



Annual Report 2017



National Audit Office's Annual Report for 2017

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Operations 2017

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PHOTOS

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A strong foundation for efficient public administration

The National Audit Office helps to enhance the resiliency of Finnish society even in unforeseen circumstances. Tytti Yli-Viikari, the Auditor General of the NAOF, looks back to 2017 and outlines the future in the Auditor General's review accompanying the NAOF's final accounts for 2017.

The celebrations commemorating the centenary of Finnish independence also highlighted the basic elements required for a well-functioning welfare state: strong common will, cooperation and trust. These form the warp of Finnish public administration, the foundation for weaving the future of Finland. The National Audit Office helps to strengthen the resilience of Finnish society by conducting audits that generate essential information for decision-makers in a timely manner and by taking account of the main risk factors.

Our job is to ensure the appropriate density of the weave, to identify when the warp is too tight, and to help the public administration to address and fix any broken threads. We also aim to continuously improve our audit planning and reporting so that we can better adjust our audit and expert work according to the needs of those utilising the data we produce and to better serve Parliament and senior management in central government. Another important part of the work of our auditors is to engage in active dialogue with our stakeholders and to ensure effectiveness of our work through close collaboration with customers. We have a prime vantage point over central government, which enables us to identify systemic phenomena, areas for development and limitations, and thus to support the sustainable development of central government activities.

A good example of our staff's ability to reform and to work with others is how smoothly our move to new premises took place and how quickly people were able to adopt their new work routines. Sharing information, engaging in active professional dialogue and having inspiring discussions, both face-to-face and virtual, also contribute to our ability to adjust and reform. The increasing utilisation of technology in our work enables us to spend more time on having discussions and learning. I would like to take this opportunity to thank the NAOF personnel for their strong commitment to the continuous development and reforming of our work.

We respond to changes in our operating environment and auditing standards through lifelong, continuous learning. In 2017, with a view to enhancing our management, competence and interaction, we introduced our customer feedback system. I would like to thank our stakeholder groups for the active dialogue and for their trust, which is reflected in the open and constructive feedback we have received.

New patterns of operation can only be established through experimenting, trials, networking, and innovation. The reform of central government, the provincial reform and other system reforms are changing the structures of public administration.

Risks always increase during a change, which means that more audits and supervision are needed. To this end, we have focused our audit work on the capabilities of central government to implement structural reforms and to steer cross-administrative activities.

Globalisation has linked the National Audit Office more closely as part of the international community. The year 2017 marked the 50th anniversary of the Lima Declaration, which establishes the principle of independence of public external audit institutions. Independent audit is an integral element of democracy and helps to strengthen citizens' trust towards the rule of law.

Multinational networks enable sharing good practices and controlled introduction of new innovations to our audit work. Peer support is of utmost importance in the development of data analytics and automation of audit processes. We benefit from participating in the discussions within INTOSAI on a common framework in auditing the national implementation of the United Nations' Sustainable Development Goals.

Our data analytics strategy of 2017 outlines our policies on the development of data analytics in the next few years. Data analytics will be used more than before in the planning of audits, during the audits and in reporting. We will also be utilising more extensively open data, Big Data and unstructured data, as well as new data collection and data analytics solutions.

When weaving fabric, the tighter the thread twist and the higher the number of yarns twisted together, the stronger the warp becomes. Each new generation of public servants can help to increase the number of yarns in the thread by acting in a transparent, responsible and efficient manner. A strong warp then enables each new Government to weave the fabric and pattern they desire.

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1 Review of operations

The National Audit Office is an independent audit, evaluation and monitoring authority and its tasks are laid down in the Constitution of Finland. The National Audit Office is responsible for auditing central government finances and for monitoring compliance with the state budget and fiscal policy rules. The National Audit Office is also responsible for overseeing the funding of election campaigns and political parties.

Under the Constitution of Finland, the task of the National Audit Office is to audit the appropriateness and legality of central government finances and compliance with the state budget. The National Audit Office performs its task by conducting performance audits, financial audits, compliance audits and fiscal policy audits. The National Audit Office operates as the national audit body under the Treaty on the Functioning of the European Union, working in cooperation with the European Court of Auditors (ECA) in the external control of Union funds.

The National Audit Office is tasked under the Act on a Candidate's Election Funding (273/2009) with the oversight of compliance with the obligation to disclose information about election funding, making the funding disclosures available to the public and examining the disclosures. Under the Act on Political Parties (10/1969, amended by 683/2010), the task of the National Audit Office is to supervise compliance with provisions concerning party subsidies, disclosures of election campaign expenses and funding and the formulation and submission of related documents and information by political parties, affiliated entities and associations referred to in party subsidy decisions.

Provisions on fiscal policy evaluation are contained in the Act on the implementation of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, the implementation of Treaty provisions of a legislative nature as well as requirements concerning multi-annual budgetary frameworks (869/2012) and the Act on the National Audit Office (amended by Act 870/2012). Under the European Union law, the fiscal policy evaluation task is based on the Stability and Growth Pact and on European Union legislation (Budgetary Frameworks Directive 2011/85/EU and the Regulation on Monitoring Draft Budgetary Plans (EU) 473/2013).

1.1 Effectiveness and performance targets

The National Audit Office supports Parliament in the exercise of its legislative, fiscal and oversight power.

The National Audit Office’s objective is to promote effective and high-quality management of central government finances. A key perspective is to ensure that the social policy objectives set in connection with the legislation concerning the state budget and the collection and use of central government funds are achieved and that the Government and public administration have taken the necessary measures to achieve them. The objective of supervision of the legality of election and political party funding is to promote the openness of election and political party funding and citizens’ right to assess the interests of political parties and those holding public elected offices. Another objective is to prevent corruption and influence on the activities of the President of the Republic, Members of Parliament, municipal councillors and parties that is based on inappropriate interests.

The National Audit Office has laid out its performance targets for 2017 in its 2017-2021 audit plan. The achievement of these performance targets is the responsibility of NAOF’s departments. Effectiveness has been assessed on the basis of the following scale: extremely significant effect, significant effect, moderate effect, little effect.

1.1.1 Strategic effectiveness targets and assessment

1

We produce topical and essential audit and evaluation information that decision-makers can use in the development of operations.

Indicator: Self-evaluation by departments, stakeholder survey

Assessment: The target has been achieved and we are making a significant contribution by providing decision-makers with up-to-date information and essential audit, evaluation and monitoring information for development of operations. The purpose of financial audits and compliance audits is to produce information for determining whether central government finances are in compliance with the law and the state budget. Verifying the trueness and fairness of the information contained in the final central government accounts and the final accounts and reviews of operations of the accounting offices.

The focus in the performance audits has been on the main risk areas laid out in the risk analysis of central government finances and the national economy prepared in 2015. There was a slight decrease in the rate of implementation of the recommendations issued in the audit reports, compared with 2016. In 2017, about 23 per cent of the recommendations were implemented fully or almost in full (27% in 2016) and 37 per cent were implemented to some extent (40% in 2016). There has been a great deal of focus on the relevance and development-oriented perspective of the recommendations presented in the audits and revised methods for monitoring the operating environment were introduced from the start of 2017. The focus in the monitoring is now more on the examination and analysis of the operating environment to ensure that when audits are planned, systematic consideration is given to using information in decision-making.

According to the results of a stakeholder feedback survey conducted in 2017, the audits carried out by the National Audit Office have produced essential and relevant information for operational development.

2

We contribute to ensuring that central government finances are in compliance with the law and decisions of Parliament, especially those concerning the state budget and the principles of good governance.

Indicator: Self-evaluation by departments, stakeholder survey

Assessment: The performance target has been achieved. The financial and compliance audits carried out by the National Audit Office help to ensure that the management of finances is in accordance with the law and the decisions of Parliament. The purpose of the audits carried out by the department is to ensure that central government finances are in compliance with the law and the state budget. Verifying the trueness and fairness of the final accounts is also part of the process of verifying that financial management is in compliance with the law.

According to an assessment carried out by the Performance Audit and Fiscal Policy Audit Department, the work of the department has had a moderate effect on the achievement of the performance target. As a rule, in the audits carried out by the department, the impact is often indirect. Fiscal policy evaluation also includes the assessment of general government finances from the perspective of compliance with the law. However, as a rule, the issues discussed in performance and fiscal policy audits do not pertain to legality or compliance with the state budget. Legislative changes and other important changes in the state budget may also be used as a basis for audit topics.

3

We contribute to the sustainable renewal of general government and public administration.

Indicator: Self-evaluation by departments, stakeholder survey

Assessment: The target has been achieved and our work as an audit institution has had a significant effect. In most cases, performance audits have an indirect impact as their findings help to create a basis for sustainable improvements and reforms in public administration even though a direct connection with such matters as improvements in the sustainability of central government finances cannot be established. However, the focus in the audits has been on issues that are essential to the target. The effectiveness of the measures reviewed in the audits has also been more extensively assessed in the performance audits. Through its role as a fiscal policy evaluator, the National Audit Office helps to make fiscal policy rules more transparent and comprehensible and safeguard stability and sustainability of general government finances. The reliability of the knowledge base for fiscal policy decision-making and the functioning of the fiscal policy instruments are two of the focus areas in fiscal policy audits. In addition to serving as audit instruments, performance and fiscal policy audits also have a concrete impact on administrative preparatory processes. The opinions issued, memberships in working groups, participation in stakeholder events, and hearings held by Parliamentary Committees are some of the tools through which the National Audit Office can play a role in the process of achieving sustainable reforms in general government finances and public administration. In 2017, most of hearings held by the Parliamentary Committees concerned fiscal policy audit and evaluation findings, the social welfare and healthcare reform as well as the regional government reform. The department coordinated a total of 13 opinions of the National Audit Office on legislative proposals concerning the social welfare and healthcare reform and the regional government reform that were prepared for ministries and Parliamentary Committees.

