



The National Audit Office's Strategy for 2013–2020 (VTV2020)

National Audit Office



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Helsinki 2013

The National Audit Office's Strategy

DNo 023/02/13

The National Audit Office is Finland's Supreme Audit Institution and operates in affiliation with Parliament according to section 90 of the Constitution. It audits the state's finances, monitors fiscal policy and oversees political party and election campaign financing.

The National Audit Office's strategy is a planning document covering the strategy period, which directs the office's audit planning and the planning of operations and finances. The strategy contains general lines concerning the achievement of the office's task (what our basic task is), the office's values (how we operate), the office's vision and strategic objectives (what we hope to achieve) and the focusing of audit, control and expert activities (where we place emphasis) as well as development focuses (in what direction we are developing activities).

The strategy has been prepared in cooperation with the office's departments and all personnel and has been discussed in cooperation meetings. After the endorsement of the strategy by a cooperation meeting and the office's management group, the National Audit Office has decided to approve this strategy for the period 2013–2020.

Helsinki, 30 January 2013

Auditor General

Tuomas Pöysti

Deputy Auditor General Tytti Yli-Viikari

Main points in the strategy

The National Audit Office (NAO) is responsible for the independent external audit of the state's finances, the monitoring of fiscal policy and the oversight of election campaign and political party financing.

Basic task

The National Audit Office

- ensures Parliament's financial power, the legality, openness and effectiveness of the state's financial management, and the openness of election campaign and political party financing
- verifies the implementation of the principles of the rule of law, democracy and sustainable finances in the state's financial management and in election campaign and political party financing.

The values guiding activities are

- responsibility
- openness
- objectivity
- respect.

Vision

The Finnish state's financial management is a model to the world.

The main strategic objective of activities is to promote

- the sustainable and effective management of the state's finances
- the reliability of information on the state's finances
- trust in the state's financial management.

The NAO promotes citizens' and other taxpayers' willingness to pay taxes and the functioning of Finnish democracy.

The NAO is a respected workplace in which motivated staff maintain and develop their expertise during their entire career.

The NAO accomplishes its vision and strategic objectives by conducting financial audit, compliance audit, performance audit, and fiscal policy audit and monitoring. In addition the NAO oversees election campaign and political party financing.

Strategic focuses in 2013–2020

- The NAO will create preconditions for reforming public administration and managing cross-sectoral risks and the state's finances as a whole. This requires flexibility and good interaction with stakeholders.
- The NAO's voice will be heard as an expert in the role of external auditor in state finance and state administration forums.
- The NAO's audits will be high quality in terms of content and methods.

Focusing of activities

Audits will be focuses according to the following principles:

- the direct and indirect significance of the matter for the state's finances over the short and long term
- the significance of the matter for Parliament in exercising fiscal power and for the Government in directing and overseeing the state's finances and administration
- the significance of the matter for the implementation of the principles of good governance and effectiveness and for citizens' and stakeholders' confidence in the state's financial management.

Risk analysis concerning the state's finances and the economy together with the analysis of auditability and risk analyses for different types of audit and auditees help identify the most important audit topics and questions.

Strategic success factors

- exemplary, professional and high-standard activities
- an expert and learning organisation
- an equitable work community that values all of its members
- a flexible attitude open to change
- efficient cooperation and sharing of information
- a constructive and open dialogue with auditees and other stakeholders
- responsible, objective and clear reporting and other communications.

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1 The National Audit Office's basic task

The National Audit Office (NAO) is an independent body operating in affiliation with Parliament that audits the state's financial management and compliance with the budget and monitors fiscal policy rules. In addition it oversees political party and election campaign financing.

The National Audit Office

- ensures Parliament's financial power, the legality, openness and effectiveness of the state's financial management, and the openness of election campaign and political party financing
- verifies the implementation of the principles of the rule of law, democracy and sustainable finances in the state's financial management and in election campaign and political party financing.

