



Annual Report 2016



National Audit Office's Annual Report for 2016

192nd year of operations

HELSINKI 2017

Operations 2016



In the early 2010s, the National Audit Office of Finland adopted the vision “the Finnish way of managing fiscal matters can serve as a model for the world”. This vision also incorporates the idea that we produce information ensuring that the development of central government can be on a secure basis. The way in which decision-makers and central government use economic efficiency and effectiveness as a guiding principle and at the same time adhere to Nordic values, such as transparency, openness, clarity and fairness, is also an indication of the success of our work.

Since the adoption of the vision, the pace of change in our operating environment has accelerated and there have been signs of inconsistency in the way in which central government finances are managed. At the same time, operating models and instruments are being reshaped. Despite all this, Finland’s central government finances are managed in an exemplary manner when compared with the rest of the world. In fact, when reading the list “Finland among the best in the world” compiled by Statistics Finland on the occasion of the centenary of Finnish independence, the question arises whether there are any areas of Finnish central government where improvements are still needed? International comparisons show that Finland can serve as an example for the world in good governance, rule of law and fundamental rights. Finns have great trust in their political system and vote in the freest and the most reliable elections of the world.

Good governance is based on the decisions made by people every day as they are performing their public service tasks. Over the next eight years, almost half of all public servants working in Finland’s central government will retire or will leave the sector as a result of productivity measures. During the next generation of public servants, artificial intelligence will also start playing a greater role in Finnish affairs. However, humans will remain responsible for the day-to-day decisions. In order to ensure continuous adherence to the principle of good governance, we must remain alert and anticipate future developments so that they do not weaken the high quality of our institutions.

Strong commitment to a common value base - high work ethics, sense of responsibility and sense of duty - is the main reason why there is also strong commitment to the principles of good governance in Finland. Traditionally, Finland’s central government has put emphasis on trust and it has been able to rely on consensus in ethical matters. However, in the future, public servants will work in a broad range of different networks where personal responsibility for decisions may not be as clear as before. The information systems used in the preparation processes are controlled by outsourced service providers. There is not necessarily enough time for in-depth consideration of issues and hastiness means a higher risk of errors.

In decision-making, the pressures from different actors and the fact that interest groups can rely on a broad range of channels when trying to influence central government actors are some of challenges faced by public servants. When planning the stages of public services and public-sector decision-making, we must give more con-

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sideration to ensuring that the stages are accompanied by automatic controls and that they are on a proper basis. The observations made by our auditors have reinforced the need to plan the extensive information system reforms so that the arrangements essential to internal control are built into the overall process in advance. Ensuring appropriate resources for and organisation of internal control becomes increasingly important as digitalisation is making process.

Senior public servants must consider the impacts of change and emphasise the ethical responsibility of public servants. As shown by the audit of the operating practices of senior public servants conducted last year, an excellent basis for this already exists: The senior public servants in central government observe the principle of good governance. The example set by the senior management encourages all members of the organisation to act in the same manner.

Sustainable development of the public sector activities is based on balanced central government finances. The centenary of Finnish independence may be a watershed in this respect. There is a serious danger that the necessary fiscal adjustment measures are not carried out. Our role as a fiscal policy evaluator has strengthened our overall view of Finland's general government finances and in our audits, we highlight the appropriate recommendations.

The purpose of the performance audits carried out by the National Audit Office is to determine the effectiveness and efficiency of the public services. Anticipation of change also has an impact on the work of the National Audit Office because we are increasingly using our audits to produce information that can be used in the development work. The objectives of development-oriented audit are based on the international audit standards (ISSAI standards) on the effectiveness of audit institutions. We support sustainable reforms in general government. We also share our expertise and knowledge of the good practices of Finnish central government in international audit networks. The cooperation between EU countries in fiscal policy audit, which was initiated by the National Audit Office in 2007, is now well-established and exchange of views between experts as part of this cooperation has been extremely useful in the aftermath of the financial and debt crisis.

Parties acting as enablers play an important role in central government. At a time when no additional resources are available, old operating models and support forms must be dismantled in a controlled manner in order to ensure greater impact of the work. Audit results also support the streamlining of processes and the removal of unnecessary obstacles. The audits carried out by the National Audit Office also help to determine how extensively foresight information has been used in legislative drafting, to what extent future changes have been outlined and how much focus there has been on producing impact assessments.

Good interaction with the audited entities has been our most important effectiveness target. Our multi-channel communications and face-to-face dialogue support the achievement of this target. We have worked hard to promote internal communications and we will continue to use the electronic working environment to support the achievement of this target. The effectiveness of the National Audit Office

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is based on high-quality work. Quality assurance is a central part of our operations. In the methodical development of audit work, we also rely on the expertise of our scientific council. The feedback that we receive on our audits supports the process of ex-post quality assessment.

We have updated our audit planning process so that it now involves more extensive processing of risk analysis data between different audit types and monitoring areas. In the planning of our audits, we give consideration to material and timely information from the perspective of the parties using the information. We now report more extensively on audit results in different media channels so that Parliament and senior central government actors could more actively use the information as an instrument supporting their decision-making.

Global forces of change and the era of unpredictability pose additional challenges to legislative drafting and the planning of public services. The changes are rapid and their impacts are felt in all areas of central government. In our audit operations, we are developing our operating practices so that we can better anticipate rapid change and the need for change. Our focus is on competence development so that we can continue to provide Finnish society with valuable, relevant and timely information on the operations of central government.

I would like to thank the personnel of the National Audit Office for their strong commitment and competence, which are the foundations of our audit work. We have been working on new operating models and built new processes in a close dialogue with our stakeholders. We are updating our operations and introducing new practices so that Finland's central government will also be able to rely on independent, objective and high-quality audit information for the next 100 years. I would also like to thank the audited entities and the parties using the information that we have produced for a strong partnership in the development of central government. The opportunities provided by a new era arise from the sharing of joint experiences.

Tytti Yli-Viikari

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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 Finland's national audit body under the Treaty on the Functioning of the European Union, working in cooperation with the European Court of Auditors 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 683/2010), the National Audit Office is prescribed with the task of supervising compliance with provisions concerning political party subsidies, disclosures of election campaign expenditure and funding and the formulation and submission of related documents and information by political parties, affiliated entities and associations referred to in political 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 the public administration have taken the necessary measures to achieve them. The objective of supervision of 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 in the 2016-2020 audit plan. The agency's departments are responsible for assessing how these performance targets are implemented. 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

We produce topical and essential audit, evaluation and monitoring 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 our work has a significant effect as we provide decision-makers with up-to-date information and essential audit, evaluation and monitoring information for developing operations.

The purpose of financial audits and compliance audits is to produce information for determining that central government finances are in compliance with the law and the state budget. In this process, it is the task of the financial audit in particular to verify the trueness and fairness of the information contained in the final accounts (final accounts and reviews of operations of accounting offices and final central government accounts).

Focus in the performance audits has been on the priority areas laid out in the risk analysis of central government finances and the national economy prepared in 2015. As in previous years, a fairly high proportion of the recommendations presented in the audit reports has been implemented: Of the recommendations, 27 per cent have been implemented in full or almost in full, and 38 per cent to some extent. Ministries provided positive feedback on the relevance and usefulness of the performance and fiscal policy audits at the meeting between the department's management team and ministries in autumn 2016.

2

Our work has a significant effect on ensuring that central government finances are in compliance with the law and the decisions of Parliament, especially the state budget and the principles of good governance.

Indicator: Self-evaluation by department: stakeholder survey

Assessment: Of the different audit types of NAOF, financial audit is of greatest importance in this area, and according to its assessment, our work as an audit institution has a significant effect on ensuring that the target is achieved. The purpose of financial audits and compliance audits 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 and Fiscal Policy Audit Department, the work has had a moderate effect. As a rule, in performance and fiscal policy audits, the impact is often indirect. The issues discussed in performance and fiscal policy audits do not usually concern compliance matters or whether the activities have been in accordance with the state budget. The issues discussed in performance and fiscal policy audits do not usually concern compliance matters or whether the activities have been in accordance with the state budget.

