



National Audit Office's Annual Report to Parliament 2018



National Audit Office's Annual Report to Parliament 2018

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The photos in this annual report are by Ville-Veikko Heinonen, a photographer from Tampere, Finland. The theme of the photos is the urban environment and its dynamics in everyday life. The photos were taken in Helsinki in May 2018.

To Parliament

Under section 6 of the Act on the National Audit Office (676/2000), the National Audit Office hereby submits the report on its activities to Parliament.

The report presents the conclusions made on the basis of the audit findings concerning the current state of central government finances and public administration, as well as summaries of the audit findings that are of material importance to Parliament. Furthermore, the report presents a review of the National Audit Office's activities during the period covered by the annual report.

The report is based on the performance audits, financial audits, compliance audits and fiscal policy audits conducted by the National Audit Office, as well as on its activities as an expert body. The financial audits that were completed in spring 2018 and that cover the 2017 budget year are included in the report. In addition, performance audits, fiscal policy audits and compliance audits and follow-ups to them completed by the end of August 2018 are also included in the report.

The National Audit Office reports on the findings of the fiscal policy evaluation carried out under the Act 869/2012 on a biannual basis. The National Audit Office submitted fiscal policy monitoring reports on 3 November 2017 and 8 June 2018.

Furthermore, the National Audit Office submitted a fiscal policy evaluation report for 2017 (R 20/2017 vp) as a separate report to Parliament on 14 December 2017. The National Audit Office also submitted a separate report to Parliament on the audit of the final central government accounts and the Government's annual report on 30 May 2018 (R 17/2018 vp).

Helsinki, 12 September 2018

Tytti Yli-Viikari
Auditor General

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Contents

Auditor General's review:	
Virtual cottage for tubers of good governance	7
Main content	13
1 Off-balance sheet liabilities require monitoring and mitigation of risks	15
2 Risk management and continuity of operations must be better guaranteed in central government as whole	19
3 Good governance and central government finances are based on transparency and compliance with rules	23
4 Audit development priorities	29
5 National Audit Office of Finland	31



Auditor General's review

Virtual cottage for tubers of good governance

Good governance evolves with each generation, as do our definitions of happiness. The old Finnish ideal of happiness as owning "a small red cottage and a potato batch" is changing. Each generation determines the ethical basis on which it builds its new operating models, technologies and public services. Changes in society and new perspectives offered by them are also visible in public external audit.

Finnish decision-makers can use verified information about the financial status of the state and compliance with the state budget. This boosts the budgetary powers of Parliament and the prerequisites for making decisions, as well as creates a solid foundation for good management of central government finances. Ensuring that central government finances comply with the law and the budget is part of good governance.

Budgetary powers of Parliament are part of good governance

The budgetary powers of Finnish Parliament are strong when studied internationally. However, recent changes calling for more agile political decision-making have partly been made at the expense of the budgetary powers. One example are decisions relating to corporatisation and the management of corporate assets. Significant decisions concerning state-owned property are also made outside the budgetary decision-making process. Parliament is committed to the multiannual spending limits procedure to ensure budgetary sustainability.

Legislative drafting plays a key role in terms of the use of the budgetary powers. The majority of decisions affecting the budget have already been made prior to the budget preparation stage. Therefore, the impact of new legislation on Parliament's budgetary powers should be analysed. It is not a question of central government finances alone; it is also a question of the exercise of power.

A united administration creates a more fertile ground for effective reforms

Functional and structural fragmentation of public administration undermines Parliament's opportunities to exercise its powers. In silo culture, it is difficult to gain an overview of central government finances as a whole, steering chains are complex and accountability is dispersed. The quality of legislation is compromised by a narrow approach to legislative drafting, which means that the required expertise, substance competence and perspectives are not reflected in the end result.

The public administration as a whole should promote innovations and reforms. Siloed legislative drafting and time pressures together prevent forward-looking parallel drafting between the different administrative branches. For reforms to be successful, there must be a consensus on the fact that sometimes the potato batch needs to be dug up in order to get new crops.

Functional fragmentation means that the steering of operations and finances is not coordinated or steering methods do not form a comprehensive, understandable entity. It is difficult to achieve the targeted reform when operations are dispersed. When planning reforms, attention should be paid to coordinated steering, making the actions supporting the reform sufficiently extensive and using comprehensive risk management. Politicians and high public officials should clearly express the targeted focus areas.

Fragmentation calls for better coordination of the overall situation. The more actors there are, the longer the operating chain and the more diverse the involved operating cultures, and the more important it is to manage the whole. A holistic approach ensures proper management of central government finances and the financial status of the state. Common rules and a shared understanding of the goals are the key – as well as the courage of the public servants to engage in goal-oriented and ethically sustainable work.

The fragmentation of administration manifests itself as increased segregation between the different actors. In terms of Parliament, this means that steering targeted at the Government is not effectively transmitted forward from the responsible ministry. Agencies that are located outside the central government but still receive the majority of their funding from the state budget, form a particular steering challenge. Parliamentary and Government steering should promote cost-efficient and effective use of public funds without partial optimisation of finances.

