



National Audit Office's report to Parliament on the oversight of the funding of political parties in 2019



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PHOTOS

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

PAGE 18, PHOTOGRAPHER TIINA PUPUTTI

PAGE 44, PHOTOGRAPHER VILLE-VEIKKO HEINONEN

To Parliament

The National Audit Office has overseen compliance with the provisions of the Act on Political Parties (10/1969) regarding support and the use of party subsidies, as well as the preparation and filing of documents covered by the disclosure obligation during the period 1 September 2018 to 31 August 2019.

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

Helsinki, 26 February 2020

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Director

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Principal Financial Auditor

Main content and conclusions

The Act on Political Parties contains mandatory provisions that apply to political parties and party associations and promote the transparency of funding. The provisions aim at increasing the transparency of political party funding.

The National Audit Office oversees compliance with the provisions laid down in the Act on Political Parties concerning support, the disclosure of election campaign costs and funding, and the preparation and submission of related documents in the activities of the overseen entities. From the beginning of 2016, the National Audit Office has also been responsible for overseeing the party subsidies referred to in the Act on Political Parties.

The overseen entities, i.e. political parties, associations referred to in the party subsidy decision, and entities affiliated to political parties have submitted their adopted financial statements for 2018 to the electronic political party funding register.

Contributions totalling more than EUR 29.9 million received by parties, party associations, and affiliated entities were reported to the political party funding register in up-to-date disclosures between 2011 and 2019.

In 2019, the contributions reported totalled almost EUR 4 million. The up-to-date disclosures also apply to earlier years, and thus the total for 2018 increased retroactively by approximately EUR 0.8 million as a result of the disclosures submitted in 2019. A significant part of the information supplementing the disclosures is the result of the audits of political party funding.

In 2019, the National Audit Office conducted a total of 31 audits of overseen political parties not represented in Parliament and district organisations of political parties represented in Parliament. The parties represented in Parliament were not audited in 2019 but will be audited in the autumn of 2020. On the basis of the audits, it can be stated that, after being supplemented, the up-to-date disclosures concerning political party funding are correct in material respects and that the information they provide on the support received by the audited entities is correct in material respects.

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

No contributions clearly violating the restrictions laid down in section 8 b of the Act on Political Parties were discovered in 2019.

The National Audit Office has recommended that the parties should also submit an up-to-date disclosure as referred to in the Act on Political Parties on candidate's contributions and MP's contributions. A large number of such disclosures were submitted in 2019. However, all of the overseen entities did not comply with this recommendation. Therefore, the contributions that have not been reported do not appear as support in the political party funding register.

As a rule, the overseen entities have managed their accounting appropriately so that it has been possible to oversee compliance with the provisions in the Act on Political Parties on the basis of the accounts.

As in previous years, the National Audit Office found inadequacies in the financial audit reports of the overseen entities. The financial auditors have sometimes failed to include the statements required under section 9 c of the Act on Political Parties in their reports. In recent years, the financial audit reports have improved, but the statements included in them have not always proved sufficient and unambiguous.

In the oversight of party subsidies, the National Audit Office examined the presentation of accounts of all of the approximately 150 recipients with the obligation to keep accounts. Where necessary, the recipients were requested to correct their accounts or to submit additional information about their procedures. The audit memoranda of the audits of political party funding contain observations regarding the state subsidy procedure. The memoranda also draw attention to the allocation of party subsidies to entities other than associations referred to in the Act on Political Parties.

In the audits of political party funding, the National Audit Office paid attention to the ambiguity of the terms and conditions of party subsidies and to inadequacies in the contractual procedures. The National Audit Office has also discussed clarification of the terms and conditions of party subsidies with representatives of the Prime Minister's Office, and according to the 2018 decision on party subsidies, the need to amend section 9 of the Act on Political Parties will be investigated. During 2018, the Prime Minister's Office did not announce any related measures. However, on 21 January 2019, it requested the Ministry of Justice to launch a legislative project related to this.

The party funding register is intended to promote transparency, and the nature of a received contribution can be specified by providing additional information in the disclosures. However, the concept of support should be specified on the basis of practical experiences and audit observations. The Parliamentary Audit Committee already paid attention to the need to specify the concept of support in its report 9/2013 vp.

As in the previous year, the oversight of party subsidies revealed that the amounts of support that political parties reported as transferred to their district organisations often differed from the amounts in the district organisations' own, audited party subsidy accounts, and from the accounting, financial statements, and management reports of the entities involved. The overseen entities were requested to specify their procedures, and after they made the requested corrections, the 2018 party subsidy accounts of political parties and their district organisations tally with each other.

the \mathbb{R}^n -valued function \mathbf{f} is a solution of the system (1) if and only if \mathbf{f} is a solution of the system (2).

Let us assume that \mathbf{f} is a solution of the system (2). Then, for any $t \in \mathbb{R}$, we have

$$\mathbf{f}(t) = \mathbf{f}(0) + \int_0^t \mathbf{f}'(s) ds = \mathbf{f}(0) + \int_0^t \mathbf{A}(s) \mathbf{f}(s) ds.$$

Since \mathbf{f} is a solution of the system (2), we have $\mathbf{f}(0) = \mathbf{0}$. Therefore, we have

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1 Legislation applied to the oversight of political 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 thereby also to improve voter turnout. Another objective is to prevent corruption and inappropriate interests that influence parties' activities.

The Act on Political Parties contains provisions on support for political parties, party associations, and entities affiliated to political parties. Under the Act, all contributions in the form of money, goods, services, and other contributions, are as a rule regarded as financial support. Only certain contributions specified in the Act are not regarded as support and therefore do not fall within the scope of regulation.

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

The Act on Political Parties also contains provisions concerning restrictions on receiving support. A political party, a party association and an entity affiliated to a political party may receive contributions from the same donor up to a maximum value of EUR 30,000 per calendar year. However, this restriction does not apply to support given to a political party or a party association by an entity affiliated to the party. The Act also contains a ban on receiving contributions from certain public-sector organisations or receiving foreign contributions, or contributions from a donor whose identity cannot be determined.

Under the Act on Political Parties, political parties, party associations and entities affiliated to political parties are obliged to report 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 political party funding register maintained by the National Audit Office.

Political parties and the associations named in the party subsidy decision shall itemise their election campaign costs and funding. If the value of a contribution is at least EUR 1,500, the itemisation

Under the Act on Political Parties, all contributions in the form of money, goods, services, and other contributions, are as a rule regarded as support

shall specify the contribution and its donor. The information is also entered in the political party funding register and made publicly available. The first itemisations of election campaign costs and funding were to be sent to the National Audit Office in connection with the financial statements for 2011.

The Act amending the Act on Political Parties (683/2010) also included amendments to the provisions regarding the oversight of political parties. The oversight of political parties is the responsibility of the National Audit Office, the Ministry of Justice, and the auditors of the entities and foundations in question.

Information on transactions related to external funding and election campaigns is part of the financial statements prepared according to the Accounting Act and the Act on Political Parties, and thus it is audited according to the Auditing Act. Under the law, financial auditors shall issue a statement on the correctness of the required information in the financial audit reports for parties, district organisations, and associations receiving subsidies. The financial auditor of an affiliated entity shall express their opinion on whether the received support has been itemised correctly.

The National Audit Office performs its oversight duty independently in accordance with its own plan. The National Audit Office oversees compliance with the provisions laid down in the Act on Political Parties concerning support, the itemisation of election campaign costs and funding, as well as the preparation and filing of related documents.

The Ministry of Justice oversees compliance with the Act on Political Parties insofar as the oversight is not the responsibility of the National Audit Office. Until the end of 2015, it was the Ministry of Justice that was responsible for the oversight related to party subsidies under the Act on Political Parties. After a legislative amendment (1688/2015), the oversight of the support paid by the state to political parties, i.e. 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 from 1 January 2016, recovery decisions have been made by the National Audit Office.

