

National Audit Office's separate report to Parliament on the audit of the final central government accounts 2020 and the Government's annual report



NATIONAL AUDIT OFFICE'S REPORTS
TO PARLIAMENT

R 16/2021 VP



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on the audit of the final central government accounts
2020 and the Government's annual report

R 16/2021 vp

To Parliament



The Government has submitted to Parliament the Government's annual report for 2020 as the report laid down in section 46 of the Constitution of Finland on its activities, management of central government finances and compliance with the state budget and on the measures that the Government has taken on the basis of the decisions of Parliament.

The National Audit Office has audited the final central government accounts contained in the report and the descriptions of central government finances, national financial administration and operational performance for the budget year 2020 and submits this separate report to Parliament under section 6 of the Act on the National Audit Office (676/2000).

Helsinki, 31 May 2021

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Main content



The financial audit shows that the final central government accounts for 2020 have been prepared in compliance with all relevant provisions.

Based on the financial audits, the National Audit Office pays attention to procedures that are in violation of the state budget and the key budget provisions and that are also in contravention of the provisions on central government finances laid down in the Constitution of Finland. A total of 11 accounting offices were issued with qualified opinions on regularity on account of such violations. The National Audit Office issued a total of 62 financial audit reports on the financial audits of ministries and other accounting offices for the 2020 budget year.

The Government's annual report provides information in material respects on the issues required by law. It provides comprehensive information on the implementation of the key objectives included in the Government Programme. The societal impact targets included in the budget proposal are reported on sufficiently. However, the targets set are unclear, and the use of indicators is limited, which undermines the reliability of the reporting and the information value of the report. The state of sustainable development is reported on in a concise manner. The ministries' reports on sustainable development measures in their respective administrative sectors are inconsistent.

As a rule, the Government's annual report deals with general government finances comprehensively. The amount of overlapping information in the Government's annual report and the Ministry of Finance's risk overview should be reduced. The annual report should deal more extensively with the situation of the national legislation steering the management of general government finances.

1 Financial audit report on final central government accounts for 2020

The National Audit Office submits this financial audit report on the audit of the final central government accounts for the 2020 budget year. The audit was performed by Principal Financial Auditor Aila Aalto-Setälä, Assistant in Financial Audit Anu Rinkinen, and Principal Financial Auditor Anna-Marja Kari. The audit was supervised by Deputy Director Väinö Viherkoski, CPFA.

The audit was performed in compliance with the National Audit Office's financial audit manual, and it covered the final central government accounts referred to in section 17a of the State Budget Act and the notes required for providing the true and fair information referred to in section 18 of the Act, to the extent that they concern on-budget entities. The audit covered the budget outturn statement, statement of revenue and expenditure, balance sheet, cash flow statement, notes, and the consolidated accounting on which the final accounts are based. The audit also covered the procedures that ensure the integrity and accuracy of the information in the consolidated accounting and in the preparation of final central government accounts.

Budget procedures

Contracts which extend beyond the deferrable appropriation period and for which no authorization as referred to in section 10 of the State Budget Act has been budgeted have been financed from item 31.10.20 (Maintenance of the basic transport infrastructure, three-year deferrable appropriation). This is in violation of section 7(3) of the State Budget Act. The Finnish Transport Infrastructure Agency should clarify its project budgeting so that multi-annual transport infrastructure projects extending beyond the deferrable appropriation period are budgeted separately and monitored under the authorization procedure set out in section 10 of the State Budget Act.

Final accounts

The contents of the final central government accounts and the manner in which they are presented, as well as the bookkeeping on which they are based, were examined in sufficient detail to determine whether the final central government accounts and the notes to them had been prepared correctly in material respects.

Refunds totalling EUR 79,541 that should have been allocated to the previous year have been entered in violation of the budget under items 29.40.51 (Research funding of the Academy of Finland, variable appropriation) and 29.40.54 (Strategic research funding, variable appropriation).