The purpose of financial audits and compliance audits is to ensure that central government finances are in compliance with the law and that the state budget is adhered to. As part of this process, it is the task of the financial audit to verify the true-ness and fairness of the information contained in the final accounts and reviews of operations of accounting offices and final central government accounts. As a whole, financial audits and compliance audits are focused in accordance with the risk analysis of central government finances and the national economy and the audit plan approved by the National Audit Office. The main priority areas and audit topics are laid out in the audit plan and the departmental plan supplementing it. The focus in them is on materiality from the perspective of final central government accounts and risk assessment at the level of on-budget entities and accounting offices.

4

The feedback on interaction during the audits provided by the audited entities is positive.

Indicator: Results of the stakeholder survey

Assessment: The target has been achieved. According to the results of the previous stakeholder survey and the 2017 feedback survey, the respondents are generally satisfied with the provision of information on the audit and evaluation process and the cooperation with the auditors. The National Audit Office will continue to monitor the interaction taking place during the audits. The feedback survey takes place on an annual basis and the next stakeholder survey will be conducted in 2019.

The Performance Audit and Fiscal Policy Audit Department started collecting systematic feedback on audit reports and reviews in 2017. The answers provided the department with useful feedback on the development of interaction during the audits. Some 70 per cent of the respondents were of the view that they have received topical and relevant information for the development of their own operations, 85 per cent were satisfied with the way the audit contents, processes and timetables were communicated, while 93 per cent were satisfied with the cooperation during the audits.

5

The audit topics are examined from the perspective of central government finances.

Indicator: Self-evaluation of the audit department

Assessment: According to the assessment carried out by the Performance Audit and Fiscal Policy Audit Department, the target has been mostly achieved. All audit evidence has been analysed from the perspective of central government finances. Strengthening the financial perspective was the focus area in the financial management and analyses training programme concluded in spring 2017. The updating of the audit manual began in 2017 and there will also be more emphasis on the financial perspective in the revised document.

The targets set for the Financial Audit and Compliance Audit Department have been mostly achieved and the audits are focused in accordance with the audit plan approved by the National Audit Office. The main priority areas and audit topics are laid out in the audit plan and the departmental plan supplementing it. The focus in them is on materiality from the perspective of final central government accounts and risk assessment at the level of on-budget entities and accounting offices. The perspective of central government finances is an essential consideration in each financial audit and compliance audit.

6

The conclusions and opinions are based on systematically applied qualitative and quantitative methods of knowledge formation.

Indicator: Self-evaluation by audit departments, assessment by the Scientific Council

Assessment: As a whole, the target has been achieved. The methodical support unit established in the Performance Audit and Fiscal Policy Audit Department in 2016 became a systematic part of the department's operations during 2017. The methodical training provided for the personnel has strengthened the methodical basis of the audits. Development of knowledge formation in performance audits and fiscal policy audits as well as the development of audit methods and competence is continuing on the basis of the updating of the department's guidelines.

Financial audits and compliance audits are carried out in accordance with the National Audit Office's general audit manuals, which are based on ISSAI standards, and manuals applicable to individual audit types. Steering applied during the audits and quality control measures carried out in specific points help to ensure that when conclusions and opinions are produced, the requirements laid out for audit methods and evidence in NAOF's manuals and good auditing practice are observed.

7

The results for the key ParTy indicators are at least at the level of the reference group: overall result, and wellbeing at work, work fundamentals, functioning of the workplace community and the basis for workplace community development.

Indicator: ParTy survey

Assessment: In the key indicators of the 2017 ParTy survey, the result for the National Audit Office (13.2) was slightly below that of the reference group (14.1). In wellbeing at work, the result for the National Audit Office (3.4) was below that of the reference group (3.7). Work fundamentals at the National Audit Office were rated at 3.3 and in the reference group at 3.4. Functioning of the workplace community and the basis for workplace community development were rated lower (3.3) than in the reference group (3.5). The gaps between individual departments are too wide, which is the main reason why there is room for improvement in the National Audit Office.

8

Sickness absenteeism is at overall central government level.

Indicator: Sickness absenteeism/person-year

Assessment: Sickness absenteeism (6.6 days/person-year) was well below the overall central government level (8.4 days/person-year). Sickness absenteeism in the National Audit Office increased by 49 per cent from the previous year.

9

An average of 10 person-days/person-year is allocated to competence development.

Indicator: Monitoring of working hours, competence development

Assessment: The time spent on competence development is below the target level. A total of 6.3 person-days per person-year were spent on training in 2017.

10

The competence level index laid out in the competence survey (competence level) will improve.

Indicator: Competence level index survey

Assessment: The target has been fully achieved. Overall average value of the competence level index was 7.85 (on a scale of 1-10). This means that the competence level was higher than in 2016 (7.41).

11

All performance, fiscal policy and compliance audits are completed on schedule and the number of person-days used for them does not exceed the person-days allocated in the audit plan. Financial audits are completed by the date specified in the department's plan.

Indicator: Plans

Assessment: In performance audits and fiscal policy audits, the planned lead times were exceeded in 41 per cent of all audits (60% in 2016). The actual days exceeded the planned days in 47 per cent of all audits (67% in 2016). In this respect, the trend has been positive. The indicator does not take into account situations where, after the start of the audit, it is decided not to allocate the resources in the manner set out in the plan.

The external auditing of central government finances contributes to the maintenance of justifiable trust in the management of central government finances and the Government and central government administration in general. One audit objective is to achieve public administration's accountability for good financial management. It takes place by verifying and auditing compliance with the law and the state budget and good and effective financial management. Development needs and shortcomings are also openly highlighted. Trust in public administration is social capital for the nation, the development of which is difficult to measure or assess in annual performance reporting. Trust also plays a financial role as regards the central government's capability of making the necessary yet difficult decisions required in financial management.

The supervision of the legality of election and political party funding helps to implement citizens' right to access information about and assess the financial interests of political parties and individuals holding elected public offices. External auditing of central government finances and the oversight of the legality of election and political party funding are part of the institutional arrangements preventing corruption and promoting good governance. The oversight of election and political party funding has also expanded the scope of the National Audit Office's duties into the field of general legality supervision.

By verifying the accountability of public administration, audits strengthen citizens' expectations regarding good and effective financial management. Audit information also allows citizens to assess the work of central government authorities and its results.

The communication function supports the performance and key duties of the National Audit Office. The communication function produces communication materials used in the whole of Finland, as well as helps to develop and maintain communication channels. The communication function also supports NAOF's departments in the development of their stakeholder and work community communication by offering them orientation and training, and by participating in working groups.

The National Audit Office published a total of 24 media releases in 2017. Media hits totalled 1,056 and most of the publicity was positive. The most popular topics were election campaign funding, Finavia's derivatives trading, the appointment of the former Auditor General Tuomas Pöysti as the Chancellor of Justice, wind power subsidies, Finland as an investment environment, mental health services for children, social welfare and healthcare reform as well as business subsidies. The media in all regions reported on the topics even though most of the stories appeared in the media in Uusimaa.

In addition to media communications, the National Audit Office also uses its VTV.fi website, social media and stakeholder events as information channels. The National Audit Office introduced a Twitter account in 2016 and the number of followers exceeded the 1,000 mark in 2017. The National Audit Office also took part in the centenary celebrations of the Finnish independence: the communication function supported the participation by coordinating visits by NAOF experts and the agency's management at schools under the theme 'Minä ja budjetti' (Me and the budget).

The focus in internal communications was on the 'Loikka uuteen' (Leap into the new) project, under which NAOF moved to new premises.

The communications policy of the National Audit Office is based on the principle of public access laid down in section 12 of the Constitution of Finland, the Act on the Openness of Government Activities (621/1999) and the Decree on the Openness of Government Activities and on Good Practice in Information Management (1030/1999). The ISSAI standards governing the quality of audit communications and the Central Government Communications Guidelines (2016) are also taken into account in the communications.

1.1.2 Helping Parliament to exercise its budgetary and legislative powers

On the basis of the reports issued by the Parliamentary Audit Committee, the National Audit Office monitors the implementation of Parliamentary positions if it has been required in them that the Government report on a matter or if the National Audit Office has dealt with related matters as part of its audit activities.

The matters highlighted in the Audit Committee's reports are mainly based on the key findings and conclusions presented in the National Audit Office's reports. Parliament's positions concern important issues in which achieving change has been slow. For this reason, these issues are also followed over a longer period. The Performance Audit and Fiscal Policy Audit Department monitors the implementation of the parliamentary positions and reports on its findings as part of the annual report to Parliament.