The National Audit Office performs its oversight task independently in accordance with its own audit plan

1.1 Those subject to the disclosure obligation and information to be submitted to the National Audit Office under the Act on Political Parties

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

Disclosures by those subject to the disclosure obligation

- Political party**
 - Up-to-date disclosure
 - Advance disclosure (voluntary)
 - Itemisation of election campaign costs and funding
 - Summary of up-to-date disclosures
 - Financial audit report
 - Financial statements and management report
 - Accounts regarding the use of party subsidy (if the party has received any)

- Party association**
 - Up-to-date disclosure

- Those mentioned in the party subsidy decision**
 - Up-to-date disclosure
 - Advance disclosure (voluntary)
 - Itemisation of election campaign costs and funding
 - Summary of up-to-date disclosures
 - Financial audit report
 - Financial statements and management report
 - Accounts regarding the use of party subsidy

- Entity affiliated to a political party**
 - Up-to-date disclosure
 - Itemisation of the contributions received by the affiliated entity
 - Financial audit report
 - Financial statements and management report

Figure 1: Those subject to the disclosure obligation and their disclosures under the Act on Political Parties

Up-to-date disclosure

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

butions from the same donor. This means that a disclosure shall always be supplemented whenever the next limit of EUR 1,500 is exceeded (e.g. at EUR 3,001, EUR 4,502, etc.). Whether the donor is the same is determined by the donor's legal capacity.

The National Audit Office does not accept or process disclosures of contributions with a value of less than EUR 1,500. When a disclosure is supplemented, the reported amount of support can, nevertheless, be lower than EUR 1,500.

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

The political party sees to it that up-to-date disclosures are filed. The political party shall also ensure that its party associations and affiliated entities file up-to-date disclosures of the support they have received.

The disclosures shall 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 entering the basic information on the party association in the political party funding register. However, the party is responsible for ensuring that the disclosures are filed in compliance with the Act on Political Parties. The National Audit Office enters 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 are available in electronic format on the website of the National Audit Office's political party funding register. Everyone is entitled to obtain information on and copies of the disclosures.

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

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

Previously, a political party was obliged to submit to the National Audit Office the following documents of the party and the associations mentioned in the party subsidy decision, as referred to in section 9 b of the Act on Political Parties: the financial statements with notes, the financial audit 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.

On 30 December 2015, section 9 d of the Act on Political Parties was amended (1688/2015) in such a manner that a political party shall now submit to the National Audit Office the following documents of the party and the associations referred to in the party subsidy decision: the financial audit report, the management report, the balance sheet book, and the accounts and other information referred to in section 9 a(1) of the Act.

The filing of financial statement documents 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 shall submit to the National Audit Office the following documents of the party and the associations referred to in the party subsidy decision: the financial audit report, the financial statements with notes, and the accounts and information referred to in section 9 a(1) of the Act on Political Parties. These 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 shall be itemised and reported on an electronic form approved by the National Audit Office.

According to the amendment (1620/2015) of chapter 3, section 1 of the Accounting Act on 30 December 2015, a management report as referred to in section 1 a shall 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 micro-enterprise or a small enterprise; or
- 3 a public-interest entity.

On 30 December 2015, the Accounting Act was also amended in such a manner that it is no longer necessary to prepare a balance sheet book in paper format. The National Audit Office is of the opinion that even after these amendments, the overseen entities should submit their full financial statements to it under the Act on Political Parties, and if an overseen entity has prepared a management report in accordance with its Rules of Procedure, it should also be submitted and published together with the financial statements.

A political party's financial statements with notes, management report, financial audit report, accounts regarding the use of the party subsidy, and the information contained in its up-to-date disclosures shall be submitted to the National Audit Office via the electronic party funding register it maintains on the public data network.

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

The itemisations of election campaign costs and funding shall be sent on 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	European Parliament elections
2015	Parliamentary elections
2017	Municipal elections
2018	Presidential elections

Figure 2: Itemisations submitted to the National Audit Office on election campaign costs and funding

The National Audit Office publishes the information it receives without delay in its political party funding register. The documents are published in the form they have been submitted to the National Audit Office.

Financial statements of affiliated entities

An entity affiliated to a political party is an entity or foundation, or a trust of an entity or foundation, which a political party, with the consent of the entity or foundation in question, reports to the National Audit Office of Finland as an affiliated entity. Section 8 a(1) of the Act on Political Parties allows only political parties to report an entity or foundation, or a trust of an entity or foundation, with its consent, as an affiliated entity. Consequently, only a political party entered in the Party Register maintained by the Ministry of Justice can report other entities, foundations, or their trusts as its affiliated entities. Accordingly, an association that has not been entered in the Party Register cannot have affiliated entities, as referred to here, which the association 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 shall submit to the National Audit Office its financial audit report, management report, and balance sheet book, as well as the itemisation referred to in section 9 a(2) and the opinion referred to in section 9 c(3) within three months of the adoption of the financial statements of the entity or foundation concerned. An entity or foundation with a trust that has been reported as an affiliated entity shall file the corresponding documents within three months of the adoption of the financial statements of the entity or foundation concerned.

An affiliated entity or foundation submits its financial audit report, financial statements with notes, and other required documents

The information is submitted in electronic format to the party funding register maintained by the National Audit Office. The obligation to file financial statements applies to an affiliated entity starting from the fiscal year during which it was reported to the National Audit Office as an affiliated entity.

In June 2018, Perussuomalaisten Tukisäätiö sr, a foundation that had been reported as an entity affiliated to the Finns Party (Perussuomalaiset r.p.), announced that it was no longer an entity affiliated to the party. As the accounting period of the foundation is from 1 July to 30 June instead of the regular calendar year, the foundation submitted its financial statements to the National Audit Office in 2019 for the period of 1 July 2017 to 30 June 2018.



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

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

The National Audit Office may, on pain of a fine, require an overseen entity to meet its obligations if it has not submitted, corrected, or supplemented documents or information in spite of the NAOF's request, or if it has not been verified that the documents or information are true and fair, and the breach, taken as a whole, is considered substantial. The payment of the fine is ordered by the Sanction and Penalty Board referred to in section 15 of the Act on the National Audit Office (676/2000). The imposition of the fine and the ordering of its payment may be appealed to the Supreme Administrative Court as stated in the Administrative Judicial Procedure Act (586/1996).

In other respects, the oversight by the National Audit Office is governed by the Act on the National Audit Office.

The National Audit Office submits an annual report to Parliament on its activities in overseeing compliance with the Act on Political Parties.

By performing oversight and publishing the disclosures referred to in the Act on Political Parties, the National Audit Office promotes the transparency of political party funding so that the links of political parties can be assessed in the public arena and by citizens.

The auditing right laid down in the Act on Political Parties covers political parties, entities mentioned in party subsidy decisions, as referred to in section 9 of the Act on Political Parties, and entities affiliated to political parties.

There were 19 political parties in total in the Party Register at the end of 2018 and 18 at the end of 2019. Eight parties were represented in Parliament and eligible for party subsidies during the oversight period. In 2019, there were also one political party

Sanction and Penalty Board may impose a penalty fee

Party subsidies were granted to eight political parties

represented in Parliament and one parliamentary group that did not receive party subsidies. The latter one of these, Movement Now (Liike Nyt), was registered as a political party in November 2019.

The parties receiving party subsidies had a total of 105 district organisations and six separate women’s organisations. The parties had 12 entities affiliated to them. Some of the affiliated entities are also groups of companies based on their ownership.

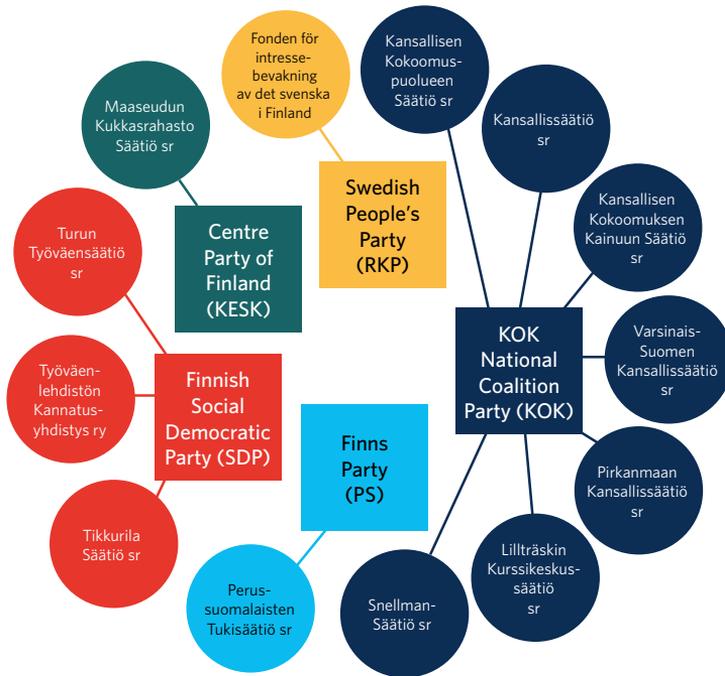


Figure 3: Affiliated entities reported by political parties (PS Tukisäätiö until 30 June 2018).