A total of EUR 84,392 of the appropriations under items 23.01.24 (Finland's EU presidency, two-year deferrable appropriation in the budget proposal for 2019) and 24.10.22 (Mediation, fixed appropriation), EUR 75,434 of the appropriation under item 28.70.22 (Support

for digitalization of government services, three-year deferrable appropriation in the budget proposal for 2018), a total of EUR 166,105 of the appropriations under items 29.40.20 (Joint expenses of higher education institutions and science, three-year deferrable appropriation) and 29.80.52 (Gambling proceeds for the promotion of arts, variable appropriation), and EUR 29,780 of the appropriation under item 32.01.21 (Productivity appropriation in the administrative sector of the Ministry of Economic Affairs and Employment, three-year deferrable appropriation in the budget proposal for 2018) have been used in violation of the budget for salary payments of public officials in permanent posts.

A payment of EUR 1.0 million, related to the procurement of defence materiel, has been paid in violation of the budget from item 27.10.01 (Operating expenses of the Finnish Defence Forces, two-year deferrable appropriation).

Expenditure (EUR 2.67 million) falling under item 32.20.40 (Support for research, development, and innovation, variable appropriation) has been entered in violation of the state budget under item 32.20.43 (Support for the commercialization of cleantech and bioeconomy solutions as well as innovations, three-year deferrable appropriation in the budget proposal for 2018).

Expenditure (EUR 63,937) that should have been allocated to 2021 has been allocated to 2020 under item 24.10.22 (Mediation, fixed appropriation) in violation of the budget and section 5a of the State Budget Decree. With this procedure, the fixed appropriation has been carried over in violation of section 7 of the State Budget Act.

Expenditure (EUR 0.3 million) that should have been allocated to 2020 has been allocated to 2021 under item 25.10.50 (Compensations paid to private legal aid attorneys, variable appropriation) in violation of the budget and section 5a of the State Budget Decree. If the expenditure had been allocated correctly, the variable appropriation for 2020 would have been exceeded by EUR 0.14 million.

The appropriation under item 26.10.01 (Operating expenses of the police, two-year deferrable appropriation) has been used in violation of the budget for paying expenditure falling under budget account 26.01.50.3 (Witness protection programme, two-year deferrable appropriation). If the expenditure had been entered in accordance with the budget, the appropriation under item 26.01.50 (Certain grants, two-year deferrable appropriation) would have been exceeded by EUR 11,455. According to section 7 of the State Budget Act, deferrable appropriations shall not be exceeded.

The audit of bookkeeping and authorization accounting revealed procedures related to groundless corrections of the budget accounting and unjustified deduction of the use of an authorization, as a result of which Business Finland must take measures.

According to centralized authorization accounting, which is part of the consolidated accounting, the number of available authorizations increased in 2020 by a total of EUR 14.7 billion. Most of the amount was allocated to soft loan authorizations, and EUR 11 billion of it was allocated to the statutory authorization “Interest subsidy and other support for publicly supported export and ship credits”.

As a whole, the information on authorizations submitted to the State Treasury for the purpose of preparing the final central government accounts can be considered true and fair. The information provided in the final central government accounts on authorizations corresponds to the information in centralized authorization accounting.

The state budget outturn statement has been prepared in compliance with relevant provisions.

The central government balance sheet and statement of revenue and expenditure have been prepared in compliance with relevant provisions.

The notes to the final central government accounts have been presented in the manner laid down by the State Budget Decree.

The state's consolidated accounting has been organized in compliance with the State Budget Decree.

Internal control

Internal control related to the final central government accounts has been assessed in a risk analysis and audited in connection with the audit of central government consolidated accounting, final central government accounts, and the final accounts of central government agencies and institutions. Internal control has also been assessed in an audit of the internal control of centralized financial management processes.

The internal control of certain financial management tasks referred to in section 12b of the State Budget Act has been assessed in connection with the risk analysis and audited in connection with the audits of service production processes. The internal control of the customer service processes in the Services Centre was found to have shortcomings, as a result of which the Services Centre must take measures.

