



**National Audit Office's report to Parliament
on the monitoring of the
Act on Political Parties in 2011–2012**

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To Parliament

The National Audit Office has monitored compliance with the provisions in the Act on Political Parties (10/1969, amended 683/2010) regarding financial support and the preparation and submission of related documents during the period 1 September 2011–31 August 2012.

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

Helsinki, 26 March 2013

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Main content

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 supervised entities.

Financial statements for 2011 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.

Shortcomings were observed in supervised entities' election of auditors and in auditor's reports. Authorised auditors have not always been elected as auditors. Nor have auditors always included the statements prescribed in the Act on Political Parties in their auditor's reports.

Supervised entities' bookkeeping 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 bookkeeping. It should still be emphasised, however, that all supervised entities must keep their bookkeeping up to date as required by Chapter 2 section 2 of the Accounting Act. Attention should also be paid to the itemisation and quality of bookkeeping as well as the handling of cash. The itemisation of election campaign costs and funding should be traceable from bookkeeping and other accounts and should be reconcilable with them.

On the basis of the audit, up-to-date disclosures concerning party funding together with supplements are correct in essential respects and provide correct information on financial support received by the supervised entities in essential respects.

The audit did not find substantial contributions violating the restrictions in section 8 b of the Act on Political Parties with the exception of contributions received by two district organisations, which came from another organisation besides an entity affiliated with a party.

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1 Legislation applying to the task of monitoring party funding

1.1 General content of the Act on Political Parties (10/1969, amended 683/2010) from the viewpoint of monitoring

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 performances are regarded as financial support. Only certain performances 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. This means 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 as an entity affiliated with a party.

The Act on Political Parties also contains restrictions on receiving financial support. A 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 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 party, a party association and an entity affiliated with a party to disclose to the National Audit Office contributions with a value of at least 1,500 euros and their donors. The information in these "up-to-date disclosures" is published in the party funding register maintained by the National Audit Office.

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 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 carried out by the National Audit Office, the Ministry of Justice and the auditors of the appropriate organisations and foundations.

Under the Act on Political Parties, the National Audit Office's monitoring task with respect to political parties, district organisations and associations mentioned in a party subsidy decision is secondary. On the basis of the Act the Ministry of Justice is responsible for monitoring that is the duty of the state aid authority for party subsidies. 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 carries out its monitoring task independently on the basis of its own audit plan.

The National Audit Office monitors compliance with the provisions in the Act on Political Parties concerning financial support, the itemisation of election campaign costs and funding and the preparation and submission of 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.

The National Audit Office can require a supervised 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 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.

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

The Act on Political Parties contains provisions on sending different types of information to the National Audit Office. The following deals with what information must be sent and who is responsible for sending this information.

1.2.1 Up-to-date disclosure

On the basis of section 8 c of the Act on Political Parties, a 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 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 follo-

wing 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. The deadline for filing such a disclosure was 15 February 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 made 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 notifications received by the National Audit Office. After this a user notified as a representative of an affiliated entity can file an up-to-date disclosure on behalf of an affiliated entity.

Up-to-date disclosures are included in a register from which everyone has the right to receive information and copies via the public data network.

1.2.2 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 state aid and the information contained in the up-to-date disclosures prescribed in section 8 c of the Act on Political Parties for the 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 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 party sends 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 state aid, information contained in up-to-date disclosures and an itemisation of election campaign costs and funding for the party and an association referred to in a party subsidy decision. According to rules issued by the National Audit Office (361/41/2011), election campaign costs and funding must in 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 state aid and information contained in up-to-date disclosures are sent to the National Audit Office via an electronic disclosure sys-

tem 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 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 held. Itemisations of election campaign costs and funding for the 2011 parliamentary elections were therefore sent in connection with financial statements for 2011.

Information concerning up-to-date disclosures was not sent in connection with financial statements for 2010 because provisions concerning up-to-date disclosures did not enter into force until the beginning of 2011. Likewise accounts regarding the use of state aid were only sent on a separate form in connection with financial statements for 2011. The Ministry of Justice approved a separate form in connection with the state aid decision for 2011.

