

Conclusions and recommendations of the National Audit Office

Cost-effectiveness of the processing of business subsidy decisions at ELY Centres

The ELY Centres process business subsidies as part of the overall process of business financing. The task of the ELY Centres is to ensure that the projects eligible for financing are in accordance with regional priorities and that the projects eligible for part-financing by the EU are in accordance with the EU programmes in question and contribute to the programme objectives. The Ministry of Economic Affairs and Employment steers and supervises the process under which the ELY Centres provide grants for business development.

The audit covered the cost-effectiveness of the processing of the business subsidy decisions at the ELY Centres and the knowledge base of the calculations describing the cost-effectiveness. Process target-setting, any differences in cost-effectiveness between the ELY Centres and between the years included in EU programming periods and measures promoting cost-effectiveness were examined in the audit.

Based on the audit findings, the conclusion is that despite inadequacies in target-setting, there is a good basis for cost-effective operations. However, the cost-effectiveness data is not reliable or adequate for making comparisons between the ELY Centres or EU programming periods. The inadequacies and errors contained in the knowledge base also interfere with the management of the operations and the assessment of the impacts of the measures promoting cost-effectiveness.

Target-setting has not directly contributed to cost-effective processing of business subsidy decisions

No specific targets have been set for the cost-effectiveness of the processing of business subsidy decisions at the ELY Centres and for this reason it has been impossible for the target-setting to directly contribute to cost-effective processing of business subsidy decisions. At the same time, however, the strategic objectives laid out for the ELY Centres for the period 2012 - 2015 and the operating guidelines set out for the administrative branch of the Ministry of Economic Affairs and Employment for the period 2012 - 2014 have indirectly helped to improve cost-effectiveness.

Growth targets for electronic services and the targets concerning the processing times of business subsidy applications have been two of the targets that would indirectly improve cost-effectiveness. The ELY Centres have, to a varying degree, reported on the achievement of the indirect targets in the central government reporting service Netra.

Even though no specific cost-effectiveness targets have been set for the processing of the business subsidy decisions, productivity and economic efficiency of the processing are covered in the reviews of operations contained in the ELY Centres' final accounts.

The performance figures contained in the productivity and economic efficiency data are incorrect

Monitoring the achievement of the targets is an important management tool. It was noted in the audit that the ELY Centres have used incorrect performance figures for productivity and economic efficiency data when processing business subsidy decisions. As a result, the productivity and economic efficiency indicators used by the ELY Centres have been incorrect. If the data is incorrect and inadequate, it is difficult to compare actual cost-effectiveness differences between the ELY Centres. Incorrect data also makes comparisons between the years included in EU programming periods and comparisons with the cost-effectiveness of the processing of rural business subsidies more difficult. The KEHA Centre and the Ministry of Economic Affairs and Employment were notified of the apparent errors in the indicators during the audit. In a report submitted to the National Audit Office, the KEHA Centre noted the existence of the errors concerning the performance figures. As a result of the errors, the indicators have given too positive a picture of the productivity and economic efficiency of the processing of the business subsidy decisions.

Because of the inadequacies and errors in the knowledge base, it proved impossible for the auditors to carry out the planned comparisons and to verify any differences in cost-effectiveness. In the absence of cost-effectiveness targets and appropriate monitoring indicators, it is difficult to assess cost-effectiveness and differences in cost-effectiveness. This is because it is not possible to measure cost-effectiveness in relation to the targeted values set.

In May 2016, the KEHA Centre announced that it had made corrections to the calculation system. However, corrected data covering a longer time frame was not available and thus the comparisons that were intended to be included in the audit could not be made.

Cost-effectiveness has improved but there are still inadequacies in the monitoring data

Transferring the processing of all business subsidy decisions to the ELY Centres specialising in structural fund administration in 2014 and the transfer of certain tasks to the ELY Centre for Pirkanmaa in 2015 can be considered as cost-effectiveness measures. Increasing scarcity of resources has been the main justification for these measures.

There have also been improvements in electronic services and electronic processing of the subsidy applications. In 2015, the ELY Centres introduced guidelines for the financing process which are intended to harmonise the processing of the applications. The development work has been in accordance with the strategic objectives laid out by the Ministry of Economic Affairs and Employment.

Management of operations and efforts to improve cost-effectiveness are difficult if the knowledge base of the monitoring calculations is not reliable and there are inadequacies in reporting. Inadequate and incorrect data also makes it more difficult to assess the impacts of the measures aimed at improving cost-effectiveness and to compare actual differences in cost-effectiveness between different years. The errors in the knowledge base should be corrected. According to the information provided by the KEHA Centre, correct productivity and economic efficiency figures for the reference years 2014 and 2015 will also be entered in the 2016 final accounts.

Recommendations of the National Audit Office

1. The Ministry of Economic Affairs and Employment should ensure that the knowledge base used by the ELY Centres in their monitoring calculations is reliable. Measures promoting cost-effectiveness and assessing their impacts require reliable monitoring data. The ministry should use revised indicators as reference data and as a basis for future development measures.
2. The Ministry of Economic Affairs and Employment should ensure that the ELY Centres provide more comprehensive data on the achievement of the performance targets in their administrative branch in the central government reporting service Netra. Comprehensive reporting would make it easier to monitor the achievement of the targets and the reference data.