The NAO assists in ensuring the principles of the rule of law, democracy and sustainable finances in the European Union's financial management and other international cooperation in which Finland takes part.

The NAO has extensive rights to receive information under the Constitution. Its activities cover the state economy as a whole. The scope of audit includes the state budget economy, off-budget funds, state-owned companies and transfers of funds to other entities.

The NAO carries out its basic task by auditing

- the legality of financial management
- the effectiveness of financial management
- compliance with the budget
- the reliability of the information received by Parliament concerning the state's finances and financial management as well as fiscal policy rules.

The National Audit Office is responsible for the independent external audit of the state's finances, the monitoring of fiscal policy and the oversight of election campaign and political party financing.

2 The National Audit Office's values

Responsibility

We perform our task professionally and effectively. We actively take care of the development of occupational health and professional skill as well as equitable treatment. We deal boldly with difficult matters and also give praise. We critically evaluate our activities and develop them. We require the same of ourselves as we do of others.

Openness

We produce understandable and useful information in a timely manner. We tell about our activities and the results of our work reliably and clearly. We explain the reasoning behind our positions. Through active cooperation we improve the effectiveness of our work and the usefulness of our results. Our interaction is genuinely two-way. We learn from others. We promote openness in administration.

Objectivity

We study matters thoroughly and from different perspectives, without preconceptions. We make decisions independently. We treat everyone fairly and equally. Our audit and control positions are based on audit findings.

Respect

Our activities are constructive, receptive and interactive. We also respect dissenting views. We respect other actors' and people's expertise. We know our strengths, but we recognise the limits of our role and expertise. Dialogue and a multidisciplinary approach are among the strengths of our work community.

3 The NAO's vision

The state's financial management in Finland is a model to the world.

As strategic objectives the NAO in its basic task promotes

- sustainable and effective financial management
- the reliability of financial information
- confidence in the state's financial management.

The NAO promotes citizens' and other taxpayers' willingness to pay taxes and the functioning of Finnish democracy.

The NAO is a respected workplace in which motivated staff maintain and develop their expertise during their entire career.

3.1 Types of audit and their tasks

The National Audit Office carries out its basic task and strives to achieve its vision and strategic objectives by conducting

- financial audit
- compliance audit
- performance audit
- fiscal policy audit.

In addition the NAO oversees election campaign and political party financing.

3.1.1 Financial audit and compliance audit

Through financial audit and compliance audit the NAO

- produces up-to-date, regular and reliable audit information on the provision of a true and fair view in the final central government accounts and accounting units' final accounts, compliance with the budget and key regulations concerning it, and the implementation of the principles of good governance.
- promotes the implementation of the principles of good governance and the dissemination of good practices in the state's financial management
- strengthens Parliament's budgetary and legislative power and supports administration subordinate to the Government in the state's financial management.

Through financial audit and compliance audit the NAO increases citizens' confidence in good financial management in state administration.

3.1.2 Performance audit

Through performance audit the NAO

- produces reliable, timely and useful audit information on the state's financial management and its effectiveness
- promotes economy, efficiency and effectiveness in the state's financial management as well as accountability and openness
- creates value added for social decision-making from a financial viewpoint and verifies and strengthens the information base used in decision-making
- verifies the achievement of administration's accountability and responds to citizens' expectations concerning good and effective financial management.

With the help of audit information citizens can themselves evaluate state authorities' activities and their results.

3.1.3 Fiscal policy audit

Through fiscal policy audit the NAO verifies and promotes the legality and appropriateness of the state's financial management and compliance with the budget from the viewpoint of central government and general government finances as a whole.

