



Report of the National Audit Office to Parliament on the supervision of election campaign funding in the 2014 European Parliamentary Elections



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To Parliament

The National Audit Office has supervised compliance with the obligation to disclose election funding and election campaign costs as laid down in the Act on a Candidate's Election Funding (273/2009). Under section 10(3) of the Act on a Candidate's Election Funding, the National Audit Office must submit to Parliament an election-specific report on the election funding disclosures that it has received and on its work as the body supervising compliance with the disclosure obligation (election funding supervision report).

Helsinki 28 January 2015

Auditor General

Tuomas Pöysti

Director for Financial Audit

Jaakko Eskola

All persons obliged to file election funding disclosures in the 2014 European Parliamentary Elections have filed the election funding disclosures required under the Act on a Candidate's Election Funding. All election funding disclosures were filed within the period laid down in the Act.

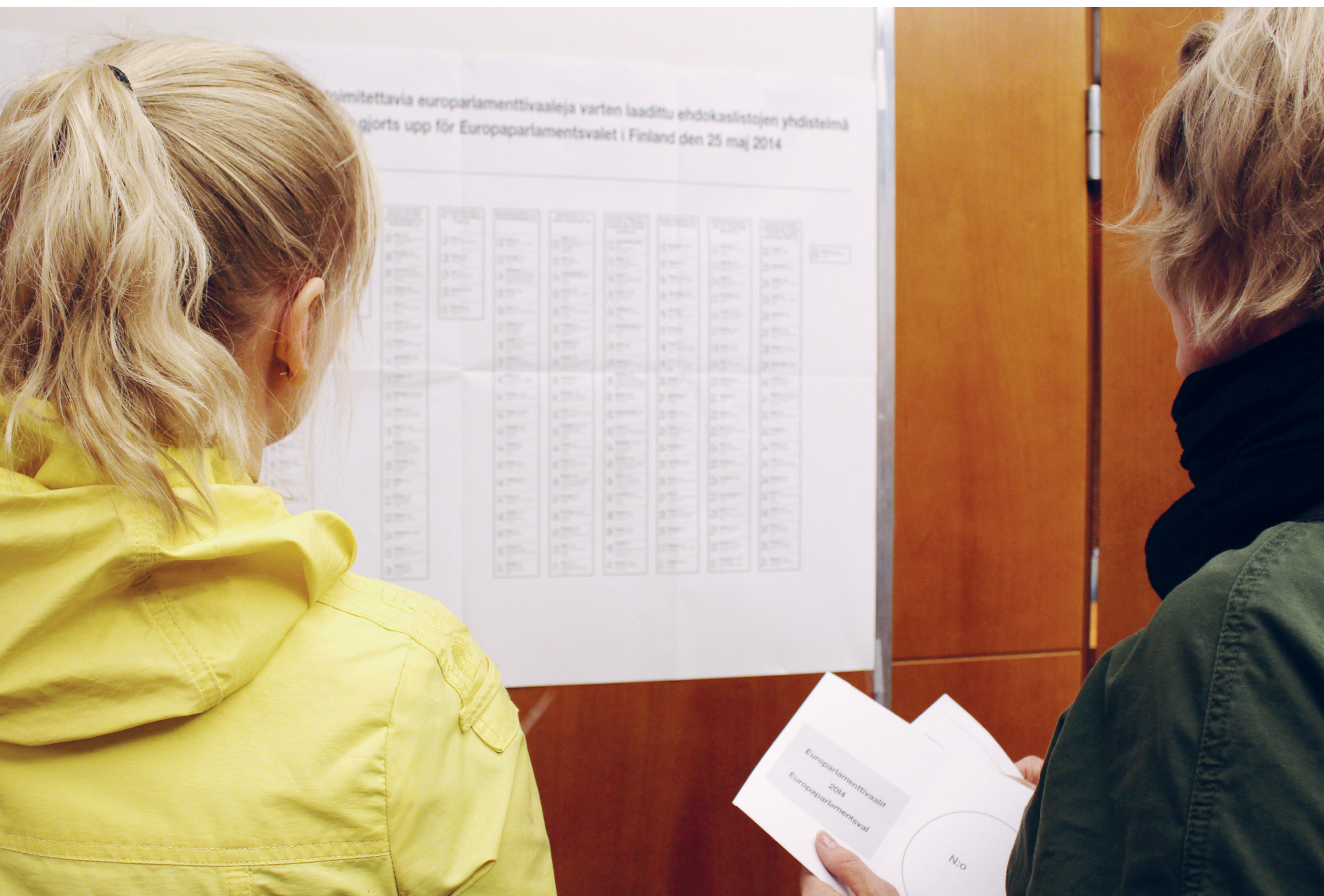
When processing and verifying the disclosures, the National Audit Office asked two disclosers to provide information supplementing or correcting their disclosures. The corrections concerned the provision of more detailed itemisation of the funding information.