1.1.3 The National Audit Office's impact on promoting good practices and preventing errors and abuses in public administration

The Performance Audit and Fiscal Policy Audit Department monitors the implementation of the opinions expressed in its audit reports and whether any measures have been taken on the basis of the recommendations and the other opinions contained in the reports. The impacts of individual performance audits on audited entities are assessed through follow-ups, which usually take place about three years after the submission of the report. In 2017, ten reports on follow-ups to performance audits were issued (seven in 2016). In them, the implementation of the recommendations issued by the National Audit Office and the measures pertaining to them were assessed. Factors influencing the implementation of the follow-up recommendations

include the concrete nature and feasibility of the recommendations, resources required for the implementation, administrative environment and the development work under way. Recommendations that support ongoing administrative development work are more likely to become reality and be implemented more quickly than cross-administrative recommendations in which more extensive administrative reforms and changes are proposed.

1.1.4 The impact of the National Audit Office on international developments in the audit sector

At the international level, the National Audit Office has been particularly closely involved in the development of the strategic competence of audit institutions, audit of the implementation of the United Nations sustainable development agenda (2030 Agenda) and the use of digitalisation and data analytics in the audit sector. In June 2017, the National Audit Office concluded an agreement on the development of data analytics and cooperation in the digitalisation of audit methods with the audit agencies of the Netherlands, Britain and Norway.

The National Audit Office took part in the preparation and presentation of the new strategy of EUROSAT, the umbrella organisation of European audit institutions, at the organisation's conference in Istanbul in May 2017. As a member of the EUROSAT Governing Board in the period 2017–2020, the National Audit Office is responsible for the portfolio of forward thinking and emerging issues. Within the framework of the portfolio, the National Audit Office monitors topical issues, such as digitalisation, security matters, immigration, implementation of the United Nations sustainable development goals, development of the audit sector and the challenges concerning the independence of audit institutions. We report on these issues and any joint measures arising from them to EUROSAT on a half-yearly basis.

In INTOSAT, the National Audit Office has an opportunity to present European views in the Working Group on Key National Indicators, Working Group on Financial Modernization and Regulatory Reform, and the Working Group on Public Debt. We are represented in EUROSAT's Environmental Audit working group, Information Technology working group, Municipality Audit task force, Audit & Ethics task force as well as the working group for public sector.

The National Audit Office chairs the Network of Fiscal Policy Audit, which comes under the Contact Committee of the Heads of Supreme Audit Institutions of the European Union. By arranging an annual seminar, the network supports the exchange of information between experts and methodical development work. The National Audit Office took part in three parallel audits carried out under the auspices of the Contact Committee. The following themes were reviewed in the audits: risks to fiscal sustainability, national banking supervision as part of the Single Supervisory Mechanism and the impact of structural funds on the implementation of the EU2020 strategy in the field of employment and education.

The international cooperation networks of independent fiscal policy supervisors have played an active role in audit issues by sharing best practices and method competence. The National Audit Office is a member of the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO), the EU Network of Independent Fiscal Institutions (EUNIFI), which is coordinated by the European Commission.

The focus in the cooperation between Nordic audit institutions in 2017 was the institutions' strategy work.

The National Audit Office took part in the peer review of the United States Government Accountability Office (GAO) in cooperation with Britain, Denmark and New Zealand.

1.2 Outputs and quality management

1.2.1 Number of performances and achieved public goods

Reports to Parliament

In 2017, the National Audit Office performed its duties laid down in the Act on Political Parties (10/1969, amended under 683/2010). As required under the act, the National Audit Office received from the political parties, political party associations and affiliated entities up-to-date disclosures regarding support they had received. The National Audit Office also ensured that the organisations and foundations supervised by it submitted their final accounts and auditors' reports to the disclosures register. The National Audit Office also conducted a total of 50 audits of political party organisations under the Act on Political Parties during the year. The National Audit Office submitted a report to Parliament on the audits under section 9e of the act on week 7/2018.

The National Audit Office has supervised compliance with the obligation to disclose election campaign funding and election campaign costs in the 2017 municipal elections as laid down in the Act on a Candidate's Election Funding (273/2009). A report on this (R 19/2017) was submitted to Parliament on 4 December 2017.

The fiscal policy evaluation report was submitted to Parliament as a separate report in December 2017. As part of its annual report, the National Audit Office reported on the following four themes: operational reliability in a digitising society, knowledge base of decision-making in structural reforms, social welfare and healthcare reform and the regional government reform, as well as encouraging business investments.

Audit reports

In accordance with the National Audit Office's audit plan, in 2017 Financial Audit reported on the audit of the final central government accounts for 2016 as well as issued financial audit reports concerning 64 accounting offices and three off-budget funds. Two compliance audit reports were issued in 2017.

In 2017, the National Audit Office issued 15 performance audit reports and three reviews. One of the performance audit reports was issued as part of the separate report on the audit of the final central government accounts. One fiscal policy evaluation report was also issued. Of the three reviews, two discussed topics pertaining to fiscal policy audit, while the third one was about performance audit issues. One of the audits included a letter and a memorandum as an appendix. There were also ten reports on the follow-ups to earlier performance audits.

Complaints and abuses

In 2017, the National Audit Office received eight reports from central government authorities concerning abuses of state funds or assets in their activities (five in 2016). During the year in review, the National Audit Office received 21 complaints and letters from private persons and organisations concerning central government finances (25 in 2016).

Audit quality management

The National Audit Office has a joint quality management system and the individual audit departments are responsible for its implementation. Quality assurance is an integral part of the audit process carried out by the audit departments. Quality management issues are discussed in the annual report of the National Audit Office.

Financial audit and compliance audit

The quality management objective for Financial Audit and Compliance Audit is to conduct all audits according to the requirements specified in the audit manuals. The director for financial audit evaluates compliance with the audit manual as part of their supervision task. In addition to control during audits, the heads of the audit groups were given the task of conducting quality checks on financial audits conducted in another audit group. The quality controls carried out as part of the audits are always documented.

The schedule-related objective set for financial audit reports was to complete the 2016 financial audits for ministries by 8 May 2017, those for other accounting offices by 3 May 2017 and the audit of the final central government accounts by 12 May 2017. The financial audit reports were completed in accordance with the target. The level of achievement of timetable objectives can be considered very good.

The financial audit reports and their compilations were published on the website of the National Audit Office. Two compliance audit reports were issued and their quality assurance was largely on the same basis as that applied to financial audit reports. All compliance audit reports were also completed within the timetables laid out for them.

Performance Audit and Fiscal Policy Audit Department

Audit quality assessment, quality objectives and assessment criteria remained the focus areas for development during 2017. The National Audit Office also updated its practices for external quality assurance of draft reports and for audit follow-ups. The draft of the new audit manual was ready for review at the end of 2017. The new manual will be approved in spring 2018. Staff members will be familiarised with the contents of the manual by means of interactive personnel training. This process will also involve development of audit design preparation, which is an essential part of audit quality management. Under the quality target set for Performance Audit, all performance audits should be prepared in accordance with the performance audit manual or lower-level instructions supplementing it. The level of quality can be regarded on the whole as having met the requirements set in the manual.

The Performance Audit and Fiscal Policy Audit Department used self-evaluation to assess the achievement of the strategic quality targets and service capacity targets set out in the agency's audit plan. The service capacity targets concerned interaction during the audits, the perspective of central government finances in the audits and the completion of the audits within the planned timetable and the working days allocated for the projects. The Performance Audit and Fiscal Policy Audit Department started collecting systematic stakeholder feedback from audited entities in 2017. Feedback was requested on all audits completed during the year.

Based on the self-evaluation, most of the quality targets were achieved. However, 41 per cent of all audits were not completed on time and 47 per cent of all audits were not completed during the working days allocated for them. One reason for this has been the growing role of interaction and communications. Audit quality management in which the aim has been to ensure that the audits meet all quality requirements laid out by the National Audit Office and contained in its manuals has also played a role. This has caused delays and increased audit-related workload. More extensive use of quantitative evidence in the audits is the third reason. In most cases, the processing of quantitative evidence requires that a third party compiles the evidence in accordance with its own timetables. Furthermore, the indicators used for measuring audit lead times and the person-years allocated to them do not take into account that, in accordance with well-established practices, audit resources are reallocated after the audit start.

The Scientific Council of the National Audit Office was asked to provide an assessment of a fiscal policy evaluation report. Using the expertise of the Scientific Council in the audit activities will be one of the development priorities during 2018.

1.3 Operational efficiency

The National Audit Office has continued the implementation of its stability and efficiency programme launched in 2010. The aim of the programme is to achieve the savings required in a situation characterised by tight central government finances and, accordingly, to reduce the National Audit Office's person-years and implement the changes in the structure of public servants in a sustainable manner against the background of increasing workload. Cuts in the number of personnel may increase the audit risk referred to in international external audit standards. The proportion of external performances of the effective working hours decreased by 3.1 percentage points during the year in review. The proportion of person-days (as proportion of effective working hours) used for external performances decreased by 2.8 per cent from 2016. The allocation of person-days by performance type is presented in Table 1.

