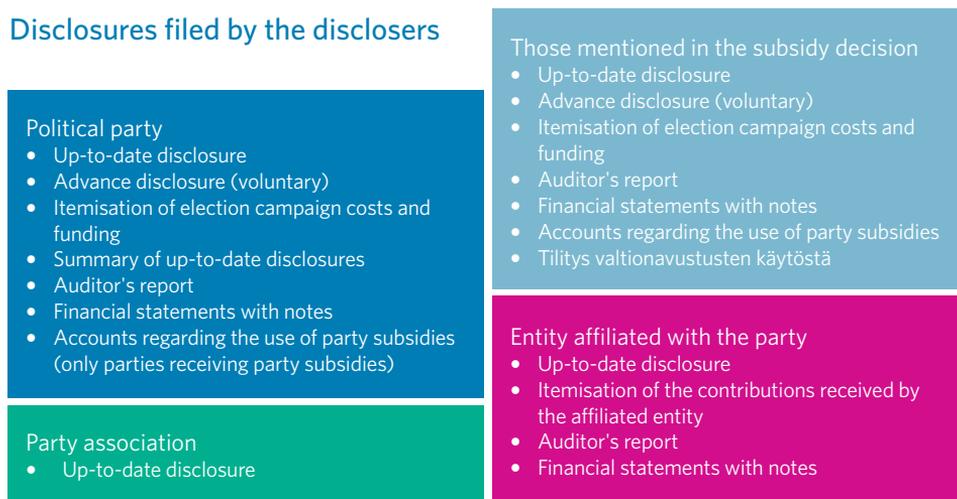


Figure 1: Disclosers under the Act on Political Parties and their disclosures

## 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 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 receive or handle disclosures regarding contributions with a value of less than 1,500 euros. When a disclosure is supplemented the amount of a contribution can be smaller than 1,500 euros, however.

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.

Disclosures must be filed electronically.

Section 8 c of the Act on Political Parties, which concerns 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.

A party is responsible for filing up-to-date disclosures. A party must also ensure that party associations and entities affiliated with a party file up-to-date disclosures on contributions received by them.

The electronic filing system maintained by the National Audit Office makes it possible for parties to enable party associations and affiliated entities to file their own up-to-date disclosures. In this case a party is responsible for establishing a party association's basic data in the electronic filing system. A party still has an obligation to see that disclosures are filed in accordance with the Act on Political Parties, however. Affiliated entities are added to the information system on the basis of the notifications received by the National Audit Office. After this a user given as a representative of an 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 a contribution was received

All up-to-date disclosures are accessible in electronic form on the website of the disclosure register of the National Audit Office from which everyone has the right to receive information and copies.

### Financial statements of a party and associations mentioned in a party subsidy decision

A 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 party subsidies and the information contained in the up-to-date disclosures prescribed in section 8 c of the Act on Political Parties for the political party and associations mentioned in a party subsidy decision as referred to in section 9 b of the Act on Political Parties. The party is thus responsible for filing the above-mentioned information for these organisations. The Act on Political Parties contains provisions on the filing of information.

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

A political party sends 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 party subsidies, information contained in up-to-date disclosures and an itemisation of election campaign costs and funding for the political party. Under the rules issued by the National Audit Office (361/41/2011), election campaign costs and funding must in the future be itemised and filed on an electronic form approved by the National Audit Office.

A party's financial statements with notes, auditor's report, accounts regarding the use of party subsidies and information contained in up-to-date disclosures are sent to the National Audit Office via an electronic disclosure system maintained 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.

Itemisations of election campaign costs and funding must be sent to the National Audit Office on an electronic form in connection with the closing of the books for the year when an election was

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

held. Itemisations of election campaign costs and funding for the 2012 presidential and municipal elections were therefore sent in connection with financial statements for 2012. Itemisations of election campaign costs and funding for the European Parliamentary elections must correspondingly be sent in connection with financial statements for 2014.

The National Audit Office publishes the information it receives without delay. 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 being 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. An association that has not been entered in the Party Register cannot have affiliated entities as referred to here that it has reported itself.

