



National Audit Office's report to Parliament on the monitoring of the funding of political parties in 2018



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PHOTOS

PAGE 10, OFFICE OF THE PRESIDENT OF THE REPUBLIC OF FINLAND
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To Parliament

The National Audit Office has monitored compliance with the provisions of the Act on Political Parties (10/1969) regarding contributions and the use of the party subsidies, as well as the preparation and filing of documents covered by the disclosure obligation during the period 1 September 2017 - 31 August 2018.

The National Audit Office submits the annual report on its activities in the monitoring of the funding of political parties referred to in section 9 e, subsection 4 of the Act on Political Parties.

Helsinki, 28 February 2019

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Main content

The Act on Political Parties contains mandatory provisions aimed at promoting the transparency of funding for political parties and party associations.

The aim of the provisions is to increase the transparency of party funding, particularly taking into consideration the recommendations made to Finland by the Council of Europe's Group of States against Corruption (GRECO). According to the recommendations, the general public should have adequate information on the funding of parties' basic activities and election campaigns so that any interests can be evaluated.

The National Audit Office monitors compliance with the provisions set out in the Act on Political Parties concerning financial support, the disclosure of election campaign costs and funding, and the preparation and submission of related documents by monitored entities. From the beginning of 2016, the National Audit Office has also been responsible for supervising the party subsidies referred to in the Act on Political Parties.

Financial statements for 2017 of political parties, associations referred to in a party subsidy decision, and entities affiliated with a party have been sent to the electronic party funding register.

Contributions totalling almost EUR 24.9 million received by parties, party associations and affiliated entities were reported to the party funding register in up-to-date disclosures between 2011 and 2018.

Contributions totalling almost EUR 2.8 million were reported in 2018. The up-to-date disclosures also applied to previous years in such a manner that additions made in 2018 totalled some EUR 0.5 million (for 2017) and some EUR 0.2 million (for 2015). A large part of the information supplementing the disclosures is the result of audits of political party funding.

A total of 31 audits were conducted on the monitored political parties as well as their district organisations and affiliated entities in 2018. On the basis of the audits, the up-to-date disclosures concerning political party funding and their supplements are correct in all essential respects and provide correct information on the financial support received by the audited entities in essential respects.

The auditors discovered a number of cases where the recipient had not always filed up-to-date disclosures of the contributions it had received. As in the previous audits, it was found out that it is not possible to obtain a reliable overall picture of party funding simply by examining income funding and the proceeds entered into the financial statements. The audited political parties and other entities have many kinds of accounting transactions that are regarded as pass-through items. Nevertheless, determining their content has significance from the perspective of financial support as referred to in the Act on Political Parties.

The National Audit Office has recommended that the up-to-date disclosure referred to in the Act on Political Parties be also submitted of candidate's contributions and MP's contributions. However, not all the monitored entities have complied with this recommendation. Thus, the related contributions are not entered as subsidy in the party funding register.

As a rule, the monitored entities' accounting has been managed properly so that monitoring compliance with the provisions in the Act on Political Parties has been possible on the basis of the accounts.

As in previous years, there were again inadequacies in the manner in which the monitored entities had prepared their auditor's reports. The auditors have at times failed to include the statements required under section 9 c of the Act on Political Parties in their reports. In recent years, there has been improvement in the reporting by auditors, but the statements issued in the auditor's reports have not always been sufficient or unambiguous.

In the audits of party subsidies, the cost accounting procedures of a total of approximately 150 recipients with the obligation to keep accounts were examined. Where necessary, the recipients were requested to correct their accounts or to submit additional information about their procedures. The audit memorandums issued of the completed audits of political party funding contain findings regarding the state subsidy procedures applied. The memorandums also draw attention to the allocation of party subsidies to entities other than the associations referred to in the Act on Political Parties.

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1 Legislation applied to the task of monitoring party funding

The Act on Political Parties (10/1969, as amended) contains mandatory provisions concerning the transparency of funding for political parties and party associations. Greater transparency in political party funding is expected to increase trust in political activities and thus also to improve voter turnout. Another objective is to prevent corruption and influence on parties' activities based on their interests.

The Act on Political Parties contains provisions on financial support to political parties, party associations and entities affiliated with political parties. Under the Act, all contributions in the form of money, goods, services or other support are, as a rule, regarded financial support. Only certain contributions that are expressly mentioned in the Act are not regarded as financial support and therefore are not included within the sphere of regulation.

The Act on Political Parties also applies to entities affiliated with political parties. An entity affiliated with a political party is a corporation or a foundation or a trust of a corporation or a foundation that a political party, with the consent of the corporation or foundation in question, reports to the National Audit Office as being an entity affiliated with the party.

The Act on Political Parties also contains restrictions on receiving financial support. A political party, a party association and an entity affiliated with a political party may receive contributions up to a maximum value of EUR 30,000 from the same donor in a calendar year. This restriction does not apply to financial support given to a political party or a party association by an entity affiliated with the party, however. The Act also contains a ban on receiving contributions from certain public-sector organisations or receiving foreign contributions, or contributions from an unidentified donor.

The Act on Political Parties requires political parties, party associations and entities affiliated with a political party to disclose to the National Audit Office contributions with a value of at least EUR 1,500, as well as their donors. The information contained in these up-to-date disclosures is published in the party funding register maintained by the National Audit Office.

Political parties and associations named in a party subsidy decision must itemise election campaign costs and funding. Each individual contribution and its donor must also be mentioned

Under the Act, all contributions in the form of money, goods, services or other support are, as a rule, regarded as financial support

separately if the value of a contribution is at least EUR 1,500. The information is still entered in the party funding register and made publicly available. The first itemisations of election campaign costs and funding had to be sent to the National Audit Office in connection with financial statements for 2011.

The Act amending the Act on Political Parties (laki puoluelain muuttamisesta, 683/2010) also amended provisions regarding the task of monitoring political parties. The monitoring of political parties is the responsibility of the National Audit Office, the Ministry of Justice and the auditors of the organisations and foundations in question.

Information on outside funding and election campaigns is part of the financial statements that are prepared according to the Accounting Act and the Act on Political Parties, as well as audited according to the Auditing Act. By law, auditors must in future issue a statement on the correctness of the required information in auditor's reports for parties, district organisations and associations receiving subsidies. The auditor of an affiliated entity must express an opinion on the correctness of the itemisation of received contributions.

The National Audit Office performs its monitoring task independently on the basis of its own audit plan. The National Audit Office monitors compliance with the provisions in the Act on Political Parties concerning financial support, the itemisation of election campaign costs and funding, as well as the preparation and filing of related documents.

The Ministry of Justice monitored compliance with the Act on Political Parties insofar as monitoring is not the responsibility of the National Audit Office. The Ministry of Justice was responsible for monitoring party subsidies under the Act on Political Parties until the end of 2015.

After a legislative amendment (1688/2015), the supervision of the government aid granted to political parties (party subsidies) was transferred from the Ministry of Justice to the National Audit Office on 1 January 2016.

The Act on Political Parties contains a provision on the recovery of party subsidies. As of 1 January 2016, recovery decisions have been made by the National Audit Office.

The National Audit Office performs its monitoring task independently on the basis of its own audit plan

1.1 Disclosure obligations prescribed in the Act on Political Parties and information that must be submitted to the National Audit Office

The Act on Political Parties contains provisions on submitting different types of information to the National Audit Office. The information to be submitted by each actor is shown in Figure 1.

Disclosures filed by disclosers



Figure 1: Disclosers under the Act on Political Parties and their disclosures

Up-to-date disclosure

Under section 8 c of the Act on Political Parties, a political party, a party association and an entity affiliated with a political party must file a disclosure to the National Audit Office regarding the amount of a contribution and the donor if the value of an individual contribution or several contributions received by a political party, a party association or an entity affiliated with a party from the same donor is at least EUR 1,500 in a calendar year. An up-to-date disclosure must be supplemented if, after a disclosure has been filed or supplemented, the value of contributions received from the same donor exceeds EUR 1,500. Hence, more than one disclosure may have to be filed regarding contributions from the same donor.

This means that a disclosure must always be supplemented whenever the limit of EUR 1,500 is exceeded (for example, at EUR 3,001, EUR 4,502, etc.). The same donor is defined according to a donor's legal capacity.

The National Audit Office does not handle disclosures regarding contributions with a value of less than EUR 1,500. Supplementary disclosures concerning contributions below EUR 1,500 may, however, be filed.

An up-to-date disclosure must be filed by the 15th day of the month following the month during which a contribution was received. Disclosures filed after this date will be considered delayed.