Under the target set for operational efficiency, all performance audits, fiscal policy audits and compliance audits should be completed within the timetable laid out for them and the actual person-days should not exceed the person-days allocated for the audits in the audit plans. The target for financial audits is that they are completed within the timetable laid out for them in the department's plan. An assessment of operational efficiency is presented in section 3 (Performance targets).

The development measures taken by the National Audit Office and the agency's information system projects are investment-like in nature, i.e. they will pay themselves back as improved economy or effectiveness within a clearly presented pay-back period/useful life. In practice, achieving these objectives requires long-term development of the personnel structure towards increased cost efficiency and successful implementation of development measures and information system projects. At the same time, the aim is to ensure wellbeing at work and that employees cope with their tasks as well as to improve the prerequisites for these.

The National Audit Office moved to new premises in Helsinki during the year in review. By moving to multi-purpose premises, the National Audit Office has been able to reduce its space requirement from 4,300 m² to 1,550 m². At the same time, the rental expenses for the agency's Helsinki office have decreased by more than 50 per cent. This means that the targets set for the lease negotiations have been exceeded.

1.3.1 Operational productivity

The number of working hours allocated to external performances decreased by 2.8 per cent compared with 2016, from 22,003 to 21,383 person-days.

Productivity indicators

Table 1: Effective working hours by type of performance (working days)

	2016	2017
Financial audit	6,135	5,905
Compliance audit	1,088	701
Performance audit	5,542	4,470
Fiscal policy audit	265	625
Fiscal policy evaluation	581	599
Reports to Parliament	116	178
Management of core activities	3,529	3,117
Other core activities	4,407	5,316
Oversight of election campaign and political party funding	341	472
External performances, total	22,004	21,383
Indirect activities (support services, administration)	7,054	8,073
Holidays and other paid absences, total	7,317	7,197
Total working hours	36,375	36,653

1.3.2 Operational economy

The cost of the National Audit Office's external performances per person-day increased from EUR 689 in 2016 to EUR 703 in the year in review. This means an increase of two per cent in the cost per external performance day. There was a 0.9 per cent decrease in the National Audit Office's operational expenditure, compared with 2016.

Operational economy indicators

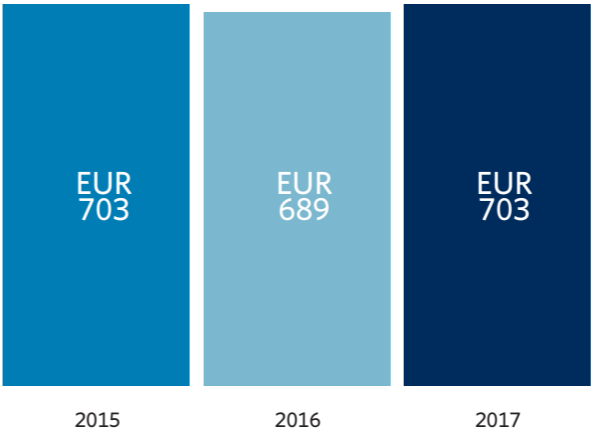


Figure 1: Price of NAOF's performance day

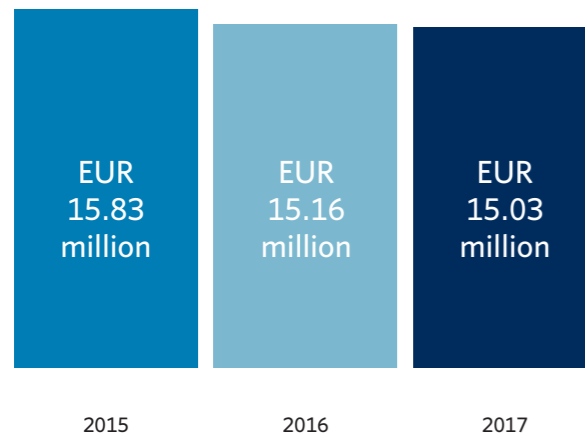


Figure 2: Overall trend in expenditure 2015–2017

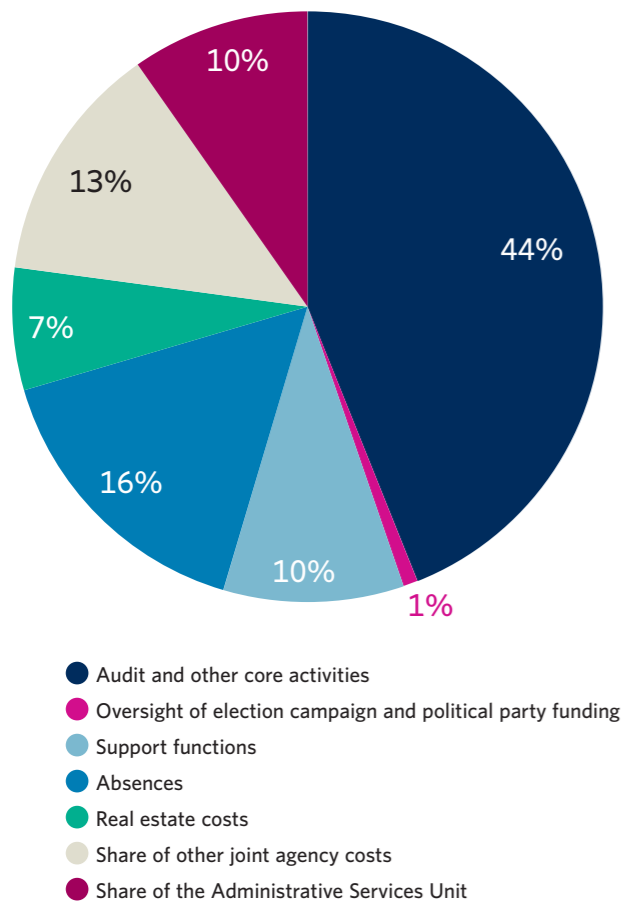


Figure 3: Total costs per type of performance

1.4 Management and development of human resources

The personnel policy of the National Audit Office steers the implementation of the strategy and contributes to the development of the workplace community. The principles steering the management of the agency's personnel matters are laid out in the personnel policy. Each year, the National Audit Office also prepares a HR action plan, which serves as the framework for the implementation of the agency's HR measures. The personnel policy provides a basis for the successful operations of the National Audit Office.

The principal aims laid out in the personnel policy are as follows:

- the National Audit Office is a good, inspiring and competitive employer,
- the National Audit Office operates in a reliable, professional and open manner,
- support for management and its operating prerequisites is provided at all levels,
- competence development is a priority area,
- the personnel are provided with a working environment that they perceive as good and fair.

The National Audit Office moved to new multi-purpose premises in 2017. During the year in review, a number of change preparedness events were arranged for the personnel. New operating practices for the premises have been jointly planned in workshops and staff members have been provided with change training. The National Audit Office has successfully and as a joint effort taken steps towards a networked working practice and an open and flexible organisational culture that supports interaction and cooperation. In addition to having moved to new premises, the National Audit Office is also in the process of introducing new operating practices and procedures in its daily work.

NAOF is promoting its staff members' capacity to shape their own competence and working practices in accordance with changes in the operating environment and the audit sector. Joint discussions about future needs and providing staff members with more opportunities to develop their competence have helped to improve change preparedness in the agency. The preparation for changes has also been an element in the development of management and supervisory work in which the focus has been on change management. Promoting an open dialogue between the management, supervisors and the personnel has been key to the change process.

There is increasing emphasis on career path thinking and developing competence throughout the working career in competence management. In competence management, the emphasis is on the acquisition, maintenance and sharing of competence. The planning of competence development has been influenced by preparations for the introduction of new audit methods and the adoption of digital working practices suited for the National Audit Office's needs. The emphasis in the competence required in the audit and expert work performed in NAOF is increasingly on ICT, systems, data analytics, methods, interactive and communications skills as well as on projects. These competence areas are also prioritised in the recruiting of new personnel.

In competence development, the focus has been on the needs arising from changes in the operating environment and the new competence requirements. In addition to using traditional training in its competence development, the National Audit Office is also increasingly relying on internal and external training programmes and individual training tailored to the agency's needs. There is now more competence development based on internal staff mobility such as personnel rotation. The National Audit Office has made extensive use of team work, cooperation, on-the-job learning and learning from others as competence development tools.

To support its staff members' working capacity, the National Audit Office has introduced an arrangement under which an occupational physiotherapist provides individual employees with ergonomics guidance. The purpose is to provide staff members with advice on workstation ergonomics management in the new premises and in remote work.

The National Audit Office has encouraged its employees to maintain their physical fitness by providing them with access to the gym and the group fitness facility located in the same building and by arranging guided kettlebell training. The wellness room and an exercise break program installed in the workstations provide employees more opportunities to engage in at-work exercise in the new office.

Human resource management and development indicators

Number of personnel, personnel structure and personnel costs

The number of persons employed by NAOF at the end of 2017 was 3.3 per cent lower than a year earlier. The number of person-years declined by 0.1 per cent. The proportion of women of all staff members decreased from 52 to 51 per cent by the end of the year.