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. The impact of the performance audits is usually indirect because their results provide a basis for sustainable reforms in the public administration even though it is not possible to determine whether there is a direct connection between them and the improved sustainability of central government finances. The focus in the audits has, however, been on issues that are essential to achieving the target. With fiscal policy evaluation, the National Audit Office promotes transparent and easy-to-understand fiscal policy regulation and stable and sustainable general government finances. Focus in fiscal policy audits is on the reliability of the knowledge base for fiscal policy decision-making and the functioning of the fiscal policy instruments.

The purpose of financial audits and compliance audits is to ensure that central government finances are in compliance with the law and the state budget. In this process, it is the task of the financial audit in particular to verify the trueness and fairness of the information contained in the final accounts (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 provided by audited entities on interaction during the audit is positive.

Indicator: Results of the stakeholder survey

Assessment: The target has been achieved. According to the results of the stakeholder survey conducted in 2015, the view is that adequate information about the audit, evaluation and monitoring process is provided and the cooperation with the auditors is smooth and professional and characterised by mutual respect. Stakeholders would like to have more information about the

methods and criteria used in the audits. Central government actors would also like to see closer contacts with the audited entities. The National Audit Office will continue to monitor the interaction taking place during the audits. During the year, the National Audit Office prepared a feedback questionnaire on the interaction during the audits and the audit process. The questionnaire will be systematically used in all future audits. The next stakeholder survey will take place in 2019.

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 and Fiscal Policy Audit Department, the target has been mostly achieved. All audit evidence has been analysed from the perspective of central government finances. The economic content of the audit perspective should, however, be strengthened. According to the Financial and Compliance Audit Department, the target has 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 every 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 of the audit department

Assessment: As a whole, the target has been achieved. The methodical support unit established in the Performance and Fiscal Policy Audit Department and the methodical training provided for the staff have strengthened the methodical basis of the audits. Development of knowledge formation, audit methods and competence in performance audits and fiscal policy audits should, however, continue.

Financial audits and compliance audits are conducted in accordance with the general audit manual and manuals specific to audit types prepared by the National Audit Office. The manuals are based on ISSAI standards. Steering and quality control 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 the following: well-being 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 2016 ParTy survey, the result for the National Audit Office (13.7) was slightly below that of the reference group (14.0). The gap is not substantial, however, which means that the target was achieved. In well-being at work, the result for the National Audit Office (3.4) was below that of the reference group (3.7). The work fundamentals were at the same level as in the reference group. In workload factors, the result of the National Audit Office (3.1) was below that of the reference group (3.3). In the basis for workplace community development, the National Audit Office scored a weaker result (3.2) than the reference group (3.5). The gaps between individual departments are too wide, which is the main reason why improvements in the National Audit Office are required.

8

Sickness absenteeism is at overall central government level.

Indicator: Total sickness absenteeism/
person-year

Assessment: Sickness absenteeism (4.4 days/person-year) was substantially below the overall central government level (8.5 days/person-year). Sickness absenteeism in the National Audit Office declined by four per cent from the previous year.

9

An average of ten person-days is used for competence development per person-year.

Indicator: Monitoring of working hours,
person-days used for competence development

Assessment: The time spent on competence development was again above the target. A total of 11.8 person-days per person-year was spent on training in 2016.

10

The competence level, as defined in the index laid down in the competence survey, is improving.

Indicator: Competence level index survey

Assessment: The target has been mostly achieved. Overall average of the competence level index was 7.41 (on a scale of 1-10). There was a slight fall in the average: At the start of 2016, it was 7.63. The overall competence level has, however, improved. At the start of 2015, the overall index average stood at 6.9.

11

Performance audits, fiscal policy audits and compliance audits are completed within the timetable laid out for them and the actual person-days do not exceed the person-days allocated for the audits in the audit plans. Financial audits are completed within the timetable laid out for them in the department's plan.

Indicator: Plans

Assessment: In financial audits, the target was mostly achieved. In performance audits, fiscal policy audits and compliance audits the target was not met. In performance audits and fiscal policy audits, the planned lead times were exceeded in 60 per cent of all audits (no change compared with 2015). The actual days exceeded the planned days in 67 per cent of all audits. In 2015, the figure was 47 per cent. The excesses were, however, substantially smaller than in 2015. In accordance with a well-established practice, there is occasionally a reallocation of audit resources, which is not considered in the assessment. In compliance audits, the actual person-days exceeded the person-days laid out in the annual audit plan by about 18 per cent. All compliance audits were, however, completed by the deadlines specified for them. In compliance audits started in 2016, the audit plan covers the entire audit process.

The external auditing of central government finances contributes to the maintenance of justifiable confidence in the proper management of central government finances and in the Government and central government in general. One audit objective is to achieve the 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 the public administration and the way in which it works 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 ability of the National Audit Office to strengthen citizens' trust in central government and central government finances is based on the agency's good reputation. 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 supervision of the legality of election and political party funding are elements of the institutional arrangements preventing corruption and promoting good governance. The supervision 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 realisation of governance accountability, 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 aim of the National Audit Office's external communications is to promote the effectiveness of the agency's work and its good reputation through effective media communications, high-quality reporting and easy-to-use online services. The aim of the National Audit Office is to be perceived as an objective and reliable expert and an agency ensuring that central government finances are on a responsible and sustainable basis.

The National Audit Office published a total of 30 press releases in 2016 (2015: 30) and held one press conference during the year. There was a substantial increase in the number of media hits between 1 December 2015 and 30 November 2016. The figure was 2,083, compared with 1,343 in the same period in 2015-2016. Most of the media hits associated with the National Audit Office were neutral. The areas of audit, evaluation and monitoring work attracting the most interest were the compliance audit of Finavia, annual report, election campaign funding, political party subsidies, digitalisation, electronic systems, fiscal policy, SOTE reform and the audits of central government agencies.

Media in all parts of Finland reported on the issues examined by the National Audit Office. Based on the main location of the editorial head offices of the media publishing the articles, Southwest Finland, North Savo, Southern Ostrobothnia, Uusimaa and Central Finland accounted for most of the print media hits. Nationwide operators and the online media located in Ostrobothnia and Uusimaa accounted for most of the online reporting.

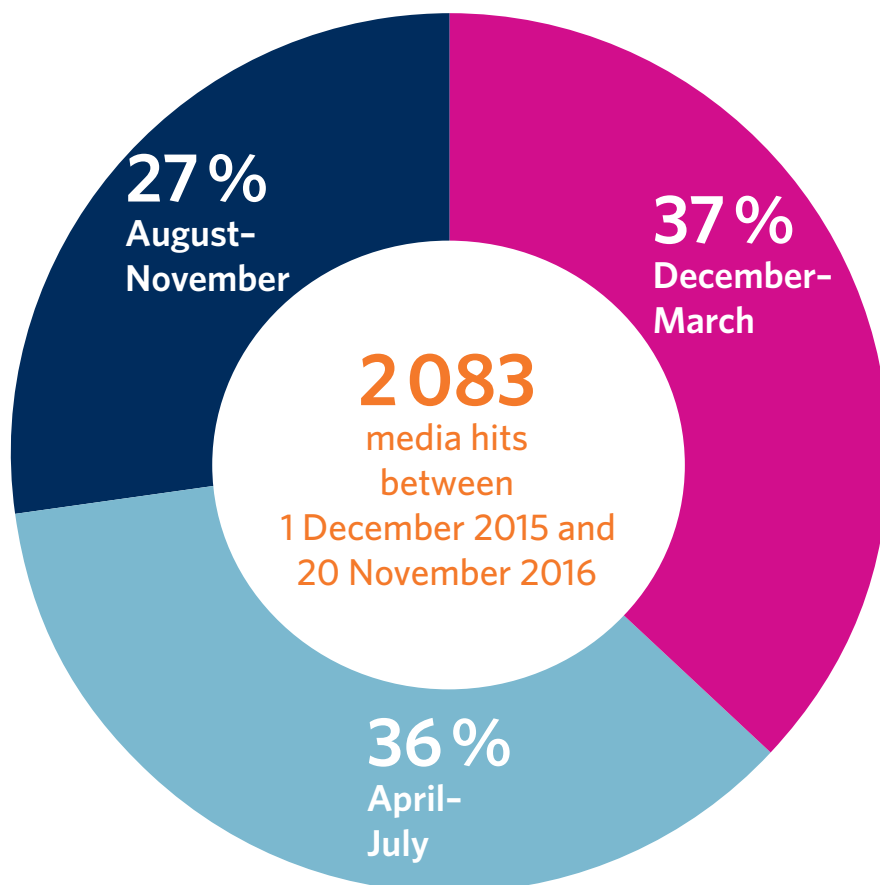


Figure 1: Media hits between 1 December 2015 and 30 November 2016

The National Audit Office now relies increasingly on the Internet for its media visibility. In 2016, the print media only accounted for less than a quarter of all media hits. The growth of online media prompted the National Audit Office to expand its stakeholder communications in the social media. Twitter, LinkedIn and YouTube were the social media channels used, with Twitter being the most important of the three. The National Audit Office also launched the Tarkastuspiste (audit point) expert blog.