Through fiscal policy audit the NAO

- ensures and supports the exercise of Parliament's visionary power concerning central government and general government finances by ascertaining whether the information on which the preparation of fiscal policy and decision-making are based gives a true and fair view
- verifies the functioning of fiscal policy steering and management tools from the viewpoint of the objectives set for fiscal policy
- verifies compliance with national and international fiscal policy rules and takes care of the independent monitoring of fiscal policy according to the European Union's Stability and Growth Pact
- verifies whether there are preconditions to achieve the objectives of fiscal policy and, if possible, whether set objectives have been achieved.

3.1.4 Oversight of election campaign and political party financing

Through the oversight of election campaign and political party financing the NAO

- increases the openness of election campaign and political party financing
- ensures the filing of disclosures implementing the openness of financing as referred to in legislation concerning election campaign and political party financing
- promotes the supplying of correct and adequate information concerning election campaign and political party financing.

Through the oversight of election campaign and political party financing the NAO promotes the reliability of the political system in citizens' eyes within the limits of its mandate. Through oversight of political parties the NAO can prevent and detect financial procedures that are not in compliance with the Act on Political Parties and thus influence the legality of parties' activities.

4 Supporting change in public administration

The strategy period will be marked by the need to solve the sustainability gap in central government and general government finances and the problem of indebtedness, which presents challenges for practices in the public sector. Another challenge will be achieving environmentally and economically sustainable economic growth and maintaining Finland's competitiveness in the face of restructuring.

This requires a comprehensive approach based on up-to-date, reliable and adequate information concerning good practices and development areas, the economy and effectiveness. It also requires the ability to make and implement decisions. Consequently the NAO's activities will be aimed at improving and ensuring the preconditions for successful change in public administration and the picture of the state's finances as a whole.

One of the NAO's strengths is its independent position and broad rights to receive information. The NAO can genuinely represent the viewpoint of the state's finances as a whole and address difficult subjects. The NAO's activities can produce information from an overall perspective that is not always visible to an individual administrative sector or actor. Audit activities allow the examination of cross-sectoral wholes and the perception of links between matters.

During the strategy period audit activities will place emphasis on the perspective of the state's finances and financial management as a whole. The NAO will audit and, in its expert activities and reports to Parliament, draw attention to cross-sectoral themes. Expertise will be flexibly assembled around them so that the most essential matters will be audited or evaluated in risk analyses and expert activities in a long-term manner. This will support the Government in managing the state's finances as a whole and associated risks.

The core of the NAO's audit activities is continuous, long-term work based on systematic audit planning. The NAO will develop its activities so that it can rapidly respond to new audit needs and Parliament's needs for expert information within the NAO's mandate.

Actively monitoring changes in the operating environment and analysing observations is importing. This requires flexibility and the ability to change, which also means the organisation's ability to change itself. Commitment to common goals, cooperation, learning and the open sharing of information will be emphasised. The strengths of different types of audit will be used as flexibly as possible. Attention will be paid to flexibility in resource planning as well as procedures and structures. Flexibility will be increased by carrying

out alongside broad audits narrower audits that will allow the NAO to respond rapidly to unexpected audit needs.

The development objective in the strategy period is to maintain and improve the NAO's effectiveness and value added particularly in creating preconditions for successful change in public administration and in managing the state's finances as a whole. Effectiveness relies on the quality and usefulness of audit information. Audits will examine matters deeply and be carried out expertly, carefully and according to high standards. The NAO will present feasible recommendations to help administration improve performance and develop activities. Value added will be improved by focusing activities on essential matters through better risk analyses according to the principles used in focusing audits and by increasing and improving interaction with auditees and stakeholders.

To increase the effectiveness of audit activities, strengthening expertise is crucial. Core expertise is inside the NAO, but it also needs to network efficiently. Expertise will constantly be developed in a broad manner.

Expertise also includes active participation in expert discussion based on audit information according to the role of an external professional auditor. The auditor's voice should be heard in those forums in which audit information is presented.

The NAO's expert tasks are suitable to the role of an external professional auditor and independent overseer of fiscal policy and do not hinder audit and oversight activities. They support the achievement of strategic objectives. The NAO acts in an expert role suitable to an external auditor when this is justifiably the best way to hold auditees accountable, considering resources.