The political party in question is responsible for filing the up-to-date disclosures. The political party must also ensure that its party associations and affiliated entities file up-to-date disclosures on contributions received by them.

The disclosures must be submitted to the electronic funding register maintained by the National Audit Office. Political parties may authorise their party associations and affiliated entities to file their own up-to-date disclosures. In that case, the political party in question is responsible for establishing the basic data of the party association in the party funding register. However, the political party is responsible for ensuring that the disclosures are filed in accordance with the Act on Political Parties. The National Audit Office establishes the affiliated entities in its information system on the basis of the disclosures that it has received. After this, a user named as a representative of the affiliated entity can file up-to-date disclosures on behalf of the affiliated entity.

All up-to-date disclosures filed by the political parties, their party associations and affiliated entities are in electronic format and available on the website of the National Audit Office's election funding register. Anybody has the right to obtain details and copies of the disclosures.

Financial statements of a political party and associations referred to in a party subsidy decision

Previously, a political party was obligated to submit to the National Audit Office financial statements with notes, an auditor's report, an itemisation of election campaign costs and funding, accounts regarding the use of the party subsidies and the information contained in the up-to-date disclosures referred to in section 8 c of the Act on Political Parties in the case of the political party and the associations mentioned in the party subsidy decision, as referred to in section 9 b of the Act on Political Parties.

An up-to-date disclosure must be filed electronically by the 15th day of the calendar month following the month during which the contribution was received

Section 9 d of the Act was amended on 30 December 2015 (1688/2015) in such a manner that a political party must now send to the National Audit Office an auditor's report, a management report, a balance sheet book and the accounts and other information referred to in section 9 a(1) of the Act in the case of the political party and the associations referred to in the party subsidy decision.

The filing of financial statements applies to the political party and the associations named in the party subsidy decision. Other party associations do not need to submit the above-mentioned information to the National Audit Office.

A political party must submit to the National Audit Office an auditor's report and financial statements with notes for the party and the associations referred to in the party subsidy decision, as well as the accounts and information referred to in section 9 a, subsection 1 of the Act on Political Parties. These accounts and information include accounts regarding the use of the party subsidies, the information contained in the up-to-date disclosures and an itemisation of election campaign costs and funding. Under a regulation issued by the National Audit Office (361/41/2011), election campaign costs and funding must be itemised and filed on an electronic form approved by the National Audit Office.

According to an amendment of 30 December 2015 (1620/2015) concerning chapter 3, section 1 of the Accounting Act, a management report referred to in section 1 a must be attached to the financial statements if the reporting entity is

- 1 a public limited company;
- 2 a cooperative or a private limited company which is not a microenterprise or a small enterprise; or
- 3 a public-interest entity.

In the amendment of 30 December 2015, the Accounting Act was also amended in such a manner that the requirement to submit the balance sheet in paper format was abandoned. The National Audit Office is of the opinion that even after these amendments, the Act on Political Parties still requires the monitored entities to submit their full financial statements to the NAOF, and if a monitored entity has prepared a management report in accordance with its Rules of Procedure, the report must also be submitted and published together with the financial statements.

A political party's financial statements with notes, a management report, an auditor's report, accounts regarding the use of the party subsidies and the information contained in the up-to-date disclosures must be submitted to the National Audit Office via the electronic party funding register maintained by the National Audit Office on the public data network.

Parties and associations mentioned in party subsidy decisions submit their financial statements to the National Audit Office

The itemisations of election campaign costs and funding must be submitted using an electronic form in connection with the closing of the books for the year when the election was held.

2011	Parliamentary elections
2012	Presidential elections and municipal elections
2014	Elections to the European Parliament
2015	Parliamentary elections
2017	Municipal elections

Figure 2: Itemisations of election campaign costs and funding submitted to the NAOF

The National Audit Office publishes the information it receives without delay. The documents are published in the form in which they are submitted. As the itemisations of campaign costs and funding concerning the 2017 municipal elections were submitted in connection with the 2017 final accounts in 2018, the itemisations were covered in the audit performed in 2018.

Financial statements of affiliated entities

An entity affiliated with a political party is a corporation or foundation, or a trust of a corporation or foundation, which a political party, with the consent of the corporation or foundation in question, reports to the National Audit Office of Finland as an entity affiliated with the party. Section 8 a, subsection 1 of the Act on Political Parties only provides political parties with the possibility to report a corporation or foundation, or a trust of a corporation or foundation, as an entity affiliated with the party, with its consent. Consequently, only a political party entered in the Party Register maintained by the Ministry of Justice can report other corporations, foundations or trusts as its affiliated entities. Likewise, an association that has not been entered in the Party Register cannot have affiliated entities as referred to here which it has reported itself.

Section 9 d of the Act on Political Parties was amended on 30 December 2015 (1688/2015) in such a manner that an affiliated entity must now submit to the National Audit Office its auditor's report, management report and balance sheet book, as well as the itemisation referred to in section 9 a, subsection 2 and the opinion

The affiliated entity or foundation must submit its auditor's report, financial statements with notes and other required documents.

referred to in section 9 c, subsection 3 within three months of the approval of the financial statements of the corporation or foundation concerned. A corporation or foundation with a trust that has been reported as an entity affiliated with a political party must file the corresponding documents within three months of the approval of the financial statements of the corporation or foundation concerned.

The information must be submitted in electronic format to the party funding register maintained by the National Audit Office. The obligation to file financial statements for an entity affiliated with a political party begins with the fiscal year during which it was reported to the National Audit Office as an affiliated entity.

In June 2018, Perussuomalaisten Tukisäätiö sr, which had been reported as an affiliated entity of the Finns Party, announced that the foundation is no longer an affiliated entity of the party. As the accounting period of the foundation is from 1 July to 30 June instead of the regular calendar year, the foundation no longer submitted its financial statements to the National Audit Office for the period of 1 July 2017 to 30 June 2018. The foundation's books were audited until the end of the affiliated entity period, however.



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2 National Audit Office's role in monitoring political party funding

Under section 9 e of the Act on Political Parties (10/1969), the National Audit Office monitors compliance with the provisions of the Act concerning financial support, the disclosure of election campaign costs and funding, and the preparation and submission of related documents and information during the activities of a political party, an entity affiliated with a party and an association referred to in a party subsidy decision (a monitored entity). In this task, the National Audit Office can examine a monitored entity's accounting and use of funds and, as necessary, urge the monitored entity to meet its obligations under the Act.

The National Audit Office may, on pain of a fine, require a monitored entity to meet its obligations if documents or information have not been submitted, corrected or supplemented in spite of the NAOF's request, or if the correctness and adequacy of the documents have not been determined, and the breach is considered substantial. The Sanction and Penalty Board referred to in section 15 of the Act on the National Audit Office (676/2000) can order the payment of the fine. The imposition of the fine and the ordering of its payment may be appealed to the Supreme Administrative Court in the manner specified in the Administrative Judicial Procedure Act (586/1996).

In other respects, the monitoring by the National Audit Office is subject to the provisions in the Act on the National Audit Office (laki valtiontalouden tarkastusvirastosta, 676/2000).

The National Audit Office submits an annual report to Parliament on its activities when monitoring the Act on Political Parties.

Through its monitoring activities and the publication of disclosures based on the Act on Political Parties, the National Audit Office assists in creating prerequisites for the transparency of political party funding so that citizens can evaluate the interests of political parties.

Political parties, associations mentioned in party subsidy decisions as referred to in section 9 of the Act on Political Parties and entities affiliated with political parties fall within the sphere of the auditing right laid down in the Act on Political Parties.

Sanction and Penalty Board may impose penalty fee

At the end of 2017, there were a total of 17 political parties in the Party Register. By the end of 2018, the number had risen to 19. A total of eight parties have been represented in Parliament, making them eligible for party subsidies. Furthermore, one party and one parliamentary group that did not receive any subsidies were represented in Parliament in 2018.

The parties receiving subsidies have in all 106 district organisations and six separate women’s organisations. Furthermore, one political party also had an additional twelve regional women’s organisations in 2017. All of them are listed in the relevant party subsidy decision. Hence, the final accounts of these organisations have also been published in the party funding information system. At the beginning of 2018, there were a total of thirteen affiliated entities. At the end of 2018, their number had decreased to twelve. Some of the affiliated entities are also groups of companies based on their ownership.