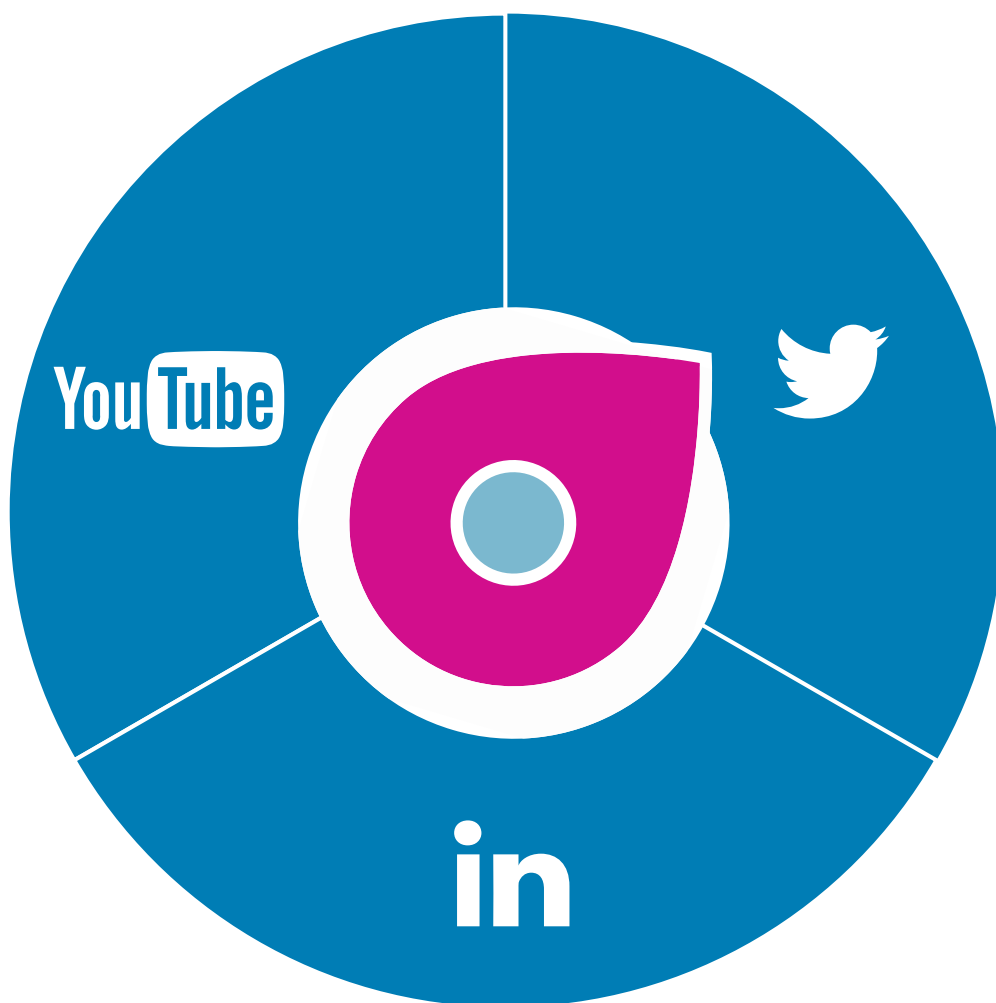


Figure 2: Social media channels

Based on the media monitoring, the recommendations issued by the National Audit Office are mostly discussed on a factual basis. 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 relating to the quality of audit communications and the Central Government Communications Guidelines (2016) are also taken into consideration in the agency's communications. The reputation goals and operating principles for the media are laid out in the agency's media policy.

Most of the internal communications objectives laid out in the 2016 communications plan were achieved. The new intranet system, which was introduced in autumn 2016, was the most important development project during the year. The National Audit Office also communicated extensively on the launching of the KIEKU system. The Loikka uuteen (Leap into the new) project, which involves the move to new premises and an overhaul of the agency's working practices, was accompanied by active multi-channel communications.

The National Audit Office continued the introduction of new reporting practices in reports to Parliament and audit reports, information graphics and data visualisations were used more extensively, and the Vaikuttava virkakieli programme (Effective official language) led to improvements in the language used in the reports. The aim of the programme is to enhance the quality and impact of the publications produced by the National Audit Office.

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 these have required that the Government reports on a matter or if the National Audit Office's audit activities have dealt with related matters.

The matters highlighted in the Audit Committee's reports are mainly based on the key findings and conclusions presented to Parliament in the National Audit Office's reports. The Parliamentary positions concern important issues in which achieving change is slow. For this reason, these issues are also followed over a longer period. Performance audit monitors the implementation of the Parliamentary positions and reports on its observations in the annual report submitted to Parliament each year.

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

The Performance Audit and Fiscal Policy Audit Department monitors the implementation of the opinions expressed in its reports and whether any action has been taken on the basis of the recommendations and the other opinions. 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.

A total of seven follow-ups to performance audits were produced in 2016 (2015: 12). In these follow-ups, the implementation of 52 (2015: 89) recommendations issued by the National Audit Office and the measures accompanying them were assessed. Based on the assessments, about 27 per cent (2015: 30%) of the recommendations have been implemented in full or almost in full and 38 per cent to some extent.

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 Impact of the National Audit Office on international developments in the audit sector and international cooperation

The National Audit Office has been represented in the Governing Board of EUROSAI (European Organisation of Supreme Audit Institutions) since the 2014 congress. The membership in the Governing Board will last until 2020. The National Audit Office will also serve as the Second Vice-President of EUROSAI until 2017. The task of the Second Vice-President is to support EUROSAI's President (the Netherlands) in the management and development of the organisation, to actively participate in strategic discussions and to represent EUROSAI at the highest level. As a member of the Governing Board of EUROSAI, the National Audit Office has played an important role in the preparation of the new EUROSAI strategy for the period 2017-2023.

The National Audit Office was actively involved in the preparations of the congress of the International Organisation of Supreme Audit Institutions (INTOSAI), which was held in Abu Dhabi between 5 and 11 December 2016 (INCOSAI XXII). NAOF coordinated the position of EUROSAI on Agenda 2030 for sustainable development, one of the two main themes discussed at the conference. NAOF's role as the coordinator of the views of all 50 members of EUROSAI raised Finland's visibility and highlighted its expertise in the international cooperation of audit institutions. Professionalisation was the second of the main themes discussed at INCOSAI XXII. In INTOSAI, the National Audit Office has actively participated in the work of the Working Group on Key National Indicators, Working Group on Financial Modernization and Regulatory Reform, and the Working Group on Public Debt. The National Audit Office has monitored and actively participated in the discussion on the integration of the sustainable development goals into audit work, both at national and international level. As a member of the INTOSAI community, each country and audit institution is able to promote the achievement and auditing of the goals. The sustainable development goals (SDG) are significantly more universal and ambitious than the earlier millennium development goals (MDG) laid out by the UN. The fact that the goals cover a broad range of different issues means that most of their content is also relevant to the work of audit institutions in both compliance and performance audits. This means that the National Audit Office plays an important role in the implementation of the goals by promoting Finland's ability to achieve them and to report on its progress.

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. The most important areas monitored by the committee in 2016 were fiscal sustainability and true and fair information on central government finances. The National Audit Office took part in three parallel audits, in which the following themes were reviewed: 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 National Audit Office hosted the joint meeting of the EU2020 Strategy Network and the Structural Fund Working Group, which was held in Helsinki in 2016.