5 Focusing audit activities

5.1 General criteria for focusing audit activities

The following general criteria are used in focusing audit activities:

- the direct and indirect economic significance of the matter over the short and long term
- the significance of the matter for Parliament in exercising fiscal power and for the Government in managing and overseeing administration
- the significance of the matter for the implementation of the principles of good governance and performance and for citizens' and stakeholders' confidence in the state's financial management.

These general criteria form the background for all audit activities. Together with the NAO's auditing rights they determine the NAO's auditing field. Types of audit have been decided on the basis of the general criteria for focusing audit activities and the NAO's tasks.

Annual multi-year audit planning focuses audit on key topics based on the general criteria for focusing audit activities. In planning we utilise essentiality criteria in each type of audit and risk analyses on different levels.

The general criteria for focusing audit activities also provide a check list of the most essential matters for each type of audit and individual audits. Audit work will be guided and planned so that audit questions and reports correspond to matters according to the general criteria for focusing audit activities. These are given concrete form in the essentiality criteria for each type of audit, which determine which matters and perspectives are essential in each type of audit. The essentiality criteria are listed in appendices.

5.2 Risk analysis concerning the state's finances and the economy

Audit planning starts with risk analysis concerning the state's finances and the economy, which comprehensively examines general challenges and risks for the state's finances and the economy as well as the state's financial management. The purpose of risk analysis is to focus the NAO's activities on challenges and cross-sectoral wholes that are important for the state's financial. The operating environment is studied from a broad perspective so that possible new audit needs can be identified. This also supports linking audit information as part of the social and economic whole.

So that risk analysis concerning the state's finances and the economy will not remain separate from audit activities, it also includes an analysis of auditability. This analysis is used to determine the themes concerning which useful information can be produced through audits. On the basis of the general criteria for focusing audit activities and the usefulness of the information that can be produced through audits, the office-level themes on which audit activities will focus are selected. In selecting themes attention is also paid to the NAO's existing expertise or ability to acquire new expertise. As part of risk analysis concerning the state's finances and the economy, the NAO also considers what type or types of audit are best suited to each theme.

5.3 Audit planning in each type of audit

In each type of audit, audit planning and the focusing of activities are always based on the NAO's general audit plan.

Risk analysis concerning the state's finances and the economy is used to determine the NAO's themes. Audit planning for each type of audit particularises these themes by specifying suitable audit topics and concrete focuses. The audit plan for each type of audit is based on risk analyses made in audit units and groups as well as essentiality criteria for each type of audit (see appendices). The annual audit plan assembles audits for the planning period.

6 Quality policy

The fundamental principles of the National Audit Office's quality policy are:

- Owing to the National Audit Office's special position as Finland's supreme audit institution as prescribed in the Constitution, the quality of activities is very important.
- A key principle of the National Audit Office's quality policy is constant development and the transparency of activities. The NAO is a learning organisation that has the ability to create, obtain and transfer information and change its own behaviour in the light of new information and new concepts.
- Quality management has been integrated in the NAO's activities and management.
- Audit activities comply with the International Standards of Supreme Audit Institutions that have been approved by the International Organisation of Supreme Audit Institutions.
- Each person is responsible for maintaining expertise and for complying with agreed ethical standards and thus ensuring quality.
- The National Audit Office's management (Auditor General, management group, head of audit group) monitors quality and the functioning of the quality management system according to the division of labour approved in the working order.

7 Strategic success factors

Strategic success factors for the achievement of the vision and strategic objectives are

- exemplary, professional and high-standard activities
- - an expert and learning organisation
- - an equitable work community that values all of its members
- - a flexible attitude open to change
- - efficient cooperation and sharing of information
- - a constructive and open dialogue with auditees and other stakeholders
- - responsible, objective and clear reporting and other communications

In connection with strategy work the NAO has prepared operating policies for different areas, whose task is to support the implementation of the strategy and the development of the work community.