A corporation or foundation that has been reported as an entity affiliated with a political party sends 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 corporation or foundation whose trust has been reported as an entity affiliated with a political party files the documents.

The information is sent to the National Audit Office in electronic form through an online service maintained by the office. With the exception of the itemisation of contributions, information sent to the National Audit Office is not included in the disclosure register maintained by the office. Information and documents can only be filed electronically.

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.

Affiliated entities and foundations must submit their auditor's reports, financial statements (including notes) and other required documents





## 2 Interpretation situations regarding the filing of information

As part of its monitoring task, the National Audit Office ensures that the financial statements are submitted. Essential ambiguities regarding financial statements did not come to light in the information filed for 2014 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. Voluntary work and various free services such as discounts are quite difficult to evaluate, nor would disclosures be commensurable if such evaluations had to be made in disclosures. Furthermore the changed nature of voluntary work must be taken into consideration. Nowadays expertise is more important in campaigns than 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 he/she 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 can, for example, be payments received from the sale of an office or office equipment owned by a 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 the forms of collecting funds 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 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 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 a party association receive from each other

These are transfers within a party organisation and therefore do not present a risk of ties with outside donors. They can involve the distribution of party subsidies or membership fees between a party and party associations, for example.

## Income from permanent, market-based 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 parties and party associations should not be placed in an unfavourable position while engaging in permanent, market-based business activities.

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

The nature of business activities may be difficult to evaluate in practice. A party may, for instance, sublease facilities. One must then examine whether activities are market-based. If the price includes a substantial premium, activities cannot be considered market-based. In this case at least the premium must 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

This includes dividends and interest on deposits as well as rent income on property owned by a party, for example. The condition is that it specifically involves investment activities carried out by a party.

## A party subsidy referred to in section 9 of the Act on Political Parties or some other subsidy based on legislation or the state budget or a municipal budget

The granting of such a subsidy is based on conditions prescribed in an Act or decided in the budget. In practice a subsidy is granted in a decision, which can be appealed. Funds granted on the basis of the Act on Slot Machine Funding Assistance (1056/2001) are also based on legislation, for example.

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 cannot 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 a donor should be interpreted with a sense of proportion. Determining the identity of a donor means primarily 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 a donor cannot be identified or an intermediary refuses to disclose the source of a contribution, a contribution cannot 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 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. Regulation thus allows receiving financial support from a party's European umbrella organisation or through a party's own parliamentary group in the European Parliament, for example.

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

Contributions may not be received 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 state- or municipal-controlled company. This prohibition 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 are student unions and chambers of commerce. The prohibition also applies to independent institutions such as the Social Insurance Institution 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 party funding

On the basis of 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 can require a monitored entity to fulfil its obligations on pain of a penalty 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 clarified and the breach is considered substantial. The Sanction and Penalty Board referred to in section 15 of the Act on the National Audit Office can order payment of a penalty (676/2000). The imposing of a penalty and the ordering of payment of a penalty can be appealed to the Supreme Administrative Court as prescribed in the Administrative Judicial Procedure Act (586/1996).

The monitoring conducted by the National Audit Office is 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 parties' ties.

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 party fall within the sphere of the auditing right prescribed in the Act on Political Parties.

It should be pointed out that the National Audit Office 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 government aid 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

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

Until the 2015 parliamentary elections, there were a total of 16 political parties entered in the Party Register. By the end of the year, the number had fallen to ten. A total of eight parties have been represented in Parliament making them eligible for party subsidy. One party that has not received party subsidy was also represented in Parliament until the 2015 parliamentary elections.

Parties receiving subsidies have about 110 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 2015. The total number of monitored entities according to the Act on Political Parties and decisions concerning the granting of party subsidies is about 145.