The audit of the accounts revealed shortcomings in the archiving of supporting documents related to state aid, as a result of which the Development and Administrative Centre for the ELY Centres and TE Offices (KEHA Centre) must take measures. Errors were found in the allocation of expenditure under item 25.10.50 (Compensations paid to private legal aid attorneys, variable appropriation) to the budget year, as a result of which the Finnish Courts must take action.

The audit of the final accounts revealed an erroneous procedure in the recording between December and January of advance payments related to withholding taxes on central government pensions paid to Keva, as a result of which the Ministry of Finance must take measures.

According to the opinion formulated in connection with the audit of the final central government accounts, the information in the consolidated accounting on which the final central government accounts are based does not contain any material misstatements.

National Audit Office's opinion of the final accounts

The final central government accounts for the year 2020 have been prepared in compliance with the valid statutes.

Helsinki, 11 May 2021

Matti Okko

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Aila Aalto-Setälä

Principal Financial Auditor

2 Compliance with the budget and key budget provisions

The National Audit Office submitted a total of 62 financial audit reports on the financial audits of ministries and other accounting offices for the 2020 budget year.

Improper procedures were discovered in a total of eleven accounting offices. These procedures were deemed to involve such violations of the state budget or key budget provisions that a specified qualified opinion on regularity on them was included in the financial audit report.

Thus, the number of accounting offices issued with a qualified opinion on regularity increased from 2019. However, some of the financial audit reports included several opinions on regularity concerning different issues: the total number of opinions on regularity was therefore 14 (10 in 2019).

Table 1: Financial audit reports for 2020

Administrative branch	Financial audit reports in 2020	Qualified opinions on regularity 2018	Qualified opinions on regularity 2019	Qualified opinions on regularity 2020
Office of the President of the Republic of Finland	1	1	-	-
Prime Minister's Office	1	-	-	1
Administrative branch of the Ministry for Foreign Affairs	1	1	-	1
Administrative branch of the Ministry of Justice	6	-	1	1
Administrative branch of the Ministry of the Interior	7	1	1	1
Administrative branch of the Ministry of Defence	3	-	-	1
Administrative branch of the Ministry of Finance	12	1	1	-
Administrative branch of the Ministry of Education and Culture	6	-	1	2
Administrative branch of the Ministry of Agriculture and Forestry	4	-	-	-
Administrative branch of the Ministry of Transport and Communications	4	2	2	1
Administrative branch of the Ministry of Economic Affairs and Employment	8	1	1	3
Administrative branch of the Ministry of Social Affairs and Health	6	-	-	-
Administrative branch of the Ministry of the Environment	3	-	-	-
In total	62	7	7	11

In its financial audits, the National Audit Office always aims to bring all material observations to the attention of the audited accounting office as early as possible in the process. This is to enable the audited accounting office to take measures as soon as possible based on the observations. Accounting offices may rectify incorrect practices or transactions contrary to budget already during the financial year prior to the adoption of the financial statements and the issue of the financial audit report.

The qualified opinions on regularity should not lead to a conclusion that the management of central government finances does not comply with the legality requirement laid down for it or that the qualified opinions on regularity were prompted by misappropriation of central government funds. However, a qualified opinion on regularity should always be considered a serious issue for the financial management of the agency in question. Procedures that are in violation of the state budget or key budget provisions must always be addressed. It is noteworthy that the number of both accounting offices issued with a qualified opinion on regularity and the total number of qualified opinions on regularity have grown from 2019.

Clarity and uniformity of the budget have a significant impact on efficient implementation of and compliance with the budget. It is also essential for budgetary decision-making and the implementation of the budget that the decisions made during the budget preparation are consistent and unambiguous. A uniform budget also promotes effective and efficient management of central government finances. The aim of the financial audit conducted by the National Audit Office is also to promote uniform and clear preparation and drawing up of the budget in all administrative sectors.

