

State aid for IT projects in social and health care

In 2000-2009 about 180 million euros in national and European Union funds went to finance information technology projects in social and health care, not including the costs of developing national information system services (KanTa project) or the National Project for Social Services IT (Tikesos project). Financing has been provided by the Ministry of Social Affairs and Health, the Finnish Funding Agency for Technology and Innovation (Tekes), regional councils (previously state provincial offices), and indirectly by the Slot Machine Association under the direction of the Ministry of Social Affairs and Health. All in all approximately 250 million euros was tied to development projects carried out as national measures in 2000-2010, not including the self-funded portion of aid or loans granted to enterprises by Tekes or financing granted by the Finnish Innovation Fund (Sitra) for IT projects in social and health care.

The objective of the audit was to determine whether IT projects in social and health care have been implemented effectively and whether projects have had preconditions for effectiveness. The audit also examined whether projects have been conducted in compliance with legislation concerning the application of funds and conditions for state aid and funding decisions.

The audit found that aid granted for IT projects in social and health care was used to achieve implementations that were introduced locally. The application of funds for these has not been coordinated nationally, however, which has led to the financing of tens of projects that are similar in terms of objectives and implementation. Results with national impacts have not been achieved; results have remained local and in some cases activities have ended after the termination of project funding.

Managing many small and fragmented projects and aids has also placed demands on increasing administrative resources. With longer-term strategic management and more thorough decision-

making with regard to appropriateness, state aid could have been allocated more efficiently to projects producing results nationally.

The audit found shortcomings in state aid procedures at both the Ministry of Social Affairs and Health and Tekes. State aid decisions were unclearly justified, the focusing of the application of funds was not clear and control was not arranged according to legislation. Numerous direct procurements were made, contrary to the Act on Public Contracts. The National Audit Office considers that the quality of documentation concerning decision-making on state aid should be improved and control of the application of funds should be improved.

Tekes had granted state aid to local authorities for projects that in fact supported participating firms' product development. This gave individual firms a competitive advantage in sales of products and services to public administration organisations. This cannot be regarded as an appropriate use of state funds.

The Ministry of Employment and the Economy should consider measures to reevaluate the role of Tekes with regard to funding allocated to the public sector. Economically and operationally it is not justifiable for Tekes to act as a financier of projects in the field of social and health care while at the same time the Ministry of Social Affairs and Health has corresponding financing instruments at its disposal as the authority responsible for development in the field.

The audit noted several situations in which it has not been possible to integrate information systems because of a lack of interface specifications or high pricing for interfaces. Projects have ended up making direct procurements, because it has not been possible to procure a suitable software component from a competing system supplier. In the light of audit findings the Finnish Competition Authority should investigate the market situation, possible competition restrictions and other possible problems in the field. Furthermore the Ministry of Social Affairs and Health has granted state aid to patient record systems' cluster projects and other development projects that have gone to IT firms that are in a dominant market position, which can have impacts on the competition situation in the field. The audit presents justified reasons why the Ministry of Social Affairs and Health in cooperation with the Ministry of Employment and the Economy should investigate the nature of granted state aids and related reporting to the Commission.

The National Audit Office has repeatedly drawn attention to the fact that national objectives cannot be achieved in small projects that are conducted regionally. Disseminating the results of projects and engaging different actors have proved challenging, if not impossible, in fragmented municipal organisations. In future projects that affect broad service production or structures should be conducted in geographically comprehensive wholes so that numerous public administration organisations engaged in projects are involved.

On the basis of audit findings cautions concerning observed shortcomings in procedures regarding legality were issued to the Ministry of Social Affairs and Health, the National Institute for Health and Welfare, the State Treasury, the Finnish Funding Agency for Technology and Innovation and the Regional State Administrative Agency for Southern Finland.