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

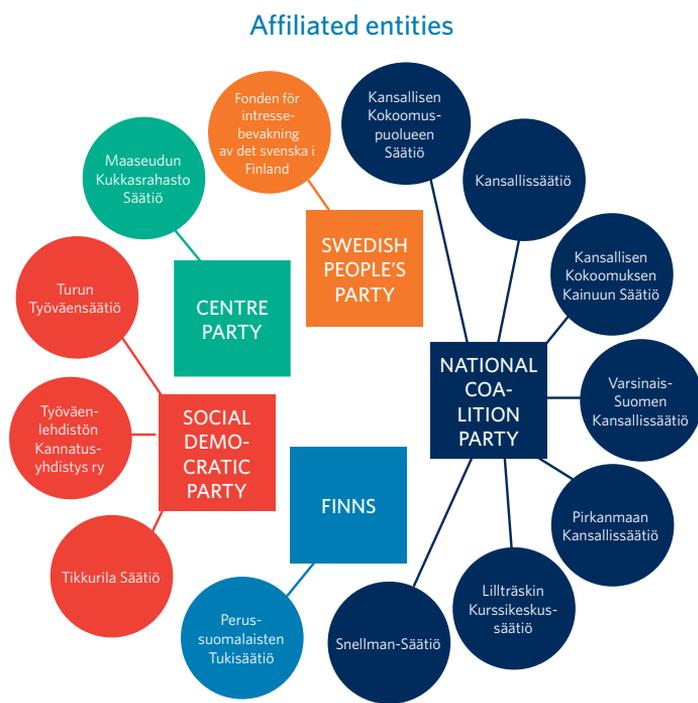


Figure 2: Affiliated entities disclosed by political parties in 2015

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.

### 3.1 The National Audit Office's measures in monitoring 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).

On the basis of 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 party as referred to in section 9 d (2) of the Act on Political Parties (359/41/2010).

Rules and guidelines have been sent to parties. Guidelines are also available in the FINLEX database and on the website maintained by the National Audit Office at [www.vaalirahoitusvalvonta.fi](http://www.vaalirahoitusvalvonta.fi).

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 provides instructions and advice

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 filing 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. 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 system has been able to receive disclosures according to the Act on Political Parties in electronic form since 1 January 2011. Ensuring the functioning and usability of the information system remains a high priority and the system is continuously updated as necessary.

The National Audit Office conducted a total of 35 audits of political party funding in 2015. In 2014, 2013 and 2012, the audits totalled 32, 25 and 20, respectively. The audit procedure and major findings are described in chapter 4. A list of audits is appended to this report. The audits were conducted by Principal Financial Auditor, CPFA Seppo Akselinmäki, Principal Financial Auditor, CPFA Klaus Krokfors and Principal Financial Auditor Pontus Londen.

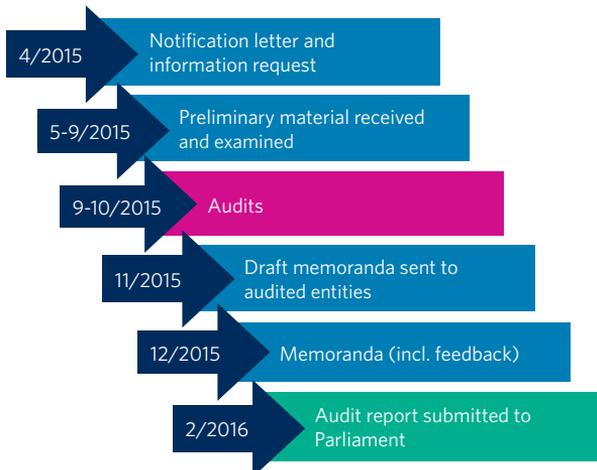


Figure 3: Process of auditing political party funding

## 3.2 Audit objectives and criteria

The objective of the audits of political party funding conducted in 2015 was to determine whether

- audited entities' statutory disclosures provide true and fair information based on accounts regarding party funding and compliance with restrictions according to provisions and from the viewpoint of monitoring needs
- audited entities have complied with key provisions on party funding and related restrictions.

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.

The audits covered all 13 affiliated entities of political parties and 22 district organisations of political parties (mainly in Central Finland, Ostrobothnia, Southern Ostrobothnia and Central Ostrobothnia). Thus, a total of 35 audits were conducted.