Table 2: Number of employees and person-years

	2015	2016	2017	Annual change %
Number of employees 31 December	151	146	143	-3.3
Women	74	76	73	2.7
Men	77	70	70	-9.1
Person-years	145.2	143.2	143.1	-0.1

The average age of employees was up 1.5 per cent from the year before. At the end of the year, employees aged 45 and over accounted for 61.5 per cent of the personnel, which was 1.2 percentage points more than a year before. The largest age group in the National Audit Office are those aged between 55 and 64 who accounted for 30.8 per cent of the personnel.

Table 3: Average age of women and men, personnel age structure 31 December

	2015	2016	2017	Annual change %
Total personnel	48.9	48.2	49.0	1.5
Women	47.0	45.6	46.4	1.7
Men	50.6	51.1	51.7	1.1

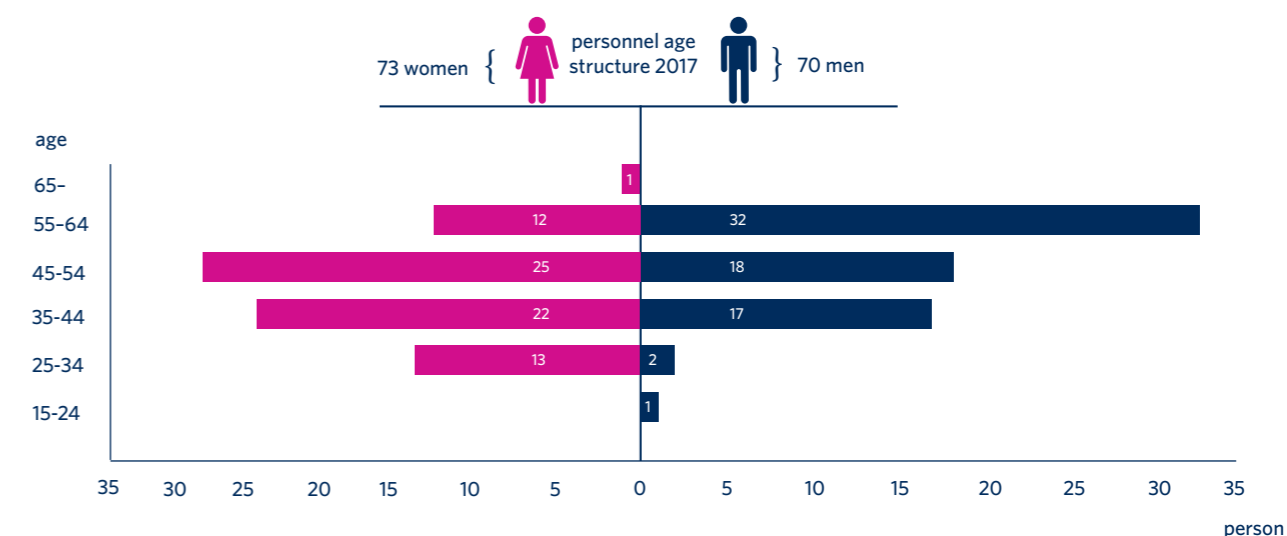


Figure 4: Personnel age structure

The personnel education level index is 6.7. At the end of the year, 79.0 per cent of the personnel had a master's degree or higher. A total of 14.0 per cent had a doctoral degree. The education level index among female staff members increased by 4.1 per cent during the year.

Table 4: Education level index 31 December

	2015	2016	2017	Annual change %
Total personnel	6.7	6.6	6.7	1
Women	6.6	6.4	6.6	4.1
Men	6.8	6.9	6.8	-2.1

Most employees have permanent posts. The proportion of fixed-term personnel of all staff members decreased from 14.4 per cent in 2016 to 10.5 per cent.

Table 5: Permanent and fixed-term employees 31 December

	2015	2016	2017	Annual change %
Permanent	138	125	128	2.4
Women	65	57	62	8.8
Men	73	68	66	-2.9
Fixed-term	13	21	15	-28.6
Women	9	19	11	-42.1
Men	4	2	4	100.0

At the end of 2017, part-time employees only accounted for 2.8 per cent of all staff members.

Table 6: Full-time and part-time personnel 31 December

	2015	2016	2017	Annual change %
Full-time	146	139	139	0
Part-time	5	7	4	-42.9

Table 7: Labour costs

	2015	2016	2017	Annual change %
Total labour costs EUR/year	12,692,663	12,308,571	11,789,172	-4.2
Pay for actual working hours, % of total pay	74.2%	73.2%	75.5%	3.1
Indirect labour costs	5,064,351	4,955,551	4,392,708	-11.4
Share of indirect labour costs of pay for actual working hours	66.4%	67.4%	59.4%	-11.9

Source: Tahti system

Wellbeing at work

A strategic wellbeing analysis (Tyhy 3.0) was carried out in the National Audit Office during the year. The purpose of the analysis was to review wellbeing at work at NAOF from the perspective of prerequisites for workplace and employee productivity and to determine human capital productivity as a basis for strategic wellbeing at work. The implementation of the action plan based on the analysis will start in 2018.

The Parempi Työyhteisö (ParTy) survey was carried out in the National Audit Office at the end of 2017. The purpose was to measure workplace atmosphere in the agency and the results have already been presented to the personnel. Evaluation of the findings and their use in the work to improve wellbeing at work will start in 2018. The measures derived from the results them will help to strengthen working capacity and wellbeing at work.

A wellbeing at work forum was set up in the National Audit Office in 2017. The forum was established to improve wellbeing at work in the agency and it serves as a solution-focused channel bringing together experts and support service staff. In the forum, concrete proposals for solving wellbeing at work issues are prepared in cooperation with staff members and the issues discusses are based on the priorities laid out by the participants. The proposals drawn up in the forum are submitted to the management and supervisors for consideration and the selected measures will be jointly implemented.

An extensive equality and non-discrimination survey was carried out in the National Audit Office in spring 2017. An equality and non-discrimination plan based on the survey was prepared for the agency with the collaboration of the personnel organisations. With the plan and the measures included in it, the National Audit Office will promote gender equality, prevent gender-based discrimination, improve women's position in working life and promote non-discrimination in the workplace community as a whole. The equality and non-discrimination plan is part of the National Audit Office's personnel policy.

Departure turnover decreased and incoming turnover increased from the previous year. A total of 4.1 per cent of those employed at the end of 2016 transferred to another employer. This was 1.2 percentage points less than in 2016. In addition, 5.5 per cent retired in 2016, which was 0.5 percentage points more than in the previous year. Incoming turnover stood at 9.6 per cent (4.0% in 2016).

Table 8: Personnel turnover rate and wellbeing at work

	2015	2016	2017	Annual change %
Departure turnover (% of personnel)	2.8%	5.3%	4.1%	-23
Incoming turnover (% of personnel)	6.9%	4.0%	9.6%	140
Sickness absenteeism (days/person-year)	4.6	4.4	6.6	49.3
Net occupational healthcare costs (EUR/person-year)	658	1,228	873	-28.9

There was a slight decrease in the time spent on competence development, compared with 2016. A total of 6.3 person-days per person-year was spent on training in 2017. The reduction in the time allocated to competence development (46.6 per cent) was partially the result of changes in the way in which training time is recorded. Until 30 September 2016, the time spent on preliminary and intermediate training assignments was also considered competence development. According to the training management system, the number of working hours spent on training decreased by 21 per cent from 2016.

Table 9: Training and development

	2015	2016	2017	Annual change %
Participation in training (EUR/person-year) ¹	948	1,546	1,777	63.1
Participation in training (working days/person-year) ¹	12.1	11.8	6.3	-46.6

¹ Does not include pay costs for lost working hours or independent development of professional skills.

Table 10: Results of the workplace atmosphere survey

Average ¹	NAOF 2016 (n=123)	NAOF 2017 (n=115)	Reference material (n=22,176) ²
Staff wellbeing	3.4	3.4	3.7
Work fundamentals	3.4	3.3	3.4
Functioning of workplace community	3.2	3.3	3.5
Basis for workplace community development	3.2	3.3	3.5
Functioning at departmental level	3.2	3.4	3.6
Openness to development at departmental level	3.4	3.4	3.7
Interdepartmental cooperation	2.8	3.0	3.2
Supervisory work	3.9	3.9	3.8
Managerial work	2.6	2.6	3.1
Workload factors ¹	3.1	3.2	3.3
Coping with work	3.4	3.3	3.5
Familiarity with tasks and objectives	3.9	3.7	4.1
Work-related stress ¹	3.0	3.0	2.8
Job satisfaction	3.5	3.5	3.8

¹ Higher the value, better the results (except for "Stress" and "Workload factors" in which a lower value is better).

² The wellbeing at work survey was conducted in October 2017. The response rate was 80 per cent. The reference material collected by the Finnish Institute of Occupational Health from different sectors in Finland between 2012 and 2016 was used as external reference material.

1.5 Analysis of the final accounts

1.5.1 Structure of financing

Compared with the 2016 final accounts, the financing structure remained unchanged. The National Audit Office's operational expenditure was covered in item 21.40.01 and VAT expenditure in item 21.40.29.