Strategic management commitment

Policies concerning principles and goals in focusing the external audit of the state's financial management for which the National Audit Office is responsible are based on the International Standards of Supreme Audit Institutions that have been approved by the International Organisation of Supreme Audit Institutions.

In approving the strategy we have made the following strategic management commitment.

We pledge to act in a consistent, predictable and encouraging way according to the NAO's values. Our objective is for the NAO's staff and departments to have the best possible operating conditions to implement the NAO's strategy. We pledge to direct and develop the audit, oversight and expert activities for which we are responsible so that strategic objectives can be achieved as well as possible.

We bear responsibility for the audit risk connected with the choices made in the strategy and for decisions concerning the focusing of resources allocated to the National Audit Office.

Through our actions we will support one another and other supervisors in management tasks so that together we can create preconditions for effective and high-standard work, a good working environment and a well-functioning work community.

Helsinki, 30 January 2013

Auditor General Tuomas Pöysti

Deputy Auditor General Vesa Jatkola

Deputy Auditor General Marjatta Kimmonen

Deputy Auditor General Tytti Yli-Viikari

Director of Administration Mikko Koironen

Assistant Auditor General Esa Tammelin

Appendix 1: Tasks and essentiality criteria of performance audit				
The NAO's audit tasks and essentiality criteria	auditing the legality of financial management	auditing compliance with the budget	auditing the effectiveness of financial management	auditing the reliability of the information received by Parliament concerning the state's finances and financial management
Performance audit's tasks:	The legality of financial management is a possible supplementary part of all performance audits. Legality can be examined as part of normal performance audit whenever legality is of special interest from the viewpoint of performance (particularly the audit of state aids and procurements). In addition to performance, legality can also be examined as part of performance audit when a problem concerning legality that has been observed in a performance audit needs to be addressed.	Compliance with the budget is a possible supplementary part of all performance audits. Performance audit always draws attention to the achievement of the social objectives set out in the commentary to legislative proposals. Compliance with the budget can be examined as part of normal performance audit whenever a problem concerning compliance with the budget has been observed in a performance audit.	This is the main task of performance audit: to see whether <ul style="list-style-type: none"> - financial management is sound - good preconditions have been created for sound financial management - where problems have arisen in performance and for what reason. 	Performance audit participates in this especially by <ul style="list-style-type: none"> - participating in the audit of the final central government accounts with regard to information on performance - conducting steering system audits, in which information on a ministry's performance is also examined - examining in any performance audit whether a true and fair view of activities has been provided in performance reports - separately examining information concerning the state's finances in the commentary to Government proposals
Essentiality criteria for performance audit:	Not a focusing principle	Not a focusing principle	Essentiality criteria: <ol style="list-style-type: none"> 1) economic significance 2) significance for achieving social policy objectives 3) performance risks or problems (= possibility to improve performance) 4) production of new information or verification of existing information by presenting the NAO's view (is the matter known? who else produces information on the matter - does the NAO have special information to offer?) 	Annually: <ul style="list-style-type: none"> - final central government accounts, performance information - steering system audit, performance information