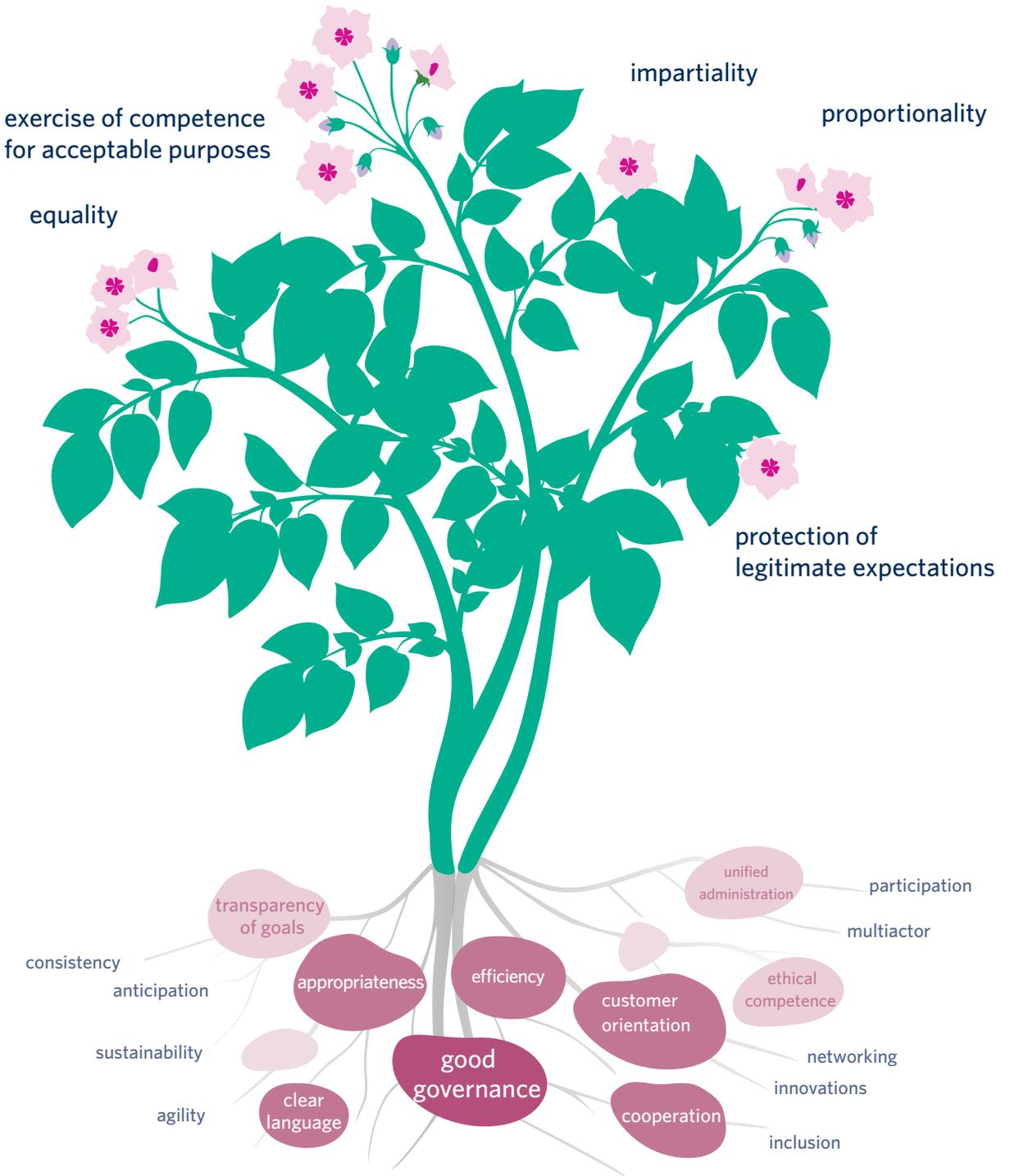


Figure 1: Principles of good governance and operating models

Good governance requires competent leaders and mutual trust between public servants

The ability of central government to renew itself is dependent on the public servants. They must be competent and visionary. The current Finnish discussion on a more unified Government shows willingness to create a new governance model. Coordination alone is not sufficient, since policy-making is more and more cross-sectoral. We need to strengthen the ability of the public servants to “speak the same language” and to take into account the viewpoints of the different sectors and stakeholder groups. To achieve this, mobility of public servants must be systematically increased and their management competence must be improved. Promoting the public servants’ ethical competence and commitment in the values of public administration are also essential.

In the past few years, public governance models have become more customer-centred. Services are reformed based on a customer perspective. It is the customers who ultimately suffer from barriers between government agencies and administrative sectors, as well as from barriers between the management, steering and data systems of the agencies and sectors.

Timely public external audit enhances good governance

Competency, compliance and good performance in the management of central government finances refer to compliance with legislation and the budget, as well as appropriate actions. Such a culture has been persistently developed in Finland, and it would be a shame if it were compromised by future reforms. The National Audit Office’s audits contribute to good policy-making and performance. Furthermore, sound expertise of the National Audit Office staff supports the sustainable development of public administration.

In different government strategies, digitalisation is seen as a key enabler. Identification and management of mutual dependencies is important in order to achieve the policy goals. Transparency and genuineness of the set goals support good legislative drafting and enforcement. Policy-making requires vast professional networks. At present, governance is characterised by a large number of actors and extensive inclusion efforts.

Globalisation, technological development and social networks challenge governance structures in the digital era. This influences the way in which individual people and institutions act, and the reconciliation of their interests. Interaction between politics and research is necessary to understand and resolve the challenges of sustainable development. New tools and forms of cooperation are needed to achieve this interaction, as well as to achieve inclusive policy-making. Good governance dialogues are needed to accompany the reforms. Let us fill our virtual cottage with tubers of good governance.



Main content

In its annual report, the National Audit Office offers Parliament its key observations regarding the appropriateness of central government finances, as well as compliance with laws and the budget. The report is a compilation of observations from several audits under three themes: off-balance sheet liabilities, risk management and ensuring continuity, as well as good governance. There is more information on these themes on the website of the National Audit Office. All other reports by the National Audit Office are also available online.