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

1.2.3 Financial statements of affiliated entities

An entity affiliated with a 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 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 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 party sends 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 party is thus responsible for filing this information. The corporation or foundation whose trust has been reported as an entity affiliated with a party files the documents.

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 party begins with the fiscal year during which it was reported to the National Audit Office as an affiliated entity.

1.3 Interpretation situations regarding the filing of information

Provisions regarding the filing of information are quite straightforward. Essential ambiguities regarding financial statements did not come to light in the information filed for 2011 with the exception of situations in which the final accounts of a party's district organisation had not been approved and a situation in which a party's administrative activities were substantially reduced after the elections.

A party, a party association and an entity affiliated with a party must file a disclosure if a contribution from the same donor is at least 1,500 euros in a calendar year. The term financial support is defined in the Act on Political Parties.

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

1 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 done freely without pay. Work is regarded as voluntary as long as it is unpaid, even if it in-

volves 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.

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

The restriction concerns performances 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 performances can, for example, be payments received from the sale of an office or office equipment owned by a party. The requirement is that a performance is according to the market value, however.

Ordinary performances such as insurance and damage compensation are also considered as being related to the management of property. Performances 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 performances 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 persons 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 persons at the municipal level can, however, justifiably be regarded as market-valued performances 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 applying and interpreting the law from now on the National Audit Office will respect the Audit Committee's legally justified and unanimously approved position.

3 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.

4 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.

5 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.

6 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 performances 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. This does not apply to contributions received from ordinary fund-raising activities, however. 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 (3/2010), 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.

Financial support exceeding a value of 30,000 euros cannot be accepted from the same donor in a calendar year. This ceiling is donor- 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 does not exceed the limit set in legislation. The ceiling does not apply to financial support provided by an entity affiliated with a party to a 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 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.

2 The National Audit Office's role in monitoring party funding

2.1 Scope of monitoring

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 party, an entity affiliated with a party and an association referred to in a party subsidy decision (supervised entity). In this task the National Audit Office can examine a supervised entity's accounting and use of funds and if necessary urge a supervised entity to fulfil its obligations under the Act.

The National Audit Office can require a supervised 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 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). Since the Ministry of Justice acts as the primary monitor of discretionary government transfers, the National Audit Office's role in this respect is secondary.

The number of parties entered in the Party Register is 16, of which eight are represented in Parliament and thus have the right to receive state subsidies. Parties receiving subsidies have about 120 district organisations and eight separate women's organisations. Twelve entities affiliated with a party had been reported to the National Audit Office by the end of January 2013. The total number

of supervised entities according to the Act on Political Parties and funding decisions is therefore about 140.

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 supervised entities in six years. In long-term planning the obligation to

keep vouchers as referred to in the Accounting Act (1336/1997) 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. The number of audits will, however, depend on the office's resources.

2.2 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).

In addition the National Audit Office approved guidelines on appeals to the National Audit Office concerning party funding (312/41/2010).

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.

The National Audit Office has maintained an advice service that went into operation in 2010. In addition the National Audit Office provided advice on matters open to interpretation on the monitoring website. Advice was provided by e-mail as well. Questions and answers that were deemed to have broader significance in guiding interpretations were published on the website. On 3 December 2012 the National Audit Office also arranged an open discussion and training session for all parties regarding the implementation of the Act on Political Parties. 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 wit-

hout delay. With regard to the filing of information prescribed in the Act on Political Parties the aim was a completely electronic filing system.

There were no ready-made solutions for this purpose on the market, so the National Audit Office had to plan and implement the information system on an exceptionally rapid timetable when legislation entered into force. Ensuring the functioning and usability of

the information system is still an important priority. The system has been able to receive disclosures according to the Act on Political Parties in electronic form since 1 January 2011.

The National Audit Office conducted 20 audits in 2012. The audit procedure and major findings are described in section 3. A list of audits is appended to this report.

2.3 Audit objectives and criteria

The objective of the audit 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.