The periods covered by the audits of the affiliated entities varied, depending on when the previous audit of political party funding concerning them had been conducted. This period included the filing of the audited entities' financial statements and auditor's reports for the years 2011, 2012, 2013 and 2014 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, 2012, 2013 and 2014 that have been entered in the political party funding system for the period between 1 January 2011 and 31 August 2015, all up-to date disclosures and the election funding disclosures for parliamentary, municipal and Presidential elections and the elections to the European Parliament.

The audited entities were notified of the audits in April 2015 and the audits were conducted in September and October 2015.

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)

The audits were conducted in September and October 2015

- compliance with the restrictions concerning the support laid down in the Act on Political Parties by the affiliated entities in the period following the previous audit of each of the affiliated entities between 1 September 2011 and 31 August 2015 and by the audited district organisations between 1 January 2011 and 31 August 2015
- coverage of up-to-date disclosures on the basis of the accounts 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 make sure 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.

### 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 for the transparency of party funding as a whole concerns the small amount 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 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.

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





1.500,00  
2.111,71  
2.024,53

110.408,81  
119.433,34  
128.999,34

100.000,00  
106.032,28  
112.394,22  
119.137,87  
126.286,14  
133.863,31  
141.895,11  
150.408,81  
159.433,34  
168.999,34

## 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 party funding in the electronic party and election funding system. The office has if necessary urged monitored entities to supplement or correct disclosed information and to supply missing documents.

In autumn 2015, on the basis of section 9 e (2) of the Act on Political Parties (10/1969, amended 683/2010) the National Audit Office audited all affiliated entities of political parties and 22 district organisations of political parties.

The audits covered the general arrangements of accounting, payment traffic and asset management of the audited entities and the itemisation of funding and costs in accounting, and attention to restrictions on financial support in the affiliated entities in the period between 1 September 2011 and 31 August 2015 and in the district organisations in the period between 1 January 2011 and 31 August 2015 from the perspective of the Act on Political Parties and on the basis of the accounting information covering the period 2011-2015.

The audits of political party funding covered a total of 13 affiliated entities of political parties and 22 district organisations of political parties. A total of 35 audits were conducted, compared with 32 in the previous year. In 2013 and 2012, there were 25 and 20 audits, respectively.

The audited entities were notified of the audits in April 2015, they submitted most of the requested preliminary material to the National Audit Office before the audits, and the audits were conducted according to the audit plan in September and October 2015.



Figure 4: Audits of political party funding between 2012 and 2015

The draft feedback memoranda concerning the audits were sent for comments in November 2015. The final feedback memoranda were sent to the audited entities on 4 December 2015. Each political party also received the feedback memoranda concerning the audits carried out in their district organisations. The audited entities were asked to send comments on the memoranda to the National Audit Office by 22 December 2015. 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 office nevertheless publishes financial statements that are sent to it through the disclosure register according to law. The office's task includes monitoring the preparation and submission of the documents mentioned 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 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.

Under Chapter 2 section 4 of the Accounting Act (1336/1997, amended 1304/2004), payments made in cash must be recorded in order without delay on a daily basis. Other entries can be made on a monthly or other such basis within four months of the end of the calendar month or period. It was discovered in the audit that there were essential shortcomings in a small number of district organisations in keeping accounts up to date at the time of the audit. Under Chapter 1 section 1, paragraph 5 of the Accounting Act the obligation to keep accounts applies to all associations and under paragraph 6 of the same Act all foundations.

The accounts of one district organisation for the years 2011 and 2012 were not made available for audit. Moreover, the financial statements of this district organisation were unsigned. However, using the financial statements it was possible to determine with sufficient reliability that the absence of the general ledgers and other accounting material had no practical significance in terms of political party funding.

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

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 now have only received payments from their own political parties were also asked to specify in their accounts such items as payments received from support foundations, as necessary.

Accounting obligation  
applies to all associations  
and foundations

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

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, or in other words include all the numbered pages in 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.

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 remained open to interpretation. The position of the parliamentary groups has changed, however, since the Act on Parliamentary Groups (979/2012) was approved on 28 December 2012 and entered into force on 1 January 2013.

## 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 party receiving a party subsidy, 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 subsidies.