3 Performance data in the Government's annual report

The Government's annual report provides information in material respects on the issues required by law. It provides comprehensive information on the implementation of the key objectives included in the Government Programme. The societal impact targets included in the budget proposal are reported on sufficiently. However, the targets have been set in an unclear manner, and the use of indicators is limited, which undermines the reliability of the reporting and the information value of the report. The state of sustainable development is reported on in a concise manner. The ministries report inconsistently on the sustainable development measures taken in their administrative sectors.



The annual report covers the issues required by legislation

The Government's annual report 2020 presents the issues laid down in sections 17 and 18 of the State Budget Act and sections 68a–b of the State Budget Decree. The contents of the annual report are mainly adequate and in compliance with legislation.

According to Section 68b of the State Budget Decree, the descriptions of performance in the ministries' sectors shall include an estimate of the cost-effectiveness of actions in each ministry's sector. However, only a few estimates of cost-effectiveness are presented in the annual report. The information disclosed at the beginning of the performance descriptions of the administrative sectors includes the total amount of appropriations in the administrative sector and the breakdown into consumption, transfer and investment expenditure and other expenditure. This gives the reader a picture of the total amount of appropriations in the administrative sector but does not disclose the actions for which the appropriations have been used.

According to section 68b of the Decree, the performance description of a ministry's sector shall also include the most important summary information on the achievement of the performance targets set for the ministry's sector and its agencies and institutions.

Performance targets are reported on fairly comprehensively by only one ministry. In this respect, the presentation of the annual report is unbalanced. According to the Decree, summary information and estimates of the development of financial and operational performance should also be provided for the unincorporated state enterprises and funds in the ministry's administrative sector. The summary information presented in the annual report describes the role and finances of the unincorporated state enterprises and funds, but the development of performance is not assessed comprehensively.

There have been deficiencies in the presentation of the cost-effectiveness of actions in the Government's annual report for a long time, and the presentation of summary information on performance targets has been inconsistent for several years. It would be justified for the Government to examine whether the guidelines concerning the report or the State Budget Decree should be updated in relation to these issues.

The Government Programme is reported on comprehensively

The Government's annual report provides adequate information on the implementation of the key objectives included in the Government Programme.

The annual report describes the current situation or trend in slightly over 85% of the projects and measures related to the Government Programme (183/215 projects). A total of 32 projects are not mentioned in the annual report, but according to the project descriptions in the Government Action Plan, most of them have either progressed or been completed during the report year. The strategic theme most comprehensively reported on is "Finland that promotes competence, education, culture and innovation", where a description is missing for only one project. The theme with the most unreported projects (10) is "Dynamic and thriving Finland, transport network development and agriculture", partly due to the Covid-19 year. Reporting on individual projects is completely missing only for the mining sector. In addition to the projects and measures included in the Government Action Plan, the annual report also reports, for each strategic theme, on other topical projects and measures taken during the report year.

The structure of the annual report is clear, as it follows the projects and measures set out in the Government Programme and the Government Action Plan. The achievement of the objectives included in the Government Programme is described concisely, and the achievements during the report year are described more clearly and in more concrete terms than in the previous year's annual report.

The annual report reports on the societal impact targets included in the budget proposal

The performance description of the annual report provides sector-specific information on the implementation of the impact targets set out in the justifications for the main titles in the budget proposal. The budget proposal included 52 impact targets. The annual report reports on 50 targets, as two targets have been combined with other targets in the reporting. The combining is justified and explained in the annual report. The targets are covered sufficiently in the report.

The number of societal impact targets in the budget proposal complies with the budget proposal regulation, according to which each ministry should present a few impact targets in the justifications for the main titles in the budget proposal. The number of targets has clearly decreased over the past few years, which is positive.

In the annual report, the ministries assess the achievement of their targets on a five-step scale. The ministries assessed that 70% of their targets (35 targets) had been achieved well, 24% satisfactorily, 4% adequately, and 2% poorly. According to the assessments, none of the targets had been achieved excellently. The breakdown of the assessments is largely in line with that of the previous year.

The reporting is undermined by the formulation of the targets and the lack of indicators

From the perspective of the reliability of the reporting and the information value of the report, significant problems are caused by the facts that the targets are complex and unclear and the assessment of their achievement is not based on indicators. This is shown in three different ways.