Party subsidies were issued to eight political parties

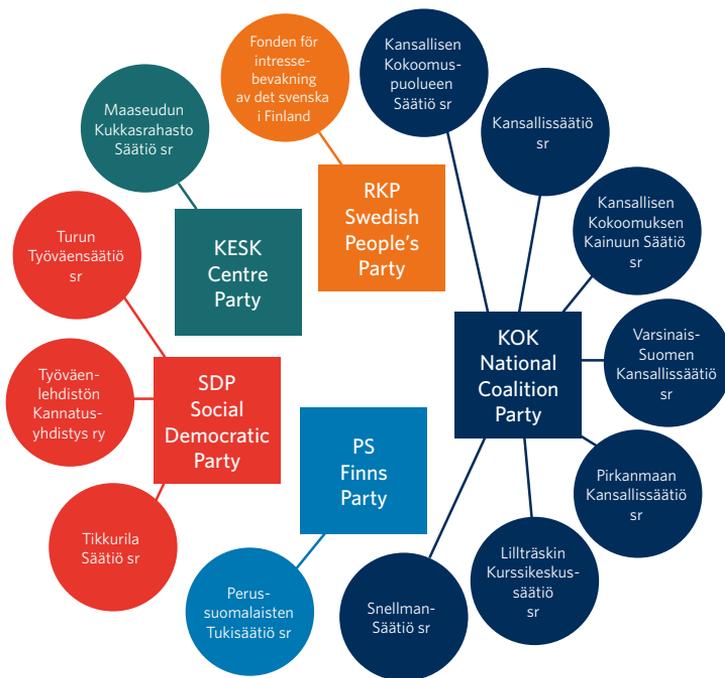


Figure 3: Affiliated entities disclosed by political parties in 2018

As of June 2018, Perussuomalaisten Tukisäätiö sr is no longer an affiliated entity of the Finns Party. In October 2018, the foundation’s name was changed to JRT-säätiö sr. According to an agreement between the foundation and the party, the foundation will not support any other political parties for a period of four years.

In its activities in monitoring the Act on Political Parties, the objective in the National Audit Office's long-term planning is for the National Audit Office to be able to carry out audits of all monitored entities in six years. Long-term planning must be performed taking into account the obligation to retain the vouchers referred to in the Accounting Act (1336/1997), as well as any changes in the boundaries of electoral districts. In planning, consideration can also be given to the picture formed on the basis of audit findings concerning different actors' inherent risk and control risk.

The long-term audit target was met: all monitored entities were audited at least once by the end of 2016. However, the 2017 audits covered several entities that had previously been audited in 2011 when the audits of political party funding first began. In the case of the 2018 audits, the longest audit period was from 1 September 2014 to 31 August 2018. Thus, the audit intervals of the audited entities have continued to shorten.

2.1 Measures taken by the National Audit Office in its role in monitoring political party funding

The Act on Political Parties states that the National Audit Office can issue rules regarding the filing of up-to-date disclosures (section 8 c), the itemisation of election campaign costs and funding (section 9 b) and the submission of financial statements (section 9 d).

Under the Act on Political Parties, the National Audit Office has issued the following rules and guidelines:

- National Audit Office’s regulation regarding the filing of up-to-date disclosures as referred to in section 8 c of the Act on Political Parties (360/41/2010)
- National Audit Office’s general guideline regarding the filing of up-to-date disclosures as referred to in section 8 c of the Act on Political Parties (358/41/2010)
- National Audit Office’s regulation regarding the itemisation of election campaign costs and funding as referred to in section 9 b of the Act on Political Parties and the submission of information as referred to in section 9 d, subsection 1 of the Act on Political Parties (365/41/2016)
- National Audit Office’s guideline regarding the filing of itemisations of election campaign costs and funding, as well as financial statements (367/41/2016)
- National Audit Office’s regulation regarding the submission of financial statements and other information for an entity affiliated with a political party as referred to in section 9 d, subsection 2 of the Act on Political Parties (364/41/2016)

The regulations and guidelines have been sent to all political parties. The guidelines are also available in the FINLEX database and on the website maintained by the National Audit Office at www.vaalirahoitusvalvonta.fi.

A guideline on processing complaints at the National Audit Office (307/01/2014) repealed and replaced the previous guideline on the same subject matter (02/01/2014) on 1 January 2015.

The National Audit Office has maintained an advice service that was introduced in 2010 and it has an online service for providing advice in matters concerning the interpretation of the Act

National Audit Office provides instructions and advice

on Political Parties. Advice has also been provided by e-mail. Questions and answers that are deemed to have broader significance in guiding interpretations are published on the website.

The information system that was procured to allow the National Audit Office to carry out its tasks under the Act on a Candidate's Election Funding and the Act on Political Parties is used to receive and publish election funding disclosures as well as the disclosures prescribed in the Act on Political Parties. In the electronic disclosure procedure, a person who has logged in and completed an election funding disclosure can publish the disclosure on the monitoring website so that all disclosures have a uniform appearance. Disclosures received as hard copies are entered into the information system by the National Audit Office without delay. With regard to the filing of information required under the Act on Political Parties, the goal is to have a fully electronic filing system.

In 2018, the National Audit Office carried out a total of 31 audits on political party funding. The auditors were Klaus Krokfors, Principal Financial Auditor, JHTT, Pontus Londen, Principal Financial Auditor, and Hanna Surakka, Senior Auditor.



Figure 4: Process of auditing political party funding 2018

2.2 Audit objectives and criteria

The objective of the audit of political party funding carried out in 2018 was to determine the following:

- Whether the statutory disclosures provide true and fair information based on accounts regarding political party funding and compliance with restrictions according to provisions and from the viewpoint of monitoring needs
- Whether the disclosers have kept proper accounts, as required under the Act on Political Parties, and whether the disclosers have complied with key provisions on political party funding and related restrictions laid down in the Act

The audit criteria were specified on the basis of the Act on Political Parties.

From the beginning of 2016, the National Audit Office has also been responsible for monitoring party subsidies. For this reason, the goal was also to examine procedures concerning the transfer and use of the party subsidies.

The audits covered all of the nine parties represented in Parliament, their thirteen affiliated entities, and their district organisations in Häme, Southeast Finland, Pirkanmaa and Savonia/Karelia. Hence, a total of 31 audits were conducted.

This period included the filing of the audited entities' financial statements and auditor's reports for 2014–2017 and essential accounting transactions from the perspective of the Act on Political Parties. The parties were audited for the period of 1 September 2017 to 31 August 2018, and the affiliated entities for the period from 1 September 2015 to 31 August 2018.

The audits of the district organisations covered financial statements and accounts for the years 2014–2017 that have been submitted into the political party funding system for the period 1 September 2014 to 31 August 2018, all up-to date disclosures, as well as the itemisations of election campaign expenses and funding.

The audited entities were notified of the audits in March 2018, and audits were carried out after a review of the electronic materials in autumn 2018. The auditors visited all of the audited entities in person.

The following issues were taken into consideration when targeting the audits:

- Overall arrangements concerning the accounts, payment traffic and fund management of the audited entities

Audits took place in autumn 2018

- Itemisation of funding and costs in the accounting from the perspective of the Act on Political Parties (such as bank accounts, cash in hand and deeds of donation)
- Compliance with the restrictions concerning the support laid down in the Act on Political Parties by the political parties in the period following the previous audit, between 1 September 2017 and 31 August 2018, by the audited district organisations and women’s organisations between 1 September 2014 and 31 August 2018 and by the audited affiliated entities between 1 September 2015 and 31 August 2018
- Coverage of up-to-date disclosures on the basis of accounting and verification of the content of the disclosures
- Monitoring of non-monetary contributions and their consideration in the disclosure procedure
- Comparison of the information in disclosures filed by the parties and affiliated entities or other organisations
- Appropriateness of statements in auditor’s reports from the perspective of the Act on Political Parties and, if necessary, examination of the content of financial audits
- Procedures concerning the use and transfer of party subsidies

2.3 Monitoring limits

From the perspective of interpreting the results of the monitoring conducted by the National Audit Office, essential limits regarding the monitoring system should also be pointed out.

The most significant limit to the transparency of political party funding as a whole concerns the small number of monitored organisations in relation to the total number of party associations. On the basis of the Act on Political Parties, the National Audit Office is only responsible for monitoring political parties, associations mentioned in party subsidy decisions and entities affiliated with political parties. There are some 150 entities to be monitored. Other party associations are not monitored by the National Audit Office. As a result, most of the associations (some 6,000) remain outside the scope of monitoring. Monitoring these would also be a very significant resource question.

Monitoring of the approximately 6,000 party associations remaining outside the monitoring process would require substantial additional resources

A close-up, over-the-shoulder shot of a person's hand holding a black smartphone. The person is wearing a dark blue or black suit jacket. The phone's screen is lit up and displays the text "Report on the monitoring of the funding of political parties in 2018" in a clean, sans-serif font. The background is a bright, out-of-focus window with several circular bokeh light spots, suggesting an indoor setting with large windows. The overall tone is professional and modern.