The National Audit Office asked all disclosers to provide details of the accuracy of the election funding disclosures. The aim was to verify the information contained in the disclosures. As details the candidates were asked to provide the bank statements of the bank accounts that they had used in their election campaigns. The details submitted to the National Audit Office are secret information under section 24, paragraph 15 of the Act on the Openness of Government Activities (621/1999).

The National Audit Office has not received any complaints concerning the election funding disclosures of the 2014 European Parliamentary Elections.

This report provides an overview of the functioning of the Act on a Candidate's Election Funding.

Based on the processing of the disclosures or the details and the supplementary information that it has received, the National Audit Office is not aware of any such matters on the basis of which it would have reasons to doubt the accuracy of the disclosures that it has received.



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1 Legislation applied to election funding disclosures and election funding supervision in the 2014 European Parliamentary Elections

1.1 Main points of the Act on a Candidate's Election Funding (273/2009)

The purpose of the Act is to regulate the funding of political activities. Under the rationale of the Act the main aim of the regulation is to prevent corruption and to ensure that the political system can rely on adequate resources. This helps to promote democracy and the trust in democracy. According to the Constitutional Law Committee, open and honest elections are the cornerstone of a well-functioning Western democracy. According to the Constitutional Law Committee, it is essential for this openness that voters can find out from which sources political parties or other ideological groupings nominating candidates have received substantial funding for their campaigns. This is because strong economic dependency on one donor may give rise to suspicion that the donor may try to influence the policies of the political parties and groupings nominating the candidates in an inappropriate manner (Report of the Constitutional Law Committee PeVM 2/2009 vp.). The disclosure obligation helps to increase the amount of publicly available information on the possible ties of the candidates to third parties. The disclosure obligation is also expected to slow down the increase in the candidates' campaigning costs.

As the disclosure obligation is laid down in the law, violating against it poses a risk to the disclosers. When the Act on a Candidate's Election Funding was being drafted, the aim was to find a balance between adequate regulation, the costs arising from the regulation and the inconvenience that it might cause. The supervision is based on an assumption that voters are able to correctly assess the candidates, provided that they have enough information on the candidates' ties to third parties and on such matters as the candidates' commitment to funding ceilings in their campaigns. At the same time, the Act on a Candidate's Election Funding has been

The Act on a Candidate's Election Funding provides a basis for transparent election campaign funding

worded so that election funding issues would not divert too much attention from real election issues, make people unwilling to run for an office or unnecessarily interfere with fundraising. The Act does not contain any such reporting obligations that might actually become an obstacle to a candidacy.

The aim of the Act on a Candidate's Election Funding is to clarify the content of the election funding disclosure obligation. Considering the nature of political activities, it is not possible to have a piece of legislation that could anticipate all situations that may arise when it is applied in practice. The purpose of the Act is to have a disclosure system that is comprehensive enough and at the same time can be complied with by all candidates without any undue problems. The aim has been to make the disclosure system laid down in the Act as clear as possible so that the candidates' legal protection and the comparability of the disclosures can be ensured.