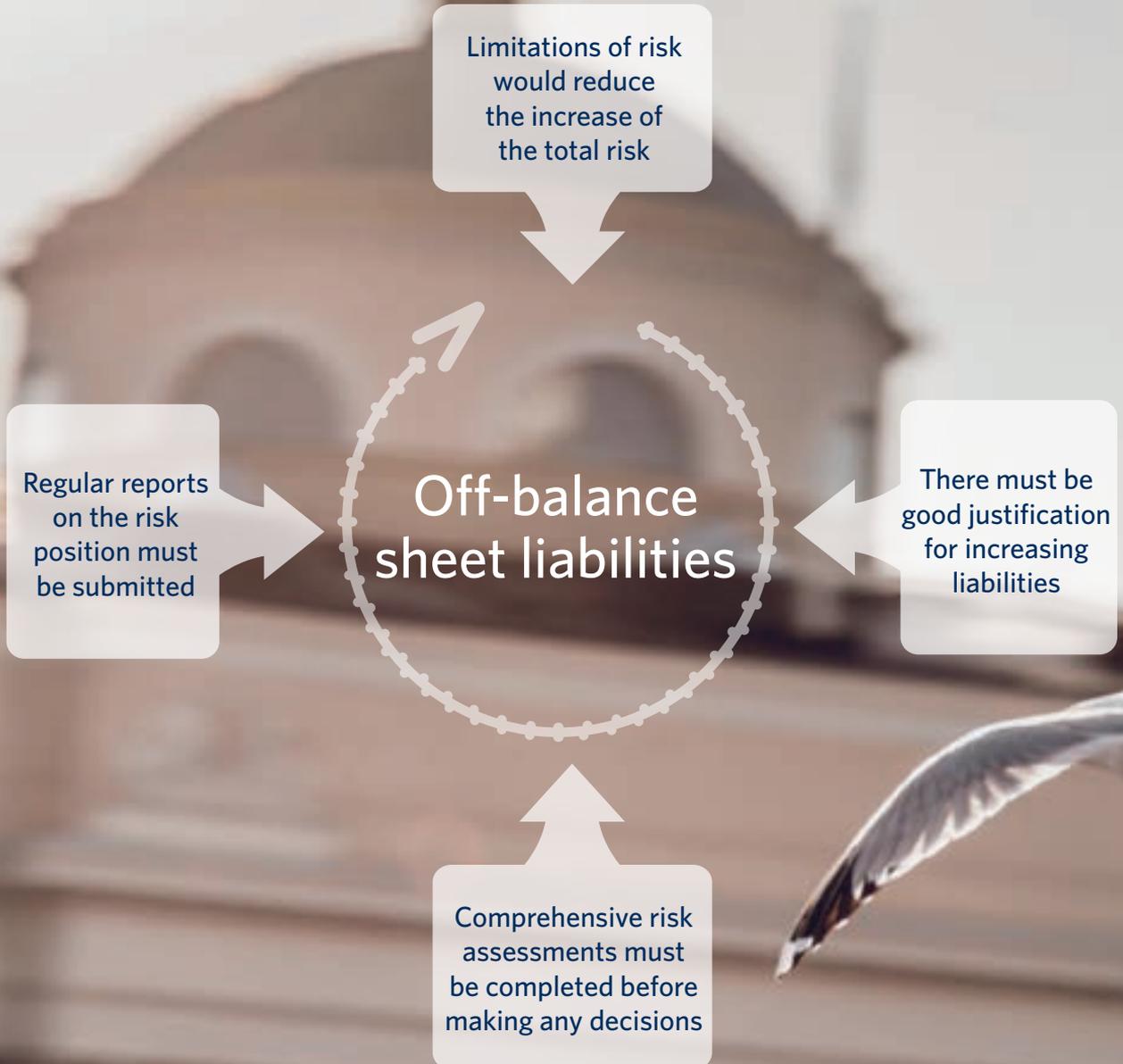
The purpose of a balance sheet is to describe the value of an organisation's assets and debts. The state has a significant number of off-balance sheet liabilities that may cause notable expenses in the future. Government authorities must assess the risks related to these liabilities in more detail and offer more concise reports on them.

The need for more unified central government risk management arises especially during amendments of the central government's service production structures. Liabilities for risk management that cover several organisations or cross administrative sector borders should be clearly determined. The processes used by government organisations to identify and manage their risks vary a great deal. Organisations that are involved in security issues, such as the rescue services or the Finnish Defence Forces, are inherently risk management organisations, and due to this basic duty, they are constantly prepared for risks to secure the continuity of operations. Almost all of the other organisations only identify exceptional disturbances as risks; threats related to data systems and cyber security, in particular. Risk management and securing the continuity of operations in society from this perspective have received very little attention at all levels of central government.

According to the audit findings, compliance with the state budget is fairly high. As procedures in violation of the state budget and key budget provisions are often also in violation of the provisions on central government funding laid down in the Constitution of Finland, compliance with the budget should be an important consideration at all times.

An efficient control environment provides the basis for successful internal control. As administration becomes more heavily automated, legislation often has a key impact on the effectiveness of processes. Functionality of data systems and integrated controls are a prerequisite for internal control in the case of digitised processes. In addition to the senior management of government agencies, the Ministries that control their operations have a key role in the achievement of good governance in central government finances.

Control of off-balance sheet liabilities



1 Off-balance sheet liabilities require monitoring and mitigation of risks

The state has a large number of off-balance sheet government guarantees, debts of state-owned enterprises and other liabilities that can cause significant expenses in the future. They have not been taken into account to a sufficient extent in the steering of central government finances and fiscal policy as a whole. To ensure that Parliament receives a comprehensive idea of the risks related to the liabilities and to ensure that long-term risks are taken into account in decision-making, both the risk assessment and reporting on risks must be developed. Furthermore, risk limits for contingent liabilities resulting from government subsidisation activities should be specified on the basis of an overall assessment of risks.

Risks connected to contingent liabilities should be better taken into account in reporting and decision-making

EU regulations require reporting of government guarantees and the debts of state-owned enterprises, among other issues, but set no limitations for the growth of liabilities. The liabilities have not been connected to the national spending limits system nor has their growth been limited in the Government Programme, either. The liabilities and the related risks have remained subordinate to policy goals. The number of public guarantees, export guarantees in particular, has increased at an alarming rate in the past few years, and their volume in relation to the GDP is very high in Finland when compared to the other EU member states.

When developing the management of contingent liabilities, attention should be paid to decision-making, reporting on the liabilities and limitations to the taking of risks. Assessing the basis on which commitments to guarantee liabilities are made is of utmost importance. Supporting export and industrial policy goals by means of guarantees could be justified, for instance. Such a procedure should be considered an exception, however, and a thorough report on the benefits and risks of the proposed arrangement should be required when preparing the policy. Even if the likelihood of the liabilities being realised is small, the financial impact can be significant.

If the commitment to contingent liabilities is deemed justified, the financial impact should be investigated during the decision-making process. A realistic idea of the scope of the potential losses should be obtained and the impact of alternative operating methods should also be presented. This should be done when making a decision on an authorisation to grant liabilities to a government agency, such as Finnvera, when making decisions on specific liabilities and when making decisions on supporting export projects. On the basis of the audit of the National Audit Office on contingent liabilities of general government, the impact assessments do not comprehensively describe the amount of potential losses when proposing increases to export guarantee authorisations.