Report on the monitoring
of the funding of
political parties in 2018

3 Disclosures on party funding and measures regarding them

The National Audit Office has monitored the filing of disclosures and documents regarding political party funding in its electronic funding register. If necessary, the National Audit Office has urged monitored entities to supplement or correct disclosed information and to supply the missing documents.

The audited entities were notified of the audits in March 2018, they submitted the requested audit materials to the National Audit Office before the audits and the audits were carried out according to the audit plan in autumn 2018. Most of the audited affiliated entities operate in the Helsinki region, Kainuu, Pirkanmaa and Finland Proper. The audited district organisations operate in Häme, Southeast Finland, Pirkanmaa and Savonia/Karelia.

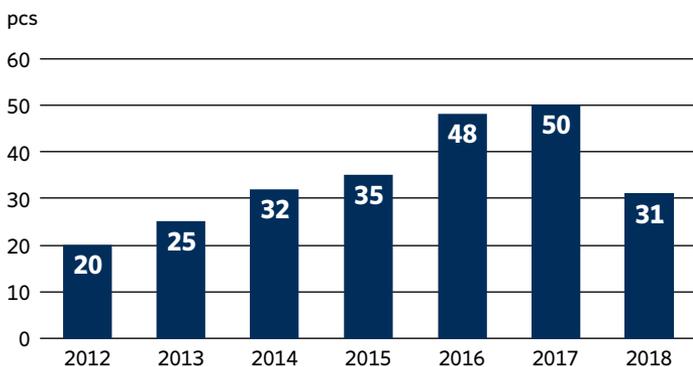


Figure 5: Number of audits of political party funding 2012-2018

The draft feedback memorandums concerning the audits were submitted for comments in November 2018. Final feedback memorandums were submitted to the audited entities in December 2018. Each political party also received draft versions and the final feedback memorandums concerning the audits of their district organisations and affiliated entities. The audited entities were asked to send comments on the memorandums to the National Audit Office by 14/01/2019. The feedback, which was mostly in the form of notifications of the measures taken after the completion of the draft feedback memorandums and technical corrections, was taken into consideration in the preparation of this audit report.

3.1 Monitored entities' accounting and financial statement procedures

The National Audit Office's monitoring task does not directly concern the audited entities' accounting arrangements. The National Audit Office publishes, as prescribed by law, all financial statements of the parties and the party associations mentioned in party subsidy decisions submitted to the National Audit Office, however. Its task includes monitoring the preparation and submission of the documents referred to in the Act on Political Parties. Comments intended as recommendations concerning accounting arrangements and financial statement procedures can be presented.

The purpose of the audit was to examine the accounting arrangements of the entities in question expressly from the perspective of the monitoring of outside funding. It also sought to determine how reliably the actual amount of outside funding can be deduced on the basis of the information in the accounts.

As in the previous audit, it was found out that it is not possible to obtain a reliable overall picture of party funding simply by examining income funding and proceeds according to financial statements. The audited political parties and other entities have many kinds of accounting transactions that are regarded as pass-through items. Nevertheless, determining their content has significance from the perspective of financial support as referred to in the Act on Political Parties.

Under the Act on Political Parties, income from permanent market-based business activities carried out on the general market or investment income is not considered support. Likewise, fair-value contributions that relate to the ordinary organisational activities or management of the assets of a political party or a party association are not considered support. However, in practice it is extremely difficult to determine by means of a retrospective audit that contractual arrangements between an affiliated entity and a party or a party association have not involved support.

The Accounting Act allows different compensation and adjustment entry procedures that reduce the net volumes of accounts, which can influence conclusions drawn based on financial statements and thus comparisons between different organisations. When such an exceptional procedure has been followed, it is not possible to form an adequate picture of the actual amount of outside contributions received by political parties on the basis of the financial statements.

National Audit Office publishes financial statements of parties and party associations mentioned in party subsidy decisions

The obligation to keep accounts laid down in chapter 1, section 1 of the Accounting Act (1336/1997) applies to all associations and foundations. Under chapter 2, section 4 of an amendment to the Act (1304/2004), all cash payments must be recorded in the order of payment without delay on a daily basis. Other entries may be made on a monthly or other such basis within four months of the end of the calendar month or period. Under an amendment to the Act adopted on 30 December 2015 (1620/2015), all cash payments must be recorded on a daily basis, while other entries and combined entries in auxiliary accounts can be transferred to the main accounts on a monthly or other similar basis, unless more specific entries are required elsewhere in the Act or in provisions issued based on the Act.

It was discovered in the audit that there were a number of essential inadequacies in a small number of the audited district organisations. They concerned keeping the accounts up to date or organisation of the accounts. Even if they have only a small number of receipts and entries in their main accounts, the monitored entities should keep their accounts up to date so all up-to-date disclosures and contributions can be monitored on a cumulative basis.

For the sake of clarity, the audited entities were urged to close unnecessary bank accounts and to modify their account schemes accordingly. District organisations were also requested to itemise in their accounts and financial statements party subsidies and other contributions, as well as payments received from support foundations, as necessary.

The content and scope of the financial statements that were submitted to the National Audit Office varied. As in previous audits, the openness to interpretation of section 9 a (1) of the Act on Political Parties with regard to the application of the new financial statement obligations was apparent in the audit in that the interpretation of the information that must be presented in connection with financial statements varied. In addition, there have been differences in the interpretation of the amendments implemented in late 2015 regarding the obligation to prepare and submit a management report. Despite the amendments, the National Audit Office has nevertheless requested the monitored entities to also file their management report, if one has been prepared.

In audits covering accounts of more than one year, the auditors discovered situations in which the openness to interpretation of the economic boundaries of a political party or another organisation was also reflected in accounting. For example, the boundary between a political party and its parliamentary group was open to interpretation. The position of the parliamentary groups has somewhat changed after the entry into force of the Act on Parliamentary

Monitored entities are obliged to keep accounts and ensure that the accounts are up to date

Groups (979/2012) at the beginning of 2013. The monitored entities have continued to file up-to-date disclosures of contributions paid by parliamentary groups, however. Parliamentary groups have also paid MPs' contributions on behalf of the MPs.

As in the previous audit of the Social Democratic Party of Finland, the auditors drew attention to the fact that the non-registered association Sosialidemokraattiset Naiset is a party organisation. The association nevertheless has its own bookkeeping and bank account. Furthermore, Vasemmistonaiset, the association that handles women's activities in the Social Democratic Party of Finland, is not a registered association but a part of the party's own operations. The details of the party's financial statements entered in the political party funding system also contain the share of the non-registered association.

3.2 Auditor's reports of the monitored entities

The provisions in section 9 c of the Act on Political Parties regarding the arranging of financial audits entered into force on 1 January 2011. These provisions apply to financial audits for political parties receiving party subsidies, associations mentioned in party subsidy decisions and entities affiliated with a party. The provisions do not apply to parties that do not receive party subsidies.

Under the Auditing Act, not all associations are obliged to elect an auditor. Some of the associations to which section 9 c of the Act on Political Parties does not apply may elect a performance auditor who prepares a performance audit report. The election of a performance auditor or the preparation of the performance report have not been taken into consideration in the Act on Political Parties, which only contains references to an auditor's report. The National Audit Office also publishes the reports prepared by performance auditors, however.

Under section 9 c of the Act on Political Parties, the auditor of a political party receiving party subsidies or an association referred to in a party subsidy decision must be an authorised auditor or, in practice, an authorised public accountant.

In an auditor's report, in addition to what is laid down in the Auditing Act, an auditor gives an opinion on the following:

- 1 Whether the provisions of the Act and the conditions in the party subsidy decision were complied with in the use of party subsidies and related reporting
- 2 Whether the provisions in the Act concerning financial support and restrictions on financial support as well as the disclosure of election campaign costs and funding have been complied with

In addition to what is laid down in the Auditing Act, the auditor of an entity affiliated with a political party or a corporation or foundation with a trust that is an affiliated entity gives an opinion on whether the provisions in the Act concerning financial support and restrictions on financial support have been complied with in the affiliated entity's activities.

The content of the statements in the auditor's reports also varied and was not always in accordance with section 9 c of the Act on Political Parties. The auditors of some party associations have also issued separate statements or notifications.

Opinions required by law had also been given after the audits. Some of the audited entities had a performance audit report as well as an auditor's report.