The National Audit Office also took part and played an important role at the following meetings of the following networks of independent fiscal policy audit institutions: OECD Network of Parliamentary Budget Officials and Independent Fiscal

Institutions (PBO) and the EU Network of Independent Fiscal Institutions (EUNIFI), which is coordinated by the European Commission. As part of its fiscal policy evaluation task, the National Audit Office also shared information and cooperated with the European Commission.

From the perspective of the National Audit Office, the focus in the cooperation between Nordic audit institutions was the risk analysis workshop arranged by NAOF in Finland in which the macroeconomic risk analysis was discussed.

The National Audit Office also took part in the peer review organised by the Government Accountability Office of the United States. The review started in autumn 2016 and it will continue until autumn 2017. Denmark, United Kingdom and New Zealand are the three other countries taking part.

The National Audit Office hosted an expert group in a series of EU visits during which networks were established in Luxembourg and Brussels with such parties as the European Court of Auditors, EUROSTAT, European Anti-Fraud Office (OLAF), European Parliament, European Commission and the Permanent Representation of Finland to the European Union. In accordance with the aims laid out for the series of visits, the expert group familiarised itself with the decision-making system and institutions of the EU and the institutions' operating practices and deepened its competence in these areas.

1.2 Outputs and quality management

The reports submitted to Parliament (reports to Parliament), audit reports and audit quality management are discussed in Chapter 1.2.

1.2.1 Number of performances and achieved public goods

Reports to Parliament

K 17/2016 vp National Audit Office's report on its activities to the 2016 parliamentary session

K 15/2016 vp National Audit Office's separate report to Parliament on the audit of the final central government accounts 2015 and the Government's annual report

K 18/2016 vp National Audit Office's separate report to Parliament: Interim Report on Fiscal Policy Evaluation for the Parliamentary Term of 2015–2018

K 1/2016 vp National Audit Office's report to Parliament on the monitoring of the funding of political parties in 2015

In 2016, the National Audit Office performed its duties laid down in the Act on Political Parties (10/1969, amended under 683/2010). Up-to-date disclosures as required under the Act on Political Parties regarding support received by political parties, party associations and affiliated entities were received pursuant to the act. 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 48 audits of political party organisations under the Act on Political Parties during the year. A report on these audits as referred to in section 9 e of the Act on Political Parties will be submitted to Parliament on 9 February 2017.

Audit reports

In accordance with the National Audit Office's audit plan, in 2016 Financial Audit reported on the audit of the final central government accounts for 2015 and issued financial audit reports concerning 64 accounting offices and three off-budget funds. One compliance audit report was issued in 2016.

In 2016, the National Audit Office issued one fiscal policy audit report,¹⁵ performance audit reports, one compliance audit report and two reviews. One performance audit report was also included in a separate report. The National Audit Office also issued reports on follow-ups to earlier performance audit reports.

Complaints and abuses

In 2016, the National Audit Office received five (2015: 9) reports from central government authorities concerning abuses of state funds or assets in their activities. During the year in review, the National Audit Office received 25 complaints from private persons and organisations regarding central government finances (2015: 43).

1.2.2 Audit quality management

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

PERFORMANCE AUDIT AND FISCAL POLICY AUDIT

The development focus in 2016 was on audit quality assessment, quality objectives and assessment criteria. 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. Based on the self-evaluation, most of the quality targets were achieved. However, 61 per cent of all audits were not completed within the timetable set for them and 67 per cent of all audits were not completed during the working days allocated for them. This is partly due to the audit quality management the aim of which is to ensure that the audits meet all quality requirements laid out by NAOF and contained in its manuals. Furthermore, in accordance with a well-established practice, there is occasionally a reallocation of audit resources, which is not considered in the quality assessment.

Assessments of one performance audit and one compliance audit were requested from the scientific council.

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 of the National Audit Office. As part of their control task, the Director for Financial Audit is responsible for ensuring that the audits are carried out in accordance with the audit manual. In addition to control during audits, the department carried out internal quality checks where heads of the audit groups were given the task of conducting quality checks of financial audits conducted in other audit groups.

The aim set for financial audit reports was to complete the 2015 financial audits for ministries by 8 May 2016, those for other accounting offices by 3 May 2016 and the audit of the final central government accounts by 12 May 2016. The financial audit reports were completed by the targeted deadlines. 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, with their quality assurance taking place largely along the same principles as those applied to financial audit reports. All compliance audit reports were also completed within the timetables laid out for them.

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 by tight central government finances and, accordingly, to reduce the National Audit Office's person-years. Under the programme, NAOF also aims to implement the changes in the structure of public servants in a sustainable manner against the background of an increasing workload. Reductions in the number of personnel may increase the audit risk referred to in international external audit standards. During the year in review, the proportion of external performances of effective working hours decreased by 1.4 percentage points. The proportion of person-days (as proportion of effective working hours) used for external performances decreased by 2.3 per cent from 2015. 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 National Audit Office's development measures and information system projects are investment-like in nature, which means that they will pay themselves back as improved economy or effectiveness within a clearly presented payback period/useful life. Reaching these objectives requires long-term development of the personnel structure towards higher cost efficiency and successful implementation of development measures and information system projects. At the same time, the aim is to ensure well-being at work and that employees cope with their tasks as well as to improve the prerequisites for these. During the year in review, the National Audit Office started negotiations on new leased premises in Helsinki. The aim of the project is to move to smaller premises and to reduce lease costs.

1.3.1 Operational productivity

The number of working hours allocated to external performances decreased by 2.3 per cent compared with 2015, from 22,520 to 22,003 person-days. The reduction was mainly due to a decrease in the number of person-years.

Productivity indicators

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

	2014	2015	2016
Financial audit	6,063	6,888	6,135
Compliance audit	1,554	934	1,088
Performance audit	5,587	5,689	5,542
Fiscal policy audit	361	396	265
Fiscal policy evaluation	0	314	581
Reports to Parliament	710	200	165
Management of core activities	3,619	3,875	3,529
Other core activities	3,607	3,848	4,407
Oversight of election campaign and political party funding	380	376	341
External performances, total	21,881	22,520	22,004
Indirect activities (support services, administration)	7,062	6,999	7,054
Holidays and other paid absences, in person-years and person-days	7,052	7,228	7,317
Total working hours, in person-days	35,995	36,748	36,375

1.3.2 Operational productivity

The cost of the National Audit Office's external performances per person-day decreased from 703 euros in 2015 to 689 euros in the year in review. This means a decrease of two per cent in the cost per external performance day. There was a 4.2 per cent decrease in the National Audit Office's operational expenditure, compared with 2015.