1.2 Persons obliged to file election funding disclosures in the 2014 European Parliamentary Elections

Under the Act on a Candidate's Election Funding, the persons elected as members of the European Parliament and alternate members appointed upon confirmation of the election results were obliged to file election funding disclosures in the 2014 European Parliamentary Elections.

1.3 Information required in the election funding disclosure

Provisions on the minimum information required in the election funding disclosures of the European Parliamentary Elections are laid down in section 6 of the Act on a Candidate's Election Funding.

Election funding means the funding raised to cover the costs of the candidate's election campaign incurred over a period starting no earlier than six months before the election day and ending no later than two weeks after the election day irrespective of when such costs are paid. The European Parliamentary Elections were held on 25 May 2014.

Each discloser had to provide an itemised disclosure of his/her election campaign funding as follows: 1) candidate's own funds and loans that he/she had taken out; and 2) outside contributions received by the candidate, his/her support group or other entity established for the purpose of promoting the candidate.

In its report (PeVM 3/2010 vp.), the Constitutional Law Committee considered it necessary to emphasise that under section 3(4) of the Act on a Candidate's Election Funding, the contributions received by a candidate, the candidate's support group and other entities operating exclusively for the purpose of promoting the candidate from a single donor must be considered as one contribution. This clarification prevents a situation where considering the above-mentioned three parties as separate entities would allow the trebling of the maximum permitted contribution and, consequently, the bypassing of the upper limits applying to separately disclosed individual contributions.

The outside contributions had to be grouped into support received by the candidate and the candidate's support group as follows:

- private individuals
- companies
- political party
- registered associations of political parties
- other sources.

The obligation to itemise outside contributions was made more specific under an amendment to the Act on a Candidate's Election Funding (684/2010).

The disclosers must itemise the expenditure and funding of their election campaigns

Under the amendment, money, goods, services or other similar gratuitous contributions must also be disclosed. Ordinary voluntary work and ordinary free-of-charge services are not contributions under the Act. The disclosure obligation also covers contributions given by purchasing specific goods or services.

All such costs arising during the campaign that have the operational aim of promoting the election of the candidate in the elections and that the candidate can influence are considered election campaign costs.

Campaign costs had to be broken down into election campaign advertising in newspapers, free newspapers and magazines, in the radio, on television, in data networks and other communication media, outdoor advertising, purchasing of election newsletters, leaflets and other printed material, costs arising from the planning of advertising and election campaign rallies and other expenditure.

For each contribution of at least 1,500 euros, the disclosers had to give the value of the contribution and the name of the donor. All election campaign contributions received from a single donor had to be added up and disclosed as a single contribution.

1.4 Limitations on election funding

Section 4 of the Act on a Candidate's Election Funding lays down limitations on the candidate's election funding. The limitations are specified in the amendment to the Act (684/2010).

No candidate, his/her support group or other entity operating exclusively for the purpose of promoting the candidate may accept campaign contributions unless the donor can be identified. However, this provision does not apply to contributions received as a result of ordinary fundraising activities.

No candidate, his/her support group or other entity operating exclusively for the purpose of promoting the candidate may accept direct or indirect campaign contributions from a single donor in excess of 3,000 euros in municipal elections, 6,000 euros in parliamentary elections and 10,000 euros in the European Parliamentary elections. However, the support provided by a political party or a registered association of a political party referred to in the Act on Political Parties (10/1969) may exceed these amounts provided that the support does not include contributions from other donors that are larger than the sums referred to above.

A candidate, his/her support group and other entity operating exclusively for the purpose of promoting the candidate may only accept foreign campaign contributions from private individuals and international associations and foundations that promote the same ideology as the candidate.