According to the Accounting Act not all associations are required to elect a certified auditor. Instead some associations, to which section 9 c of the Act on Political Parties does not apply, can elect a non-certified auditor, who prepares an auditor's report.

The election of a non-certified auditor has not been taken into consideration in the Act on Political Parties, which only speaks of an auditor's report. The National Audit Office also publishes reports prepared by non-certified auditors, however.

According to section 9 c of the Act on Political Parties, the auditor of a party or an association referred to in a party subsidy decision must be an authorised auditor or in practice an authorised public accountant, a certified public accountant or a chartered public finance auditor or a corresponding authorised firm.

In an auditor's report, in addition to what is prescribed in the Accounting Act, an auditor gives an opinion on

1. whether the provisions in the Accounting Act and the conditions in a party subsidy decision have been complied with in the use of a party subsidy and related reporting and
2. whether the provisions in the 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 prescribed in the Accounting Act, the auditor of an entity affiliated with a 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 did not always comply with section 9 c of the Act on Political Parties. Furthermore the auditors of some party associations have 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 a financial audit 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 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

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

the necessary expertise and knowledge of their tasks and reporting requirements. However, according to the National Audit Office's findings, this is still not always the case, since shortcomings 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.

### 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 financial statements referred to in the Act on Political Parties concerning 2014 together with information on election campaign costs and funding were sent to the electronic party funding register maintained by the National Audit Office. Some 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. The National Audit Office sent three entities liable to submit financial statements a request to submit the missing financial statements. In 2014, there were four such entities, while

in 2013 they numbered 15. No letters concerning a penalty payment hearing were sent. Two such letters were sent in 2013 and 2014. One political party not represented in Parliament had failed to submit an itemisation of costs and funding for the 2014 elections to the European Parliament by December 2015.

As in previous years, all the financial statements referred to in the Act on Political Parties could not be easily obtained electronically in a form corresponding to the original documents. Some information had to be specifically requested and in exceptional cases it had to be scanned into the system at the National Audit Office. It should be pointed out that other documents besides those required by legislation are not published in the electronic party funding register.

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

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

Under section 8 c of the Act on Political Parties, a political party, a party association and an entity affiliated with a 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 2015 contributions totalling about 3.2 million euros received by party associations and affiliated entities were reported to the party funding register in up-to-date disclosures. Corresponding disclosures for 2014 totalled about 3.2 million euros, for 2013 about 2.8 million euros, for 2012 about 3.2 million euros and for 2011 about 2.7 million euros. Disclosures for previous years were also received during 2015.



Figure 5: The contributions of more than 1,500 euros reported to the party funding register in 2011-2015 (up-to-date disclosures)

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.

According to the audit findings, most of the contributions received by the monitored entities were reported in up-to-date disclosures filed in the electronic register maintained by the National Audit Office. 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.

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 payments for advertisements, support received for training and related materials, rent received or rent deviating from the normal price level, partial payment of wages and such payments as contributions paid by elected 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 the transparency of 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 agreement arrangements, it should also evaluate whether this constitutes financial support as referred to in the Act on Political Parties.

In the course of the audit 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.