As from June 2018, Perussuomalaisten Tukisäätiö sr has no longer been an entity affiliated to 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 party for a period of four years. The agreement and the termination of the foundation’s position as an affiliated entity are linked with a substantial subsidy in June 2018. The party submitted an up-to-date disclosure on this subsidy late, in April 2019.

In the oversight of compliance with the Act on Political Parties, the goal of the National Audit Office’s long-term planning has been to audit all overseen entities within six years of the start of the oversight duty. Long-term planning must take into account the

obligation to retain vouchers, as referred to in the Accounting Act (1336/1997), and the impact of changes in the boundaries of electoral districts. In its planning, the NAOF can also consider the picture it has formed, on the basis of audit findings, of the risks in different actors' operations and internal control.

The NAOF met its long-term audit target, as it had audited all overseen entities at least once by the end of 2016. The audit intervals of the district organisations of the political parties represented in Parliament have become shorter. In 2019, the NAOF also audited parties that were not represented in Parliament. They had not been audited since 2011. The aim is to keep the audit interval considerably shorter in future.

2.1 Measures taken by the National Audit Office as the overseer of political party funding

The Act on Political Parties states that the National Audit Office can issue regulations 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 regulations 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(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 to a political party as referred to in section 9 d(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, which was introduced in 2010, and it has an online service for providing advice in matters concerning the interpretation of the Act on Political Parties. The National Audit Office has also provided advice by email. Questions and answers that are deemed to have broader significance for the interpretation are published on the website.

The information system related to the National Audit Office's duties under the Act on a Candidate's Election Funding and the Act on Political Parties is used for receiving and publishing election funding disclosures as well as the disclosures prescribed in the Act on Political Parties. In the electronic disclosure procedure, disclosers can publish their disclosures on the website for election funding oversight after authentication in such a manner that the disclosures have a uniform appearance. The NAOF enters disclosures received as hard copies into the information system without delay. The aim is for all the information required under the Act on Political Parties to be submitted to the electronic filing system.

In 2019, the National Audit Office conducted a total of 31 audits related to political party funding. The audits were conducted by Klaus Krokfors, Principal Financial Auditor, CPFA, Pontus Londen, Principal Financial Auditor, and Mikki Paulamäki, Senior Auditor.



Figure 4: Process of auditing political party funding

2.2 Audit objectives and criteria applied in 2019

The objective of the audits of political party funding carried out in 2019 was to determine the following:

- whether the statutory disclosures filed by those subject to the disclosure obligation provide accounting-based true and fair information about political party funding and compliance with the restrictions concerning subsidies in view of legislation and the needs of oversight,
- whether the disclosers have kept appropriate accounts, as required under the Act on Political Parties, and whether the disclosers have complied with the key provisions on political party funding and the related restrictions laid down in the Act.

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

As the National Audit Office has also overseen party subsidies from the beginning of 2016, the goal was also to examine the procedures related to the transfer and use of the party subsidies.

In 2019, the National Audit Office audited all the 11 registered parties that were not represented in Parliament. In addition, the National Audit Office audited 20 district organisations of parties represented in Parliament in the electoral districts of Central Finland, Savonia-Karelia, and Vaasa. Thus, the National Audit Office conducted a total of 31 audits.

The audit period included the filing of financial statements and financial audit reports for a maximum period of 2011–2018, and the essential accounting transactions from the perspective of the Act on Political Parties during the audit period. Political parties were audited for a maximum registration period of 1 September 2011 to 31 August 2018 and district organisation entities for the period from 1 September 2015 to 31 August 2018. Some of the political parties were audited for the first time.

The audits of the district organisations covered the financial statements for the years 2015–2018 that had been submitted to the political party funding system, the accounts for the period 1 September 2015 to 31 August 2019, the up-to-date disclosures filed, and the itemisations of election campaign costs and funding.

The audited entities were notified of the audits in May 2019, and the audits were conducted when the electronic materials had been reviewed in the autumn of 2019. The auditors visited all of the audited entities.

The audits took place in autumn 2019

When targeting the audits, the National Audit Office took the following issues into consideration:

- the general arrangement of accounting, payment traffic, and fund management at the audited entity
- itemisation of support 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 on support laid down in the Act on Political Parties in the political parties represented in Parliament during a maximum period of 1 September 2011 to 31 August 2019 and in the audited district organisations during the period of 1 September 2015 to 31 August 2019
- the comprehensiveness of up-to-date disclosures on the basis of accounting, and verification of the content of the disclosures
- monitoring of non-monetary support and its consideration in the disclosure procedure
- comparison of the information in the disclosures filed by the party and its affiliated entity or another organisation
- appropriateness of the statements in the financial audit report from the perspective of the Act on Political Parties and, if necessary, examination of the content of the financial audit
- procedures concerning the use and transfer of party subsidies.

2.3 Restrictions on the oversight

In view of interpreting the results of the oversight conducted by the National Audit Office, it is also necessary to highlight the essential restrictions related to the oversight system.

The transparency of political party funding is mainly restricted by the fact that all party associations do not fall within the scope of the oversight. Under the Act on Political Parties, the National Audit Office is only responsible for overseeing political parties, the associations specified in party subsidy decisions, and the entities affiliated to political parties. There are approximately 150 entities to be overseen. Other party associations are not overseen by the National Audit Office. This means that most of the party associations (approximately 6,000) fall outside the scope of the oversight. Overseeing these would also require significant resources.

Overseeing the approximately 6,000 party associations falling outside the scope of the oversight would require significant resources

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3 Disclosures on political party funding and measures related to them

The National Audit Office has overseen the filing of disclosures and documents related to political party funding with its electronic party funding register. If necessary, the National Audit Office has requested the overseen entities to supplement or correct the disclosed information and to submit any missing documents.

The audited political parties and district organisations were notified of the audits in May 2019. After this, the audited entities submitted the requested materials to the National Audit Office, which conducted the audits according to the audit plan in autumn 2019. The audited district organisations operate in the electoral districts of Central Finland, Savonia-Karelia, and Vaasa.

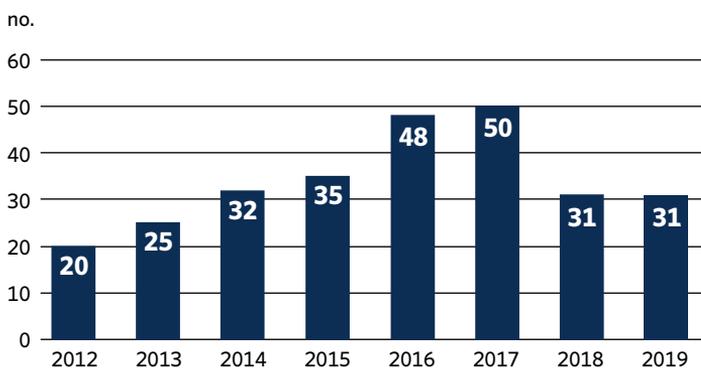


Figure 5: Number of audits of political party funding 2012-2019

The draft feedback memoranda on the audits were submitted to the audited entities for comments in November 2019. The final feedback memoranda were submitted to the audited entities in December 2019. Each political party represented in Parliament also received the draft and final feedback memoranda on the audits of their district organisations. Any comments on the feedback memoranda were to be submitted to the National Audit Office by 27 December 2019. The feedback given consisted mainly of changes of technical nature and notifications of measures taken after the draft memorandum, and the NAOF has taken them into account when preparing this report.

