

The steering system in the administrative sector of the Ministry of Employment and the Economy

The audit examined the steering system in the administrative sector of the Ministry of Employment and the Economy. The term steering system refers to the procedures and systems with the help of which the administrative sector's management strives to achieve and ensure performance in the administrative sector and reports on performance to oversight bodies, particularly Parliament. Performance refers to the optimal relation between costs and impacts.

The main question in the audit was: What kind of preconditions does the steering system provide for performance and accountability. The question was divided into five subquestions, which concerned planning, management, internal control, reporting, and accounting and evaluation systems. The purpose of the audit was to produce information on the preconditions for the functioning of the steering system, not on performance itself.

The National Audit Office considers that the steering system in the administrative sector of the Ministry of Employment and the Economy on the whole provides good preconditions for performance and accountability in the administrative sector. The audit's key findings and recommendations are as follows:

The administrative sector of the Ministry of Employment and the Economy has gone through major restructuring in recent years, and the challenging nature of steering the administrative sector is increased by the broad range of tasks, partly conflicting objectives and the fact that the administrative sector includes many different organisations varying in size.

The Ministry of Employment and the Economy has actively strived to develop steering and has created a group steering model for the administrative sector that forms a coherent framework for steering. In addition the ministry has actively developed its own organisational structures as well as those in its administrative sector.

It has also shifted part of its operational tasks to subordinate administration.

The administrative sector has a group strategy plus 50-60 different strategies. The ministry should more clearly differentiate between strategic decisions and the everyday planning of activities. The core of the group strategy is the setting of broad objectives. Their financial impacts are mentioned only cursorily in strategy documents. The Ministry of Employment and the Economy should improve the identification and analysis of financial risks.

The Ministry of Employment and the Economy plans its finances on a multi-year basis, since planning includes the ministry's view of the development of financing during the next four years. The National Audit Office considers that the ministry should develop the planning of activities so that it also responds to the requirements placed on multi-year planning.

On the basis of the audit the state budget proposal gives the decision-maker weak preconditions to evaluate what outputs and social impacts the administrative sector of the Ministry of Employment and the Economy is supposed to achieve through its activities and application of funds. The reason for this is especially that tens of general effectiveness objectives are presented in the ministry's main title, but indicators and targets describing these are lacking as a rule. These shortcomings also concern innovation work, for which appropriations have been considerably increased in recent years. The rise in inputs underlines the need to evaluate the effectiveness of state aid and other support as well as different policy measures. The objectives of innovation policy should also be set more clearly and in such a way that the achievement of objectives can be reliably evaluated.

Shortcomings in the setting of objectives in the administrative sector have been reflected in the final central government accounts, where the description of performance has mainly involved outlining different measures and projects, while the description of effectiveness has been meagre.

The key challenge for planning, steering and reporting in the administrative sector of the Ministry of Employment and the Economy concerns the setting of objectives. The National Audit Office considers that the Ministry of Employment and the Economy should develop targets and indicators on the basis of which sufficiently

reliable objectives describing activities and effectiveness can be set for the application of funds in the administrative sector, which can be used in monitoring the achievement of objectives and related reporting.

The ministry does not have a strategic vision of how resources should be provided for different tasks in the administrative sector. In this respect there are inadequacies and even clear long-term problems that the ministry has not been able to solve with the help of framework planning, performance management or the productivity programme. One problem is the high rate of turnover at the Finnish Competition Authority, which has continued for years and has to some extent involved core activities. The National Audit Office considers that the Ministry of Employment and the Economy should urgently take steps to ensure proper resources for the Finnish Competition Authority as well as the administrative sector's tasks in general.

The steering of the Centres for Economic Development, Transport and the Environment has been divided among six ministries and three central agencies. The National Audit Office regards administration's efforts to simplify and streamline steering by reducing the number of individual performance agreements as quite justified.

The National Audit Office has cautioned the Ministry of Employment and the Economy several times on shortcomings in the arrangement of performance accounting. Little use is made of accounting in managing the ministry and the administrative sector. The National Audit Office considers that the Ministry of Employment and the Economy should see that its performance accounting meets the requirements in the State Budget Act and should improve management by placing emphasis on the development of accounting.

The funds in the administrative sector of the Ministry of Employment and the Economy are very significant financially, and they pose notable financial risks with regard to the identification, evaluation and presentation of which there are gaps. In steering funds the Ministry of Employment and the Economy should pay attention to managing and presenting risks. The organisation and administration of funds should be developed according to consistent principles.

The administrative sector has sufficient preconditions to produce research and evaluation data to support decision-making. The audit nevertheless observed problems that mainly had to do with the size of projects in ministry units' and departments' research and evaluation activities and the comprehensiveness of evaluations. The ministry should regularly evaluate different policy areas and arrange research and evaluation activities in larger projects.

Evaluating whether regulation is up to date is one way to ensure that the administrative sector has adequate information about problems in its regulatory environment. The ministry should clarify the points of departure in this evaluation and should revise evaluation practices to place more emphasis on broad and early participation so that information is also produced from different, new perspectives. The ministry should identify social processes that are essential for its goals and participants in these processes more systematically.

In dimensioning resources it is necessary to see that resources cover the different task areas related to the management of legislation. Otherwise there is a risk that some important task areas will not be taken care of for lack of resources. This includes evaluating whether regulation is up to date, evaluating alternative forms of regulation and monitoring the implementation and impacts of legislative projects. The ministry's management should also specify those areas of regulation in which implementing reforms and monitoring impacts are especially important.

The National Audit Office recommends that thought should be given to centralised monitoring and supervision so that Parliament will receive adequate and timely information on national and EU legislative proposals.

The National Audit Office also considers it important to improve the procedures used in managing legislative projects. The ministry has in fact surveyed legislative drafting resources, prepared a plan for developing legislative drafting and prepared new process guidelines. In addition it is necessary to open the different stages of the legislative drafting process and evaluate their significance for the functioning of the process and the end result. To ensure the implementation of transparency and the principles of good governance in drafting, the openness of early hearings and the verifiability of hearings should be improved. Furthermore, in each area of regulation it

is necessary to clarify the criteria on the basis of which participants in different stage of drafting are restricted.