Operational economy indicators

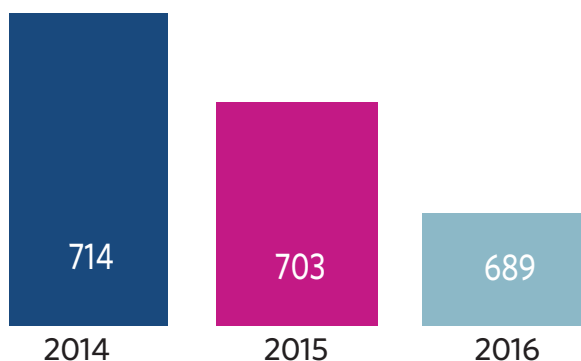


Figure 3: Price of NAOF's performance day

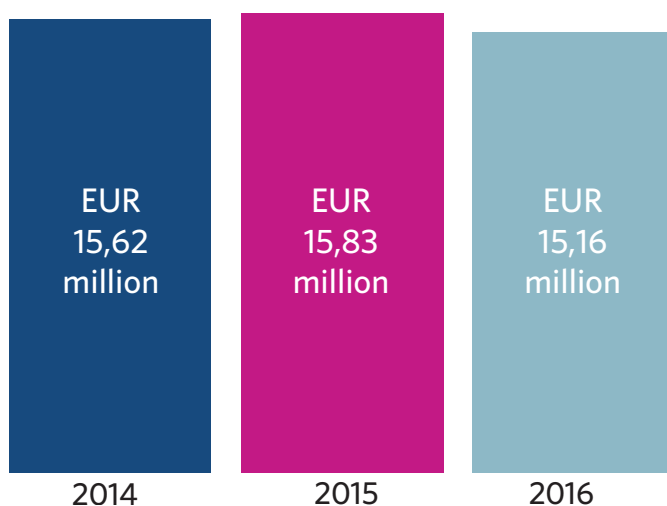
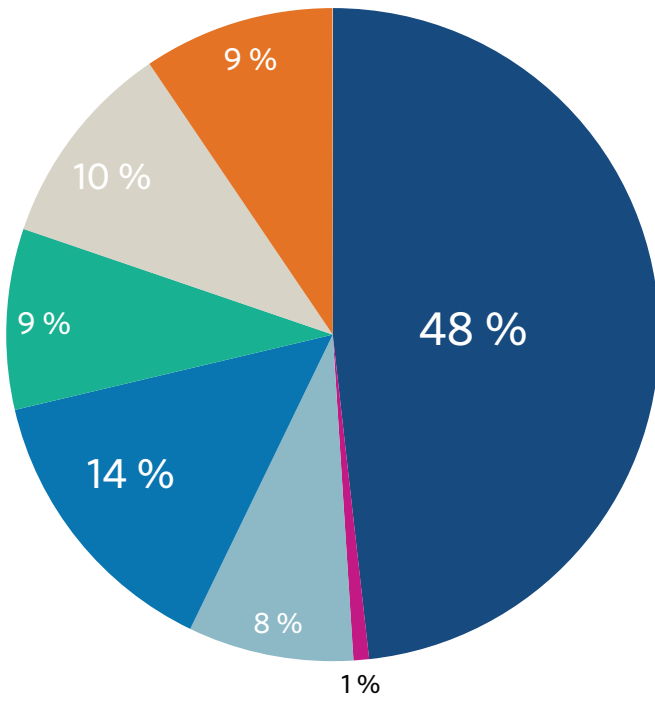


Figure 4: Overall trend in expenditure



- Audit and other core activities
- Oversight of election campaign and political party funding
- Support activities
- Absences
- Real estate costs
- Share of other joint agency costs
- Administrative Services Unit

Figure 5: 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. The personnel policy provides a basis for the successful operations of the National Audit Office.

The main 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,
- development of competence is a priority area, and
- the personnel are provided with a working environment that they perceive as good and fair.

Improving the readiness for change and preparation for changes were the focus areas in 2016. New working practices have already been introduced as part of the changes in operating practices, and preparations for the move to new premises in 2017 have been initiated in all sectors of the National Audit Office's operations. The changes involving the operating practices and the new premises have been extensively discussed among personnel groups in the National Audit Office. Staff members have been provided with more information on the changes and they have also been more extensively involved in the planning and implementation of the change than in similar processes before. The National Audit Office has prepared to improve its capacity to change its operating practices and adjust them in accordance with the requirements arising from its environment. The readiness for change has been promoted through open debate, by providing the personnel with more chances to influence the process and by providing better and more extensive opportunities for competence development. The preparation for the change has also been an element in the development of management and supervisory work in which the focus has been on change management and communications. The National Audit Office has also encouraged active communications between supervisors and staff members and an open dialogue between the management, supervisors and the personnel.

In the organisational culture, the focus in the National Audit Office has been on creating an open and flexible culture supporting interaction and cooperation and to make more use of networking and sharing of expertise. The new intranet system of the National Audit Office has been one factor helping the information to be shared more openly.

Developing competence throughout the working career and reviewing it from the perspective of competence acquisition, maintenance and transfer have become increasingly important focus areas in competence management. The National Audit Office aims to develop its digital working practices and to introduce new audit methods. The competence requirements, expectations and working practices concerning audits and expert work at NAOF have changed and there is now more need for ICT, systems, method and project competence, as well as for interactive and communications skills. 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 competence development instruments, there is now more emphasis on the use of interaction, cooperation, on-the-job learning, feedback and learning from others.

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 2015 was 3.3 per cent lower than a year earlier. The number of person-years was 0.5 per cent lower than in the previous year. The proportion of women of all staff members increased from 49 to 52 per cent by the end of the year.

Table 2: Number of employees and person-years

	2014	2015	2016	Annual change %
Number of employees 31 December	144	151	146	-3.3
Women	67	74	76	2.7
Men	77	77	70	-9.1
Person-years	143	145.5	144.7	-0.5

The average age of employees was down 1.4 per cent from the year before. At the end of the year, employees aged 45 and over accounted for 60.3 per cent of the personnel, which was the same percentage as a year before. The largest age group in the National Audit Office are those aged between 45 and 54 who accounted for 30.8 per cent of the personnel.

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

	2014	2015	2016	Annual change %
Total personnel	49.2	48.9	47.7	-1.4
Women	46.6	47.0	45.1	-3.0
Men	51.6	50.6	50.6	1.0

The personnel education level index is 6.6. At year-end, 82.0 per cent of the personnel had a master's degree. Staff members with a licentiate or doctoral degree account-

Table 4: Education level index 31 December

	2014	2015	2016	Annual change %
Total personnel	6.7	6.7	6.6	-1.5
Women	6.5	6.6	6.4	3
Men	6.8	6.8	6.9	1.5

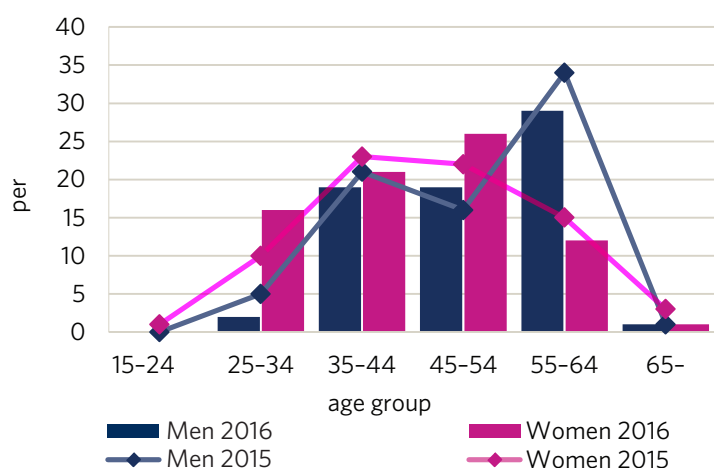


Figure 6: Personnel age structure

Most employees are in a permanent employment relationship. The proportion of fixed-term personnel increased from 8.6 per cent in 2015 to 14.4 per cent of all personnel.

Table 5: Permanent and fixed-term employees 31 December

	2014	2015	2016	Annual change %
Permanent	131	138	125	-9.4
Women	57	65	57	-12.3
Men	74	73	68	-6.8
Fixed-term	13	13	21	61.5
Women	10	9	19	111.1
Men	3	4	2	-50.0

Only a small proportion of the personnel work on a part-time basis. They accounted for 4.8 per cent of all staff members.

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

	2014	2015	2016	Annual change %
Full-time	138	146	139	-4.8
Part-time	6	5	7	40.0

Table 7: Labour costs

	2014	2015	2016	Annual change %
Total labour costs EUR/year	12,644,336	12,692,663	12,308,571	- 3
Pay for actual working hours, % of total pay	79.9%	74.2%	73.2%	- 1.3
Indirect labour costs	4,489,934	5,064,351	4,955,551	- 2.1
Share of indirect labour costs of pay for actual working hours	55.1%	66.4%	67.4%	1.5

Source: Tahti system

Competence development

The personnel turnover rate increased from the previous year. A total of 5.3 per cent of those employed at the end of 2015 transferred to another employer. This was 2.5 percentage points more than in 2015. In addition, 6.0 per cent retired in 2016, which was 3.2 percentage points more than in the previous year.

Table 8: Personnel turnover rate and well-being at work

	2014	2015	2016	Annual change %
Departure turnover (% of personnel)	4.1%	2.8%	5.3%	89.3
Incoming turnover (% of personnel)	3.4%	6.9%	4.0%	-42
Sickness absenteeism (days/person-year)	5.8	4.6	4.4	-4.4
Net occupational health care costs	EUR 853	EUR 658	EUR 1 216	84.8

There was a slight decrease in the time spent on competence development, compared with 2015. A total of 11.8 person-days per person-year was spent on training in 2016. There was a substantial increase in the costs arising from participation in training during 2016. Inputs in the development of supervisory work and management were the main reasons for the increase.

