

Conclusions of the National Audit Office

Steering system of the Finnish Defence Forces

The main duty of the Finnish Defence Forces is the military defence of Finland. The Defence Forces underwent a major reform in 2012–2015 where the number of units was reduced, services were centralised, management levels were reduced and operating methods were renewed, among other things. The purpose of the audit was to assess what kind of steering models are used by the Defence Forces and whether the current steering system provides good prerequisites for profitable and effective operations. The audit covered steering procedures and systems of the Finnish Defence Forces.

The Ministry of Defence steers development of the defence system and the resources used. The ministry's approach to strategic steering and the role of performance guidance in the development of the Defence Administration were investigated.

Based on the audit findings, the reform of the Defence Forces has promoted the steering procedures and clarified the operating methods, but also increased the amount of steering. There are some overlapping and parallel steering models. The performance guidance processes between the Ministry of Defence and the Defence Forces are fluent, but there is room for development in terms of the setting of performance targets and, in particular, in terms of the measuring of the achievement of performance and effectiveness targets.

Strategic planning in the Defence Forces has improved

The audit revealed that planning activities at the Defence Forces have improved and the planning processes have become more effective as a result of the reform. According to the audit findings, there are comprehensive instructions on strategic planning at the Defence Forces and the policies in the strategy documents are based on top level documents, ultimately the defence review and the Government programme.

Due to the nature of their operations, the Defence Forces and the Ministry of Defence have long and versatile experience about strategic planning. Strategic planning is a vital part of the operations of a military organisation. The Ministry of Defence carries out the planning in cooperation with the Defence Forces, and no problems pertaining to the forms of cooperation or the fluency of the cooperation were detected in the audit.

The most important strategic policy document of the Defence Administration is the new defence review. The key role of the defence review as a document offering a summary of the strategic policies has reduced the significance of the strategies prepared by the Ministry of Defence.

According to the audit findings, strategic planning in the Defence Administration is based on the available resources and the strategies are also used to justify the resource needs. However, the link between performance guidance and performance management is somewhat poor. It was difficult to verify during the audit the connection between performance targets, their achievement and the setting of top level targets.

Steering models of the Defence Forces have been described in a comprehensive manner, but they do not form a clear overall entity

The Defence Forces use a variety of steering and management models. The most important steering instruments include operations control, which consists of the steering of processes and sectors, normative steering and performance guidance. The Defence Forces reform made the steering models and processes, as well as the related instructions, clearly visible. The steering models are described with care in the documentation of the Defence Forces. There are a great number of steering methods, however, and based on the audit findings, it is difficult to form a comprehensive, understandable entity of steering models with clear-cut responsibilities, resources and operating methods.

Challenges with the setting of performance targets

No matters which indicate that the performance guidance processes between the Ministry of Defence and the Defence Forces are not mainly fluent were observed during the audit.

The Ministry of Defence and the Defence Forces have developed performance guidance for several years to make it more functional. The most problematic area in the development of performance guidance has been the setting of genuinely measurable performance and effectiveness targets. Another challenge has been integration of confidentiality obligations and transparency of performance guidance in a manner that enables credible verification of performance chains. The Ministry of Defence has been aware of these challenges and strived to improve the functionality of performance guidance. At the time of the audit, the Ministry of Defence had an ongoing enterprise architecture project to develop performance guidance in the Defence Administration. Furthermore, the ministry introduced in 2015 a performance guidance model of several years which aims for more emphasis on strategic steering, determination of strategic targets and monitoring of the targets. For this model to succeed, attention must be paid to the manner in which strategic steering is defined and the manner in which it is combined with long-term financial planning. Another important issue is development of profitability and effectiveness indicators to better monitor accountability.

Recommendations of the National Audit Office

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- The Ministry of Defence should, in cooperation with the Defence Forces, develop the application of performance guidance and the preparation of indicators to make them more strategic.
- The Defence Forces should assess the overall functionality of its steering models.
- The Defence Forces should promote the link between strategic planning and financial planning.