3.1 The overseen entities' accounting and financial statement procedures

The National Audit Office's oversight task does not directly concern the audited entities' general accounting arrangements. However, as prescribed by law, the National Audit Office publishes in its political party funding register the financial statements of parties and the party associations mentioned in the party subsidy decision that have been submitted to it. Another duty of the National Audit Office is to oversee that those subject to the disclosure obligation prepare the documents specified in the Act on Political Parties and submit them to it. The National Audit Office can make comments intended as recommendations on the accounting arrangements and financial statement procedures.

The audit strived to examine the accounting arrangements of the audited entity specifically from the perspective of monitoring external funding. In the same connection, it was also examined how reliably the actual amount of external funding could be deduced from the accounting data.

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

Under the Act on Political Parties, support does not cover income from market-based business activities of a permanent nature on the general market or income from investments. Nor does support cover fair-value contributions received by a political party or a party association in connection with its ordinary organisational activities or asset management. However, in practice, it is extremely difficult to verify afterwards by means of an audit that the contractual arrangements between, for example, an affiliated entity and a party or a party association have not involved support.

The Accounting Act allows various compensation and adjustment entry procedures that reduce the net volumes of accounts and can influence the conclusions drawn from the financial statements and thereby comparisons between different organisations. When such exceptional procedures have been used, it is not possible, on the basis of the financial statements, to form an adequate picture of the actual amount of external funding received by political parties.

The National Audit Office publishes the financial statements of parties and the party associations mentioned in the party subsidy decision

The obligation to keep accounts applies to all associations and foundations under chapter 1, section 1 of the Accounting Act (1336/1997). Under chapter 2, section 4 of the Act, all cash payments shall be recorded in the order of payment without delay on a daily basis. Under an amendment to the Act on 30 December 2015 (1620/2015), all cash payments shall 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 by another act or regulations issued under it.

Pursuant to chapter 2, section 9 of the Accounting Act, financial statements, ledgers, vouchers, and other accounting material shall be retained carefully in compliance with the requirements of section 7 so that they can be reviewed in Finland by an authority or auditor without undue delay.

It was discovered in the audit that, at the time of the audit, there were a few essential inadequacies in keeping the accounts up to date or in organising the accounts. Even if they had only a small number of vouchers and entries in their main accounts, the overseen entities should keep their accounts as up to date as possible so that any up-to-date disclosures and contributions can be monitored on a cumulative basis.

For the sake of clarity, the audited entities were requested to close any unnecessary bank accounts and modify their account scheme to make it more appropriate. The National Audit Office requested district organisations, when necessary, to also itemise party subsidies, other contributions, and payments received from support foundations in their accounts and financial statements.

The content and scope of the financial statements submitted to the National Audit Office vary. 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 appeared in the audit in that the information to be presented in connection with financial statements had been interpreted in various ways. In addition, there had been differences in the interpretation of the amendments made in late 2015 to the obligation to prepare and submit a management report. The National Audit Office nevertheless requested the overseen entities to file their management report, if they had prepared one.

The non-registered association Sosialidemokraattiset Naiset operates as part of the Social Democratic Party of Finland (Suomen Sosiaalidemokraattinen Puolue r.p.). However, the non-registered association in question has its own bookkeeping and bank account. Vasemmistonaiset, an association responsible for women's activi-

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

ties in the Left Alliance (Vasemmistoliitto r.p.), is not a registered association, either, but a network and, in practice, part of the party's own operations. Thus, the financial statements submitted to the political party system by these two parties also include those of the unregistered associations.

3.2 Financial audit reports of the overseen entities

The provisions of 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 the financial audits of political parties receiving party subsidies, associations mentioned in the party subsidy decision, and affiliated entities. The provisions do not apply to political 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 a performance audit report have not been taken into account in the Act on Political Parties, which only contains references to a financial audit report. However, the National Audit Office also publishes performance audit reports.

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

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

- 1 whether the use of party subsidies and related reporting have complied with the provisions of the Act and the terms and conditions of the party subsidy decision, and
- 2 whether the provisions of the Act concerning support, restrictions on support, and 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 to a political party or an entity or foundation with a trust that is an affiliated entity gives an opinion on whether the affiliated entity's activities have complied with the provisions in the Act concerning support and restrictions on support.

The contents of the financial audit reports varied in such a manner that some of them lacked opinions in accordance with section 9 c of the Act on Political Parties. The auditors of some entities have also given separate opinions or notifications. Opinions required under the law have also been expressed after the audits. Some of the audited entities had a performance audit report as well as a financial audit report.

Although the obligation to prepare a management report has become less strict following the amendment of the Accounting Act, the Auditing Act still requires auditors to express an opinion on the consistency of the management report and the financial statements. If the auditor cannot express an opinion on this, this must be stated in the financial audit report.

The audits of political party funding found that, in some cases, the auditors had amended the financial audit report they had issued. In such a case, the financial audit report must be provided with a new date, and the entity must process it in the same way as the previously issued financial audit report. If this has not been done, the National Audit Office has requested the overseen entity to attend to this.

The objective of the Act on Political Parties is that the oversight of the Act's provisions should be based essentially on the financial audits (by their own auditors) of political parties receiving party subsidies and their affiliated entities, district organisations, and women's organisations. 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 oversight of party entities thus depends largely on the election of professional auditors with the necessary expertise and knowledge of their tasks and the related reporting requirements. However, according to the National Audit Office's findings, this is still not always the case, as inadequacies were found in the financial audit reports of several overseen entities. In this respect, the oversight system is not yet functioning in the intended manner.

The audits of political party funding also paid attention to the manner in which auditors had interpreted the requirement of section 9 c of the Act on Political Parties, under which the auditor shall express an opinion on whether the use of the party subsidies and the reports on its use have complied with the Act on Political Parties and the party subsidy decision. The audits found cases where the auditors had issued the financial audit report before the cost accounting form for the party subsidies received during the year in question had become available or had been submitted to the state aid authority.

Inadequacies were found in the financial audit reports of several overseen entities

The financial audit reports rarely disclose the period or year to which the opinion on the reports on the use of party subsidies applies. Therefore, the National Audit Office recommends that the overseen entities should process their party subsidy accounts for the previous year already in connection with their financial statements and that the accounts should be made available to the auditors before the issue of the financial audit report.

3.3 Filing of the overseen entities' financial statements and information on election campaign costs and funding

According to chapter 3, section 6 of the Accounting Act (1336/1997), the financial statements shall 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 shall submit its financial statements and the information referred to in section 9 a(1) of the Act on Political Parties to the National Audit Office within three months of the adoption of the financial statements. The documents and information required of an association referred to in the party subsidy decision shall be submitted within one month of the adoption of the association's financial statements, and the documents required of an affiliated entity within three months of the adoption of the financial statements.

Apart from a few exceptions, the financial statements for 2018, as referred to in the Act on Political Parties, and the information on election campaign costs and funding were submitted to the electronic political party funding register maintained by the National Audit Office. Part of the information to be submitted to the NAOF was not received through the system until the audit was underway.

The audit of political party funding found one case where the itemisation of election campaign costs and funding related to the 2017 municipal elections was erroneous, as the contribution of EUR 5,000 in question had been received by a registered association instead of the political party that had submitted the itemisation. The erroneous disclosure was therefore deleted from the political party funding system.

The itemisation of election campaign costs and funding should be traceable from and reconcilable with bookkeeping and other accounts. Careful documentation of the itemisation grounds also facil-

itates the preparation of the itemisation and subsequent verification of the information. However, in practice, not all overseen entities had carried out the documentation with equal thoroughness.

If necessary, the National Audit Office has requested the entities obliged to supply financial statements to submit the missing financial statements information and, if necessary, sent them a letter concerning a hearing as follows:

Table 1: Reminders and hearings in 2013-2019

Year	Request	Letter concerning a hearing
2019	0	0
2018	0	0
2017	0	0
2016	2	0
2015	3	0
2014	4	2
2013	15	2

Not all financial statements information referred to in the Act on Political Parties was received conveniently in an electronic format corresponding to the original documents

3.4 Up-to-date disclosures and supplementing them

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

In 2019, the contributions received by political parties, party associations and affiliated entities and reported to the political party funding register in up-to-date disclosures totalled almost EUR 4.0 million. The amount of contributions reported for 2018 totalled almost EUR 3.7 million, which means that EUR 0.9 million were disclosed retroactively after the audit.