Table 9: Training and development

	2014	2015	2016	Annual change %
Participation in training (EUR/person-year) ¹	EUR 931	EUR 948	EUR 1,546	63.1
Participation in training (working days/person-years) ¹	11.1	12.1	11.8	-2.5

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

Well-being at work

A ParTy (Parempi Työyhteisö; better workplace community) survey and workplace community health checks were carried out in the National Audit Office during 2016. The purpose was to determine the workplace atmosphere in NAOF. The results and the measures derived from them will help to strengthen working capacity and well-being at work. Measures for promoting measures aimed at developing and assessing well-being at work have been agreed on with the personnel as a survey development measure and on the basis of a proposal made by personnel organisations. The measures improving well-being at work will be initiated in 2017. The results of the workplace community health checks will be available in early 2017.

There was a further reduction in sickness absenteeism in 2016. The total was 4.4 per cent lower than in 2015. Net occupational health care costs increased by more than 80 per cent in 2016. The substantial increase was partially the result of the workplace community health checks and fitness survey carried out during the year.

The workplace atmosphere survey was carried out on the basis of the Parempi Työyhteisö (ParTy®) questionnaire developed by the Finnish Institute of Occupational Health. The survey was conducted in cooperation with the occupational health care services. The response rate was five percentage points higher than in the previous survey (82/87%).

Table 10: Results of the workplace atmosphere survey

Average of the results ¹	NAOF 2014 (n=116)	NAOF 2016	Reference material (n=18521) ²
Well-being at work	3.5	3.4	3.7
Work fundamentals	3.5	3.4	3.4
Functioning of the workplace community	3.4	3.2	3.5
Basis for workplace community	3.3	3.2	3.5
Functioning at departmental level	3.4	3.2	3.6
Openness to development at departmental level	3.4	3.4	3.7
Interdepartmental cooperation	2.8	2.8	3.2
Supervisory work	3.9	3.9	3.7
Managerial work	3.1	2.6	3.0
Workload factors ¹	3.1	3.1	3.3
Coping with work	3.5	3.4	3.4
Familiarity with tasks and objectives	4.0	3.9	4.1
Work-related stress ¹	3.1	3.0	2.7
Job satisfaction	3.6	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 well-being at work survey was conducted in March 2016. The response rate was 87 per cent. The reference material collected by the Finnish Institute of Occupational Health from different sectors in Finland between 2011 and 2014 was used as external reference material.

The results for the National Audit Office were slightly below those of the previous ParTy survey in 2014. While there was weakening in the perceived functioning of the workplace community, compared with the 2014 results, the basis for workplace community development received the lowest scores. There are substantial differences between the departments in the results and for this reason, the measures based on the results will be tailored in accordance with the needs of each department. Managerial work was highlighted as a development priority in the workplace atmosphere survey carried out in the National Audit Office. The respondents also drew attention to the flow of information at departmental level and the physical stress arising from change situations. Compared with the 2014 survey, staff members now have greater mutual appreciation of each other's work and there is also a clearer division of work and responsibilities between departments. As regards supervisory work, there have been improvements in the way in which respondents perceive the support given by supervisors in their work and in the fairness of supervisors towards employees.

1.5 Analysis of the final accounts

1.5.1 Structure of financing

Compared with the 2015 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

A total of 15,460,000 euros was allocated for the National Audit Office's operational expenditure in the 2016 state budget (2015: EUR 15,307,000). A total of 1,768,034 euros was carried forward from the operational expenditure item to the following year, up 233,949 euros on the previous year's amount carried forward. The National Audit Office was allocated a total of 575,000 euros for VAT expenditure for 2016 and a total of 616,932 euros of this amount was spent. On 9 February 2017, the Office Commission granted the National Audit Office the right to exceed its appropriation item 21.40.29 (VAT expenditure) by 41,949 euros.

1.5.3 Statement of income and expenses

The National Audit Office's operational expenditure decreased by 4.4 per cent compared with 2015. Personnel expenditure accounted for 76.5 per cent of the National Audit Office's expenditure in 2016 (2015: 77.3%). Personnel expenditure decreased by 5.5 per cent (2015: 0.4%). The next two largest expenditure items after personnel expenditure were purchases of services at 11.7 per cent and rents at 8.3 per cent.

1.5.4 Balance sheet

There were no substantial changes in the National Audit Office's balance sheet, compared with the situation in 2015.

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 Controller-General, 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.

Consideration in the statement 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 2015 risk analysis of central government finances and the national economy was more closely integrated into the National Audit Office's audit plan for the period 2017-2021.

The National Audit Office 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 launched in 2016 and the focus in the project will be on change management and change communications.

The most important development priorities in internal control and risk management in 2017 are as follows:

- Commitment to unified practices in working methods and processes is strengthened, and interaction between departments and between NAOF and audited entities is developed.
- With training and career planning, the National Audit Office will ensure that it has adequate personnel resources and up-to-date professional competence.
- The National Audit Office will give higher priority to development of well-being at work, setting of clear targets, adherence to joint rules and systematic early intervention in the workplace community.
- In information security, the emphasis will be on the updating of existing practices in accordance with the requirements of the new premises, reviews of system user data and the identification and elimination of security vulnerabilities in the systems used by NAOF.

Helsinki 17 February 2017

Tytti Yli-Viikari
Auditor General

Nina Alatalo
Head of Executive Office

1.7 Summary of observed abuses

There is nothing to report for the year.



Tytti Yli-Viikari Auditor General

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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Deputy Auditor General Marjatta Kimmonen, Financial 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 department ensures that the state budget is complied with and that the information contained in the final accounts is true and fair.

The department also conducts between two and four compliance audits each year.

The Financial 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 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 entities are laid out in the National Audit Office's audit plan and the selections are 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 purpose of the audits is to ensure that fiscal policy decision-making is on a strong 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. Fiscal policy evaluation assesses the management of general government finances and monitors compliance with national and EU-level fiscal policy rules.

Management Team 2016



Chief Administrative Officer Mikko Koiranen, The Administrative Services Unit

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 the 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 service relationships, work environment, tools and information systems are in proper condition and in accordance with the needs of the agency and its personnel.

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Nina Alatalo, chef, enheten för ledningens stöd

The Executive Office assists the Auditor General in strategic management, planning, development and monitoring. It is also responsible for the communications and publication services of the National Audit Office as well as for competence development. It is also in charge of the preparation of the risk analysis of central government finances and the national economy, audit plans and resource planning. The Executive Office is also responsible for the coordination of international affairs.

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National Audit Office Management Team and personnel 2016



Not in the picture are Timo Oksanen, Senior Performance Auditor, and Auri Pakarinen, Principal Performance Auditor, who served as personnel representatives during the year in review.

2 Compliance with the budget

Main division, item, account number, name and type of appropriation	Final accounts 2015	Budget 2016 (budget + supplementary budgets)	Appropriations in the budget used in 2016	carried forward to following year	Final accounts 2016	Comparison Budget - Final accounts
21. Parliament	15,939,001.62	16,076,932	14,308,897.94	1,768,034.74	16,076,932.68	0.00
21.40.01. National Audit Office (two-year deferrable appropriation)	15,307,000.00	15,460,000	13,691,965.26	1,768,034.74	15,460,000.00	0.00
21.40.29. VAT expenditure (variable appropriation)	632,001.62	616,932	616,932.68		616,932.68	0.00
Expenditure accounts, total	15,939,001.62	16,076,932	14,308,897.94	1,768,034.74	16,076,932.68	0.00

Supplementary information concerning appropriations carried forward			
Carried forward from previous years	Available for use in 2016	Use in 2016 (excl. cancellations)	Carried forward to following year
1,534,085.56	16,994,085.56	15,226,050.82	1,768,034.74
1,534,085.56	16,994,085.56	15,226,050.82	1,768,034.74
1,534,085.56	16,994,085.56	15,226,050.82	1,768,034.74