The problem with the central government is that risk assessments are specific to an agency or an administrative sector and assessment requirements have not been clearly determined. Therefore, the level of risk assessments varies and risk assessments used in decision-making can be defective.

Contingent liabilities often hide in details. For example, when joining an international organisation, the Government must enforce treaties regarding the organisation. With such a treaty, the Government commits to being responsible for already existing commitments and liabilities of the organisation, such as pensions.

On the basis of the audit of the National Audit Office on financial liabilities of the Government when joining international organisations, attention has not been paid to the financial impact, and benefits achieved from joining the organisation have not been compared with the total expenses. Another issue that has not been assessed in a transparent manner is the division of liabilities between the member states in case a decision to leave the organisation is made.



Figure 2: Development of government guarantees 2005–2017

Contingent liabilities are liabilities the changing of which into direct financial liabilities depends on an uncertain event that the Government is unable to influence, such as a company for which a state guarantee has been granted becoming insolvent. In practice, steering instruments of the European Union or national fiscal policy steering instruments do not take into account such contingent liabilities.

Reporting should be made more comprehensive and the necessity to introduce limitations to risk should be assessed

Reporting on contingent liabilities in the Government's annual report and in the final central government accounts has been expanded in the past few years.

Furthermore, the Ministry of Finance prepares an annual risk survey. Nevertheless, the reports only barely cover the development of the risk position arising from all contingent liabilities and do not include any scenarios on how high the expenses arising from export guarantees can be, for example. The risks arising from liabilities have not been studied as a whole, which has made the reporting fragmented.

In the final central government accounts, liabilities are included on the balance sheet, in the budget outturn statement and in Appendix 12 to the final accounts, Granted state securities, state guarantees and other commitments. The budget outturn statement presents information on authorisations granted in the budget and the expenses arising from these to the state. Appropriations corresponding to these must be included in the budgets for the following years.

Appendix 12 to the final central government accounts includes information on government guarantees, securities and commitments spanning over the course of several years. There are clear instructions and requirements on the presentation of information on authorisations, and the reporting systems support correctness of this information. Verifying the coverage and correctness of the information in Appendix 12 is more difficult, however.

The current reports do not cover all the contingent liabilities or utilise all of the available information. Government liabilities in international organisations are not reported, even though reporting would be already possible by virtue of the current legislation. According to the National Audit Office's estimate, Finland's share of the non-funded employee benefit obligations in 40 international organisations is some EUR 1.4 billion. Reports on liabilities related to the euro system that are generated via the Bank of Finland are not connected to the direct liabilities of the Government.

The risks arising from the off-balance sheet liabilities must be assessed and reported in a more systematic manner to ensure proper management and control of the liabilities. Sustainable finances could also be supported with a limitation of risk that would reduce the increase of liabilities. Issues that should be taken into account when determining the limitation include different risks of the liabilities and an assessment of the greatest loss the state can bear.

The chapter is based on the following audits: Financial liabilities of the Government in international organisations (3/2018) and Contingent liabilities of general government (4/2018).

For more information on the themes of this chapter and the underlying audits, please see the online version of the annual report at www.vtv.fi/en/publications/annual-report-2018.



2 Risk management and continuity of operations must be better guaranteed in central government as whole

The fact that the service production structures in central government have become more complex has caused the need to arrange comprehensive risk management. Liabilities for risk management that cover several organisations or cross administrative sector borders should be clearly determined. Risk management and securing the continuity of operations in society from this perspective have received very little attention at all levels of central government.

The processes used by government organisations to identify and manage their risks vary a great deal. Organisations that are involved in security issues, such as the rescue services or the Finnish Defence Forces, are inherently risk management organisations, and due to this basic duty, they are constantly prepared for risks to secure the continuity of operations. Almost all of the other organisations only identify exceptional disturbances as risks; threats related to data systems and cyber security, in particular. The management of an organisation is responsible for risk management arrangements. Ultimately, the management determines the level of risk management.

Risks not being identified is a problem

The goal of risk management is to secure normal operations under all circumstances. One of the key challenges in risk management is the identification of different risks that compromise the continuity of the operations. In central government, internal control and related risk management have become an established part of management processes. Ministries and agencies must include in their final accounts an assessment of the appropriateness and adequacy of internal control and risk management, as well as any development needs.

The management of an agency carries the responsibility for the risk management arrangements, and the management makes decisions on the target level of risk management. According to the audit findings of the National Audit Office, the interest of the management in risk management is a key issue when ensuring risk management at a high level. The investments made by agencies in risk management vary a great deal and are also influenced by the administrative sector and the nature of the organisation. Many agencies in the administrative sectors of the Ministry of the Interior and the Ministry of Defence are risk management organisations, which means that they are prepared to secure the operations of society in case of a disturbance.

Threats linked to exceptional circumstances are usually identified first in central government. Risks linked to data systems and ICT in general are also identified in most cases. ICT risks and preparation for them are the most important, or in some cases the only, analysed objects. If this is the case, other disturbances under normal conditions or factors that will hamper continuity of operations can easily remain unidentified.

Government organisations do not always have a realistic impression of their level of risk management. The impression may be overly positive, because the organisations have not invested in the identification or management of risks. Once an organisation starts to better analyse the risks threatening its operations, the impression may become too negative. However, the identification of risks is a genuine step forwards and a prerequisite for achieving a realistic idea of the risks related to the operations.

Financial administration has a special status in the use of funds and the management of related risks. In the risk management of the financial administration of the Government, the State Treasury has a key impact on the development of the foundation for internal control and the control environment. Over the past few years, the State Treasury has put more emphasis on effective operations and less emphasis on internal control in the steering of its finances and HR administration. This means that internal control arrangements have become weaker without an assessment of the risks to central government finances.