At least some of the supplements to disclosures filed in 2019 resulted from audits of political party funding. The up-to-date disclosures published in the party funding register include the supplements made to them after the deadline referred to in the Act on Political Parties.

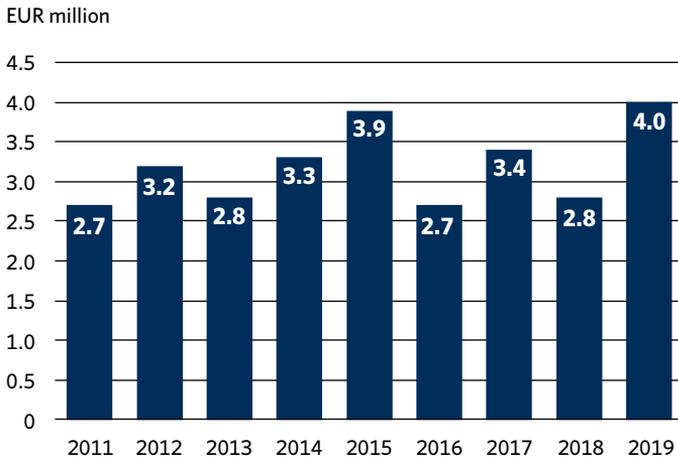


Figure 6: Contributions of at least EUR 1,500 reported to the party funding register in 2011-2019 (up-to-date disclosures)

According to the up-to-date disclosures, a total of over EUR 29.9 million were received in contributions between 2011 and 2019. The audit found that most of the contributions received by the overseen entities had been reported in the up-to-date disclosures. However, the audit also found contributions as referred to in the Act on Political Parties that had not been reported to the system.

The disclosers were requested to supplement and correct the up-to-date disclosures during the audit. Information on any support received by district organisations but not disclosed before was also provided to the parties concerned during 2019, and on the basis of this, information on district organisations was also added to the system. One district organisation of a political party was requested to file an up-to-date disclosure as late as in January 2020.

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. In most cases, however, they are legal contributions as referred to in the Act on Political Parties that fall within the scope of the disclosure obligation and have not been listed as exceptions in the Act. The audited entities usually regarded such contributions or other benefits that can be valued in money as pass-

through items or transactions based on an agreement. These include, for example, advertising revenue and the ‘candidate’s contributions’ and ‘MP’s contributions’ collected by political parties. In addition, one political party collects a contribution from its MEPs for their election campaign costs. Since the size of such contributions and the related collection practices vary significantly, and some individuals may also pay other contributions to the same entity, the cumulative annual disclosure limit of EUR 1,500 can easily be exceeded. The contributions to be disclosed may also be contributions made for consideration either in full or in part.

As it is difficult to make a distinction between the different types of contributions in practice, the National Audit Office has recommended that the overseen entities should submit up-to-date disclosures on all contributions made by private persons and their support groups. However, all party associations have not complied with this recommendation.

In the course of the audit, the political parties and their district organisations submitted several new up-to-date disclosures. Some of them involved substantial sums. In the case of considerable monetary or non-monetary support, it may be necessary to report a new affiliated entity to the National Audit Office.

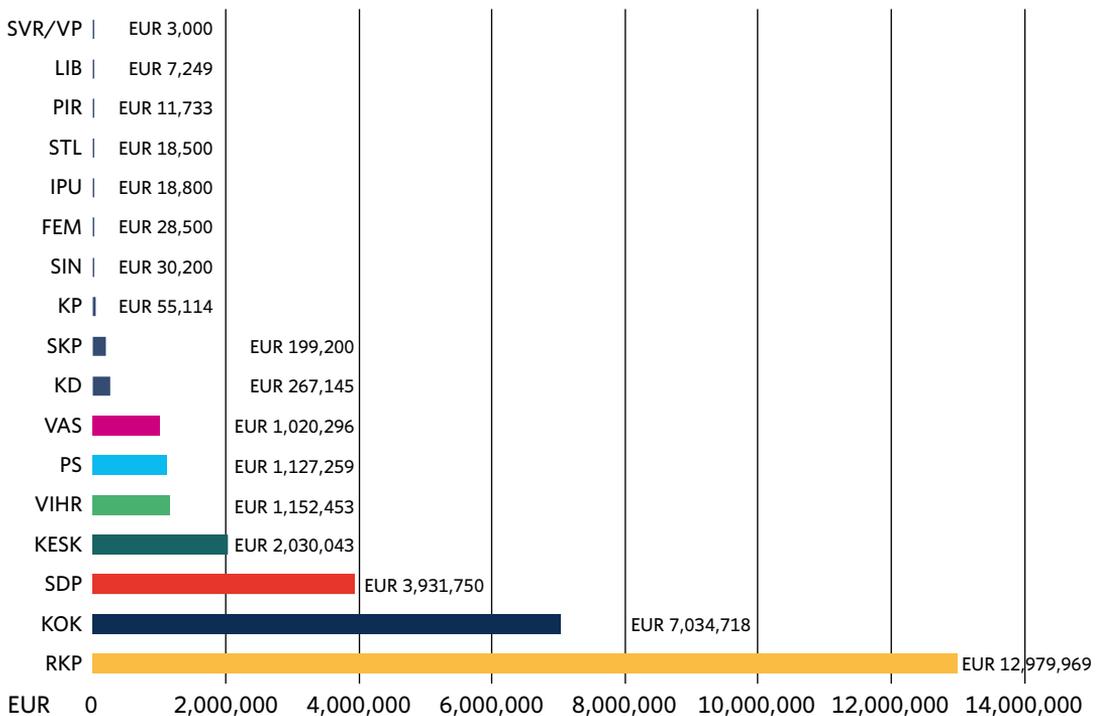


Figure 7: Contributions of EUR 1,500 or more reported to the political party funding register (up-to-date disclosures) in 2011-2019 by political party

During the audit, the audited entities were requested to monitor the contributions they had received cumulatively in order to comply with their disclosure obligation. For example, the total amount collected from a person as a ‘candidate’s contribution’ and an ‘MP’s contribution’ during the same calendar year may exceed EUR 1,500, in which case it exceeds the limit for an up-to-date disclosure. The disclosure limit may also be exceeded, for example, when the officials of an entity subject to the disclosure obligation waive their meeting fees, which, together with other contributions, total at least EUR 1,500 per year. When more than one person from the same organisation attend an event for which a fee is charged, the payer’s total contributions may exceed the disclosure limit.

The audited entities have also been requested to monitor contributions cumulatively

According to the up-to-date disclosures, the contributions received between 2011 and 2019 amounted to over EUR 29.9 million in total. Affiliated entities reported by political parties accounted for approximately EUR 18.7 million of the total, i.e. approximately 62.7% or almost two-thirds of the total funding.

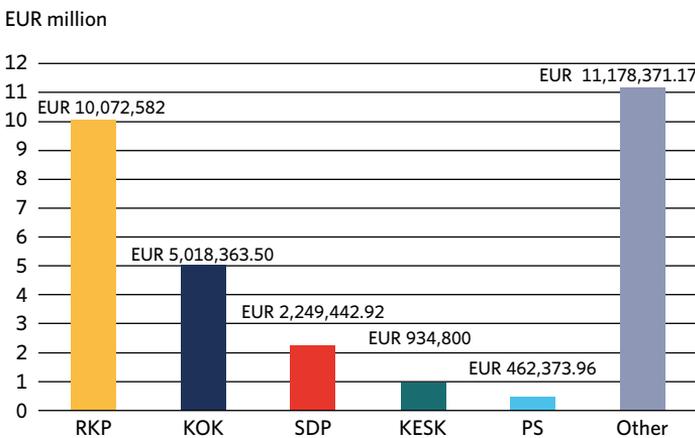


Figure 8: Contributions of EUR 1,500 or more received from affiliated entities and other entities (up-to-date disclosures in 2011-2019)