3 Statement of income and expenses

	1 Jan 2016 – 31 Dec 2016		1 Jan 2015 – 31 Dec 2015	
Operational income				
Other operational income	<u>1,780.00</u>	1,780.00	<u>790.00</u>	790.00
Operational expenditure				
Materials, supplies and goods				
Purchases during the year	235,968.88		314,987.23	
Personnel expenditure	11,562,317.82		12,229,814.84	
Rents	1,261,379.78		1,264,119.57	
Purchased services	1,765,008.87		1,706,837.45	
Other expenses	300,959.79		297,442.72	
Depreciation	<u>0.00</u>	<u>-15,125,635.14</u>	<u>7,900.29</u>	<u>-15,821,102.10</u>
Deficit I		-15,123,855.14		-15,820,312.10
Financial income and expenses				
Financial income	<u>0.00</u>	0.00	<u>43.86</u>	43.86
Deficit II		-15,123,855.14		-15,820,268.24
Deficit III		-15,123,855.14		-15,820,268.24
Income from taxes and compulsory charges				
VAT paid	<u>616,932.68</u>	<u>-616,932.68</u>	<u>632,001.62</u>	<u>-632,001.62</u>
Surplus/deficit for the year		<u>-15,740,787.82</u>		<u>-16,452,269.86</u>

4 Balance sheet

	31 Dec 2016	31 Dec 2015
Assets		
Inventories and financial assets		
Current receivables		
Other current receivables	606.00	
Prepayments	<u>51.62</u>	<u>0.00</u>
Inventories and financial assets, total	657.62	0.00
Total assets	<u>657.62</u>	<u>0.00</u>

	31 Dec 2016	31 Dec 2015
Equity and liabilities		
Equity		
State's equity		
State's equity 1 Jan 1998	-819,653.02	-819,653.02
Change in previous years	-2,512,391.08	-2,537,582.10
Equity transfers	15,879,645.42	16,477,460.88
Surplus/deficit for the year	<u>-15,740,787.82</u>	<u>-16,452,269.86</u>
	-3,193,186.50	-3,332,044.10
Liabilities		
Current liabilities		
Accounts payable	190,632.70	224,024.42
Transfers between accounting offices	284,692.28	279,525.09
Payable items	215,780.16	223,559.93
Accrued expenses	<u>2,502,738.98</u>	<u>2,604,934.66</u>
	3,193,844.12	3,332,044.10
Total liabilities	3,193,844.12	3,332,044.10
Total equity and liabilities	<u>657.62</u>	<u>0.00</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 61–66 h of the State Budget Decree contain provisions on the preparation of final accounts. The depreciations that are in accordance with the fixed assets plan have been determined in accordance with a depreciations plan drawn up in advance. Depreciation according to plan has been calculated on a straight-line basis according to the economic life of assets.

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 expenditure includes salaries, holiday pay, overtime, expert fees, training fees, other fees, change of holiday pay liabilities and side costs. Other expenditure includes travel costs, domestic and international membership fees, user fees, vehicle insurance premiums paid to the State Treasury and other compulsory charges paid to public entities 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 expenditure 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		575 000	41 932,68	7
21.40.29.	VAT expenditure	575 000	41 932,68	7
Main titles, total		575 000	41 932,68	7

NOTE 4 CANCELLED TRANSFERRED APPROPRIATIONS

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

NOTE 5 ITEMISATION OF PERSONNEL EXPENDITURE

	2016	2015
Personnel expenditure	9,725,028.15	10,133,949.51
Salaries and fees	9,772,289.39	10,099,401.28
Performance-based items	38,941.52	0.00
Change in holiday pay liabilities	-86,202.76	34,548.23
Side costs	1,837,289.67	2,095,865.33
Pension expenditure	1,625,238.94	1,907,919.82
Other personnel expenditure	212,050.73	187,945.51
	187,945.51	235,041.08
Total	11,562,317.82	12,229,814.84
Management salaries and fees *) incl.	615,632.74	738,661.78
- performance-based items	38,941.52	0.00
Fringe benefits and other financial benefits	161,133.70	165,231.12
Management	6,352.80	9,305.28
Other personnel	154,780.90	155,925.84
*) Does not include other personnel expenses.		

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.

NOTE 12 GRANTED STATE SECURITIES, STATE GUARANTEES AND OTHER COMMITMENTS

The National Audit Office does not have any granted state securities or state guarantees that were outstanding at the end of the year.

NOTE 13 RESERVE FUNDS IN THE BALANCE SHEET

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

NOTE 14 RESERVE FUNDS OUTSIDE THE BALANCE SHEET

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

NOTE 15 CHANGES IN LIABILITIES

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

NOTE 16 MATURITY BREAKDOWN AND DURATION OF LIABILITIES

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

NOTE 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 17 February 2017.

Tytti Yli-Viikari
Auditor General

Mikko Koiranen
Chief Administrative Officer

Appendix 1 Allocation of working hours by department 1 Jan–31 Dec 2016

1.1 ALLOCATION OF WORKING HOURS BY DEPARTMENT 1 JAN – 31 DEC 2016

(by project location)

Core activity by audit type and function	NAOF total	%	FC	%
Financial audit	0	0.0%	6 135	54.3%
Compliance audit	0	0.0%	1 088	9.6%
Performance audit	0	0.0%	0	0.0%
Fiscal policy audit	0	0.0%	0	0.0%
Fiscal policy evaluation	0	0.0%	0	0.0%
Reports to Parliament	0	0.0%	0	0.0%
Management of core activities	219	79.4%	1 456	12.9%
Other core activities	57	20.6%	710	6.3%
Development of core activities	0	0.0%	302	2.7%
Audit and other core activities, total	276	100.0%	9 691	85.8%
Oversight of election campaign and political party funding	0	0.0%	341	3.0%
Core activities, total	276	100.0%	10 031	88.8%
External performances as percentage of effective working hours	276	0.9%	10 031	34.5%
Support activities	NAOF total	%	FC	%
General administration and management	0	0.0%	354	3.1%
Support for planning, steering and monitoring	0	0.0%	0	0.0%
Personnel administration	0	0.0%	36	0.3%
Training	0	0.0%	870	7.7%
Financial administration	0	0.0%	0	0.0%
Travel	0	0.0%	0	0.0%
Internal audit, risk management and security	0	0.0%	3	0.0%
Information management	0	0.0%	0	0.0%
Knowledge management	0	0.0%	0	0.0%
Communications	0	0.0%	2	0.0%
Real estate management	0	0.0%	0	0.0%
Office services	0	0.0%	0	0.0%
Other support functions	0	0.0%	0	0.0%
Support activities, total	0	0.0%	1 266	11.2%
Internal performances as percentage of effective working hours	0	0.0%	1 266	4.4%
Effective working hours, total	276	0.9%	11 297	38.9%
Absences	NAOF total	%	FC	%
Paid absences	52	80.4%	1 995	75.3%
Sickness absenteeism	13	19.6%	361	13.6%
Other paid absences	0	0.0%	115	4.3%
Holiday bonus leave	0	0.0%	180	6.8%
Holiday bonus, holiday compensation	0	0.0%	0	0.0%
Absences, total	65	100%	2 651	100%
Working hours, total	341	0.9%	13 948	38.3%

