

Main findings and opinions of the National Audit Office

Steering system in the administrative branch of the Ministry of Transport and Communications

The audit covered the steering system in the administrative branch of the Ministry of Transport and Communications. A total of 3,198 million euros in appropriations was allocated to the main item of the administrative branch of the Ministry of Transport and Communications in the 2013 state budget.

The main question posed in the audit was: how well does the steering system in the administrative branch of the Ministry of Transport and Communications ensure adequate performance and accountability. In accordance with the National Audit Office's model for steering system audits, the main question was further divided into five parts, which covered planning, management, reporting, accounting, evaluation systems and internal control. In the audit itself, the focus was on the steering of transport infrastructure expenditure because about two thirds of the appropriations allocated to the administrative branch in the state budget are spent on state-owned transport infrastructure.

Basic steering guidelines are fairly comprehensive

Based on the audit results, the development of the steering system in the administrative branch of the Ministry of Transport and Communications has been in accordance with the general development guidelines laid out for the central government and some of the development initiatives have also originated from within the administrative branch itself. In the steering processes of the administrative branch, more consideration is now given to the measures laid out in the Government Programme. The basic guidelines for the steering system of the administrative branch are fairly comprehensive, which has helped to provide a good basis for steering. The development of performance guidance has also been actively pursued in the administrative branch.

The new concepts and indicators used in the steering of transport policy are still incomplete

The rapid introduction of new transport policy concepts poses a major challenge to proper planning, management and reporting in the administrative branch. The definitions and contents of the concepts have not always been sufficiently advanced and well-established when compared with the earlier concepts, which may result in weaker overall steering. An example of this is the (as such reasonable) attempt to change over to transport system thinking where the transport system consists of a large number of differently steered elements. The development of the clear steering instruments comprising this entity and the indicators describing success takes time.

There is no adequate overall consideration of the transport infrastructure expenditure when measures are prioritised

The second major steering problem is that in the steering of transport infrastructure expenditure, individual infrastructure maintenance measures on the one hand and the allocation and measurement of appropriations on the other have been too disconnected. Regional policy interests may have been one factor contributing to this problem. This practice has led to a situation where there are large and expensive infrastructure improvement projects that take priority over adequate maintenance of the existing infrastructure. Such an approach is not supported by an adequate knowledge base and it has not been justified in a transparent manner.

The manner in which the state budget is structured and prepared does not encourage overall examination of the transport infrastructure expenditure

There has not been any examination in the state budget of alternatives concerning the allocation of transport infrastructure expenditure that would involve the spending of infrastructure improvement expenditure on infrastructure maintenance. It has merely been stated that the maintenance expenditure is inadequate and that it should be increased. There is no provision under which the breakdown of total funding for state-owned transport infrastructure into individual items should be justified.

The item 'Basic transport infrastructure maintenance' can contain funding for both transport infrastructure investments totalling tens of

millions of euros and infrastructure repair work. At the same time, investment appropriations that are in accordance with the budgetary appropriation classification have also been used to fund projects of this scale. Different types of budgetary appropriations are available for transport infrastructure investments, which makes overall steering of transport infrastructure expenditure difficult and complicates planning and monitoring.

The large number and diversity of the strategy documents in the administrative branch may negatively affect performance

The administrative branch of the Ministry of Transport and Communications does not have a single 'group strategy' prepared by the administrative branch to which the policy and operation-specific strategies of the administrative branch would be subordinated. The overall strategy of the administrative branch consists of a broad variety of different documents prepared over the years. The value and content of the strategies set out in these documents vary. It is also difficult to outline how closely connected the different strategies and the policies laid out in them actually are. Excessive decentralisation of operational planning is a risk. In some of the strategy documents of the administrative branch, there is little discussion of the economic impacts.