No candidate, his/her support group or other entity operating exclusively for the purpose of promoting the candidate may receive election campaign contributions from the state, a municipality, a joint municipal authority, a 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 (1336/1997). However, this provision does not apply to ordinary hospitality.

A candidate, his/her support group and other entity operating exclusively for the purpose of promoting the candidate must ensure that a paid advertisement that is part of an election campaign or intended to support it displays the name of the person paying for the advertisement. However, the name of the private individual may not be published without his/her explicit consent if the value of the advertisement paid for by him/her in parliamentary elections is less than 1,500 euros.

It should be noted that the National Audit Office is not responsible for supervising compliance with the provisions concerning the limitations on the candidate's election funding laid down in section 4 of the Act on a Candidate's Election Funding. At the same time, by supervising the accuracy of the disclosures, the National Audit Office helps to ensure that the information contained in the disclosures is accurate in essential parts.

By contributing to the accuracy of the published disclosures, the National Audit Office helps to ensure that citizens can determine whether the provisions concerning the limitations on contributions laid down in section 4 of the Act on a Candidate's Election Funding are complied with. Different types of reports are available on the disclosure system website allowing citizens to examine the information contained in the disclosures.

It should also be noted that the provisions on the limitations concerning election contributions (including compliance with contribution ceilings) are solely a matter of political responsibility.

1.5 Obligations and responsibilities of the actors laid down in the Act on a Candidate's Election Funding

Discloser

Under the Act on a Candidate's Election Funding, the discloser is responsible for the content of the disclosure.

National Audit Office

The task of the National Audit Office is to supervise compliance with the disclosure obligation. The aim of the National Audit Office is to ensure that the supervisory system is as easy-to-use as possible and that it also serves as a guidance instrument.

On 25 November 2013, the National Audit Office approved general guidelines for filing election funding disclosures in the 2014 European Parliamentary Elections (387/40/2013). The National Audit Office has also continuously maintained an advisory service concerning the issues connected with the Act on a Candidate's Election Funding.

The National Audit Office checks that all disclosers have filed the election funding disclosures referred to in the Act on a Candidate's Election Funding. If the disclosure is found to be inaccurate or incomplete, the National Audit Office may request the discloser to file a new disclosure, provide additional information to supplement the disclosure or to provide information corroborating the accuracy and completeness of the disclosure. The request may only be issued if the National Audit Office is not otherwise able to complete the supervisory process concerning the discloser in question.

The National Audit Office may impose a penalty payment if the discloser fails to prepare the disclosure laid down in the Act or if the disclosure is found to be manifestly inaccurate or incomplete in essential parts. The penalty payment only applies to the failure to file a disclosure or any manifest inaccuracy or incompleteness that concerns the essential parts of the disclosure.

The National Audit Office may request the discloser to submit details that may be necessary for the verification of the accuracy and completeness of the disclosure.

The National Audit Office publishes the disclosures that it has received without delay and keeps an election funding disclosure register in which the disclosures received will be entered. In the disclosure system, anybody can view the information contained in the disclosures via public data networks.

The National Audit Office will prepare an elections-specific report to Parliament on the disclosures that it has received and its activities concerning the supervision of the disclosure obligation within eight months of the confirmation of the election results. The report submitted to Parliament marks the completion of the National Audit Office's supervisory task concerning the elections in question.

Ministry of Justice

Under the Act on a Candidate's Election Funding, the Ministry of Justice will provide the National Audit Office with the necessary details from the register of candidates. For this purpose, the Ministry of Justice has established and keeps a national register of candidates.

The Ministry of Justice serves as the highest election authority in the Finnish government.