Appendix 2: Tasks and essentiality criteria of financial audit and compliance audit				
The NAO's audit tasks and essentiality criteriat	auditing the legality of financial management	auditing compliance with the budget	auditing the effectiveness of financial management	auditing the reliability of the information received by Parliament concerning the state's finances and financial management
Financial audit	Financial audit's mission/objective in auditing the legality of financial management - to ensure that final accounts provide a true and fair view - to ensure that key regulations concerning the budget have been complied with - to promote the implementation of the principles of good governance	Financial audit's mission/objective in auditing compliance with the budget - to ensure that the budget has been complied with - to prevent and correct errors regarding compliance with the budget	Financial audit's mission/objective in auditing the effectiveness of financial management - to ensure that a true and fair view has been presented concerning operational efficiency - to ensure that performance accounting has been arranged and managed according to regulations - to promote compliance with principles supporting operational efficiency	Financial audit's mission/objective in auditing the reliability of information - to support Parliament's budgetary and legislative power by producing audit information particularly concerning compliance with the budget and key regulations concerning its application as well as the provision of a true and fair view in final accounts
Focusing criteria	Financial audit examines final accounts and the obligation to prepare final accounts determines in what cases financial audit reports are submitted. Financial audit reports are submitted on the final central government accounts as well as financial audits of accounting units and certain funds. In financial audit reports on financial audits of accounting units, statements are issued on budgetary procedures, final accounts, internal control, and compliance with the budget and key regulations concerning its application. The final accounts also include information on operational efficiency in the review of operations.			
Essentiality criteria	Financial audit's perspectives are the provision of a true and fair view in final accounts, compliance with the budget and other legality questions as well as the implementation of the principles of good governance, including efficient and effective internal control. Essentiality varies according to perspectives and stakeholders. Of key importance is the effect of the matter and related essentiality on decision-making.			
Compliance audit	Mission/objective in this basic task - to ensure that key regulations have been complied with	Mission/objective in this basic task - to ensure that the budget has been complied with	Mission/objective in this basic task - only in exceptional cases in compliance audit	Mission/objective in this basic task - to present concise and up-to-date summary information on key theme areas in compliance audit
Focusing criteria	Compliance audit focuses on matters in which compliance audit as a form of audit provides the best possible tools to produce audit information on the legality of the state's financial management and compliance with the budget. The focusing of audits is influenced by the matter's significance for the state budget, the matter's significance for the state's financial position over the short and long term, inherent risk, in which the perspective of legality and appropriateness is emphasised, and the matter's significance for Parliament's financial decision-making and the exercise of Parliament's legislative power. Compliance audit focuses particularly on matters that have not been audited comprehensively in the past. Key areas are transferable appropriations, revenues, procurements, financial and personnel administration processes, and questions regarding compliance with the budget			
Essentiality criteria	Essentiality is evaluated from the viewpoint of irregularities, improper activities and failure to comply with the budget. Of key importance is the effect of the matter and related essentiality on decision-making.			

Appendix 3: Tasks and essentiality criteria of fiscal policy audit				
The NAO's audit tasks and essentiality criteriat	auditing the legality of financial management	auditing compliance with the budget	auditing the effectiveness of financial management	auditing the reliability of the information received by Parliament concerning the state's finances and financial management
Fiscal policy audit's tasks	Fiscal policy audit's mission is to ensure that - the preparation and implementation of fiscal policy are in line with the principles in the Constitution and national rules (e.g. spending limits procedure/spending rules), -- Finland complies with EU and international obligations and agreements, such as the requirements in European Union legislation, especially the Stability and Growth Pact and the intergovernmental agreement on closer economic union.		Fiscal policy audit's mission in auditing the effectiveness of financial management: - The state's financial management is sustainable and responsible from the viewpoint of fiscal policy, with the state's revenues, expenditure and debt management forming a sustainable whole. - To determine whether fiscal policy management facilitates the achievement of fiscal policy objectives. -- To determine whether fiscal policy objectives are feasible.	Fiscal policy audit's mission in auditing the reliability of information: - To determine whether state administration produces the information regarding fiscal policy required by Parliament. - To determine whether information provides a true and fair view to support Parliament in financial decision-making. - To determine whether information is received by Parliament in a timely manner.
Fiscal policy audit's essentiality criteria	- audit and control tasks related to fiscal policy rules and obligations based on legislation and agreements	- the relative importance of the matter for the economy and the state's finances - the essentiality, correctness and timeliness of the matter for Parliament's decision-making - the usefulness of the matter for discussion concerning fiscal policy and the state's finances		



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