Firstly, some of the targets have been presented in such a complex manner that it is unclear what should be assessed and reported on. An example of such a multi-dimensional target that is difficult to assess is “Wide-ranging business activities and thriving rural areas, multi-local living, and networks”. Several administrative sectors have similar complex targets.

Secondly, some of the targets relate to the administrative sectors’ activities, but it is not disclosed what kinds of activities are required in order for the target to be achieved. For example, the objective “The foreign affairs administration promotes a rule-based international system” is self-evident: the foreign affairs administration must promote it. However, it remains unclear what kind of promotion is sufficient to achieve the target or whether the foreign affairs administration should do something special, i.e. something outside its normal activities.

Thirdly, most of the administrative sectors’ objectives are currently extensive societal impact targets, but the criteria on the basis of which the achievement of the target is assessed is disclosed only in some cases. Examples of extensive targets include high-quality legal protection, active citizenship, controlled immigration, and a responsible food system. If these targets are not broken down into parts that can be measured in more concrete terms, their achievement cannot be assessed reliably. An example of good practice is the administrative sector of the Ministry of Social Affairs and Health. For its seven targets, it sets out several monitoring indicators to be used in the assessment. The Ministry of Economic Affairs and Employment and the Ministry of Finance also present clear indicators for assessing the achievement of their targets.

Information is provided on the state of sustainable development, but the measures taken in the administrative sectors are reported on unevenly

Under section 68a of the State Budget Decree, the annual report shall provide information on the Government's key policy themes and assess their development. As one such theme, the Government has selected sustainable development, which is reported on in its own sub-chapter as part of the implementation of the Government Programme and also in the performance section of each administrative sector.

The reporting on sustainable development is sufficient in that the state of sustainable development is described in relation to relevant benchmarks, i.e. the UN's global sustainable development goals and the situation in other countries. In addition, the annual report provides such information on the state of sustainable development in Finland that is based on indicators and the objectives set by Society's Commitment to Sustainable Development. The information is derived from reliable sources: SDG comparisons by international organizations and the monitoring system of the Commission on Sustainable Development, which is based on approximately 40 indicators and ten monitoring baskets formed from them. On the other hand, the reporting is highly concise: extensive themes, such as the situation of nature and the environment or marginalization and social inclusion, are described in a few sentences.

There is clearly room for improvement in how the ministries report on their own activities. The ministries were to report on the sustainable development goals of their own administrative sector or on the measures they had presented in the justifications for the main titles in the budget proposal for 2020. The reporting was not comprehensive in the annual report: reporting could be identified on approximately two thirds of the measures presented in the budget proposal. On the other hand, the text in the budget proposal did not provide a good foundation for the reporting, because the targets or measures had been presented in an unclear manner. The annual report does not provide good and reliable information on how the ministries promote sustainable development in their administrative sectors. The reporting is also too random in order for the ministries to be held accountable for their sustainable development activities.

In the ministry-specific sections of the annual report, the reporting on sustainable development is now based on the targets set out in the justifications for the main titles in the budget proposal. It would be justifiable to review this for several reasons. Firstly, Prime Minister Marin's Government Programme is built on the dimensions of sustainable development, i.e. the social, economic and ecological sustainability, which steers the entire annual report. Secondly, in October 2020, the Government submitted to Parliament a report on the 2030 Agenda, i.e. the global action plan for sustainable development, and the contents of the report should also steer the Government's sustainable development reporting. Thirdly, the State Treasury is currently developing a common framework for sustainability reporting for central government based on the UN's sustainable development goals. The Government should consider how to monitor sustainable development and report on it in the performance section of the annual report in view of the different obligations set for sustainable development reporting.