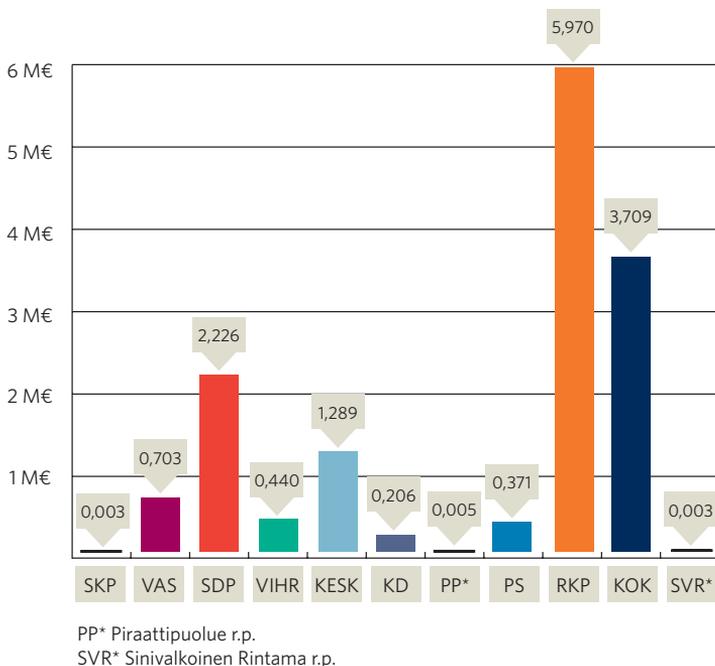


Figure 6: Contributions of more than 1,500 euros reported to the party funding register in 2011-2015 (up-to-date disclosures)

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.

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

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. 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 2014.



Figure 7: Compulsory contributions collected from elected officials 2010 - 2014 (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.

It was noted in the audit that there may be differences between the information contained in the up-to-date disclosures filed each year and the financial statements or reports on operations produced by the donors for the same period. This is partially due to the fact

that the decision on granting the support may have been made in 2014 but the support was only paid at the end of 2014 or during 2015. In that the case the recipient will file an up-to-date disclosure after receiving the contribution, as laid out in the law and the charge criteria. No such difference would arise if the support was granted and paid during the same year and well before the end of the year.

It emerged in the audit that in one case an affiliated entity had filed an up-to-date disclosure of a payment that it had received from another affiliated entity. Under section 8 a of the Act on Political Parties, a payment received by an affiliated entity from an affiliated entity of the same political party is not considered a contribution. According to the audit findings, the aim was to centralise the system of support payments and the procedure probably makes political party funding more transparent.

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 28,000 euros in two successive 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.

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, which 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 political party may only receive foreign contributions from private individuals and from international organisations and foundations that represent the 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. The name of a private individual may not be published, however, without his or her express consent if the value of an advertisement paid for by him or her 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 included in accounts were discovered in the audit.

No contributions exceeding 30,000 euros or non-monetary support from organisations that had not been party associations or reported as entities affiliated with a political party were discovered in the 2015 audits. Moreover, not new affiliated entities have been reported to the National Audit Office after the audits.

The audit indicated that in principle 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 noted before, the audit findings indicate that disclosers had received financial support or similar contributions for which they had not filed 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. However,

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

it was noted in the audit that a company in which a municipality had a controlling interest had provided a district organisation of a political party with a grant for the arrangements of a party conference. The municipality owns 99.8 per cent of the company. However, under section 8 b of the Act on Political Parties, a party association may not receive contributions from the state, a municipality, a joint municipal authority, a state or municipal enterprise or a company in which a municipality has a controlling interest.

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 political seminars in which leading personalities of organisations give speeches. In such cases, every effort has been made to ensure that such seminars have not been supported by non-monetary means by not submitting invoices for premises costs, other facilities or catering and that if this has been done an up-to-date disclosure for the non-monetary contributions of at least 1,500 euros is filed.

It was noted in the oversight of political party funding that there have been contributions made in Bitcoin virtual currency that do not explicitly state the name of the donor. The recipient of the contribution must ensure that the donor does not remain unknown on account of the payment method.

In its report 9/2013 vp, the Audit Committee highlighted the following areas where the monitoring of political party and election funding should be improved: prohibited contributions from the perspective of employers' duties, funding received from foreign institutions, funding of parliamentary groups and municipal councils, funding of other general government actors, and procedures concerning support provided through intermediaries and third-party invoicing. Thus, in its report, the Audit Committee also considered earlier observations made in the previous audits on political party funding.

In February 2014, Parliament called for the Government to examine the need to update the legislation on 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 review the legislation on election and political party funding. The term of the working group was from 1 December 2014 to 15 April 2015 and the Government drafted its proposal for amending the Act on Political Parties and the Act on a Candidate's Election Funding (HE 73/2015 vp) on the basis of the working group's proposal. The proposal did not contain any major changes to political party funding. The Act amending the Act on Political Parties (1688/2015) entered into force on 1 January 2016. Under the new act, the oversight of government aid provided to political parties (party subsidy) was transferred from the Ministry of Justice to the National Audit Office.