Although the obligation to prepare a management report was restricted by an amendment to the Accounting Act, the Auditing Act still requires that the auditor must issue their opinion on the conformity of the management report and financial statements. If the auditor cannot issue this opinion, the issue must be included in the auditor's report.

The objective of the Act on Political Parties is that the monitoring of the Act's provisions should be based essentially on audits of political parties receiving party subsidies, their affiliated entities as well as their district organisations and women's organisations that are conducted by their own auditors. The special provisions on financial audits laid down in the Act on Political Parties do not apply to political parties that do not receive party subsidies or the basic branches or local associations of political parties. The monitoring of party organisations thus depends largely on the election of professional auditors with the necessary expertise and knowledge of their tasks and reporting requirements. According to the National Audit Office's findings, however, this is still not always the case, as inadequacies were observed in the auditor's reports of several monitored entities. In this respect, the monitoring system is not yet functioning in the intended manner.

Attention in the audits of political party funding has also been drawn to the manner in which auditors have interpreted the requirement contained in section 9 c of the Act on Political Parties under which the auditor must issue an opinion on whether the use of the party subsidies and the reporting on its use has been in accordance with the Act on Political Parties and the party subsidy decision. It was noted in the audits that in some cases the auditor had submitted the auditor's report before the cost accounting form for the party subsidies received during the year in question had been sent to the state aid authority. The period covered by the opinion or to which year's subsidy the opinion applies is rarely clear in the auditor's reports. Therefore, the National Audit Office recommends that the audited entities process their party subsidy accounts for the previous year already in connection with their financial statements and that the accounts be made available to the auditors before the preparation of the audit report.

Inadequacies in auditor's reports of a number of monitored entities

3.3 Filing of financial statements and information concerning election campaign costs and funding by monitored entities

According to chapter 3, section 6 of the Accounting Act (1336/1997, as amended with 1304/2004), the financial statements must be prepared within four months of the end of the accounting period. According to section 9 d of the Act on Political Parties, a political party must submit financial statements together with the information referred to in section 9 a, subsection 1 of the Act on Political Parties to the National Audit Office within three months of the approval of the financial statements. Financial statements and information regarding associations referred to in party subsidy decisions must be submitted within one month of the approval of the financial statements and the documents required of an affiliated entity within three months of the approval of the financial statements.

The financial statements referred to in the Act on Political Parties concerning 2017, together with information on election campaign costs and funding, were submitted to the electronic party funding register maintained by the National Audit Office. Some of the information was not received through the system until the audit was underway.

The itemisation of election campaign costs and funding should be traceable from bookkeeping and other accounts, and should be reconcilable with them. Careful documentation of the itemisation grounds will also facilitate the preparation of the itemisation and subsequent verification of the information. However, not all monitored entities had carried out the documentation with equal thoroughness.

If necessary, the National Audit Office has submitted to the entities obliged to supply financial statements a request to submit the missing financial statements information and a consultation letter as follows:

Table 1: Reminders and hearings in 2013-2018

Year	Request	Consultation letter
2018	0	0
2017	0	0
2016	2	0
2015	3	0
2014	4	2
2013	15	2

Not all financial statements referred to in the Act on Political Parties were smoothly received electronically and in a format corresponding to the original documents

3.4 Up-to-date disclosures with supplements

Under section 8 c of the Act on Political Parties, a political party, a party association and an entity affiliated with a political party must file a disclosure to the National Audit Office regarding the amount of a contribution and the donor if the value of an individual contribution or several contributions received by a political party, a party association or an entity affiliated with a party from the same donor is at least EUR 1,500 in a calendar year. An up-to-date disclosure must be supplemented if, after a disclosure has been filed or supplemented, the value of contributions received from the same donor exceeds EUR 1,500. Hence, more than one disclosure may have to be filed regarding contributions from the same donor.

In 2018, contributions totalling almost EUR 2.8 million received by political parties, party associations and affiliated entities were reported to the party funding register in up-to-date disclosures. The amount of contributions reported for 2017 totalled more than EUR 3.4 million, meaning that contributions totalling EUR 0.5 million were notified after the audit. A total of more than EUR 3.9 million in contributions received by party associations and affiliated entities were reported for 2015, meaning that EUR 0.2 million was reported after the audit. In total, the amount of retrospective disclosures submitted in 2017 was approximately EUR 0.7 million.

Up-to-date disclosures for 2016 totalled some EUR 2.7 million, for 2014 more than EUR 3.3 million, for 2013 some EUR 2.8 million and for 2011 a total of some EUR 2.7 million.

At least some of the supplementing disclosures submitted during 2018 resulted from audits of political party funding. The information supplementing the up-to-date disclosures filed after the deadline referred to in the Act on Political Parties can be viewed in the register.

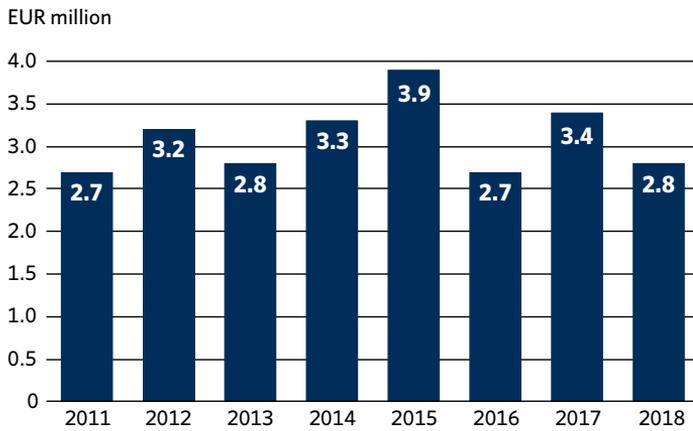


Figure 6: Contributions of EUR 1,500 or more reported to the party funding register in 2011-2018 (up-to-date disclosures)

According to the up-to-date disclosures, a total of almost EUR 24.9 million in contributions were received between 2011 and 2018. The audit revealed that most of the contributions received by the audited entities were reported in the up-to-date disclosures. However, contributions referred to in the Act on Political Parties received from affiliated entities or private persons that had not been reported to the system were revealed. The conclusion was that in some cases the failure to file disclosures was due to negligence and changes in personnel, but a significant amount of the payments that were already detected in the 2015 audit were not disclosed until on the basis of the next audit in autumn 2018. Hence, further attention should be paid to communication between the parties, their affiliated entities and their party associations.

The disclosers were requested to supplement and correct the up-to-date disclosures during the audit. Information on any subsidies received by district organisations that had not been disclosed before was also submitted to the concerned parties in the autumn of 2018 and information on the district organisations was added to the system on this basis.

When the contributions for different years are compared, it should also be noted that no elections were held in 2013 or 2016.

Some types of contributions that were not reported are open to interpretation, but in most cases they were legal contributions as referred to in the Act on Political Parties that must be reported and have not been listed as exceptions in the Act. Audited entities usually considered such contributions or other benefits that can be valued in money pass-through items or transactions based on an agreement. These include, for example, advertising revenue, as

well as candidate's contributions and MP's contributions. In addition, one political party collects from its MEPs an annual contribution for their election campaign expenses. Since the size of such contributions and the related collection practices vary significantly, and some individuals may be obligated to also pay other contributions, the cumulative annual disclosure limit of EUR 1,500 can be easily exceeded. The support may also be contributions made for consideration in full or in part.

As it is difficult to make a distinction between the variety of types of contributions in practice, the National Audit Office has recommended submitting up-to-date disclosures for all contributions made by private persons and their support groups. Not all the party associations have complied with this recommendation, however.

In the course of the audit, the political parties and their district organisations submitted numerous new up-to-date disclosures. Some of them involved substantial sums. If monetary or non-monetary support is considerable, the need may arise to report a new affiliated entity to the National Audit Office.

