

## Opinions of the National Audit Office

The effectiveness of the state charge policy is relevant to how the responsibility for the financing of the provision of services is divided between all taxpayers and the clients paying for the use of the services. During the last few decades, a number of reforms concerning the state charge policy have been introduced. They have impacted such areas of the policy as the amount of charge revenues collected for performances, administration of the charge revenues and budget practices.

The audit covered the state charge policy and the aim was to determine whether the use of the charges as a steering and financing instrument is on a transparent basis and whether it has produced results.

### The reports on state charge policy should be updated

A number of charge policy reports were prepared in different administrative branches a decade ago. The reports were on a problem-focused and solution-oriented basis and they discussed the manner in which charging and pricing principles are applied to the performances provided by the agencies of the administrative branches. The reports have had a substantial steering impact on charge policy measures. The audit findings show that in other respects too steering concerning chargeable activities by ministries has mostly been adequate.

However, as organisations, the manner in which the performances are produced and delivered and the operating environment have changed considerably during the past 10-15 years, there are grounds for preparing an up-to-date charge policy report for each administrative branch under the steering of the ministry in question. The reports should also assess whether the legislation on special charges and the provisions on tax-related revenues are up to date and examine whether the provisions could be simplified and whether the number of provisions could be reduced to the extent that the Act on Criteria for Charges Payable to the State provides an adequate basis for the charges.

### Overall state interest should be a consideration in the implementation of the charge policy

Under Finnish law, consideration must be given to the overall state interest. It was found out in the audit that the views of the authorities carrying out chargeable activities are not always in accordance with the overall state interest, especially when the activities are on a commercial basis. Sometimes the authorities are competing for the same customers or the available funding. For this reason, it should be examined how the overall state interest can be ensured in matters concerning more than one administrative branch. One option would be to introduce a government resolution on joint charge policy.

The link between strategies and the charge policy is also often vague and incohesive. A government resolution on the matter would help to achieve better coordination with other government resolutions and strategies and support and strengthen the charge policies of individual administrative branches and their practical application.

### There is no overall picture of the chargeable activities of the state

It was found out in the audit that it is difficult to get an overall picture of the chargeable activities on the basis of the state budget. The State Treasury has prepared reports on the chargeable activities of the state,

which provide an overall picture of the activities. The reports in question have been the only annual official publications that present a cross-administrative analysis of the charge revenues collected by the state and that also contain information on accounting agencies. According to the audit findings, the reports have not been fully exploited. They should be made more visible and be more closely integrated into the budget preparation process. The reports would make it easier for parliamentary committees to obtain information and would thus also consolidate the budgetary power of Parliament.

#### Jointly funded activities involve problems

According to the audit observations, there have been problems with the interpretation of the legislation on charge criteria between chargeable activities on the one hand and jointly funded or other joint activities on the other. For this reason, the principles concerning jointly funded activities and compensation of costs should be clarified, especially in relation to the chargeable activities that are in accordance with the Act on Criteria for Charges Payable to the State.

#### Accounting agencies have different practices

It was found out in the audit that even though the awareness of the charges and pricing is based on different practices, the practices can to some extent be justified by different operating environments and different ways of producing the performances. There were also differences in cost accounting practices. In practice, accounting agencies have been forced to find their own solutions to issues concerning cost accounting.

The audit findings show that there are grounds for harmonising the cost accounting principles applied to chargeable activities. Moreover, the difference between commercial performances and performances under public law was not always clear. Particularly when there are few differences between the performance production structures or between the performances themselves, there are grounds for establishing unified practices.

#### Recommendations by the National Audit Office

Based on the audit, the National Audit Office issues the following recommendations:

1. When charge policy reports are updated and prepared, it should also be assessed whether the legislation on special charges and provisions on tax-related revenues are up to date and examined whether the provisions could be simplified and whether the number of provisions could be reduced. If an administrative branch has not yet produced a charge policy report, the need for an overall assessment of the activities and a ministry-led charge policy report should be considered.
2. Overall state interest should be ensured even when individual ministries and central government agencies have intentionally been provided with decision-making powers in their own chargeable activities. Coordination is needed in the budget preparation process, especially when there are few differences between the perfor-

mance production structures or between the performances themselves in the administrative branches.

3. The Ministry of Finance and the State Treasury should produce analytical information on chargeable activities of the state for budget preparation so that Parliament and the parliamentary committees will get the information that they need.
4. The Ministry of Finance should examine to what extent the principles concerning jointly funded activities and compensation of costs should be made more explicit and clarify the differences between commercial performances and performances under public law.
5. The State Treasury should continue the development of cost accounting and examine to what extent it is necessary to harmonise the principles governing cost accounting in chargeable activities. The necessary regulations and instructions for harmonising the principles of cost accounting should be issued on the basis of this work.