For all audited entities the period covered by the audit was 1 September 2011–31 August 2012. This period included the submission of audited entities' financial statements and auditor's reports for 2011 and essential accounting transactions from the viewpoint of the Act on Political Parties for one year.

Audits were conducted of all the parties represented in Parliament and their district organisations in Southwest Finland. Audits of affiliated entities concerned new affiliated entities reported after the autumn 2011 audit and the period during which they were reported as affiliated entities.

Audits were conducted in autumn 2012, with audited entities being informed in advance in May 2012.

The following matters were taken into consideration in focusing audits:

- the general arrangement of accounting and payment traffic as well as fund management and the method of itemisation of funding and costs in accounting from the viewpoint of the Act on Political Parties (for example, bank accounts and cash funds, collections, account statements, deeds of donation)
- compliance with the restrictions on financial support in the Act on Political Parties during the period 1 September–31 December 2011 and 1 January–31 August 2012
- coverage of up-to-date disclosures on the basis of accounting and checks of disclosures' information content
- the monitoring of non-monetary contributions and their consideration in the disclosure procedure
- procedures related to parties' obligations to make sure that local associations' disclosures are filed properly
- comparison of the information in disclosures submitted by a party and an affiliated entity or other organisation
- propriety of statements in an auditor's report from the viewpoint of the Act on Political Parties and if necessary examination of the content of a financial audit.

2.4 Limits of monitoring

From the viewpoint 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 parties, associations mentioned in a party subsidy decision and entities affiliated with a party. Other party associations are not monitored by the National Audit Office. As a result, most party associations or about 6,000 associations remain outside the scope of monitoring. Monitoring these would also be a very significant resource question.

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

3.1 General description of the audit

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 supervised entities to supplement or correct disclosed information and to supply missing documents.

On the basis of section 9 e (2) of the Act on Political Parties (10/1969, amended 683/2010) the National Audit Office has conducted audits of all the parties represented in Parliament, their district organisations in Southwest Finland and new entities reported as being affiliated with a party. The audit of affiliated entities concerned new affiliated entities reported after the previous audit that had the status of affiliated entities during the period 1 September 2011–31 August 2012. Audits examined the general arrangement of accounting and payment traffic as well as fund management, the itemisation of funding and costs in accounting, and attention to restrictions on financial support during the period 1 September 2011–31 August 2012 from the viewpoint of the Act on Political Parties.

Audits concerned eight parties, eight district organisations and four affiliated entities reported by parties. A total of 20 audits were thus conducted. Audited entities were informed of audits in May 2012, they submitted the requested materials to the National Audit Office before audits, and audits were conducted according to the audit plan in September–November 2012.

A draft feedback memorandum concerning each audit was sent for comments at the end of November 2012. Preliminary audit findings were presented at a discussion and information session that was arranged for audited entities on 3 December 2012, and final feedback memorandums were sent to audited entities on 11 December 2012. Audited entities were asked to send comments to the National Audit Office by 11 January 2013. The feedback that was received has been taken into consideration in preparing this audit report.

3.2 Supervised 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. Some comments intended as recommendations can be presented concerning accounting arrangements and financial statement procedures.

The audit strove to examine parties' accounting arrangements expressly from the viewpoint 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, the audit found that it is not possible to obtain a reliable overall picture of party funding simply by examining income financing and proceeds according to financial statements. The audited 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 viewpoint of financial support as referred to in the Act on Political Parties. 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. In this respect it is not possible to form an adequate picture of the actual amount of parties' outside funding on the basis of accounts.

According to 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. The audit observed essential shortcomings in keeping accounts up to date in one case. On the basis of Chapter 1 section 1 (5) of the Accounting Act the obligation to keep books concerns all associations.

The audit drew attention to the information content of 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.

The audit observed agreement arrangements on the basis of which it was unclear whether they constituted financial support for a party. Special attention should be paid to documenting the content of transactions. Such transactions include loans as well as service and lease agreements with cooperation partners or companies controlled by a party and mutual assistance, for example. In a loan situation, if a party cannot pay its debt, writing off a debt can constitute financial support for a party.

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 are published. Since 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 documents.