1.5.2 Compliance with the budget

Under its budget, the National Audit Office was allocated a total of 15,325,000 euros for operational expenditure for 2017 (15,460,000 euros for 2016). A total of 2,060,389 euros was carried forward from the operational expenditure item to the following year, up 292,355 euros on the previous year's amount carried forward. The National Audit Office was allocated 590,000 euros for VAT expenditure for 2017 and the total spending was 648,466 euros. The Office Commission granted the National Audit Office the right to exceed its appropriation item 21.40.29 (VAT expenditure; variable appropriation) by 58,466 euros.

1.5.3 Statement of income and expenses

The National Audit Office's operational expenditure decreased by 1.6 per cent compared with 2016. Personnel expenditure accounted for 74.4 per cent of the National Audit Office's expenditure in 2017 (76.5% in 2016). Personnel expenditure decreased by 4.2 per cent (5.5% in 2016). The next two largest expenditure items after personnel expenditure were purchases of services at 11.7 per cent and rents at 6.4 per cent.

1.5.4 Balance sheet

There were no significant changes in the National Audit Office's balance sheet, compared with the situation in 2016.

1.6 Statement of internal control and approval

The statement of internal control and approval of the National Audit Office was prepared so that each department carried out a self-evaluation. The self-evaluation was carried out on the basis of the simplified framework recommended by the Government Financial Controller's Function, using a framework prepared by the National Audit Office. The following sectors were evaluated: internal operating environment, operating structures, target-setting, identification, assessment and management of risks, control measures, flow of information and usability and monitoring of information.

In the statement, consideration was given to the observations of internal audit of the state of internal control and risk management. The information security report produced for the agency's management was also used. In the opinion of the management of the National Audit Office, the agency's internal control and risk management meet all requirements. The view is that internal control and risk management are adequate and properly organised.

The link between an overall risk perspective and the audit plan was strengthened. The risk survey on digitalisation was prepared separately. Annual priorities are highlighted in a transparent manner on the basis of the general principles guiding audit planning, focus areas and work aspects.

Identification, assessment and management of the risks associated with the audit activities and planning of the audit contents are properly organised and the National Audit Office has adequate risk management procedures for its procurement practices. The National Audit Office should, however, specify its operational risks and prepare a risk management programme. At the end of 2017, the National Audit Office launched the work to develop the management of risks arising from its own operations.

The National Audit Office has continued the implementation of its stability and efficiency programme and strategic human resource planning. Changes in the operating environment and in the expectations of the information users mean that the National Audit Office must strengthen its competence base. The focus in management is on the updating of operating models, more detailed specification of tasks, and clearer target-setting, timetables and prioritisation. The premises and work task change project was completed during the year in review and the focus in the project was on change management and change communications.

The most important development priorities in internal control and risk management in 2018 are as follows:

- In accordance with the recommendation of the Government Financial Controller’s Function, the National Audit Office will prepare a risk management policy based on the central government risk management policy model. The National Audit Office will also assess the most important operational risks arising from its own activities.
- The National Audit Office will update its financial rules during 2018.
- The National Audit Office will work to make its personnel more committed to joint working. Interaction between departments and internal communications will be developed on the basis of harmonised operating practices and processes.
- The National Audit Office will ensure that it has a competent staff engaged in continuous improvement of its skills. The National Audit Office will invest in training, the learning of new work practices and methods and on personnel exchange.
- The National Audit Office will develop its resource planning and the monitoring of the planning process because the agency’s tasks are changing and expanding cooperation with stakeholders will mean more planning challenges.
- The National Audit Office will produce an evaluation of its own operations on the basis of the SAI PMF of the INTOSAI Development Initiative.
- In the development of the workplace community, the focus will be on the development of wellbeing at work by setting clear targets, by observing jointly agreed rules and by providing support on a consistent basis.
- The National Audit Office will ensure that its data protection practices meet the requirements laid down in the EU’s General Data Protection Regulation.

Helsinki 28 February 2018

Tytti Yli-Viikari
Auditor General

Jenni Leppälahti
Head of Planning

1.7 Summary of observed abuses

There is nothing to report for the year.

National Audit Office Management Team 2017



Auditor General Tytti Yli-Viikari

The National Audit Office is headed by the Auditor General who is elected by Parliament for a term of six years. The term of office of Tytti Yli-Viikari as Auditor General started on 1 January 2016.

The Auditor General approves the audit plan and decides on the reports to parliamentary sessions, audit manuals and other matters important to the National Audit Office.

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Executive Office

The Executive Office comprises the planning, customer relations and stakeholders, and the communications function. The functions are the responsibility of Planning Director Jenni Leppälahti, Strategy Director Pirkko Lahdelma (tel. +358 9 432 5811) and Communications Director Tuovi Rautjoki (tel. +358 9 432 5895).



Deputy Auditor General Marjatta Kimmonen, Financial Audit and Compliance Audit Department

The task of the department is to conduct the financial and compliance audits laid out in NAOF's audit plan. Each year, the department audits the final accounts of the central government, ministries and other accounting offices, as well as the final accounts of three off-budget state funds, and prepares audit reports on them. The task of the department is to ensure that the state budget is complied with and that the information contained in the final accounts is true and fair. The department also produces between two and four compliance audit reports each year.

The Financial Audit and Compliance Audit Department is also responsible for the matters coming under the Act on Political Parties and the Act on a Candidate's Election Funding, prepares oversight reports on political party and election campaign funding for Parliament, and acts as an expert on the oversight of election campaign and political party funding.

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Deputy Auditor General Marko Männikkö, Performance Audit and Fiscal Policy Audit Department

The department is divided into three audit groups in accordance with the administrative branches that it audits. Fiscal policy evaluation comes under one of the groups. The audited organisations are laid out in National Audit Office's audit plan and the choice of the organisations is based on NAOF's strategy and a systematic risk analysis.

The department produces between 12 and 15 performance audits each year. The purpose of the performance audits is to ensure that central government finances are properly managed and in compliance with the law and that their management is on an economically efficient and effective basis. The audits cover activities that are of material importance to central government finances, such as the impacts and effectiveness of the activities, organisational structures and financing systems, operational steering and management.

The department produces between one and two fiscal policy audits each year. The aim is to ensure that fiscal policy decision-making is on a solid basis. The audits cover the reliability of the fiscal policy knowledge base, functioning of the fiscal policy management tools and achievement of the targets. One of the tasks of the fiscal policy audit is to determine whether a true and fair view has been given of the central government finances and the sustainability of general government finances.

The department is also responsible for fiscal policy evaluation and the results of this work are reported twice a year. The purpose of fiscal policy evaluation is to assess the management of general government finances and to monitor compliance with national and EU-level fiscal policy rules.

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Chief Administrative Officer Mikko Koiranen

The Administrative Services Unit of the National Audit Office is responsible for the agency's overall and personnel management and ICT services. Its tasks include financial administration, HR functions, purchases, access control, occupational safety and health and other safety matters and document administration.

In cooperation with audit departments, the unit prepares the agency's operational and financial plan, budget proposal and review of operations. It also provides legal assistance and supports and assists other departments in the management of their tasks. The Administrative Services Unit is responsible for ensuring that NAOF's service relationships, work environment, tools and information systems are in accordance with the needs of the agency and its personnel.

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National Audit Office Management Team and personnel representatives in 2017

Marko Männikkö
Deputy Auditor General

Mika Halme
Principal Financial Auditor

Tomi Hallamaa
Audit Assistant

Mikko Koiranen
Chief Administrative Officer

Tuovi Rautjoki
Communications Director

Tytti Yli-Viikari
Auditor General

Arja Suuronen
Chief Accountant

Marjatta Kimmonen
Deputy Auditor General

Annual Report 2017

2 Budget outturn statement

Main division, item, account number, name and type of appropriation	Annual Report 2016	Budget 2017 (incl. supplementary budgets)	Appropriations in the budget 2017		Annual Report 2017	Comparison Budget – Accounts	Supplementary information concerning deferrable appropriations			
			used in 2017	carried forward to following year			Carried forward from previous years	Available for use in 2017	Used in 2017 (excl. cancellations)	Carried forward to following year
21. Parliament	16,076,932.68	15,973,466.00	13,913,076.58	2,060,389.42	15,973,466.00	0.00	1,768,034.74	17,093,034.74	15,032,645.32	2,060,389.42
21.40.01. National Audit Office's operational expenditure (2-year deferrable appropriation)	15,460,000.00	15,325,000	13,264,610.58	2,060,389.42	15,325,000.00	0.00	1,768,034.74	17,093,034.74	15,032,645.32	2,060,389.42
21.40.29. VAT expenditure (variable appropriation)	616,932.68	648,466	648,466.00		648,466.00	0.00				
Total expenditure accounts	16,076,932.68	15,973,466	13,913,076.58	2,060,389.42	15,973,466.00	0.00	1,768,034.74	17,093,034.74	15,032,645.32	2,060,389.42

Details of authorisations and their use in the NAOF budget outturn statement, at the accuracy of one item

NAOF has nothing to report.