Table 2: Contributions by entities affiliated to political parties

Contributions by affiliated entities reported by political parties per payer in 2011-2019	
Ruotsalainen kansanpuolue r.p.	
Fonden för intressebevakning av det svenska i Finland	EUR 10,072,582.00
Kansallinen Kokoomus r.p.	
Kansallisen Kokoomuspuolueen Säätiö sr	EUR 2,500,000.00
Kansallissäätiö sr	EUR 1,030,806.00
Kansallisen Kokoomuksen Kainuun Säätiö sr	EUR 891,492.00
Snellman-Säätiö sr	EUR 747,062.50
Varsinais-Suomen Kansallissäätiö sr	EUR 477,826.60
Pirkanmaan Kansallissäätiö sr	EUR 248,015.00
Lillträskin Kurssikeskussäätiö sr	EUR 18,500.00
Suomen Sosialidemokraattinen Puolue r.p.	
Työväenlehdistön Kannatusyhdistys ry	EUR 874,000.00
Turun Työväensäätiö sr	EUR 763,253.08
Tikkurila Säätiö sr	EUR 612,189.84
Suomen Keskusta r.p.	
Maaseudun Kukkasrahasto Säätiö sr	EUR 934,800.00
Perussuomalaiset r.p.	
JRT-säätiö sr (Perussuomalaisten Tukisäätiö sr) *)	EUR 462,373.96

*) The disclosure is directed at June 2018 and was filed late, in April 2019. As from June 2018, the foundation is no longer an affiliated entity.

Tables 2 and 3 reflect the situation at the end of 2019. As contributions can also be reported retroactively, the amounts of subsidies in 2019 may change in 2020.

Under the Act on Political Parties, a recipient may receive a maximum of EUR 30,000 in contributions from other donors than affiliated entities per calendar year. This means that one donor may give several different entities up to EUR 30,000 each per calendar year.

Table 3: Contributions by foundations other than entities affiliated to political parties

Contributions by foundations other than affiliated entities in 2011-2019	
Stiftelsen för utbildning och kultur på svenska i Finland sr	EUR 930, 000
Stiftelsen Tre Smeder sr	EUR 483,000
Yksityisyrittäjien Säätiö sr	EUR 270,000
Stiftelsen Brita Maria Renlunds Minne sr	EUR 197,000
Teollisuuden ja Työntantajain Keskusliiton (TT) -säätiö sr	EUR 160,000
Avantisäätiö sr	EUR 75,200
Salin-säätiö sr	EUR 61,000
Spartacus-säätiö sr	EUR 57,941
Maaseudun Säätiö sr	EUR 52,250
Imatrankoskenparrassäätiö sr	EUR 49,890
Koillismaasäätiö sr	EUR 41,500
Kansan Sivistysrahasto sr	EUR 21,000
Satakunnan Kansallissäätiö sr	EUR 20,000
Maaseudun Yhteisvaliokunnan Säätiö sr	EUR 15,000
Keskisien säätiö sr	EUR 13,000
Pohjois-Pohjanmaan Kansallissäätiö sr	EUR 11,100
Stiftelsen för det tvåspråkiga Finland sr	EUR 9,000
Kari Mattilan säätiö sr	EUR 3,500
Heinolan Sosialidemokraattisen Työväenyhdistyksen Säätiö sr	EUR 3,100
Yrjö Sirolan Säätiö sr	EUR 2,000

The contributions collected by parties from elected municipal officials are tax-deductible expenses caused by income generation. Even though it is not necessary to report these contributions in up-to-date disclosures, they are nationally of substantial economic importance. According to information obtained from the Finnish Tax Administration, the tax-deductible contributions collected from elected municipal officials amounted to EUR 5.7–7.6 million per year between 2010 and 2018.

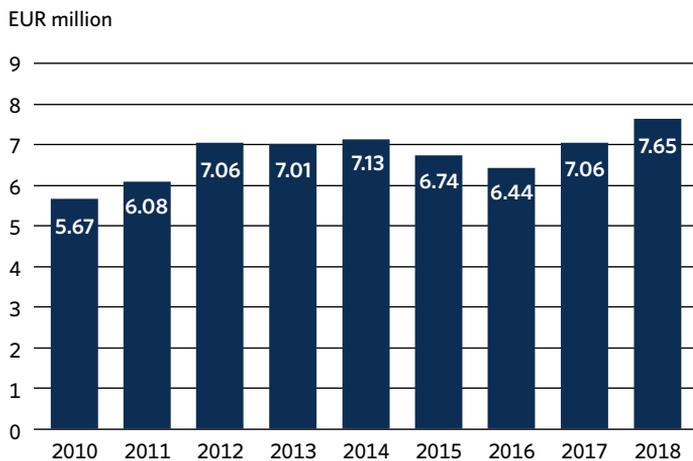


Figure 9: Contributions collected by parties from elected municipal officials in 2010–2018 (source: Finnish Tax Administration)

All the up-to-date disclosures prepared and supplemented during the audit have been published in the political party funding 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 political parties and their district organisations had also been reported to the political party funding register. As up-to-date disclosures should not be filed on such contributions, the National Audit Office has tried to delete them from the political party funding register so that the total amount of contributions would not be distorted. On the other hand, the total amounts per calendar year do not necessarily include all support received during the year, as an up-to-date disclosure shall be filed according to law only when the following limit of EUR 1,500 is achieved cumulatively. Thus, if one and the same donor has paid contributions of EUR 1,500 and EUR 300, the political party funding system may show only EUR 1,500, although the total for the year is EUR 1,800.

According to the up-to-date disclosures concerning 2019 (totalling more than EUR 30,000), the largest donors have been entities affiliated to the parties, as expected. However, the largest donors also include foundations that have not been reported as affiliated entities, as well as trade organisations and registered associations. One and the same donor can provide support for more than EUR 30,000 if the support per recipient does not exceed EUR 30,000 per year. The maximum was exceeded by Kansalaispuolue r.p., which received EUR 45,000 from one and the same registered association in 2019.

Table 4: Largest donors in 2019

Largest donors in 2019	
Fonden för intressebevakning av det svenska i Finland	EUR 1 578 670,00
Kansallisen Kokoomuspuolueen Säätiö sr	EUR 700 000,00
Svenska Litteratursällskapet i Finland rf *)	EUR 230 000,00
Kansallissäätiö sr	EUR 170 000,00
Snellman-Säätiö sr	EUR 137 500,00
Turun Työväensäätiö sr	EUR 114 690,20
Varsinais-Suomen Kansallissäätiö sr	EUR 97 400,00
Maaseudun Kukkasrahasto Säätiö sr	EUR 90 000,00
Kansallisen Kokoomuksen Kainuun Säätiö sr	EUR 78 250,00
Stiftelsen Tre Smeder sr	EUR 70 000,00
Tikkurila Säätiö sr	EUR 70 000,00
Suomen linja ry	EUR 45 500,00
Föreningen Konstsamfundet r.f.	EUR 45 000,00
Palvelualojen ammattiliitto PAM ry	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 Finland sr.

Tables 4 and 5 show the situation at the end of 2019. As subsidies can also be reported retroactively, the amount of contributions in 2019 may change during 2020.

In addition to political parties, the largest recipients (more than EUR 30,000 in total) in 2019 included nine district organisations, four youth organisations, two local organisations, and one women's organisation.

Table 5: Largest recipients in 2019

Largest recipients in 2019	
Ruotsalainen kansanpuolue r.p.	EUR 1 608 670,00
Kansallinen Kokoomus r.p.	EUR 721 550,00
Helsingin Kokoomus ry	EUR 140 000,00
Varsinais-Suomen Kokoomus ry	EUR 112 400,00
Kokoomuksen Nuorten Liitto r.y.	EUR 100 000,00
Suomen Sosialidemokraattinen Puolue r.p.	EUR 95 697,26
Svensk Ungdom, Svenska folkpartiets ungdomsorganisation rf	EUR 93 000,00
Suomen Keskustanuoret ry	EUR 90 000,00
Turun Sosialidemokraattinen Kunnallisjärjestö ry.	EUR 84 456,20
Kainuun Kokoomus ry	EUR 78 250,00
Tikkurilan Työväenyhdistys ry	EUR 70 000,00
Svenska folkpartiet i Helsingfors rf	EUR 60 000,00
Svenska Kvinnoförbundet rf	EUR 57 500,00
Kansalaispuolue r.p.	EUR 45 500,00
Suomen Keskusta r.p.	EUR 45 219,20
Kokoomuksen Opiskelijaliitto Tuhatkunta ry	EUR 37 500,00
Svenska folkpartiet i Österbotten rf	EUR 36 661,00
Svenska folkpartiet i Egentliga Finland rf	EUR 35 200,00
Varsinais-Suomen Vasemmistoliitto ry	EUR 33 167,00
Finlands Svenska Socialdemokrater rf	EUR 32 000,00
Keskustan Keski-Suomen piiri ry	EUR 30 964,00
Svenska folkpartiet i Nyland rf	EUR 30 000,00
Kansallisen Kokoomuspuolueen Säätiö sr	EUR 30 000,00

The users of the political party funding system may themselves produce summary reports on the largest donors or recipients, for example.