Financial statements of political parties, associations referred to in a party subsidy decision and entities affiliated with a party were 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. It should still be emphasised, however, that all organisations obliged to keep accounts must keep their accounts up to date according to Chapter 2 section 4 of the Accounting Act (1336/1997, amended 1304/2004). 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.

Shortcomings were observed in the election of auditors or in the auditor's reports of several of 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, district organisations and associations mentioned in a party subsidy decision have not always included the statements prescribed 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.

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 documentation concerning the content of a contribution is lacking, 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.

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

The auditors did not discover substantial direct contributions violating the restrictions in section 8 b of the Act on Political Parties, which came from another organisation besides an entity affiliated with a party. For this reason, the actors involved should constantly evaluate whether different kinds of contributions include financial support as referred to in the Act on Political Parties.

In February 2014, Parliament called for the government to examine the need to update the legislation on 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. Prompted by the recommendations, the Ministry of Justice appointed a working group on 21 November 2014 to review the 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.



# Annex

Audited organisations	Audit municipality	Audit date
Centerns svenskspråkiga distrikt rf	Vaasa	15.10.2015
Finlands Svenska Socialdemokrater rf (FSD)	Helsinki	8.9.2015
Fonden för intressebevakning av det svenska i Finland	Helsinki	3.9.2015
Kansallisen Kokoomuksen Kainuun Säätiö	Kajaani	22.10.2015
Kansallisen Kokoomuspuolueen Säätiö	Helsinki	4.9.2015
Kansallissäätiö r.s.	Helsinki	8.9.2015
Keski-Suomen Kokoomus ry	Helsinki	25.9.2015
Keski-Suomen Vasemmisto ry	Jyväskylä	7.10.2015
Keski-Suomen Vihreät ry	Jyväskylä	8.10.2015
Keskustan Etelä-Pohjanmaan piiri ry	Seinäjoki	27.10.2015
Keskustan Itä-Savon piiri ry	Helsinki	25.9.2015
Keskustan Keski-Pohjanmaan piiri ry	Kokkola	29.10.2015
Keskustan Keski-Suomen piiri ry	Jyväskylä	7.10.2015
Lillträskin Kurssikeskussäätiö	Espoo	3.9.2015
Maaseudun Kukkasrahasto Säätiö	Jyväskylä	30.9.2015
Perussuomalaisten Etelä-Pohjanmaan piiri ry	Seinäjoki	26.10.2015
Perussuomalaisten Keski-Pohjanmaan piiri ry	Kokkola	30.10.2015
Perussuomalaisten Keski-Suomen piiri ry	Jyväskylä	30.9.2015
Perussuomalaisten Kymen piiri ry	Helsinki	24.9.2015
Perussuomalaisten Tukisäätiö	Helsinki	15.9.2015
Pirkanmaan Kansallissäätiö	Tampere	21.10.2015
Pohjanmaan Kokoomus ry	Seinäjoki	27.10.2015
Pohjanmaan Sosialidemokraatit ry	Seinäjoki	26.10.2015
Pohjanmaan Vasemmisto ry	Vaasa	13.10.2015
SDP:n Keski-Suomen Piiri ry	Jyväskylä	1.10.2015
Snellman-Säätiö	Espoo	4.9.2015
Suomen Kristillisdemokraattien (KD) Etelä-Pohjanmaan piiri ry	Seinäjoki	26.10.2015
Suomen Kristillisdemokraattien (KD) Keski-Pohjanmaan piiri ry	Kokkola	29.10.2015
Suomen Kristillisdemokraattien (KD) Keski-Suomen piiri ry	Jyväskylä	1.10.2015
Svenska folkpartiet i Österbotten rf	Vaasa	13.10.2015
Tikkurila Säätiö	Vantaa	17.9.2015
Turun Työväensäätiö	Turku	9.9.2015
Työväenlehdistön Kannatusyhdistys ry	Helsinki	17.9.2015
Vaasan vaalipiirin Vihreät ry	Vaasa	14.10.2015
Varsinais-Suomen Kansallissäätiö	Turku	9.9.2015

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