The drafting of laws is a key function of ministries. Risk management is necessary in law drafting at two levels: to ensure the quality of the content of laws and to ensure fluency of the drafting process. The more comprehensive the reform or the faster the reform will be realised, the higher the risk of the law becoming poor in quality or problems being encountered during the drafting process. This does not mean that comprehensive or quick reforms should not be made, however, but identifying the increased risks inherent to such projects is important so that the risks can be reduced with appropriate mitigation methods or at least so that the decision-maker can consciously accept the risks of the project. Risks inherent to the drafting of laws can be mitigated by, for example, making the preparation process more open and increasing cooperation so that the draft laws will be reviewed by other parties outside the central government at an early stage.

A disparity has been detected in the drafting of laws: there are more and more regulations and the regulations are more complex than before, but less time and resources are allocated for the drafting of laws. The danger is that risks related to the quality of the laws and the drafting process are realised – which could result in complex legislation that can be interpreted in many ways, for example. The consequences for surrounding society can be extensive. Defective drafting will slow down the entire process and the resulting delay in the completion of laws may become very expensive to society and the people whose actions the laws influence.

Longer chains of operations blur responsibilities

The varied development paths in administration allow risks – also whole new ones – to develop and be realised faster than before. Development, the cross-administrative approach, outsourcing and privatisation have made the chains of operation longer. The longer chains of operation span across several agencies and may also include parties from outside the Government. The fact that the chains are more complex increases the risks in itself. The negative aspect of this development is that it also increases the danger of the management of the agencies not identifying their responsibility for risk management to a sufficient extent. Furthermore, as the chains of operation become longer, responsibility for risk management may remain unclear, which may compromise the level of risk management.

Chains have become longer also due to outsourcing in the case of the Government's finance and HR administration services, as well as in the case of ICT operations. Duties span across several agencies, which means that it may be unclear who is tasked with arranging internal control of the whole, such as the internal control of all of the Government's financial administration duties. A typical situation in the case of ICT operations is a supplier from outside the agency providing the services. The supplier may be the Government ICT Centre Valtori or a private enterprise. The Government carries the responsibility for overall risk management, even if the service is acquired from a supplier outside the Government agency.

In addition to risk management at the agency level, there is the need to manage all of the state's risks as a whole. There is no such risk management at the level of the state or Government. The Government should determine how such risk management could be arranged.

The chapter is based on the following audits: Current state of internal control and risk management in central government (13/2017), Steering of the operational reliability of electronic services (15/2017), Cyber protection arrangements (16/2017) and Risk management and continuity of operations (ongoing).

For more information on the themes of this chapter and the underlying audits, please see the online version of the annual report at www.vtv.fi/en/publications/annual-report-2018.



3 Good governance and central government finances are based on transparency and compliance with rules

In central government finances, good governance means compliance with the state budget, compliance of the activities with laws, good performance, effective internal control and risk management. The National Audit Office audits the effectiveness of good governance in all of its audits.

According to findings made in audits of the accounting offices, compliance with the state budget is fairly high. As in previous years, however, the National Audit Office would like to draw attention to procedures that are in violation of the state budget and key budget provisions. At the same time, they are often also in violation of the provisions on central government funding laid down in the Constitution of Finland.

An efficient control environment provides the basis for successful internal control. In addition to the senior management of government agencies, the Ministries that control their operations have a key role in the achievement of good governance in central government finances.

As administrative processes become more automated, legislation often has key significance for the efficiency of processes. Functionality of data systems and integrated controls are a prerequisite for internal control in digitised processes.

Compliance with the budget should be an important consideration at all times

The state budget provides the economic framework, obligations and legal basis for the work of central government. On the basis of the audits of the accounting offices, the National Audit Office comments on whether the accounting offices have complied with the budget and the key regulations concerning the budget.

In 2017, the National Audit Office issued an adverse opinion on compliance for nine accounting offices, which was four less than in 2016. As many of the opinions concerned more than one issue, the total number of cautions was 13 (32 in 2016).

Accountability must be transparent

The following documents help to ensure accountability in central government finances: Government's annual report, final central government accounts and the final accounts of state enterprises, off-budget entities and government agencies designated as accounting offices.

The final central government accounts for 2017 have been prepared in accordance with all appropriate regulations and provisions. A total of 13 financial audit reports contained opinions on the final accounts of the accounting offices and notes to them. The opinions issued on the final accounts mainly concerned information included in the budget outturn statement.

Of the other information presented by the Government in its annual report, the National Audit Office audited information on societal effectiveness and the state of general government finances. These issues and the audit of final central government accounts are reported in the separate report R17/2018 vp.

Functional performance guidance requires setting of goals

Success of performance guidance has been assessed in the audits from the perspective of the setting of economic efficiency targets and the reports produced on the implementation of them.