4 Balance sheet

	31.12.2017	31.12.2016
ASSETS		
INVENTORIES AND FINANCIAL ASSETS		
CURRENT RECEIVABLES		
Other current receivables	3 758,46	606,00
Prepayments	<u>0,00</u>	<u>51,62</u>
	3 758,46	657,62
TOTAL INVENTORIES AND FINANCIAL ASSETS	3 758,46	657,62
TOTAL ASSETS	<u>3 758,46</u>	<u>657,62</u>
	31.12.2017	31.12.2016
EQUITY AND LIABILITIES		
EQUITY		
STATE'S EQUITY		
State's equity 1.1.1998	-819 653,02	-819 653,02
Change from previous years	-2 373 533,48	-2 512 391,08
Equity transfers	15 623 142,28	15 879 645,42
Surplus/deficit for the year	<u>-15 526 411,46</u>	<u>-15 740 787,82</u>
	-3 096 455,68	-3 193 186,50
LIABILITIES		
CURRENT		
Accounts payable	267 162,72	190 632,70
Transfers between accounting offices	255 373,27	284 692,28
Payable items	229 639,03	215 780,16
Accrued expenses	<u>2 348 039,12</u>	<u>2 502 738,98</u>
	3 100 214,14	3 193 844,12
TOTAL LIABILITIES	3 100 214,14	3 193 844,12
TOTAL EQUITY AND LIABILITIES	<u>3 758,46</u>	<u>657,62</u>

5 Notes to the final accounts

Note 1 Accounting principles and comparability

The final accounts of the National Audit Office have been prepared in accordance with the State Budget Act and the State Budget Decree as well as the orders and guidelines issued by the Ministry of Finance and the State Treasury. Sections 61–66h of the State Budget Decree contain provisions on the preparation of final accounts.

The National Audit Office does not have any fixed assets or depreciation expenses.

The depreciation period is three years for software and hardware, seven years for vehicles and five years for all other machinery, equipment and office furnishings. The National Audit Office does not own national property.

Under operational income, other operational income includes income from the sale of property no longer in use.

Under operational expenditure, personnel expenses include salaries, holiday pay, overtime, expert fees, training fees, other fees, the change of holiday pay liabilities and social security costs. Other expenditure comprises travel costs, domestic and international membership fees, user fees, vehicle insurance premiums paid to the State Treasury and other compulsory charges which are not taxes.

Under current liabilities in the balance sheet, accrued expenditure includes holiday pay liabilities and other accrued expenditure.

The cash-basis principle is applied in the National Audit Office’s commercial accounting. The final accounts have been corrected on an accrual basis.

Note 2 Net budgeted income and expenditure

The National Audit Office does not have any net budgeted items for which net income or net expenses was marked in the budget in its accounts for the past fiscal year.

Note 3 Overspending of estimated appropriations

Number and name of main title and item	Budget (incl. supplementary budgets)	Excess	Excess %
21. Parliament	590,000	58,466.00	10%
21.49.29 VAT expenditure	590,000	58,466.00	10%
Main titles, total	590,000	58,466.00	10%

Note 4 Cancelled transferred appropriations

The National Audit Office does not have anything to report on Note 4.

Note 5 Itemisation of personnel expenditure

	2017	2016
Personnel expenditure	9,474,705.42	9,725,028.15
Salaries and fees	9,578,284.94	9,772,289.39
Performance-based items	0.00	38,941.52
Change in holiday pay liabilities	-103,579.52	-86,202.76
Social security costs	1,601,989.99	1,837,289.67
Pension expenditure	1,526,288.97	1,625,238.94
Other personnel expenditure	75,701.02	212,050.73
Total	11,076,695.41	11,562,317.82
Management salaries and fees *) incl.	543,653.44	615,632.74
- performance-based items	0.00	38,941.52
Fringe benefits and other financial benefits	165,310.40	161,133.70
Management	5,747.20	6,352.80
Other personnel	159,563.20	154,780.90

*) Does not include social security costs

Note 6 Principles used in calculating depreciation according to plan and changes to it

The National Audit Office does not have anything to report on Note 6.

Note 7 Changes in the acquisition cost of national property and fixed assets and other long-term expenditure

The National Audit Office does not have anything to report on Note 7.

Note 8 Financial income and expenses

The National Audit Office does not have anything to report on Note 8.

Note 9 Loans granted from the budget

The National Audit Office does not have anything to report on Note 9.

Note 10 Shares and participations in companies and other securities comparable to shares

The National Audit Office does not have anything to report on Note 10.

Note 11 Financial assets and liabilities in the balance sheet

The National Audit Office does not have anything to report on Note 11.

Other multiannual commitments

Ordinary agreements and commitments made under “Operational expenditure” in general provisions section of the Budget Statement

EUR	Budget expenditure 2017	Appropriation requirement 2018	Appropriation requirement 2019	Appropriation requirement 2020	Appropriation requirement in subsequent years	Total appropriation requirement
Ordinary agreements and commitments, total	1,053,810.76	558,104.88	558,104.88	558,104.88	1,674,314.64	3,348,629.28

Agreements and commitments made under other grounds than “Operational expenditure” in general provisions section of the Budget Statement

EUR	Budget expenditure 2017	Appropriation requirement 2018	Appropriation requirement 2019	Appropriation requirement 2020	Appropriation requirement in subsequent years	Total appropriation requirement
Ordinary agreements and commitments, total						
Other multiannual commitments, total	1,053,810.76	558,104.88	558,104.88	558,104.88	1,674,314.64	3,348,629.28

Note 12 Granted state securities, state guarantees and other commitments

The accounting offices do have securities or guarantees.

Note 13 Reserve funds in the balance sheet

The National Audit Office does not have anything to report on Note 13.

Note 14Reserve funds outside the balance sheet

The National Audit Office does not have anything to report on Note 14.

Note 15Changes in liabilities

The National Audit Office does not have anything to report on Note 15.

Appendix 16: Maturity breakdown and duration of liabilities

The National Audit Office does not have anything to report on Note 16.

Appendix 17: Other supplementary information needed to give true and fair information

The National Audit Office has provided true and fair information in its final accounts and notes as well as in its review of operations.

No abuses or criminal offences were detected in the National Audit Office.

6 Signatures

The final accounts were approved in Helsinki on 28 February 2018.

Helsinki 28 February 2018

Tytti Yli-Viikari
Auditor General

Mikko Koiranen
Chief Administrative Officer

Appendices

Appendix 1: Allocation of working hours by department 1 Jan – 31 Dec 2017

Appendix 2: End products in 2017

Appendix 1: Allocation of working hours by department
1 Jan–31 Dec 2017
(by project location)

Core activity by audit type and function	Joint NAOF functions	%	FC	%	PF	%	EO	%	AS	%	ALL	%	
Financial audit	0	0,0 %	5 905	53,7 %	0	0,0 %	0	0,0 %	0	0,0 %	5 905	20,0 %	
Compliance audit	0	0,0 %	701	6,4 %	0	0,0 %	0	0,0 %	0	0,0 %	701	2,4 %	
Performance audit	0	0,0 %	0	0,0 %	4 470	38,4 %	0	0,0 %	0	0,0 %	4 470	15,2 %	
Fiscal policy audit	0	0,0 %	0	0,0 %	625	5,4 %	0	0,0 %	0	0,0 %	625	2,1 %	
Fiscal policy evaluation	0	0,0 %	0	0,0 %	599	5,1 %	0	0,0 %	0	0,0 %	599	2,0 %	
Reports to Parliament	0	0,0 %	18	0,2 %	71	0,6 %	89	3,6 %	0	0,0 %	178	0,6 %	
Management of core activities	346	67,0 %	1 210	11,0 %	926	8,0 %	301	12,1 %	334	8,7 %	3 117	10,6 %	
Other core activities	166	32,0 %	906	8,2 %	3 021	25,9 %	789	31,9 %	1	0,0 %	4 883	16,6 %	
Development of core activities	0	0,0 %	244	2,2 %	176	1,5 %	10	0,4 %	3	0,1 %	433	1,5 %	
Audit and other core activities, total	512	99,0 %	8 985	81,7 %	9 889	84,9 %	1 189	48,0 %	337	8,8 %	20 911	71,0 %	
Oversight of election campaign and political party funding	0	0,0 %	469	4,3 %	0	0,0 %	0	0,0 %	3	0,1 %	472	1,6 %	
Core activities, total	512	99,0 %	9 454	86,0 %	9 889	84,9 %	1 189	48,0 %	340	8,9 %	21 383	72,6 %	
													EWH
External performances as percentage of effective working hours	512	1,7 %	9 454	32,1 %	9 889	33,6 %	1 189	4,0 %	340	1,2 %	21 383	72,6 %	118,8
													Divisor 180
Support functions	Joint NAOF functions	%	FC	%	PF	%	EO	%	AS	%	ALL	%	
General administration and management	5	0,9 %	1 018	9,3 %	1 184	10,2 %	478	19,3 %	480	12,6 %	3 164	10,7 %	
Support for planning, steering and monitoring	0	0,0 %	0	0,0 %	0	0,0 %	11	0,4 %	71	1,9 %	82	0,3 %	
Personnel administration	0	0,0 %	52	0,5 %	223	1,9 %	15	0,6 %	743	19,5 %	1 033	3,5 %	
Training	0	0,1 %	461	4,2 %	328	2,8 %	60	2,4 %	38	1,0 %	887	3,0 %	
Financial administration	0	0,0 %	0	0,0 %	7	0,1 %	19	0,8 %	201	5,3 %	226	0,8 %	
Travel	0	0,0 %	0	0,0 %	5	0,0 %	1	0,0 %	104	2,7 %	109	0,4 %	
Internal audit, risk management and security	0	0,0 %	6	0,1 %	2	0,0 %	0	0,0 %	637	16,7 %	645	2,2 %	
Information management	0	0,0 %	0	0,0 %	3	0,0 %	0	0,0 %	808	21,2 %	811	2,8 %	
Knowledge management	0	0,0 %	0	0,0 %	0	0,0 %	4	0,2 %	267	7,0 %	271	0,9 %	
Communications	0	0,0 %	9	0,1 %	5	0,0 %	699	28,2 %	0	0,0 %	712	2,4 %	
Real estate management	0	0,0 %	0	0,0 %	0	0,0 %	0	0,0 %	6	0,2 %	6	0,0 %	
Office services	0	0,0 %	0	0,0 %	0	0,0 %	0	0,0 %	119	3,1 %	119	0,4 %	
Other support functions	0	0,0 %	0	0,0 %	1	0,0 %	0	0,0 %	5	0,1 %	6	0,0 %	
Support functions, total	5	1,0 %	1 545	14,0 %	1 757	15,1 %	1 287	52,0 %	3 480	91,1 %	8 073	27,4 %	
Internal performances as percentage of effective working hours	5	0,0 %	1 545	5,2 %	1 757	6,0 %	1 287	4,4 %	3 480	11,8 %	8 073	27,4 %	
													EWH
Effective working hours, total	517	1,8 %	10 998	37,3 %	11 646	39,5 %	2 475	8,4 %	3 820	13,0 %	29 456	100 %	163,6
													Divisor 180
Absences	Joint NAOF functions	%	FC	%	PF	%	EO	%	AS	%	ALL	%	
Paid absences	56	96,6 %	2 033	77,3 %	2 020	61,3 %	373	79,7 %	538	72,5 %	5 020	69,8 %	
Sickness absenteeism	2	3,4 %	274	10,4 %	509	15,4 %	80	17,2 %	176	23,8 %	1 042	14,5 %	
Other paid absences	0	0,0 %	159	6,0 %	655	19,8 %	7	1,4 %	8	1,1 %	828	11,5 %	
Holiday bonus leave	0	0,0 %	165	6,3 %	114	3,5 %	8	1,7 %	20	2,7 %	307	4,3 %	
Holiday bonus, holiday compensation	0	0,0 %	0	0,0 %	0	0,0 %	0	0,0 %	0	0,0 %	0	0,0 %	
Absences, total	58	100 %	2 631	100 %	3 298	100 %	468	100 %	743	100 %	7 197	100 %	
													EWH
Working hours, total	575	1,6 %	13 629	37,2 %	14 944	40,8 %	2 943	8,0 %	4 563	12,4 %	36 653	100 %	203,6
													Divisor 180