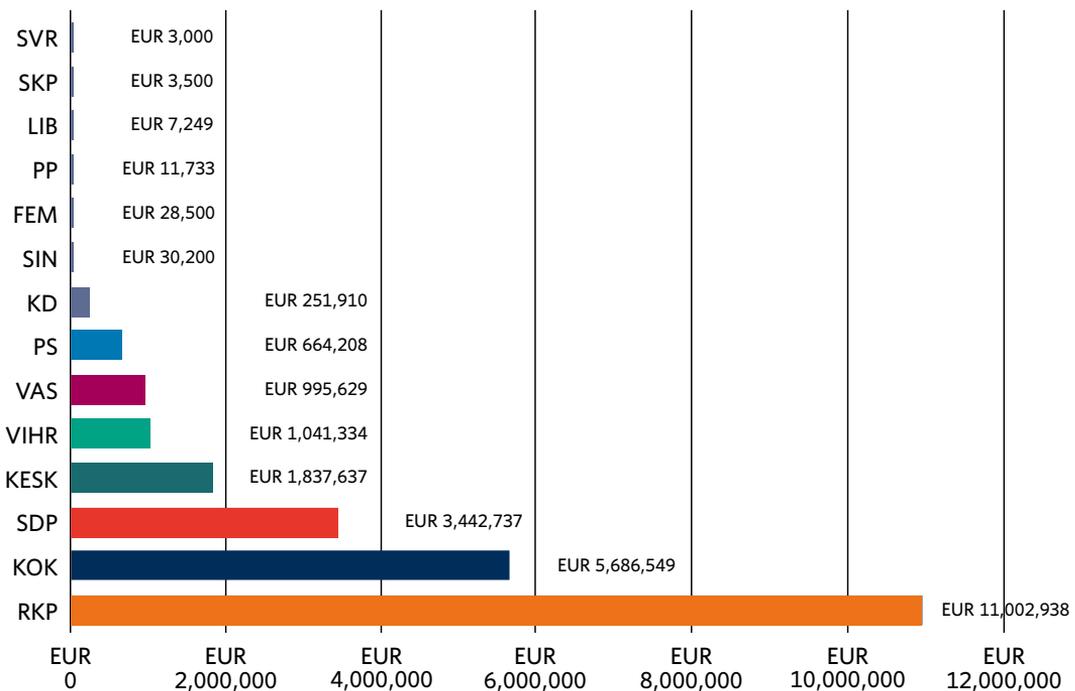


Figure 7: Contributions of EUR 1,500 or more reported to the party funding register in 2011-2018 (up-to-date disclosures) by political parties

During the audit, the audited entities were urged to monitor received contributions cumulatively in order to comply with disclosure thresholds and ceilings. For example, the total amount charged from a person as a “candidate’s contribution” and an “MP’s contribution” during the same calendar year might exceed EUR 1,500, in which case the total amount will exceed the limit for an up-to-date disclosure. The disclosure limit may also be exceeded when the officials of an entity obliged to file a disclosure give up their meeting allowances and these, together with other contributions, total at least EUR 1,500 during a single calendar year. When more than one person from the same organisation attend an event for which a fee is charged, their total contributions may exceed the disclosure limit.

Audited entities have also been urged to monitor cumulative contributions

According to the up-to-date disclosures, a total of almost EUR 24.9 million in contributions were received between 2011 and 2018. Affiliated entities reported by political parties accounted for approximately EUR 16.1 million of this total sum (some 64.4 % or two-thirds of the total funding). The support foundation of one party has not provided any support requiring disclosure.

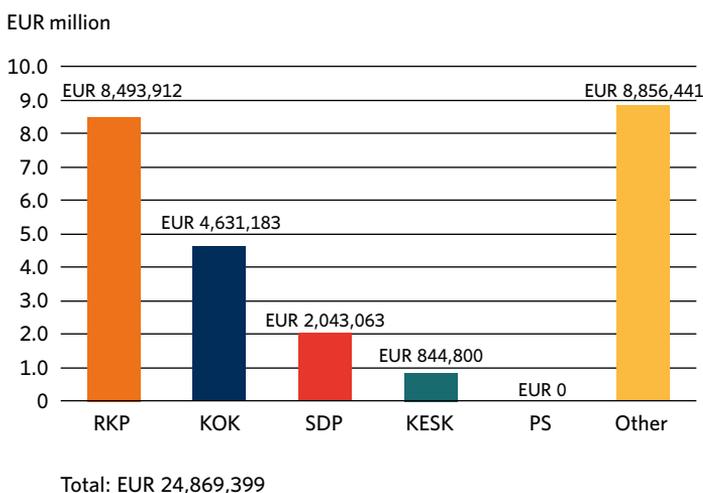


Figure 8: Contributions of EUR 1,500 or more received from affiliated entities and other entities (up-to-date disclosures in 2011-2018)

Table 2: Support paid by affiliated entities of political parties

Contributions by affiliated entities reported by political parties 2011–2018	
Ruotsalainen kansanpuolue r.p.	
Fonden för intressebevakning av det svenska i Finland	EUR 8,493,912.00
Kansallinen Kokoomus r.p.	
Kansallisen Kokoomuspuolueen Säätiö sr	EUR 1,800,000.00
Kansallissäätiö sr	EUR 860,806.00
Kansallisen Kokoomuksen Kainuun Säätiö sr	EUR 746,170.00
Snellman-Säätiö sr	EUR 588,500.00
Varsinais-Suomen Kansallissäätiö sr	EUR 380,426.60
Pirkanmaan Kansallissäätiö sr	EUR 239,280.00
Lillträskin Kursikeskussäätiö sr	EUR 16,000.00
Suomen Sosialidemokraattinen Puolue r.p.	
Työväenlehdistön Kannatusyhdistys ry	EUR 874,000.00
Turun Työväensäätiö sr	EUR 638,562.88
Tikkurila Säätiö sr	EUR 530,500.34
Suomen Keskusta r.p.	
Maaseudun Kukkasrahasto Säätiö sr	EUR 844,800.00
Perussuomalaiset r.p.	
Perussuomalaisten Tukisäätiö sr	EUR 0

Table 3: Support paid by other than affiliated entities of political parties

Donors (other than affiliated entities) that contributed more than EUR 100,000 between 2011 and 2018	
Stiftelsen för utbildning och kultur på svenska i Finland sr	EUR 930,000.00
Stiftelsen Tre Smeder sr	EUR 383,000.00
Svenska Litteratursällskapet i Finland rf	EUR 377,000.00
Föreningen Konstsamfundet r.f.	EUR 320,000.00
Yksityisyrittäjien Säätiö sr	EUR 240,000.00
Palvelulojen ammattiliitto PAM ry	EUR 235,830.00
Turun Itäinen Järjestöyhdistys ry	EUR 211,500.00
Suomen Kunnantyöntekijäin Liitto ry	EUR 211,500.00
Helsingin Työväenyhdistys ry	EUR 200,000.00
Stiftelsen Brita Maria Renlunds minne sr	EUR 197,000.00
Teollisuuden ja Työnantajain Keskusliiton (TT) -säätiö sr	EUR 160,000.00
KD-Mediat Oy *	EUR 141,333.17
Pirkanmaan Työväen Keskus ry	EUR 139,400.00
Metallityöväen Sosialidemokraattinen Opintoyhdistys r.y.	EUR 120,000.00

* The figure concerning KD-Mediat Oy covers rents for premises and fees for publications and articles

Tables 2 and 3 reflect the situation at the end of 2018. As subsidies can also be retroactively reported, the amount of subsidies in 2018 may change in 2019.

Under the Act on Political Parties, a recipient may receive a total of EUR 30,000 in contributions during one calendar year. This provision does not apply to affiliated entities. This means that one donor supporting several groupings may give each of them a maximum of EUR 30,000 during this period.

The compulsory contributions collected from elected municipal officials are considered expenses incurred when acquiring or maintaining income, and are thus tax-deductible. Even though it is not necessary to disclose compulsory contributions collected from elected officials in up-to-date disclosures, they are of substantial economic importance nationwide. According to information obtained from the Finnish Tax Administration, tax-deductible compulsory contributions amounted to EUR 5.7–7.1 million per year between 2010 and 2017.

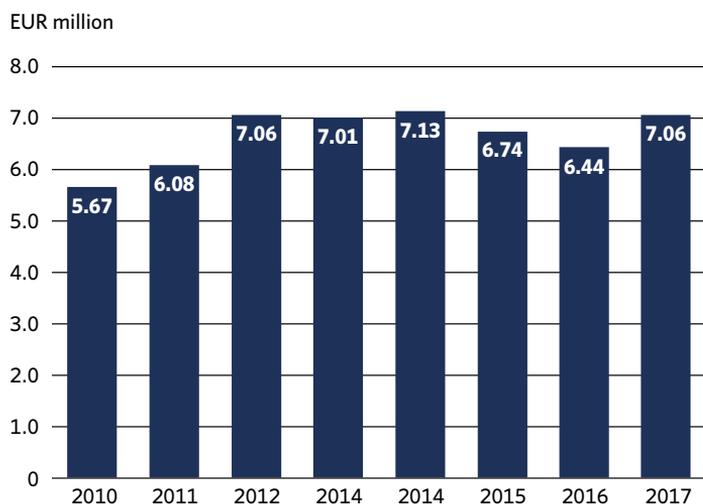


Figure 9: Compulsory contributions collected from elected officials 2010–2017 (source: Finnish Tax Administration)

All the up-to-date disclosures prepared and supplemented during the audit were published in the register on the website maintained by the National Audit Office. If a disclosure was prepared or supplemented after the deadline referred to in the Act on Political Parties, this is also indicated.