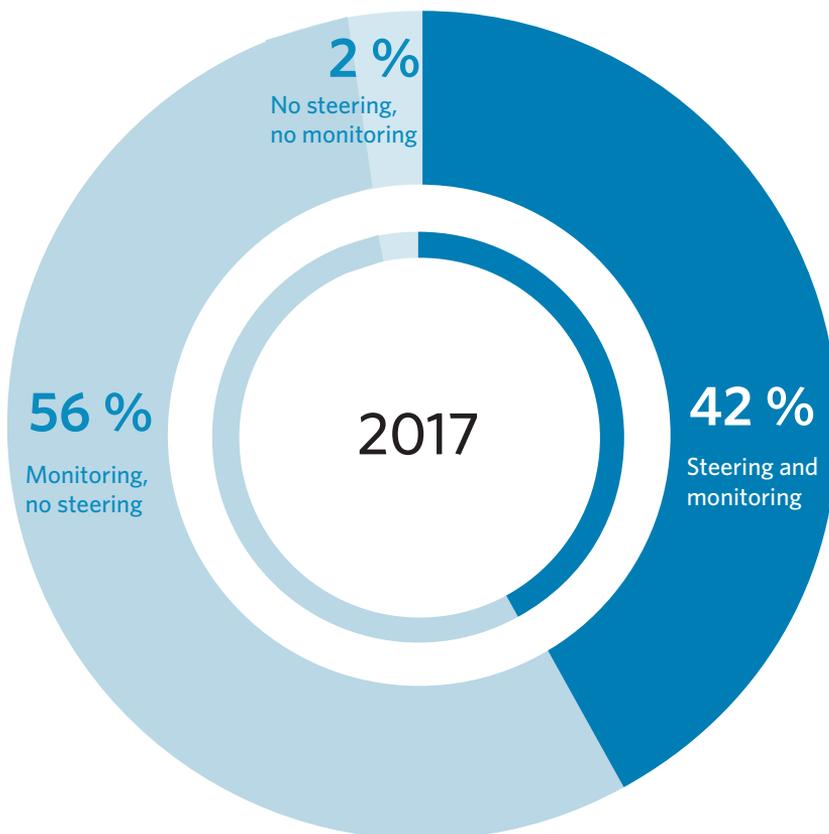


Figure 3: Successful performance guidance

Compared with the previous years, there has been no change in the proportion of accounting offices that are guided by adequate economic efficiency targets and that present true and fair information in their final accounts. When assessed on the basis of ordinary operating expenses, the share of these offices is only some 36% of all central government activities. However, the information on productivity and economic efficiency was found to be true and fair in the case of almost all of the accounting offices.

Internal control must be developed and automated as a whole

Internal control ensures compliance of the operations and finances with legislation and the budget, as well as secures assets. Furthermore, internal control ensures that a true and fair view of the financial status and performance is presented.

According to section 12 b of the State Budget Act, the accounting offices carry the responsibility for their payment traffic, accounting and final accounts, and prepare their own management reports. The State Treasury determines which duties concerning payment traffic, accounting, monitoring and the preparation of final accounts are to be handled in a centralised manner by an agency handling centralised financial administration (a service centre).

On the basis of the 2017 financial audits, material deficiencies in internal control were detected in 26% of the accounting offices. The share of accounting offices that received a caution increased from the previous year (22%). The cautions concerned the accounting offices' own actions or the actions of the service centres handling the accounting offices' financial administration.

The high number of customers and transactions handled by the service centres requires a great deal from internal control. That is why more attention than normal should be paid to the functionality and reliability of internal control. Automated controls that verify correctness and integrity of data would boost all of the service processes of the service centres, and further investments in the development of such controls should be made.

Payroll administration of agencies has been properly handled

In 2017, the Government paid a total of EUR 3.7 billion as salaries and benefits.

In a compliance audit of the accounting offices' payroll administration, it was observed that the payroll administration had been arranged in compliance with the regulations and the collective labour agreements. However, some deficiencies were observed in the internal control of payroll administration for which the agencies were responsible themselves. The controls, especially those that include errors, should be developed. An agency is obligated to submit correct information at the correct time to the service centre to be used as the basis for payroll accounting. The service centre carries the responsibility for the payroll accounting from the technical perspective.

Clear legislation promotes digitalisation

The National Audit Office also investigated whether attention was paid, in accordance with the principle of the effectiveness of taxation, to the clarity and simplicity of regulations when amending the Income Tax Act and whether the amended regulations of the Income Tax Act support the automation of taxation and thus boost performance of the Tax Administration.

Both goals concerning the level of taxation and social policy goals, such as the promotion of employment, have a major impact on tax solutions. Furthermore, the taxation effectiveness principle and the clarity and simplicity of related regulations should always be taken into account when reforming tax legislation. The manner in which tax deductions are realised has a crucial impact on the effectiveness of tax solutions. As taxation becomes more automated, they become even more significant in terms of the effectiveness, standardisation and correctness of taxation.

State funding for universities must be transparent

Most of the funding for universities is core funding from the state. In 2017, the core funding amounted to EUR 1.8 billion. In addition, the state funded universities with EUR 0.3 billion through the Academy of Finland and with EUR 0.12 billion through the Finnish Funding Agency for Technology Tekes (Business Finland) in 2017.

Compared to the goals set by the Government in the university reform (liquidity indicator 1.5 and equity ratio 60%), the financial status of the universities has been very good in the recent years, based on the information depicting the universities' liquidity and solvency. As part of the implementation of its policy on institutions of higher education, the Ministry of Education and Culture should determine the financial target status of the universities, described with these indicators.

Depending on the cost structure of the university of a part thereof, the overhead percentages vary from 65% to 100%. What this means in practice is that when the state budget earmarks a specific sum for research, on average half of the sum is used for expenses other than necessary research expenses. Thus, the Ministry of Education and Culture should ensure that when making decisions about the state budget, Parliament has a true and fair view of how the research funding paid from the state budget is actually used by the universities.

The chapter is based on the following audits: Financial liabilities of the Government in international organisations (3/2018), Clarity of tax legislation (ongoing), State funding for universities (10/2018), financial audit reports of the accounting offices and payroll administration compliance audit in connection with them, compliance audit on immigration expenditure in connection with a financial audit of the KEHA Centre.

For more information on the themes of this chapter and the underlying audits, please see the online version of the annual report at www.vtv.fi/en/publications/annual-report-2018.



4 Audit development priorities

During this annual report period, the development of audit operations focused on method competence and implementation of a data analytics strategy. Furthermore, the customer feedback system was expanded and standardised.