2 Supervision of election funding as a task of the National Audit Office

2.1 Scope of supervision

The supervisory task laid out for the National Audit Office in the Act on a Candidate's Election Funding covers compliance with the disclosure obligation referred to and detailed in the Act on a Candidate's Election Funding. Under the Act on a Candidate's Election Funding, the supervisory task of the National Audit Office covers the sections 5-8 of the Act. When carrying out its supervisory task, the National Audit Office gives priority to compliance with the disclosure obligation. The National Audit Office is not responsible for supervision compliance with the other provisions of the Act. The National Audit Office is responsible for ensuring that all persons obliged to file election funding disclosures under the Act on a Candidate's Election Funding file the disclosures laid down in the Act. For example, the limitations on a candidate's election funding laid down in section 4 of the Act are outside the scope of the National Audit Office's supervisory obligation as they come under political responsibility.

Under the Act on a Candidate's Election Funding, the discloser is responsible for the content of the disclosure. The Act does not lay down any sanctions for filing inaccurate or incomplete disclosures. A penalty payment may only be imposed if, on the basis of its supervisory task, the National Audit Office has concluded that the disclosure obligation has not been met.

The National Audit Office does not have any statutory right to obtain any other information for election funding supervision than that referred to in the Act on a Candidate's Election Funding. The different aspects of a candidate's election funding and the expenditure covered by the funding are outside the National Audit Office's area of responsibility, on which provisions are laid down in the Act on the National Audit Office (676/2000) and the Act on the Right of the National Audit Office to audit certain Credit Transfers between Finland and the European Communities (353/1995).

The disclosers are responsible for the content of their election funding disclosures

2.2 The role of the National Audit Office in the implementation of the Act on a Candidate’s Election Funding in the 2014 European Parliamentary Elections

On 25 November 2013, the National Audit Office approved general guidelines for filing election funding disclosures in the 2014 European Parliamentary Elections. The guidelines are also available in the FINLEX database and on the website maintained by the National Audit Office at www.vaalirahoitusvalvonta.fi. The guidelines were sent to all registered parties before the elections.

The National Audit Office was able to start receiving the advance disclosures referred to in section 11 of the Act on a Candidate’s Election Funding immediately after the compilation of the master list of candidates.

The National Audit Office must keep the information available via public data networks. The information must be kept available in public data networks for one year longer than the electoral term in question. All election funding disclosures and advance disclosures will remain publicly available online until 28 May 2020.

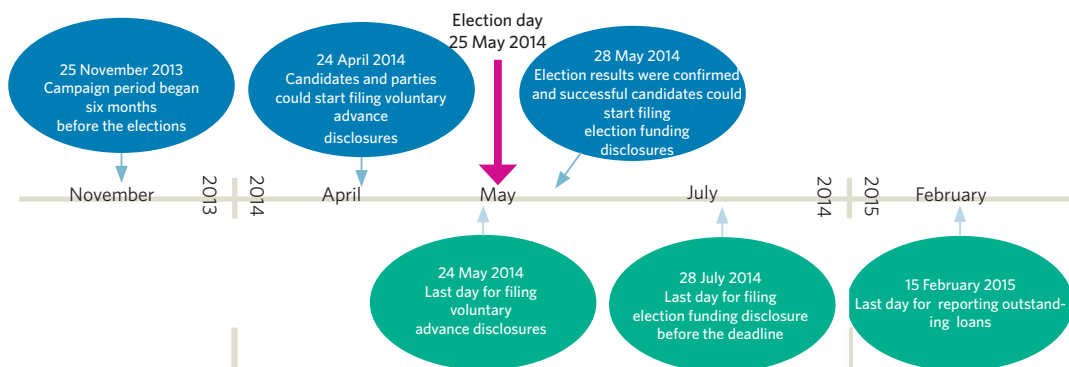


Figure 1: Timeline of the European Parliamentary Elections

2.3 The criteria applied to the supervision of the election funding disclosures in the European Parliamentary Elections

The supervisory task of the National Audit Office included the comparison of the information contained in the disclosures that it had received against the information required under the Act on a Candidate's Election Funding. Priority in the supervision was on ensuring that the formal requirements laid down in the Act on a Candidate's Election Funding were complied with. The National Audit Office also verified that the disclosers provided all essential information required under the Act on a Candidate's Election Funding in their election funding disclosures.