When the funding of the political parties not represented in Parliament was audited, it was found that all recommendations given in the previous audit had not been taken into account.

In the previous audit of Independence Party (Itsenäisyyspuolue r.p.), it was observed that the chairman of the party had financed the party's activities by a considerable amount by paying invoices charged to current liabilities to a value of about EUR 7,000. In the audit of autumn 2019, it was noted that the debt had become support to the party. The party had not filed an up-to-date disclosure on this to the political party funding system, but it filed a disclosure on EUR 18,800 support received after the local audit.

Communist Workers' Party – For Peace and Socialism (Kommunistinen Työväenpuolue – Rauhan ja Sosialismin puolesta r.p.) has for a long time operated on premises for which it pays a rent that is clearly lower than the market price. The difference between the market price and the rent paid is thus considered non-monetary support, for which the party shall file an up-to-date disclosure when the cumulative support amounts to EUR 1,500 or more per year. The party was requested to find out the market value of the premises it rents and, if necessary, file an up-to-date disclosure of the support received.

The Pirate Party of Finland (Piraattipuolue r.p.) had received several donations in the virtual currency Bitcoin from an unidentified donor. However, the party had filed up-to-date disclosures of the contributions, which can be seen in the political party funding system at the value of the donation date. The party was requested to find out the donors, as political parties should not accept contributions from unidentified donors. The party found out the donors and added information on them to the political party funding system. At the same time, the party submitted a new up-to-date disclosure.

Blue Reform (Sininen tulevaisuus r.p.) had submitted up-to-date disclosures of contributions totalling EUR 30,200 for 2018. Based on the audit of autumn 2019, there was no need to file new disclosures.

Communist Party of Finland (Suomen Kommunistinen Puolue r.p.) had not submitted up-to-date disclosures of the monetary support it had received. After the local audit, the party has submitted up-to-date disclosures to the political party funding system concerning the support from the Spartacus-säätiö, totalling EUR 50,000 and consisting of a contribution of EUR 35,000 in 2016 and contributions of EUR 15,000 and EUR 7,941 in 2018. The party has thus received more than EUR 30,000 from the same donor in 2016, although this is prohibited under Section 8 b of the Act on Political Parties. However, the ceiling does not apply to support provided by an entity affiliated to a political party or a party association, or to financial support left in a will. Support received through a will shall, nevertheless, be reported. After the audit conducted in autumn 2019, Suomen Kommunistinen Puolue r.p. filed an up-to-date disclosure on a bequest of EUR 137,759 it had received in 2013.

The National Audit Office audited six political parties whose funding was audited for the first time.

The Animal Justice Party of Finland (Eläinoikeuspuolue r.p.) had not filed any up-to-date disclosures to the political party funding system. Nor was it necessary to file any disclosures, based on the audit.

The Feminist Party (Feministinen puolue r.p.) had submitted up-to-date disclosures of support totalling EUR 28,500. Based on the audit, there was no need to file any other disclosures.

The Citizens' Party (Kansalaispuolue r.p.) had received several contributions on which no up-to-date disclosures had been filed from a registered association by the name of Suomen linja ry and a private individual. After the local audit, the party submitted up-to-date disclosures of three contributions, totalling EUR 9,614.24, it had received in 2017. It was also found in the audit that the party had immediately transferred a contribution of EUR 38,000 from the said association to a third organisation, wherefore it had not filed an up-to-date disclosure of this contribution. The party filed afterwards an up-to-date disclosure of support of EUR 45,000 in total from the said association. The amount exceeds the annual maximum of EUR 30,000 laid down in law. According to the party, EUR 38,000 had been erroneously transferred to it.

The Liberal Party – Freedom to choose (Liberaalipuolue – Vapaus valita r.p.) had filed an up-to-date disclosure of support of EUR 2,249.72 it had received. In addition, the party had reported a contribution of EUR 5,000 for the funding of the 2017 municipal elections; however, this contribution was not shown in the party's accounting. According to the party, the amount had been erroneously reported as a contribution to the party. The said disclosure on funding for the municipal elections has been deleted.

Seven Star Movement (Seitsemän tähden liike r.p.) had not filed any up-to-date disclosures. It was found in the audit that members of the party had paid to it candidate's contributions, a part of which constituted support of at least EUR 1,500. The audit also found other contributions that the party had not reported to the system. Based on the audit, the party submitted up-to-date disclosures of contributions by private individuals, amounting to EUR 18,500 in total.

Finnish Nation First (Suomen Kansa Ensin r.p.) had not submitted any up-to-date disclosures. The party was requested to provide its accounting for the beginning of 2019 to enable the National Audit Office to determine whether the party should file up-to-date disclosures of support received.

Movement Now (Liike Nyt) was not registered as a political party until in November 2019, and therefore it was not audited in the autumn of 2019.

3.5 Compliance with restrictions on support

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

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

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

A political party, a party association, and an entity affiliated to a party may only receive foreign support from private individuals and from international organisations and foundations that represent the party's ideology.

A political party, a party association, and an entity affiliated to a party may not receive support from the state, a municipality, a joint municipal authority, an unincorporated state enterprise, a municipal company, an association, institution or foundation operating under public law, or a company controlled by the state or a municipality as referred to in chapter 1, section 5 of the Accounting Act. However, this does not apply to the use of facilities or ordinary hospitality.

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 displays 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 support may only be received from private individuals and from international organisations and foundations that represent the party's ideology. Foreign contributions can be considered at least partly prohibited because the Act on Political Parties does not set out exceptions regarding support paid by international organisations.

The audit discovered such wills and debts turned into financial support that were significant from the perspective of political party funding. No donations of shares or payments or funds not included in the accounts were discovered.

The audits of 2019 found a few cases where the limit of EUR 30,000 per calendar year, applied to other donors than affiliated entities, had been exceeded.

The amounts of contributions reported during the audit have increased. As stated above, according to the audit findings, the disclosers had received support or similar contributions on which they had not filed up-to-date disclosures. In addition to support from affiliated entities, these contributions include advertising revenue, for example. Based on the audit, the disclosers filed new or adjusted up-to-date disclosures, which partly remedied the situation.

No contributions explicitly banned under the Act on Political Parties were detected in the audit.

Under section 8, subsection 2, item 1 of the Act on Political Parties, ordinary voluntary work is not regarded as support. The concept of ordinary voluntary work is open to interpretation, but the question is important in the assessment of when ordinary voluntary work becomes non-monetary support. Under section 8, subsection 2, item 6 of the Act on Political Parties, statutory grants or grants based on the state or municipal budget are not considered contributions, either.

The audit discovered wills but no donations of shares or items not included in the accounts



4 Procedures concerning the transfer and use of party subsidies

In 2018, the Government granted party subsidies according to section 9 of the Act on Political Parties to registered associations entered in the Party Register. The party subsidies totalled approximately EUR 29 million, and the associations were allowed to use them for supporting the public activities specified in their rules and general programme. As from 2016, support for political activities and support for the party's information and communications activities have been combined in the party subsidy decision. According to the National Audit Office, combining two separate party subsidy decisions into one has unified the process of cost accounting and facilitated the oversight of the use of party subsidies.