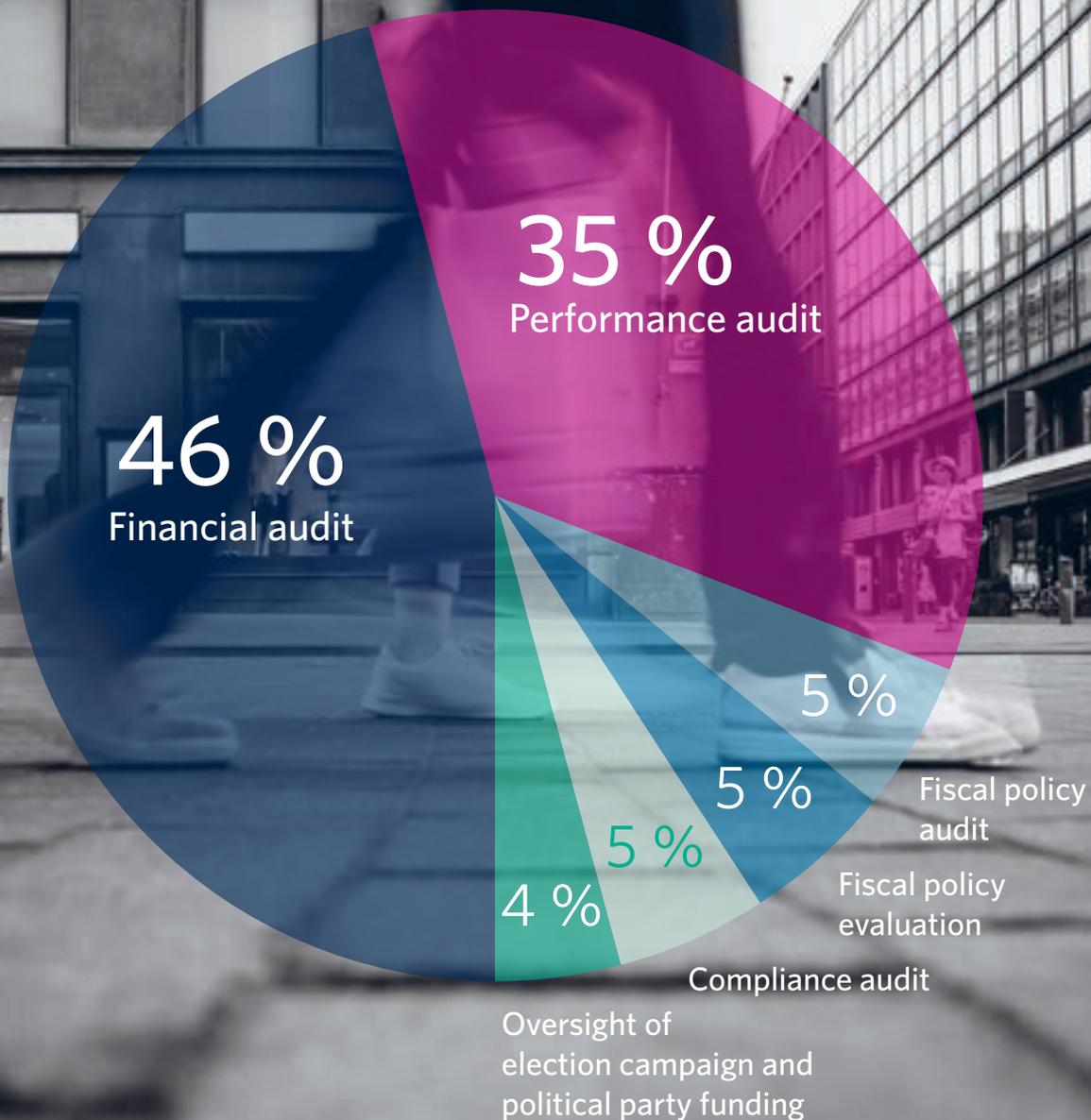
The quality of audits is based on competent employees and functional processes and tools. ASKEL training programme on project management and supervisory work promotes the readiness of experts to manage and produce audit information from the perspective of management. Changes in the operating environment and in the audit industry are taken into account with the help of personal career path planning and further training.

Audit methods are continuously developed in compliance with international standards. During this annual report period, the work focused on ICT and data analytics competence, which the National Audit Office develops in cooperation with its sister agencies abroad. The goals are to boost the generation of information and to utilise automatics at all levels of the operations.

The National Audit Office's customer feedback system covers all the audit functions, and the National Audit Office's Scientific Council assesses the quality of methods used in audit reports and audits. The results based on the feedback and the assessment were good: the audit operations are considered to be of a high quality, relevant and reliable. The feedback also included some development targets, such as more interaction between the auditor and the audited entity on the progress of the audit process.

The National Audit Office offers audit information via several channels. The VTV.fi online service that was published in the summer of 2018 better emphasises topical information on audits and enables the searching of information from a variety of perspectives. The service will be further developed based on user experiences and customer feedback.

Division of working hours used in audits in 2017



5 National Audit Office of Finland

National Audit Office is the auditor of central government finances

The National Audit Office audits compliance with the budget and central government finances. In addition, it monitors compliance with the Fiscal Policy Act (869/2012) and the regulations based on it, as well as monitors election campaign funding and political party funding. The National Audit Office ensures by means of independent audits that the funds of the state are used appropriately and in compliance with the budget. The National Audit Office assesses the setting and implementation of fiscal policy rules.

National Audit Office operates in connection with Parliament but it is independent of central government

Parliament specifies the statutory tasks of the National Audit Office, processes the National Audit Office's state budget proposal and makes decisions on the National Audit Office's resources as part of the state budget. Parliament elects the Auditor General of the National Audit Office and discusses the National Audit Office's annual report and separate reports in its plenary session. Parliament committees use the National Audit Office's reports and expertise in their work.

Table 1: Audit publications during the audit period 1 September 2017 - 31 August 2018

<u>Audit publications during the period covered by the annual report</u>	<u>Quantity</u>
Financial audit reports	66
Performance audit reports	15
Follow-up reports	12
Compliance audit reports	3
Fiscal policy audit reports	2
Fiscal policy evaluation reports	2
Election campaign funding and political party funding reports to Parliament	2
Fiscal policy evaluation separate report to Parliament	1
Annual report to Parliament	1
Separate report to Parliament on the audit of the final central government accounts and the Government's annual report	1

AUDIT REPORTS 09/2017–08/2018

Reports to Parliament

R 17/2017 vp	National Audit Office's Annual Report to Parliament 2017
R 19/2017 vp	Report of the National Audit Office on supervision of election campaign funding in 2017 municipal elections
R 20/2017 vp	Separate report of the National Audit Office to Parliament: Fiscal policy evaluation report 2017
R 1/2018 vp	National Audit Office's report on the monitoring of the funding of political parties in 2017
R 17/2018 vp	National Audit Office's separate report to Parliament on the audit of the final central government accounts 2017 and the Government's annual report

Financial audit reports by administrative branch

107/53/17 Final central government accounts

Office of the President of the Republic of Finland

45/53/17 Office of the President of the Republic of Finland

Prime Minister's Office

46/53/17 Prime Minister's Office

Administrative branch of the Ministry for Foreign Affairs

47/53/17 Ministry for Foreign Affairs

Administrative branch of the Ministry of Justice

48/53/17	Ministry of Justice
49/53/17	Legal Register Centre
50/53/17	Criminal Sanctions Agency
51/53/17	Finnish Prosecution Service
52/53/17	Enforcement Service