The openness to interpretation of section 9 a (1) of the Act on Political Parties with regard to the application of 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.

The audit observed situations in which the openness to interpretation of the economic boundaries of a party or another organisation is also reflected in accounting. For example, the line between a party and its parliamentary group or between a parliamentary group and Parliament has been open to interpretation. The position of the parliamentary groups has changed somewhat, however, since the Act on Parliamentary Groups (979/2012) was approved on 28 December 2012 and entered into force on 1 January 2013.

3.3 Supervised entities' auditor's reports

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 the audit observed that the application of new auditing obligations from 1 January 2011 has varied. Financial audits for 2011 were still performed by non-certified auditors for some party associations. 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. 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 state subsidies and their district organisations and women's organisations that are conducted by their own auditors. The Act's special provisions regarding

audits do not apply to parties' core organisations or local associations. The monitoring of party organisations thus depends largely on the election of professional auditors with the necessary expertise and knowledge of their tasks and reporting requirements. According to the National Audit Office's findings, this

has not always been the case, since shortcomings were observed in the auditor's reports of tens of supervised entities. In this respect the monitoring system has not worked in the intended manner at least in the initial stage

3.4 Filing of financial statements and information concerning election campaign costs and funding by supervised entities

According to Chapter 3 section 6 of the Accounting Act (1336/1997), final accounts 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 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 accounts. Financial statements and information for an association referred to in a party subsidy decision must be submitted within one month of the approval of accounts and the documents required of an affiliated entity within three months of the approval of accounts.

Nearly all the financial statements referred to in the Act on Political Parties concerning 2011 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. On 26 September 2012 the National Audit Office sent requests for missing information to some of the entities that were required to file financial statements. Not all financial statements and auditor's reports had been received by the end of January 2013. In the case of one district organisation the reason was that the final accounts had not been approved. The party nevertheless submitted final accounts and stated that an audit had been performed but that an auditor's report had not been issued without the approval of the final accounts.

All the financial statements referred to in the Act on Political Parties could not be obtained electronically without difficulty and corresponding to the original document, in which case information 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.

3.5 Up-to-date disclosures together with supplements

On the basis of section 8 c of the Act on Political Parties, a 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 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 2012 contributions totalling 2,563,535.48 euros were reported in up-to-date disclosures that were received from all party associations and affiliated entities. In 2011 contributions totalling 2,339,478.37 euros were reported in up-to-date disclosures.

The audit found that most of the contributions received by supervised entities were reported in up-to-date disclosures filed in the electronic register maintained by the National Audit Office. Contributions as referred to in the Act on Political Parties that were not reported to the system nevertheless came to light. According to the picture formed in the audit, in some instances this was due to carelessness.

The audit also sought to determine how parties have ensured that party associations' up-to-date disclosures are filed properly. On the basis of the audit the office recommends that parties should inform their local associations more systematically regarding the ob-

ligations in section 8 c of the Act on Political Parties.

Some types of performances that were not reported are open to interpretation but most often were legal performances 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 performances or other benefits that can be valued in money pass-through items or transactions based on an agreement.

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, travel support and performances involving travel, fees for articles and compulsory contributions collected from elected persons. From the viewpoint 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 these were quite considerable. If monetary or non-monetary support is considerable, the need may arise to

report a new affiliated entity to the National Audit Office. In the course of the audit such a need was noted in the case of two district organisations.

Audited entities were urged to monitor received contributions cumulatively during the audit in order to comply with disclosure thresholds and ceilings.

It is worth noting that, according to information received from the tax authorities in January 2012, compulsory contributions collected from elected persons totalled 6,084,600 euros in 2011 and 5,670,500 euros in 2010.

The audit found that a district organisation had received considerable support from an association that is not a party association or an affiliated entity. After the audit the district organisation filed up-to-date disclosures in November 2012 regarding contributions received in 2011. Contributions nevertheless exceeded the ceiling of 30,000 euros from the same donor that is prescribed in section 8 b of the Act on Political Parties.