PF	%	EO	%	AS	%	ALL	%	
0	0.0%	0	0.0%	0	0.0%	6 135	21.1%	
0	0.0%	0	0.0%	0	0.0%	1 088	3.7%	
5 542	49.3%	0	0.0%	0	0.0%	5 542	19.1%	
265	2.4%	0	0.0%	0	0.0%	265	0.9%	
581	5.2%	0	0.0%	0	0.0%	581	2.0%	
0	0.0%	116	4.2%	0	0.0%	116	0.4%	
1 538	13.7%	250	9.1%	67	1.9%	3 529	12.1%	
2 001	17.8%	1 293	47.1%	4	0.1%	4 066	14.0%	
39	0.3%	0	0.0%	0	0.0%	341	1.2%	
9 966	88.6%	1 659	60.4%	71	2.0%	21 663	74.6%	
0	0.0%	0	0.0%	0	0.0%	341	1.2%	
9 966	88.6%	1 659	60.4%	71	2.0%	22 003	75.7%	
								THTV
9 966	34.3%	1 659	5.7%	71	0.2%	22 003	75.7%	122,2
								Divisor 180
PF	%	EO	%	AS	%	ALL	%	
489	4.4%	347	12.6%	437	12.5%	1 627	5.6%	
0	0.0%	145	5.3%	8	0.2%	154	0.5%	
27	0.2%	8	0.3%	587	16.8%	658	2.3%	
754	6.7%	369	13.4%	51	1.4%	2 044	7.0%	
0	0.0%	2	0.1%	506	14.5%	508	1.7%	
1	0.0%	0	0.0%	30	0.8%	31	0.1%	
1	0.0%	0	0.0%	583	16.7%	586	2.0%	
1	0.0%	0	0.0%	771	22.1%	772	2.7%	
0	0.0%	0	0.0%	261	7.5%	261	0.9%	
2	0.0%	215	7.8%	2	0.0%	221	0.8%	
0	0.0%	0	0.0%	3	0.1%	3	0.0%	
0	0.0%	0	0.0%	19	0.5%	19	0.1%	
3	0.0%	1	0.0%	167	4.8%	171	0.6%	
1 279	11.4%	1 087	39.6%	3 423	98.0%	7 054	24.3%	
1 279	4.4%	1 087	3.7%	3 423	11.8%	7 054	24.3%	
								THTV
11 245	38.7%	2 746	9.5%	3 494	12.0%	29 057	100%	161,4
								Divisor 180
PF	%	EO	%	AS	%	ALL	%	
2 593	75.1%	365	70.9%	483	75.9%	5 488	75.0%	
355	10.3%	73	14.2%	79	12.3%	880	12.0%	
284	8.2%	69	13.4%	7	1.1%	475	6.5%	
219	6.3%	8	1.6%	67	10.6%	474	6.5%	
0	0.0%	0	0.0%	0	0.0%	0	0.0%	
3 451	100%	515	100%	636	100%	7 317	100%	
								THTV
14 696	40.4%	3 261	9.0%	4 130	11.4%	36 374	100%	202,1

Appendix 2 End products in 2016

National Audit Office's reports to Parliament

National Audit Office's report on its activities to the 2016 parliamentary session, K 17/2016 vp.

National Audit Office's separate report to Parliament on the audit of the final central government accounts 2015 and the Government's annual report, K 15/2016 vp.

National Audit Office's separate report to Parliament: Interim Report on Fiscal Policy Evaluation for the Parliamentary Term of 2015–2018, K 18/2016 vp.

National Audit Office's report to Parliament on the oversight of political party funding in 2015, K 1/2016 vp.

Audit reports

Financial audit

OFFICE OF THE PRESIDENT OF THE REPUBLIC

Office of the President of the Republic	51/53/15
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PRIME MINISTER'S OFFICE

Prime Minister's Office	52/53/15
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ADMINISTRATIVE BRANCH OF THE MINISTRY FOR FOREIGN AFFAIRS

Ministry for Foreign Affairs	53/53/15
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ADMINISTRATIVE BRANCH OF THE MINISTRY OF JUSTICE

Ministry of Justice	54/53/15
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Criminal Sanctions Agency	55/53/15
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ADMINISTRATIVE BRANCH OF THE MINISTRY OF THE INTERIOR

Ministry of the Interior	56/53/15
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ICT Agency HALTIK	57/53/15
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Emergency Response Centre Administration	58/53/15
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Finnish Immigration Service	59/53/15
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Emergency Services College	60/53/15
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National Police Board	61/53/15
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Finnish Border Guard	62/53/15
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ADMINISTRATIVE BRANCH OF THE MINISTRY OF DEFENCE

Ministry of Defence	63/53/15
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Construction Establishment of Defence Administration	64/53/15
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Finnish Defence Forces	65/53/15
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ADMINISTRATIVE BRANCH OF THE MINISTRY OF FINANCE

Ministry of Finance	66/53/15
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State Department of Åland	67/53/15
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Regional State Administrative Agency for Southern Finland	68/53/15
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Financial Stability Authority	69/53/15
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Statistics Finland	70/53/15
Finnish Customs	71/53/15
State Treasury	72/53/15
VATT Institute for Economic Research	73/53/15
Government Shared Services Centre for Finance and HR	74/53/15
Government ICT Centre Valtori	75/53/15
Finnish Tax Administration	76/53/15
Population Register Centre	77/53/15

ADMINISTRATIVE BRANCH OF THE MINISTRY OF EDUCATION AND CULTURE

Ministry of Education and Culture	78/53/15
Centre for International Mobility CIMO	79/53/15
National Archives	80/53/15
National Board of Antiquities	81/53/15
National Board of Education	82/53/15
Academy of Finland	83/53/15
Governing Body of Suomenlinna	84/53/15

ADMINISTRATIVE BRANCH OF THE MINISTRY OF AGRICULTURE AND FORESTRY

Ministry of Agriculture and Forestry	85/53/15
Finnish Food Safety Authority Evira	86/53/15
Natural Resources Institute Finland	87/53/15
National Land Survey of Finland	88/53/15
Agency for Rural Affairs	89/53/15

ADMINISTRATIVE BRANCH OF THE MINISTRY OF TRANSPORT AND COMMUNICATIONS

Ministry of Transport and Communications	90/53/15
Finnish Meteorological Institute	91/53/15
Finnish Transport Agency	92/53/15
Finnish Transport Safety Agency Trafi	93/53/15
Finnish Communications Regulatory Authority	94/53/15

ADMINISTRATIVE BRANCH OF THE MINISTRY OF EMPLOYMENT AND THE ECONOMY

Ministry of Employment and the Economy	95/53/15
Development and administrative centre for the ELY Centres and TE Employment and Economic Development Offices	96/53/15
Energy Authority	97/53/15
Geological Survey of Finland	98/53/15
Tekes – the Finnish Funding Agency for Technology and Innovation	99/53/15
Finnish Competition and Consumer Authority	100/53/15
Finnish Patent and Registration Office	101/53/15
Finnish Safety and Chemicals Agency	102/53/15

ADMINISTRATIVE BRANCH OF THE MINISTRY OF SOCIAL AFFAIRS AND HEALTH

Ministry of Social Affairs and Health	103/53/15
Finnish Medicines Agency	104/53/15
National Supervisory Authority for Welfare and Health	105/53/15
Radiation and Nuclear Safety Authority	106/53/15
National Institute for Health and Welfare	107/53/15

ADMINISTRATIVE BRANCH OF THE MINISTRY OF THE ENVIRONMENT

Ministry of the Environment	108/53/15
Housing Finance and Development Centre of Finland	109/53/15
Finnish Environment Institute	110/53/15

FINAL CENTRAL GOVERNMENT ACCOUNTS

Final central government accounts	111/53/15
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OFF-BUDGET FUNDS

Fire Protection Fund	112/53/15
State Television and Radio Fund	113/53/15
Finnish Oil Pollution Compensation Fund	114/53/15

Compliance audit

16/2016	State's financing contribution to earnings-related daily allowance
17/2016	Tax revenue

Performance audit

1/2016	Developing division of labour in social welfare and health care
2/2016	Preparation and coordination of EU affairs in the Government
3/2016	Management of immigration matters by the authorities and developing the process
4/2016	Steering system of the Ministry of Education and Culture
5/2016	Customer advice and telephone services provided by public administration
6/2016	Development and production of digital services
8/2016	Support for the building of broadband network
9/2016	Drafting of the amendments to the decree on dimensions and weights of heavy lorries
10/2016	Socio-economic feasibility calculations of transport infrastructure projects
14/2016	Steering of the Government Security Network
15/2016	Private equity investment operations of the state
18/2016	Reducing recidivism during and after punishment
19/2016	Cost-effectiveness of the processing of business subsidy decisions at ELY Centres
20/2016	Cost-effectiveness of administrative complaint processing (Regional State Administrative Agencies)
21/2016	Effectiveness of structural fund programmes

Fiscal policy evaluation

7/2016	Fiscal policy monitoring report spring 2016
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Fiscal policy audit

11/2016	Reliability of macroeconomic forecasts
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Compliance audit

13/2016	Issues concerning responsibilities in the examination of Finavia's derivative liabilities
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Report

1/2016	Assessment of cross-sectoral impacts of statutes
2/2016	Industrial participation in the HX fighter program

Audit concluded with a letter and a memorandum

Promoting exports and internationalisation of SMEs and growth companies

Photos

Pages 4 and 36: NAOF (photographed by Vilja Pursiainen)

Page 37: NAOF (photographed by Sofia Isokoski)



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