Contributions between the Left Alliance and its district organisations had also been reported to the party funding register. As the parties concerned do not intend to file any up-to-date disclosures of these contributions, they have been deleted from the funding register so that the total amount of contributions would not be distorted.

According to the up-to-date disclosures concerning 2018 (totalling more than EUR 30,000), parties have received most support from their affiliated entities, as expected. However, major supporters also include two foundations that are not reported as affiliated entities, as well as one trade association. This is possible, provided that the amount of support per recipient does not exceed EUR 30,000 per year.

Table 4: Largest donors in 2018

Largest donors in 2018	
Fonden för intressebevakning av det svenska i Finland	EUR 1,498,570.00
Svenska Litteratursällskapet i Finland rf *	EUR 187,000.00
Turun Työväensäätiö sr	EUR 119,214.96
Kansallisen Kokoomuspuolueen Säätiö sr	EUR 100,000.00
Kansallissäätiö sr	EUR 81,000.00
Tikkurila Säätiö sr	EUR 72,000.00
Kansallisen Kokoomuksen Kainuun Säätiö sr	EUR 70,000.00
Maaseudun Kukkasrahasto Säätiö sr	EUR 60,000.00
Stiftelsen Tre Smeder sr	EUR 40,000.00
Palvelualojen ammattiliitto PAM ry	EUR 39,400.00
Liberalibus rf	EUR 30,000.00
Suomen Kunnantyöntekijäin Liitto ry	EUR 30,000.00
Yksityisyrittäjien Säätiö sr	EUR 30,000.00

* The association handled the payment traffic of the foundation Stiftelsen för utbildning och kultur på det svenska i Finland

Tables 4 and 5 reflect the situation at the end of 2018. As subsidies can also be retroactively reported, the amount of subsidies in 2018 may change in 2019.

In 2018, after political parties, the largest recipients included two youth organisations, one district organisation, one women’s organisation and two local associations (more than EUR 30,000 in total).

Table 5: Largest recipients in 2018

Largest recipients in 2018	
Ruotsalainen kansanpuolue r.p.	EUR 1 528 570,00
Kansallinen Kokoomus r.p.	EUR 146 500,00
Suomen Keskusta r.p.	EUR 133 647,50
Turun Sosialidemokraattinen Kunnallisjärjestö ry	EUR 95 423,18
Tikkurilan Työväenyhdistys ry	EUR 72 000,00
Kainuun Kokoomus ry	EUR 70 000,00
Svensk Ungdom, Svenska folkpartiets ungdomsorganisation r.f.	EUR 67 000,00
Suomen Keskustanuoret ry	EUR 66 000,00
Helsingin Kokoomus ry	EUR 60 000,00
Suomen Sosialidemokraattinen Puolue r.p.	EUR 60 000,00
Svenska folkpartiet i Helsingfors r.f.	EUR 60 000,00
Svenska Kvinnoförbundet r.f.	EUR 47 500,00
Sininen tulevaisuus r.p.	EUR 30 200,00
Kansallisen Kokoomuspuolueen Säätiö sr	EUR 30 000,00
Svenska folkpartiet i Egentliga Finland r.f.	EUR 30 000,00
Svenska folkpartiet i Nyland r.f.	EUR 30 000,00
Svenska folkpartiet i Österbotten r.f.	EUR 30 000,00

The users of the political party funding system may also produce summary reports themselves on their largest donors or recipients.

3.5 Compliance with restrictions to contributions

Section 8 b of the Act on Political Parties contains restrictions on receiving financial support, and these restrictions were also covered by the audit.

A political party, a party association and an entity affiliated with a party may not receive a contribution if the identity of the donor cannot be determined. This provision does not apply to contributions received as a result of ordinary fundraising activities, however.

A political party, a party association and an entity affiliated with a party may not receive contributions exceeding EUR 30,000 from the same donor in a calendar year. This does not apply to financial support provided by an entity affiliated with a political party to a party or a party association or to financial support left in a will, however.

A political party, a party association and an entity affiliated with a party may only receive foreign contributions from private individuals and from international organisations and foundations that represent a party's political orientation.

A political party, a party association and an entity affiliated with a party may not receive contributions from the state, a municipality, a federation of municipalities, an unincorporated state or municipal enterprise, an association, institution or foundation operating under public law or a company controlled by the state or a municipality in the manner referred to in chapter 1, section 5 of the Accounting Act. This does not apply to the use of facilities or ordinary hospitality, however.

A political party and a party association must make sure that a paid advertisement that is part of an election campaign or intended to support it shows the name of the person paying for the advertisement. However, the name of a private individual may not be published without their express consent if the value of the advertisement paid for by the individual is less than EUR 1,500.

Under section 8 b of the Act on Political Parties, foreign contributions may only be received from private individuals and from international organisations and foundations that represent a party's political orientation. Foreign contributions can be considered prohibited contributions at least in part because the Act on Political Parties does not contain exceptions regarding support paid by international organisations.

No wills, donations of shares or payments or funds not entered in the accounts that would be important from the perspective of political party funding were discovered in the audit.

Contributions exceeding EUR 30,000 or non-monetary support from organisations that had not been reported as affiliated entities of the party were not detected in the 2018 audits.

The audit indicated that, in principle, political parties and other organisations have filed up-to-date disclosures regarding donations, contributions from affiliated entities and different types of participation charges. The volumes reported during the audit have increased. As noted above, according to the audit findings, the disclosers had received financial support or similar contributions for which they did not file up-to-date disclosures. These include support from affiliated entities and advertising revenue, for example. During the audit, the disclosers filed new or revised up-to-date disclosures that partly remedied the situation.

No payments that are unilaterally prohibited based on the Act on Political Parties were detected during the audit.

Under section 8, subsection 2, point 1 of the Act on Political Parties, ordinary voluntary work is not considered a contribution. Even though the concept of ordinary voluntary work is open to interpretation, the matter is of importance when the difference between ordinary voluntary work and non-financial support is determined. Under section 8, subsection 2, point 6 of the Act on Political Parties, statutory grants or grants based on the state or municipal budget are not considered contributions.

In the monitoring of political party funding, four contributions made using the virtual currency Bitcoin that do not explicitly state the name of the donor were previously detected. The recipient of the contribution must ensure that the donor does not remain unknown on account of the payment method. In 2018, no new contributions made in Bitcoin were reported to the party funding system.

No wills, share donations or payments or funds not included in the accounts were discovered in the audit



4 Procedures concerning transfer and use of party subsidies

With a decision made on 2 February 2017, the Government granted a state subsidy according to section 9 of the Act on Political Parties to registered associations that have been entered as parties in the Party Register. The party subsidies totalled approximately EUR 29 million, and they may be used for supporting the public activities laid out in the associations' rules and general programme. As of 2016, the party subsidy decision has combined the support for political activities and support for the parties' communications activities.

In the view of the National Audit Office, combining two separate party subsidy decisions into one has harmonised the process of cost accounting and facilitated the monitoring of the use of the party subsidies.

Table 6: State subsidies to parties in 2017

Political party	Granted	Remaining on 31 December 2017 according to disclosure
Kansallinen Kokoomus r.p.	EUR 5,482,475.00	EUR 0
Perussuomalaiset r.p.	EUR 5,630,650.00	EUR 1,373,581.00
Ruotsalainen kansanpuolue r.p.	EUR 1,333,575.00	EUR 0
Suomen Keskusta r.p.	EUR 7,260,575.00	EUR 983,799.87
Suomen Kristillisdemokraatit (KD) r.p.	EUR 740,875.00	EUR 0
Suomen Sosialidemokraattinen Puolue r.p.	EUR 5,037,950.00	EUR 0
Vasemmistoliitto r.p.	EUR 1,778,100.00	EUR 337,301.40
Vihreä liitto r.p.	EUR 2,222,625.00	EUR 0
Total	EUR 29,486,825.00	EUR 2,694,682.27

Under the terms and conditions for the party subsidies laid out in the Government decision, to the extent that the aid granted to a political party is used for purposes other than the party's own activities, the party must conclude an agreement on the use, supervision and the terms and conditions for them with the associations (including district organisations and women's organisations) and foundations using the aid, as laid down in section 7, subsection 2 of the Act on Discretionary Government Transfers. The agreement must be in accordance with the terms and conditions of the subsidy decision.