Table 6: State subsidies to political parties in 2018

Political party	Remaining on 31 December 2017 according to the accounts	Granted in 2018	Total	Transferred	Remaining on 31 December 2018 according to the accounts
KOK	EUR 0	EUR 5 482 475	EUR 5 482 475,00	EUR 2 371 360,00	EUR 0
PS	EUR 1 419 756,24	EUR 5 630 650	EUR 7 050 406,24	EUR 1 148 768,59	EUR 2 000 212,60
RKP	EUR 0	EUR 1 333 575	EUR 1 333 575,00	EUR 365 000,00	EUR 0
KESK	EUR 983 799,87	EUR 7 260 575	EUR 8 244 374,87	EUR 3 700 851,20	EUR 564 393,88
KD	EUR 0	EUR 740 875	EUR 740 875,00	EUR 125 027,52	EUR 15 578,99
SDP	EUR 0	EUR 5 037 950	EUR 5 037 950,00	EUR 2 110 395,50	EUR 0
VAS	EUR 337 301,40	EUR 1 778 100	EUR 2 115 401,40	EUR 527 811,56	EUR 132 116,90
VIHR	EUR 0	EUR 2 222 625	EUR 2 222 625,00	EUR 633 174,54	EUR 0
Total	EUR 2 740 857,51	EUR 29 486 825	EUR 32 227 682,51	EUR 10 982 388,91	EUR 2 712 302,3

*) The accounts have been adjusted

In the terms and conditions of the party subsidy decision, it is stated that, if the subsidy granted to a political party is used for purposes other than the party's own activities, the party shall conclude an agreement according to section 7(2) of the Act on Discretionary Government Transfers on the use, supervision of the use, and their terms and conditions with the association (including district organisations and women's organisations) or foundation using the subsidy. The agreement shall comply with the terms and conditions of the subsidy decision.

In connection with the audits of political party funding, it was observed that the agreement procedures of different parties vary a great deal and some of the parties have not concluded any agreements. The agreement procedures were covered for the first time in the 2016 report on the oversight of political party funding. One political party subsequently concluded its first agreements for the year 2017. Other parties have amended their agreements on party subsidies.

Under section 9(1) of the Act on Political Parties, part of the party subsidy granted to a political party can be allocated to supporting the activities of other associations. Under the terms and conditions of the 2018 party subsidy decision, an agreement on the use of the party subsidy could, 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 overseen entities, party subsidies have actually been transferred to these companies and cooperatives.

The audit paid attention to a case where the Finns Party had supported a foundation called Suomen Perusta sr as in the preceding year. According to the party's adjusted state subsidy account, the foundation had received a state subsidy of EUR 80,000 from the party.

On 6 September 2017, the National Audit Office requested the Prime Minister's Office to clarify why the terms and conditions of the Government's party subsidy decision of 26 January 2016 refer to the agreement on the use of the party subsidy 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 use of granted party subsidies, and thus section 7(2) of the Act on Discretionary Government Transfers, which covers the agreement procedure applied to other recipients, becomes applicable. The Prime Minister's Office considered that the term of the party subsidy decision complied with the Act on Discretionary Government Transfers and therefore did not warrant any further measures.

The National Audit Office is of the opinion that the party subsidy decision has extended the use of party subsidies, restricted by the Act on Political Parties, by enabling party subsidies to be transferred 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 never-

theless complied with the terms and conditions of the party subsidy decision, the National Audit Office considers that there are currently no absolute preconditions for the recovery of the granted party subsidies.

However, the Act on Political Parties and the terms and conditions of party subsidy decisions should be more closely linked. The 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 and foundations. The National Audit Office discussed the need to revise the terms and conditions of party subsidy decisions with representatives of the Prime Minister's Office in November 2017.

The 2018 party subsidy decision required political parties to use five per cent of the party subsidy received for the activities of their district organisations and to transfer the subsidy to their district organisations during the year in which the subsidy was granted. However, one of the political parties had not transferred any of the subsidy received to its district organisations, and some parties had paid personnel expenses or purchases of their district organisations and entered them in their own accounts and financial statements. This practice does not give a fully accurate overall picture of the parties' financial activities.

The National Audit Office is of the opinion that the terminology used in party subsidy decisions should be clarified to ensure that it is unambiguous how the party subsidies can be used and transferred and that the accounts on the use of the party subsidies are comparable.

The audits and the oversight of 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 National Audit Office has requested the entities concerned to correct their accounts to tally with each other, and corrections were already made during the audit, as in the previous year. Some deficiencies were also detected in the monitoring of party subsidies carried over from the previous year.

The National Audit Office has also paid attention to the fact that only the entities referred to in the party subsidy decision are obligated to submit disclosures to the public political party funding system. However, this does not seem appropriate, as political parties may also have allocated their party subsidies to other associations than those referred to in the party subsidy decision.

In the audits of political party funding, the National Audit Office paid attention to the ambiguity of the terms and conditions of party subsidies and to deficiencies in the agreement procedures. The National Audit Office has discussed the opportunity to clarify the terms and conditions of party subsidies with representatives of the Prime Minister's Office, and according to the party subsidy decision of 2018, 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. However, on 21 January 2019, it requested the Ministry of Justice to launch a legislative project regarding the issue.

In its report TrVM 3/2019 – K 8/2019, the Parliamentary Audit Committee stated that, in its previous reports, it had highlighted development needs related to political party funding and its oversight (TrVM 3/2012 vp, TrVM 1/2016 vp, TrVM 2/2017 vp, TrVM 1/2018 vp). The Committee also stated that there is now sufficient experience of the Act on a Candidate's Election Funding and the Act on Political Parties and that new policy lines should be laid down through legislative amendments.

Appendix: Audits of political party funding in 2019

Audited organisations	Audit location	Audit date
Centerns distrikt - Keskustan piiri rf	Vaasa	17/09/2019
Eläinoikeuspuolue r.p.	Helsinki	10/09/2019
Feministinen puolue r.p.	Helsinki	08/10/2019
Finlands Svenska Socialdemokrater rf	Helsinki	06/09/2019
Itsenäisyyspuolue r.p.	Helsinki	11/10/2019
Kansalaispuolue r.p.	Helsinki	12/09/2019
Keski-Suomen Kokoomus ry	Jyväskylä	26/09/2019
Keski-Suomen Vasemmisto ry	Jyväskylä	26/09/2019
Keski-Suomen Vihreät ry	Jyväskylä	27/09/2019
Keskustan Etelä-Pohjanmaan piiri ry	Seinäjoki	26/09/2019
Keskustan Itä-Savon piiri ry	Mikkeli	30/09/2019
Keskustan Keski-Pohjanmaan piiri ry	Kokkola	30/08/2019
Keskustan Keski-Suomen piiri ry	Jyväskylä	05/09/2019
Kommunistinen Työväenpuolue - Rauhan ja Sosialismin puolesta r.p.	Vantaa	24/09/2019
Liberaalipuolue - Vapaus valita r.p.	Helsinki	25/09/2019
Perussuomalaisten Etelä-Pohjanmaan piiri ry	Seinäjoki	25/09/2019
Perussuomalaisten Keski-Pohjanmaan piiri ry	Kokkola	30/08/2019
Perussuomalaisten Keski-Suomen piiri ry	Jyväskylä	05/09/2019
Perussuomalaisten Kymen piiri ry	Lappeenranta	04/10/2019
Piraattipuolue r.p.	Lahti	14/10/2019
Pohjanmaan Kokoomus ry	Seinäjoki	26/09/2019
Pohjanmaan Sosialidemokraatit ry	Seinäjoki	26/09/2019
Pohjanmaan Vasemmisto ry	Vaasa	18/09/2019
SDP:n Keski-Suomen piiri ry	Jyväskylä	06/09/2019
Seitsemän tähden liike r.p.	Helsinki	15/10/2019
Sininen tulevaisuus r.p.	Helsinki	16/10/2019
Suomen Kansa Ensin r.p.	Helsinki Jyväskylä	17/10/2019 06/11/2019
Suomen Kommunistinen Puolue r.p.	Helsinki	18/10/2019
Suomen Kristillisdemokraattien (KD) Keski-Suomen piiri ry	Jyväskylä	06/09/2019
Svenska folkpartiet i Österbotten rf	Vaasa	17/09/2019
Vaasan vaalipiirin Vihreät ry	Vaasa	18/09/2019



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