

The relation between the Government Programme and the spending limits procedure

Effectively coordinating the Government Programme and the spending limits procedure is of primary importance so that the long-term fiscal policy objectives of ensuring the sustainability of public finances and preconditions for economic growth can be achieved and social policy can be carried out in a cost-effective way.

The main question in this fiscal policy audit was whether administration's internal coordination procedures are adequate to ensure the application of appropriations according to the cross-sectoral policy objectives in the Government Programme. One audit criterion concerning coordination between the Prime Minister's Office and the Ministry of Finance was whether the Government's spending limits decision and the Government's strategy document form a whole that shows the connection between the implementation of the Government's strategic objectives and the Government's spending limits and budget decisions.

Although on the basis of the recommendations of a project aimed at developing procedures for the efficient implementation of the Government Programme, coordination between the Prime Minister's Office and the Ministry of Finance improved in some respects, cooperation and coordination between the Prime Minister's Office and the Ministry of Finance still needs to be strengthened. The spending limits prepared by the Ministry of Finance and the strategic plan for the implementation of the Government Programme prepared by the Prime Minister's Office form the Government's strategy. The preparation of both parts of the strategy was carried out under political guidance and the Government held combined strategy and spending limits discussions in autumn 2011. These discussions resulted in two separate documents, which were nevertheless considered at the same Government session. The National Audit Office recommends that the general goal should if possible be a single document.

The National Audit Office considers that the strategic plan for the implementation of the Government Programme in its new form would be a step in the right direction so as to form a closer and more transparent connection between objectives and appropriations. The strategic plan is based on the horizontal priorities and key projects in the Government Programme. The strategic plan is based on the Government Programme's three priorities:

- I Reduction of poverty, inequality and social exclusion,
- II Consolidation of public finances and
- III Enhancing sustainable economic growth, employment and competitiveness.

There are seven key cross-sectoral projects in the Government Programme, which concern combatting the shadow economy, the social guarantee for young people, the job bank trial and other employment measures, the green economy, research infrastructure, protecting the Baltic Sea and Metsähallitus Natural Heritage Services. The strategic plan document serves as a tool connecting the Government's actions and finances through new financing symbols. The National Audit Office drew positive attention to the significant amount of reallocations presented in the strategic plan and the transparency of cuts in appropriations. The strategic plan document in its new form and the Ministry of Finance's guidelines for preparing the spending limits based on it will encourage reallocations according to the Government's key projects.

The National Audit Office found that there is generally room for revising rules concerning reallocations, and the Ministry of Finance could consider including rules in the spending limits document, for example. Furthermore, in its guidelines the Ministry of Finance could consider the possibility to present reallocations as a separate whole in the preparation of the spending limits.

It can be considered a key starting point in the Ministry of Finance's coordination of budget appropriations that ministries in all cross-sectoral projects should be kept up to date and that the ministries which are involved should be informed of projects' total appropriations. The Ministry of Finance as the coordinating body could act more as an initiator and implementer rather than a reconciler of different ministries' positions. The sectoral ministries should also

strive through mutual cooperation to implement the objectives of the key cross-sectoral projects in the Government Programme.

Relations and day-to-day cooperation between the Ministry of Finance and the sectoral ministries function properly in many respects. In the processes used in preparing proposals for budget and for spending limits good practices have included informing ministries' financial management and inviting sectoral staff to the ministry for discussions after the finalization of the Ministry of Finance's position as well as regular meetings of financial managers.

There is room for improvement in the transparency and coordination of the processes used in preparing the Government's strategy session and in the flow of information. The Prime Minister's Office is responsible for coordination work while each ministry is responsible for preparing matters of substance. The National Audit Office considers that all the ministries should comply with the instructions for preparing the Government's strategy session so that the Prime Minister's Office can efficiently arrange the strategy session and its content in cooperation with all the ministries.