On the basis of the audit, other than direct monetary support was minor. The audit nevertheless found that a district organisation had received the use of office facilities free of charge from a foundation that had not been reported as an affiliated entity. No up-to-date disclosure was filed concerning this considerable non-monetary support prior to the audit. The party reported the foundation as an affiliated entity in January 2013 and also filed up-to-date disclosures regarding non-monetary support in 2011 and 2012. All the up-to-date disclosures that were 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.

3.6 Compliance with restrictions on financial support

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

A party, a party association and an entity affiliated with a party may not receive a contribution if the identity of the donor cannot be determined. This does not apply to contributions received from ordinary fund-raising activities, however.

A 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 party to a party or a party association or to financial support left in a will, however.

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

A 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 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.

As transactions, payments by municipalities and federations of municipalities as well as Parliament to party associations appear to be financial support from public-sector organisations, which is prohibited in section 8 b of the Act on Political Parties. In practice these transactions involved transfers of compulsory contributions collected from elected persons. Audited entities did not have agreements or other written documents on the basis of which elected persons' employer transfers part of elected persons' fees to a party on behalf of elected persons at the time of the audit. It is apparent, however, that the practice dates back several decades and is based on a recommendation made by the Association of Finnish Cities in 1980.

The audit found that parties had billed their parliamentary group for meals, accommodation, conference facilities and party conference costs. In practice this involved compensation for expenses, whose propriety does not fall within the sphere of this audit. The propriety of the content of payments is subject to Parliament's supervision.

According to section 8 b of the Act on Political Parties, foreign contributions can only be received from private individuals and from international organisations and foundations that represent a party's political orientation. The audit nevertheless found that foreign payments had been made. Payments had come from the European Parliament and the Nordic Council through intermediaries. These can be considered prohibited contributions at least in part, since the Act on Political Parties does not contain exceptions regarding support paid by international organisations. The payments received from the Eu-

ropean Parliament were based on a decision made by the Speaker's Council concerning rules for receiving visiting groups.

No wills, deeds of donation or payments or funds not included in accounts were observed in the audit.

As in the previous audit, the audit found that at one party occasion an envelope containing money was given to the party chairman. The party could not determine who the envelope was from. According to section 8 b of the Act on Political Parties, a contribution cannot be received from an unknown person, but the Act does not say what should be done with this kind of contribution. To comply with the spirit of the law, the party was urged to turn over the money to the police or to the regional state administrative agency. The party did not do so, however.

The audit observed contributions and non-monetary support exceeding 30,000 euros from organisations that had not been reported as entities affiliated with a party. Moreover the ceiling of 30,000 euros from the same donor that is prescribed in section 8 b of the Act on Political Parties was not complied with, and contributions should be reported to the disclosure register. Some subsidies had also been treated as pass-through items, which a party consequently did not consider necessary to report to the party funding register. After audit visits one new affiliated entity was reported to the National Audit Office in January 2013.

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 has been noted before, according to audit findings organisations had received fi-

nancial support or similar performances for which they did not file up-to-date disclosures for one reason or another. This included rent and salary support, performances involving travel, payments for advertisements, support for training and related materials, and fees for articles. During the audit organisations filed new or corrected disclosures that partly remedied the situation.

The audit also observed performances that are prohibited by the Act on Political Parties and concerning which up-to-date disclosures had not been filed. Cases included an envelope containing money from an unknown donor, already observed in the previous audit and still not rectified, and compensation for travel and other expenses from abroad and from a parliamentary group.

Following a legislative motion (64/2012) Parliament has enacted the Act on Parliamentary Groups (979/2012). According to the Act and the Constitutional Law Committee report (11/2012) on which it is based, a parliamentary group is a legal person. The position of the parliamentary groups is still open to interpretation, but on the basis of the legislative motion a parliamentary group can be regarded as a special type of public law association. If the parliamentary groups are regarded as public law associations or as part of Parliament or the parliamentary community, without legislative amendments there is reason to consider compensation paid by parliamentary groups as support from the state, which is prohibited in section 8 b of the Act on Political Parties. Provisions approved by Parliament concerning support from the state budget received by parliamentary groups can ensure that the relation between parliamentary groups' and parties' funding is open and clear, however.