As the body supervising election funding in the European Parliamentary Elections, the National Audit Office verified that

- 1 all disclosers had filed election funding disclosures
- 2 the election funding disclosures had been filed within the period referred to in section 8(1) of the Act on a Candidate's Election Funding. The disclosure must be filed with the National Audit Office within two months of the confirmation of the election results.
- 3 the election funding disclosures had been filed by the disclosers referred to in the Act.

The National Audit Office also verified compliance with the following formal requirements concerning the disclosure obligation:

- 1 The candidate's full name, title, and occupation or position and the name of the political party that had nominated the candidate were given in the disclosure and if the candidate had been nominated by a constituency association this was stated in the disclosure.
- 2 The total election campaign expenditure was given. Campaign costs were broken down into election campaign advertising in newspapers, free newspapers and magazines, in the radio, on television, in data networks and other communication media, outdoor advertising, purchasing of election newsletters, leaflets and other printed material, costs arising from the plan-

All disclosers were asked to provide the bank statements of their campaign accounts for supervisory purposes

ning of advertising and election campaign rallies and other expenditure.

- 3 Total election funding was disclosed and broken down into the candidate's own funds and all campaign contributions received by the candidate, his/her support group or other entity operating exclusively for the purpose of promoting the candidate, grouped into contributions from private individuals, companies, political parties, registered associations of political parties and other sources.
- 4 The disclosers had to state whether the election funding also contained individual contributions of at least 1,500 euros. If the discloser had received contributions of at least 1,500 euros, he/she had to give the names of the donors.
- 5 The election funding covered the expenditure arising from the election campaign.
- 6 The disclosures did not contain any essential calculation errors or other technical errors.

The National Audit Office also verified the essential accuracy of the disclosures by asking all disclosers to submit additional details concerning their disclosures. All disclosers were asked to provide bank statements of the bank accounts that they had used in their election campaigns.

2.4 Limitations to the supervisory powers

In the 2014 European Parliamentary Elections, the National Audit Office could, at its discretion and as part of its supervisory task, ask disclosers to provide additional details so that it could verify the accuracy and completeness of the disclosures. However, the obligation to provide the information only applies to the discloser. The National Audit Office does not have the right to request details or additional information from third parties for the purpose of verifying the accuracy of the disclosures. Thus, for all practical purposes, the National Audit Office does not have any right to demand or collect comparative data for verifying the accuracy of the disclosures. This is a major limitation concerning the supervision and the interpretation of its results.

In the 2014 European Parliamentary Elections the National Audit Office had the right to request additional information and details from the disclosers.

It should be noted, however, that the disclosers, candidates and the candidates' support associations were not obliged to keep accounts of the expenditure and funding of their election campaigns. Moreover, the disclosers are not obliged to write down the expenditure or funding of their election campaigns. The National Audit Office is not authorised to audit or in a position to examine in any other manner the internal control of the way in which the discloser organises his/her campaign costs and funding or the procedures that concern the activities of the discloser and administration of his/her funding. It should also be noted that election campaigns involve transactions that are not entered in the accounts and the disclosures concerning them are partially based on estimates. The procedures concerning such estimates have also been examined as part of the supervision.

It can be assumed that the disclosers occasionally misinterpret the Act on a Candidate's Election Funding and the disclosure guidelines and make common human errors. These may include misestimating the values of the non-monetary contributions. The donors may provide the discloser with inaccurate information concerning the value of the contribution and the discloser may then include the figures in the disclosure. It is therefore possible that there are slight inaccuracies in the election funding disclosures.