Appendix 2: End products in 2017

National Audit Office's reports to Parliament

R 1/2017 vp National Audit Office's report to Parliament on the oversight of political party funding in 2016

R 9/2017 vp Separate report of the National Audit Office to Parliament on the audit of the final central government accounts for 2016 and the Government's annual report

R 17/2017 vp National Audit Office's report on its activities to the 2017 parliamentary session

R 19/2017 vp National Audit Office's report on the oversight of election campaign funding in the 2017 municipal elections

R 20/2017 vp Separate report of the National Audit Office to Parliament: Fiscal policy evaluation report 2017

Audit reports

Financial audit

Office of the President of the Republic

Office of the President of the Republic 6/53/2016

Prime Minister's Office

Prime Minister's Office 7/53/2016

Administrative branch of the Ministry for Foreign Affairs

Ministry for Foreign Affairs 8/53/2016

Administrative branch of the Ministry of Justice

Ministry of Justice 9/53/2016
Legal Register Centre 194/53/2016
Criminal Sanctions Agency 10/53/2016
Finnish Prosecution Service 163/53/2016
National Administrative Office for Enforcement 175/53/2016

Administrative branch of the Ministry of the Interior

Ministry of the Interior 11/53/2016
ICT Agency HALTIK 12/53/2016
Emergency Response Centre Administration 13/53/2016
Finnish Immigration Service 14/53/2016
Emergency Services College 15/53/2016
National Police Board 16/53/2016
Finnish Border Guard 17/53/2016
Finnish Security Intelligence Service 18/53/2016

Administrative branch of the Ministry of Defence

Ministry of Defence 19/53/2016
Construction Establishment of Defence Administration 20/53/2016
Finnish Defence Forces 21/53/2016

Administrative branch of the Ministry of Finance

Ministry of Finance 22/53/2016
State Department of Åland 23/53/2016
Regional State Administrative Agency for Southern Finland 24/53/2016
Financial Stability Authority 25/53/2016
Statistics Finland 26/53/2016
Finnish Customs 27/53/2016
State Treasury 28/53/2016
VATT Institute for Economic Research 29/53/2016
Government Shared Services Centre for Finance and HR 30/53/2016
Government ICT Centre Valtori 31/53/2016
Finnish Tax Administration 32/53/2016
Population Register Centre 33/53/2016

Administrative branch of the Ministry of Education and Culture

Ministry of Education and Culture 34/53/2016
Centre for International Mobility CIMO 35/53/2016
National Archives 36/53/2016
National Board of Antiquities 37/53/2016
Finnish National Agency for Education 38/53/2016
Academy of Finland 39/53/2016
Governing Body of Suomenlinna 40/53/2016

Administrative branch of the Ministry of Agriculture and Forestry

Ministry of Agriculture and Forestry 41/53/2016
Finnish Food Safety Authority Evira 42/53/2016
Natural Resources Institute Finland 43/53/2016
National Land Survey of Finland 4/53/2016
Agency for Rural Affairs 45/53/2016

Administrative branch of the Ministry of Transport and Communications

Ministry of Transport and Communications	46/53/2016
Finnish Meteorological Institute	47/53/2016
Finnish Transport Agency	48/53/2016
Finnish Transport Safety Agency Trafi	49/53/2016
Finnish Communications Regulatory Authority	50/53/2016

Administrative branch of the Ministry of Economic Affairs and Employment

Ministry of Economic Affairs and Employment	51/53/2016
Development and Administration Centre for the ELY Centres and TE Offices	52/53/2016
Energy Authority	53/53/2016
Geological Survey of Finland	54/53/2016
Tekes – the Finnish Funding Agency for Technology and Innovation	55/53/2016
Finnish Competition and Consumer Authority	56/53/2016
Finnish Patent and Registration Office	57/53/2016
Finnish Safety and Chemicals Agency	58/53/2016

Administrative branch of the Ministry of Social Affairs and Health

Ministry of Social Affairs and Health	59/53/2016
Finnish Medicines Agency	60/53/2016
National Supervisory Authority for Welfare and Health	61/53/2016
Radiation and Nuclear Safety Authority	62/53/2016
National Institute for Health and Welfare	63/53/2016

Administrative branch of the Ministry of the Environment

Ministry of the Environment	64/53/2016
Housing Finance and Development Centre of Finland	65/53/2016
Finnish Environment Institute	66/53/2016

Final central government accounts

Final central government accounts	67/53/2016
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Off-budget funds

Fire Protection Fund	68/53/2016
State Television and Radio Fund	69/53/2016
Finnish Oil Pollution Compensation Fund	70/53/2016

Compliance audit

13/2017	Current state of internal control and risk management in central government
14/2017	Business subsidies

Fiscal policy evaluation

10/2017	Fiscal policy evaluation report spring 2017
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Performance audit

1/2017	Structural reforms in the Finnish Tax Administration
2/2017	Feed-in tariff as an instrument for subsidising wind power
3/2017	Encouraging business investments – overall assessment
4/2017	Encouraging business investments – views of four sectors
5/2017	Steering and implementation of corporate social responsibility in state-owned companies Case: Arctia Ltd., Kemijoki Oy and Vapo Oy
6/2017	Multilateral development cooperation
8/2017	Innovative public procurement procedures
9/2017	Innovation strategy in public contracts
11/2017	Frequent users of basic health care services
12/2017	Implementation of EU legislation
15/2017	Steering of the operational reliability of electronic services
16/2017	Cyber protection arrangements
17/2017	Steering system of the Finnish Defence Forces
18/2017	Planning and steering of material projects by the Finnish Defence Forces
19/2017	Planning and monitoring costs and benefits of information system procurement

Review

1/2017	Trend projections for social security expenditure
2/2017	Fiscal risks – international recommendations
3/2017	Preventing children’s mental health problems and supporting their wellbeing through school health care services

Audit concluded with a letter and a memorandum

Regulatory authorities

Follow-up reports

Special needs education in basic education	8/2013
Public legal aid	5/2014
Management of and responsibilities for oil spills from vessels in the Gulf of Finland	2/2014
Steering system in the administrative branch of the Ministry of Finance	9/2014
Using technical assistive devices in services for older persons provided at home	3/2015
Central government pay systems	2/2015
VR Group: State ownership steering and purchases of passenger services	233/2011
Cyclical renovation grant scheme	6/2014
Programmes for combating the grey economy and coordinating the work	14/2015
Promotion of electronic archiving	11/2014



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