4 Conclusions and recommendations

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 accounts. Financial statements for an association referred to in a party subsidy decision must be submitted within one month of the approval of accounts. The role of the main user and the more punctual filing of information are important from the viewpoint of transparency.

As a rule, audited entities' bookkeeping had been managed properly so that monitoring of the provisions in the Act on Political Parties could be carried out on the basis of bookkeeping. It should still be emphasised, however, that all organisations with an accounting obligation must keep their bookkeeping 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 itemisation, timeliness and quality of bookkeeping as well as the handling of cash. The itemisation of election campaign costs and funding should be traceable from bookkeeping and other accounts and should be reconcilable with them.

As a possible future revision of regulations, in addition to other financial statements an organisation could be required to send the National Audit Office a review of operations or a balance sheet book as referred to in Chapter 3 section 8 of the Accounting Act containing any review of ope-

rations. This would harmonise the content of the documents that must be sent to the National Audit Office and the filing procedure. On the basis of Chapter 3 section 6 of the Accounting Act, the deadline for filing financial statements should be calculated as three months from the preparation of financial statements rather than from the subsequent approval of financial statements. In this case the deadline would be unambiguous, documents would be sent to the National Audit Office much sooner, and the filing date would not be dependent on an organisation's activities.

Shortcomings were observed in the election of auditors or in the auditor's reports of tens of supervised 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 has not worked in the intended manner at least in the initial stage.

Attention should be paid to documenting financial transactions. The audit strives to determine the actual content of received contributions on the basis of 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 viewpoint of the Act on Political Parties, contributions in the form of money, goods, services or other such performances are regarded as financial support. Performances 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 viewpoint of the Act. 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. The party funding register is intended to promote transparency, and the nature of a received contribution can be clarified in disclosures with additional information.

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 supervised entities in essential respects.

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

Parties must ensure that party associations file up-to-date disclosures to the National Audit Office as necessary.

The audit did not find substantial contributions violating the restrictions in section 8 b of the Act on Political Parties with the exception of contributions received by two district organisations, which came from another organisation besides an entity affiliated with a party. The resulting problems could be avoided by constantly evaluating whether different kinds of performances include financial support as referred to in the Act on Political Parties. If the need for a new affiliated entity arises in a party or a party association, the party should report the new affiliated entity to the National Audit Office.

List of audited entities

Kansallinen Kokoomus r.p.	4.9.2012	Helsinki
Kansallisen Kokoomuksen Kainuun Säätiö	4.10.2012	Kajaani
Keskustan Varsinais-Suomen piiri ry	1.11.2012	Turku
Maaseudun Kukkasrahasto Säätiö	7.9.2012	Jyväskylä
Perussuomalaiset r.p.	10.9.2012	Helsinki
Perussuomalaisten Tukisäätiö	19.10.2012	Helsinki
Perussuomalaisten Varsinais-Suomen piiri ry	31.10.2012	Lieto
Pirkanmaan Kansallissäätiö	18.10.2012	Tampere
Suomen Keskusta r.p.	18.9.2012	Helsinki
Suomen Kristillisdemokraatit (KD) r.p.	3.10.2012	Helsinki
Suomen Kristillisdemokraattien (KD) Varsinais-Suomen piiri ry	26.10.2012	Turku
Suomen Sosialidemokraattinen Puolue r.p.	5.9.2012	Helsinki
Svenska folkpartiet i Finland r.p.	1.10.2012	Helsinki
Svenska folkpartiet i Åboland r.f	10.10.2012	Turku
Varsinais-Suomen Kokoomus ry	25.10.2012	Turku
Varsinais-Suomen Sosialidemokraattinen Piiri ry	8.10.2012	Turku
Varsinais-Suomen Vasemmistoliitto ry	9.10.2012	Turku
Vasemmistoliitto r.p.	24.9.2012	Helsinki
Vihreä liitto r.p.	25.9.2012	Helsinki
Vihreän liiton Varsinais-Suomen piiri ry	2.11.2012	Turku



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