Some of the ministry's contracts are problematic in terms of adherence to procurement provisions

As part of the audit, the National Audit Office examined a number of expert and research service procurement procedures applied by the ministry in order to establish whether they are appropriate and in compliance with the law. In one project the service had been put out to tender in accordance with the Act on Public Contracts but there were errors and shortcomings in the procurement procedure which pertained to the requirements concerning the suitability of the tenderers, tender comparison criteria, comparison between the tenders and the procurement decision. Other contracts in this project had been on the basis of direct awards, in which all services were procured from a single service provider without competitive tendering.

There are many structures in the Ministry of Transport and Communications that support the process of statute drafting

Based on the audit findings, the Ministry of Transport and Communications has workable structures for statute drafting. Drafting of statutes is considered one of the core functions of a ministry. The involvement of the management group has made it easier for the permanent secretary to ensure the quality of the drafting process. The Ministry of Transport and Communications has also invested in effectiveness evaluation in the most important legislative reforms.

The Ministry of Transport and Communications could, however, make more use of working groups in the drafting of statutes. The Ministry of Transport and Communications should also monitor the actual effects of the legislation in a more systematic manner. Moreover, at least in important statute projects, the participation of the person with overall responsibility for the drafting process in the management group meetings would improve the flow of information.

Not all accounting offices have been set economic efficiency targets in their performance guidance

On the basis of the financial audits, the absence of economic efficiency targets for most of the accounting offices in the administrative branch can be considered a shortcoming in the setting of performance targets. However, the information on economic efficiency and other sectors of operational efficiency presented by the accounting offices in their 2013 final accounts is in material respects true and fair. There is still room for improvement in the accounting offices' performance accounting in such areas as the monitoring of working hours that is used as a basis for the allocation of costs. The 2013 financial audits show that in material respects internal control of the accounting offices is, with the exception of the Finnish Transport Agency, properly organised.

Recommendations of the National Audit Office

1. The transport system and service level concepts and the indicators that are in accordance with the new transport policy operating model should be improved. The existing information and steering systems describing the state of transport infrastructure should be used in steering until workable systems describing the broader transport policy entity have been developed to replace them.

2. The maintenance and upgrading needs of the state-owned transport infrastructure should be examined as one entity in steering and the allocation of appropriations. The measures should be put in a carefully considered order of priority and urgency and fit to the overall funding framework available for the purpose. The economically efficient daily maintenance of the existing core transport infrastructure and the elimination of the current repair backlog within a reasonable time should take priority over upgrading projects or projects aimed at expanding the existing transport infrastructure, unless it is determined in detailed feasibility studies that the priorities should be set differently.
3. If priority is given to major infrastructure upgrading projects over repairs of the rest of the infrastructure, the decisions should be founded on an adequate knowledge base and justified in a transparent manner. The balance sheet and depreciation accounting of the transport infrastructure should be made more usable so that it reflects the actual repair needs.
4. The current system of budgeting expenditure for the state-owned transport infrastructure does not adequately support the overall examination of the allocation of the appropriations. One alternative would be an overall examination of the allocation of the infrastructure expenditure in the class 'Transport infrastructure' of the state budget. It should present clear justification for the overall level of the investments and the allocation of the appropriations for maintaining of the infrastructure at its original level, elimination of the repair backlog, and for work aimed at substantial improvements or expansion of the existing infrastructure.
5. The Ministry of Transport and Communications should ensure that the contracts concerning research and development projects are in compliance with the law and that the procurement procedures are appropriate. Particular attention should be paid to direct award of contracts.
6. The Ministry of Transport and Communications should make more use of working groups in the drafting of statutes. The Ministry of Transport and Communications should monitor the actual impacts of the laws by conducting follow-ups on the most important legislative reforms. The follow-ups should be based on specific criteria. The

persons with overall responsibility for the drafting process should, at least in important statute projects, take part in the meetings of the management groups. This would improve the flow of information.

7. It is recommended that in order to strengthen performance guidance in the accounting offices of its administrative branch, the Ministry of Transport and Communications should approve economic efficiency targets for all accounting offices in the form of indicators or other measurable targets.