3 The disclosures received by the National Audit Office and the measures concerning the supervision of compliance with the disclosure obligation

3.1 Advance disclosures

In the 2014 European Parliamentary Elections, the advance disclosures referred to in section 11 of the Act on a Candidate's Election Funding had to be submitted to the National Audit Office by 24 May 2014. A total of 152 candidates filed advance disclosures on the expenditure and funding of their election campaigns. All advance disclosures filed by the deadline were published immediately.

All advance disclosures will be kept available in public data networks for six years from the confirmation of the election results (until 28 May 2020).

Candidates were able to file advance disclosures on campaign funding for the first time in the 2009 European Parliamentary Elections. In those elections a total of 72 candidates (about 30% of all candidates) made use of the option. In the 2014 European Parliamentary Elections, a total of 61 per cent of all candidates filed advance disclosures.

The advance disclosure option was significantly more popular in the 2014 European Parliamentary Elections than five years earlier.

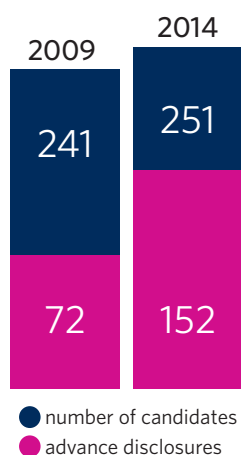


Figure 2: Trend in the filing of advance disclosures

The reliability of the advance disclosures can also be assessed on the basis of the election funding disclosures. It should be noted, however, that the advance disclosures are based on estimates and occasionally there are differences between the advance disclosures and the election funding disclosures.

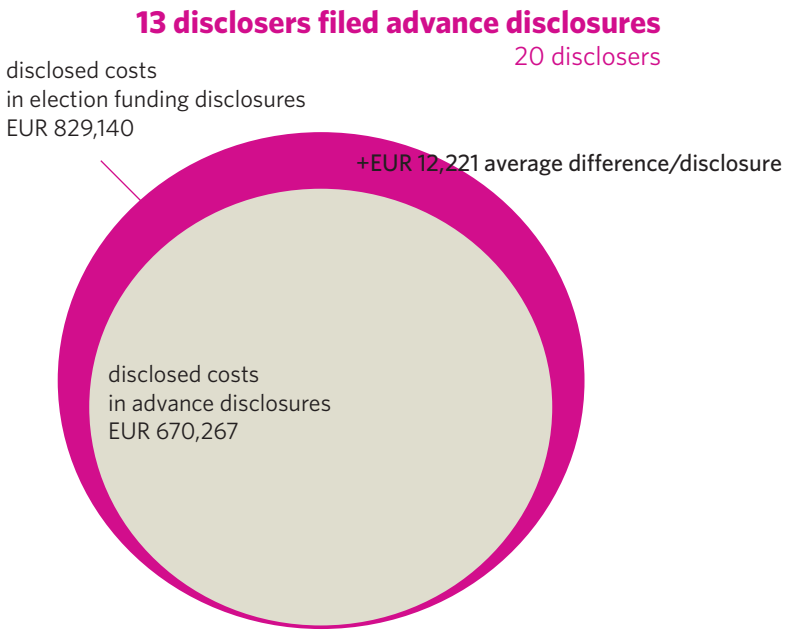


Figure 3: Difference between advance disclosures and election funding disclosures

3.2 Election funding disclosures

The guidelines prepared by the National Audit Office were sent to all disclosers. The purpose of the guidelines was to ensure that the election funding disclosures submitted to the National Audit Office were drawn up in accordance with the Act on a Candidate's Election Funding.

All persons obliged to file disclosures in the 2014 European Parliamentary Elections filed the election funding disclosures referred to in the Act on a Candidate's Election Funding within the specified time.

When receiving the disclosures, the National Audit Office verified that the information required under the Act on a Candidate's Election Funding was given in all disclosures in the same manner. Before the deadline, information was added to a total of five disclosures received by the National Audit Office.