Administrative branch of the Ministry of the Interior

53/53/17	Ministry of the Interior
54/53/17	Emergency Response Centre Administration
55/53/17	Finnish Immigration Service
56/53/17	Emergency Services College
57/53/17	National Police Board
58/53/17	Finnish Border Guard
59/53/17	Finnish Security Intelligence Service
108/53/17	Fire Protection Fund

Administrative branch of the Ministry of Defence

60/53/17	Ministry of Defence
61/53/17	Construction Establishment of Finnish Defence Administration
62/53/17	Finnish Defence Forces

Administrative branch of the Ministry of Finance

63/53/17	Ministry of Finance
64/53/17	State Department of Åland
65/53/17	Regional State Administrative Agency of Southern Finland
66/53/17	Financial Stability Authority
67/53/17	Statistics Finland
68/53/17	Finnish Customs
69/53/17	State Treasury
70/53/17	VATT Institute for Economic Research
71/53/17	Finnish Government Shared Services Centre for Finance and HR
72/53/17	Government ICT Centre Valtori
73/53/17	Tax Administration
74/53/17	Population Register Centre

Administrative branch of the Ministry of Education and Culture

75/53/17	Ministry of Education and Culture
76/53/17	National Archives of Finland
77/53/17	National Board of Antiquities
78/53/17	Finnish National Agency for Education
79/53/17	Academy of Finland
80/53/17	Governing Body of Suomenlinna

Administrative branch of the Ministry of Agriculture and Forestry

81/53/17	Ministry of Agriculture and Forestry
82/53/17	Finnish Food Safety Authority
83/53/17	National Resources Institute Finland
84/53/17	National Land Survey of Finland
85/53/17	Agency for Rural Affairs

Administrative branch of the Ministry of Transport and Communications

86/53/17	Ministry of Transport and Communications
87/53/17	Finnish Meteorological Institute
88/53/17	Finnish Transport Agency
89/53/17	Finnish Transport Safety Agency
90/53/17	Finnish Communications Regulatory Authority
109/53/17	State Television and Radio Fund

Administrative branch of the Ministry of Economic Affairs and Employment

91/53/17	Ministry of Employment and the Economy
92/53/17	Development and Administrative Centre for ELY Centres and TE Offices
93/53/17	Energy Authority
94/53/17	Geological Survey of Finland
95/53/17	Finnish Funding Agency for Technology (Tekes)
96/53/17	Finnish Competition and Consumer Authority
97/53/17	Finnish Patent and Registration Office
98/53/17	Finnish Safety and Chemicals Agency (Tukes)

Administrative branch of the Ministry of Social Affairs and Health

99/53/17	Ministry of Social Affairs and Health
100/53/17	Finnish Medicines Agency
101/53/17	National Supervisory Authority for Welfare and Health
102/53/17	Finnish Radiation and Nuclear Safety Authority
103/53/17	National Institute for Health and Welfare

Administrative branch of the Ministry of the Environment

104/53/17	Ministry of the Environment
105/53/17	Housing Finance and Development Centre of Finland
106/53/17	Finnish Environment Institute
110/53/17	Finnish Oil Pollution Compensation Fund

Compliance audit reports

3/2018	Financial liabilities of the Government in international organisations
10/2018	State funding for universities

Fiscal policy evaluation reports

7/2018	Fiscal policy evaluation on the reliability of the Ministry of Finance macroeconomic forecasts: The short-term forecasts of GDP growth, unemployment rate and inflation for the years 1976-2016 under review
12/2018	Fiscal policy evaluation report spring 2018

Fiscal policy audit reports

4/2018	Contingent liabilities of general government
6/2018	Steering of local government finances

Performance audit reports and follow-up reports by administrative branch

Prime Minister's Office

14/2018	Organisation of state-owned business operations
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Follow-up reports

16/2015	Steering of strategic-interest companies
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Administrative branch of the Ministry of Justice

12/2017 Implementation of EU legislation

Follow-up reports

18/2012 The Government's legislative plan

Administrative branch of the Ministry of Defence

17/2017 Steering system of the Finnish Defence Forces

18/2017 Planning and steering of material projects by the Finnish Defence Forces

Administrative branch of the Ministry of Finance

15/2017 Steering of the operational reliability of electronic services

16/2017 Cyber protection arrangements

19/2017 Planning and monitoring costs and benefits of information system procurement

Follow-up reports

11/2014 Promotion of electronic archiving

4/2015 Practicalities of the liquidation of Asset Management Company Arsenal Ltd

5/2016 Customer advice and telephone services provided by public administration

7/2015 Interoperability in government ICT contracts

11/2015 State charge policy

Administrative branch of the Ministry of Education and Culture

2/2018 Organisation of the activities supporting decision-making under the comprehensive reform of state research institutes and research funding (TULA; review)

13/2018 Vocational education development projects – study completion programme for 2011–2014 as an example

Follow-up reports

5/2015 Cooperation for study and career guidance

Administrative branch of the Ministry of Agriculture and Forestry

1/2018 Metsähallitus as a manager of state-owned land and water areas

Follow-up reports

175/2008 Reducing nutrient emissions from agriculture

Administrative branch of the Ministry of Transport and Communications

Follow-up reports

14/2014 Steering system in the administrative branch of the Ministry of Transport and Communications

Administrative branch of the Ministry of Economic Affairs and Employment

1/2018 Industrial symbioses as an example of the implementation of the national materials efficiency programme (review)

2/2018 Assigning beneficiaries of international protection to municipalities and developing the system of reimbursements paid to municipalities

5/2018 Implementation of the Government's cleantech strategy

8/2018 Entrepreneur education as part of vocational labour market training

Follow-up reports

8/2015 Digital employment services

Administrative branch of the Ministry of Social Affairs and Health

9/2018 Considering children of clients in mental health services for adults

Follow-up reports

3/2014 Integration of immigrants in social and health care

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