It has been detected in connection with audits of political party funding that the agreement practices used by the different parties vary a great deal and that some of the parties do not have any agreements. Contractual practices were covered for the first time in the 2016 annual report on the monitoring of the funding of political parties. One party subsequently concluded its first agreements for the year 2017. Other parties also amended their state subsidy agreements in 2018.

Under section 9, subsection 1 of the Act on Political Parties, part of the party subsidies granted to a political party can also be allocated to supporting the activities of other associations. Under the terms and conditions of the party subsidy decision made in 2017, the agreement on the use of the party subsidies can, however, also be concluded with a foundation or another entity. In addition to associations, party subsidy agreements have been concluded with media companies and cooperatives, and according to the accounts of the monitored entities, party subsidies have actually been transferred to those companies and cooperatives.

In the audit, attention was paid to a case where the Finns Party supported a foundation called Suomen Perusta sr. According to the party's revised state subsidy account, state subsidy was used to cover part of the sum of EUR 40,000 paid to the foundation.

On 6 September 2017, the National Audit Office requested the Prime Minister's Office to clarify why the terms and conditions of the Government party subsidy decision of 26 January 2016 make a reference to an agreement on the use of the party subsidies to support the activities of other associations or foundations referred to in the party subsidy decision. According to the reply issued by the Government on 25 September 2017, the Act on Political Parties does not contain any detailed provisions regarding the allocation of party subsidies, and thus section 7, subsection 2 of the Act on Discretionary Government Transfers, which covers the contract procedure applied to other recipients, becomes applicable. The Prime Minister's Office considers that the term of the party subsidy decision in question complies with the Act on Discretionary Government Transfers and therefore does not warrant for any further measures.

The National Audit Office is of the opinion that the party subsidy decision in question has extended the intended use of party subsidies specified in the Act on Political Parties by also enabling the transfer of party subsidies to limited companies or foundations. The Act on Political Parties is a special act and thus takes precedence over the Act on Discretionary Government Transfers and its more general provisions. Since the recipients of the party subsidies

have complied with the terms and conditions of the party subsidy decision in question, the National Audit Office considers that there is currently no need to recover the granted party subsidies.

The Act on Political Parties and the terms and conditions of party subsidy decisions should be more closely linked. Transfer of subsidies to limited companies may also have significance from the perspective of business subsidies and value-added tax. Furthermore, in ambiguous cases, it is recommended that political parties use funds other than party subsidies to support limited companies or foundations. The need to revise the terms and conditions of party subsidy decisions was discussed with representatives of the Prime Minister's Office in November 2017.

Under the 2017 party subsidy decision, each of the political parties receiving the aid must use five per cent of the aid for funding the activities of its district organisations and the party must transfer the aid to its district organisations during the year in which the aid is granted. One of the political parties had not transferred any of the aid to its district organisations and some parties had paid personnel expenses of their district organisations and entered them in their own accounts and financial statements. This practice does not give an accurate overall picture of the parties' financial activities.

The National Audit Office is of the opinion that the terminology used in party subsidy decisions must be clarified to ensure that the terms and conditions concerning the use of the party subsidies and their transfer to other recipients are clear and that the accounts on the use of the party subsidies are comparable.

The audits and monitoring of the use of the party subsidies also revealed that there were some differences in the accounts on the use of the party subsidies between political parties and their district organisations. The audited entities have been requested to correct their accounts to match each other, and some entities also complied with this request already during the audits, as in the previous year. Some deficiencies in the monitoring of state subsidies carried over from the previous year were also detected. Attention was paid to the fact that only the entities referred to in the party subsidy decision are obligated to keep accounts under the public political party funding system. This does not seem adequate, however, as political parties are also entitled to allocate their party subsidies to other associations than those referred to in the party subsidy decision.

Conclusions

The financial statements of political parties, associations referred to in party subsidy decisions and entities affiliated with political parties have been submitted to the electronic party funding register.

As a rule, audited entities' accounts had been managed properly so that monitoring of the provisions in the Act on Political Parties could be carried out on the basis of the accounts.

Deficiencies were still observed in the auditor's reports of the monitored entities. The auditors of political parties, their district organisations and affiliated entities have not always included the opinions laid down in section 9 c of the Act on Political Parties in their auditor's reports. In this respect, the primary monitoring system concerning organisations receiving party subsidies is not yet functioning in the intended manner.

The party funding register is intended to promote transparency, and the nature of a received contribution can be clarified in disclosures with additional information. However, the concept of contribution should be made more specific on the basis of practical situations and audit observations. In its report 9/2013 vp, the Audit Committee has already drawn attention to the need to specify the concept of contribution.

With regard to audited entities, it can be noted that up-to-date disclosures together with supplements are correct in essential respects and provide correct information on the financial support received by the monitored entities in essential respects. However, according to the audit findings, not all subsidies or candidate's or MP's contributions were entered into the political party funding system before the audits. This has particularly been the case with subsidies and other contributions provided by affiliated entities. The sums have been substantial.

No contributions clearly violating the restrictions laid down in section 8 b of the Act on Political Parties were discovered in the 2018 audit.

In the audit of political party funding carried out in autumn 2018, as in the previous years, attention was drawn to the inadequacies regarding the ambiguity of the terms and conditions and contractual procedures concerning the use of the party subsidies. The opportunity to further clarify the terms and conditions of subsidies was also discussed with representatives of the Prime Minister's Office, and according to a decision on the 2018 state subsidy, the need to amend section 9 of the Act on Political Parties will be investigated. The Prime Minister's Office did not announce any actions regarding this issue in 2018. It did, however, request the Ministry of Justice to start a legislative project regarding the issue on 21 January 2019.

The monitoring of the accounts on the use of the party subsidies revealed, as in the previous years, that support reported by political parties as transferred to their district organisations often differed from the amounts reported in the district organisations' own, audited state subsidy accounts and the accounting, financial statements and management reports of the entities involved. The audited entities were requested to clarify their procedures, and once the numerous requested corrections have been implemented, the 2017 party subsidy accounts should match each other.

Appendix

Audits of political parties in 2018

Audited organisations	Audit location	Audit date
Fonden för intressebevakning av det svenska i Finland	Helsinki	7 September 2018
Hämeen Vasemmistoliitto ry	Hämeenlinna	14 September 2018
Hämeen Vihreät ry	Lahti	14 September 2018
Kaakkois-Suomen Vihreät ry	Lappeenranta	31 August 2018
Kansallinen Kokoomus r.p.	Helsinki	27 September 2018
Kansallisen Kokoomuksen Kainuun Säätiö sr	Kajaani	18 October 2018
Kansallisen Kokoomuspuolueen Säätiö sr	Helsinki	5 September 2018
Kansallissäätiö sr	Helsinki	5 September 2018
Keskustan Päijät-Hämeen piiri ry	Lahti	14 September 2018
Lillträskin Kurssikeskussäätiö sr	Espoo	6 September 2018
Maaseudun Kukkasrahasto Säätiö sr	Vantaa	28 August 2018
Perussuomalaiset r.p.	Helsinki	17 October 2018
Perussuomalaisten Tukisäätiö sr	Helsinki	21 September 2018
Pirkanmaan Kansallissäätiö sr	Tampere	12 September 2018
Savo-Karjalan Vasemmisto ry	Kuopio	10 October 2018
Savo-Karjalan Vihreät ry	Kuopio	10 October 2018
Sininen tulevaisuus r.p.	Helsinki	12 October 2018
Snellman-Säätiö sr	Helsinki	7 September 2018
Suomen Keskusta r.p.	Helsinki	22 August 2018
Suomen Kristillisdemokraatit (KD) r.p.	Helsinki	21 August 2018
Suomen Kristillisdemokraattien (KD) Hämeen piiri ry	Riihimäki	28 August 2018
Suomen Kristillisdemokraattien (KD) Kymen piiri ry	Kouvola	31 August 2018
Suomen Kristillisdemokraattien (KD) P.-Karjalan piiri ry	Joensuu	17 August 2018
Suomen Sosialidemokraattinen Puolue r.p.	Helsinki	4 October 2018
Svenska folkpartiet i Finland r.p.	Helsinki	3 October 2018
Tikkurila Säätiö sr	Vantaa	13 September 2018
Turun Työväensäätiö sr	Turku	11 October 2018
Työväenlehdistön Kannatusyhdistys ry	Helsinki	13 September 2018
Varsinais-Suomen Kansallissäätiö sr	Turku	11 October 2018
Vasemmistoliitto r.p.	Helsinki	17 September 2018
Vihreä Liitto r.p.	Helsinki	1 October 2018



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