The election funding itemised by the disclosers in their election funding disclosures covered the election campaign expenditure detailed in the disclosures. The disclosures had been drawn up with the accuracy required under the Act on a Candidate's Election Funding and the disclosures contained the statements of the disclosers on all matters that are essential concerning compliance with the Act on a Candidate's Election Funding. The election funding disclosures will remain available to the public until 28 May 2020.

All election funding disclosures were received by the deadline and they will remain publicly available until 28 May 2020

3.3 Requests for details concerning election funding disclosures

In order to verify the accuracy of the election funding disclosures of the European Parliamentary Elections, the National Audit Office asked all disclosers to provide the bank statements of the bank accounts that they had used in their election campaigns. The main purpose was to ensure that the contributions received from outside donors had been entered correctly on the election funding disclosures.

All disclosers submitted the additional details requested by the National Audit Office.

On the basis of the details the National Audit Office was able to verify that the transactions on the bank statements had also been properly entered on the election funding disclosures. On two disclosures, information was added on the basis of the details received from the disclosers.

3.4 Supplementing the election funding disclosures

As part of the processing and verification of the disclosures, the National Audit Office asked two disclosers to provide information supplementing or correcting their disclosures. The corrections concerned the provision of more detailed itemisation of the information.

The disclosers provided the supplementary information without delay.

3.5 Complaints concerning the election funding disclosures

The National Audit Office has not received any complaints concerning the election funding disclosures of the 2014 European Parliamentary Elections.

3.6 General observations concerning the election funding disclosures

When the election funding disclosures of the 2014 European Parliamentary Elections are examined, it can be noted that there are vast differences between the sums spent by the candidates. The largest amount spent on the campaign was 183,701.19 euros and the smallest 4,055.61 euros. Based on the election funding disclosures of all disclosers, the campaign expenditure average was about 68,771.11 euros. According to the election funding disclosures, the disclosers received a total of 940,287.35 euros in outside contributions. The disclosures also show that there were substantial differences between the contributions received by the candidates.

in 2014 costs/discloser were
EUR 4,804 euros lower

 costs 2014 costs 2009
 EUR 1,375,422 EUR 1,397,939

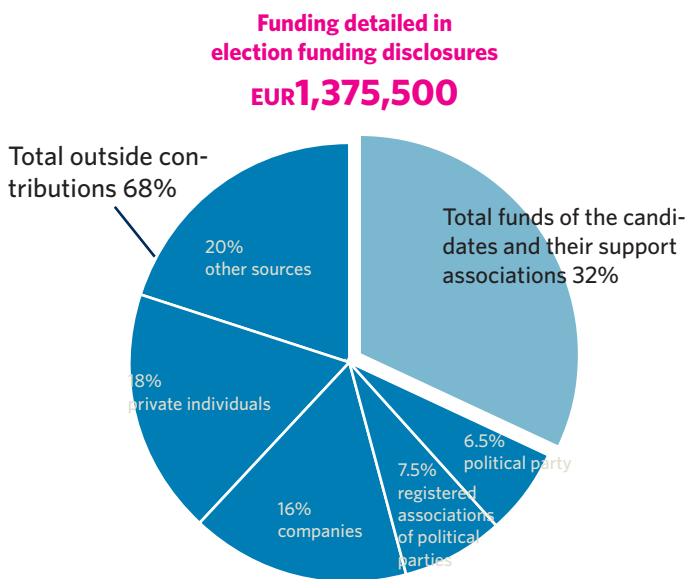


Figure 4: Candidates' own funds and outside contributions

Conclusions

All persons obliged to file election funding disclosures in the 2014 European Parliamentary Elections have filed the election funding disclosures referred to in the Act on a Candidate's Election Funding. Under the Act on a Candidate's Election Funding, the discloser is always responsible for the accuracy of the election funding disclosure.

After the processing of the disclosures and the additional details provided by the disclosers and the provision of the supplementary information, the National Audit Office is not aware of any such matters on the basis of which it would have reasons to doubt the accuracy of the disclosures that it has received.



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