4 Examination of general government finances in the Government's annual report

As a rule, the report deals with general government finances comprehensively. The aim should be to reduce the amount of overlapping information in the Government's annual report and the Ministry of Finance's risk overview. The annual report should deal more extensively with the situation of the national legislation steering the management of general government finances. The audit assessed whether the chapter on general government finances in the Government's annual report contains the information on the state of central and general government finances required under section 18 of the State Budget Act and section 68a of the State Budget Decree.

The state of general government finances

Section 3.1 "The state of general government finances" in the Government's annual report provides a concise picture of the state of general government finances and its sub-sectors in 2020. The annual report highlights the communication issued by the European Commission on 20 March 2020 on the activation of the general escape clause of the Stability and Growth Pact. After this, on 23 March 2020, the Ministers of Finance of the EU countries issued a common statement where they agreed with the Commission's assessment that the conditions for the activation of the general escape clause of the Stability and Growth Pact were fulfilled. Due to the exceptional uncertainty, the Commission and the Member States agreed that the Member States would draw up their stability and convergence programmes in spring 2020 in a more limited scope than normal. As it was deemed at the same time that exceptional circumstances as referred to in the Fiscal Act were prevailing, the stability programme was drawn up in Finland by public officials separately from the General fcamore limited scope than normal, only on the basis of the figures in the forecast. In autumn 2020, the Commission stated that the general escape clause would remain in force in 2021.

The annual report describes the situation of the EU fiscal framework in a clear manner. However, it would have been useful to also deal with the communication issued by the European Commission in March 2021 where the future of the escape clause was discussed.

As regards the national legislation governing fiscal policy, the section of the annual report on fiscal rules states as follows: “The General Government Fiscal Plan sets nominal multi-annual fiscal position objectives for the entire general government and an objective for each sub-sector. These objectives shall be set in such a manner that they lead at least to the achievement of the [medium-term objective,] MTO.” In this connection, it is not pointed out that no multi-annual fiscal position objectives were set in the General Government Fiscal Plan for 2020 due to the exceptional circumstances. This is mentioned briefly in the section on the steering of local government finances, but given the importance of the matter, the decision and its grounds should have been described more clearly.

In its fiscal policy monitoring reports of spring and autumn 2020, the National Audit Office assessed that, under the prevailing exceptional circumstances, the decision was in line with the requirements of fiscal policy legislation. However, the National Audit Office considers that the original purpose of the exemption clause included in the Decree on the General Government Fiscal Plan was to provide flexibility to the tightness of objectives and not to make it possible to set no objectives at all. In the future, fiscal policy legislation should be specified to include more clearly formulated provisions on exceptional circumstances similar to those in 2020.

The National Audit Office presents its assessment on the management of general government finances in the fiscal policy monitoring report published in June 2021. In the report, the National Audit Office will assess the Government’s fiscal policy, the General Government Fiscal Plan for 2022–2025, and the economic forecast by the Ministry of Finance. In addition, the report will assess the status of the Government’s sustainability roadmap, for example the progress of employment measures.

Central government liabilities and risks

Under the State Budget Decree (section 68a), the Government’s annual report shall include an assessment of the key economic risks related to central government activities and of their significance. However, it has not been specified in the Decree or anywhere else what is meant by assessment of the economic significance of risks. However, the Government’s annual report shall provide true and fair information on the financial position of central government, for example.

The Government’s annual report describes the liabilities and risks of central government in a very similar way as in previous years. The report deals with state guarantees, callable capital, debts and other liabilities, and their development. It is stated that Finland’s guarantees are at a high level in international comparison. On the other hand, it is also stated that the different reporting practices applied in different countries make it difficult to draw comparisons. Over the past decade, the increase in the state’s guarantee liabilities has been mainly due to the guarantees provided by Finnvera Oyj and the National Housing Fund, which are dealt with in greater detail in the Government’s annual report.

In the audit Contingent liabilities of general government (4/2018), the National Audit Office recommended that risk limits be defined for contingent liabilities on the basis of an overall risk assessment. The National Audit Office also recommended clarifying the risk

reporting requirements concerning the Ministry of Finance's risk overview and the Government's annual report. It was recommended that the Ministry of Economic Affairs and Employment specify the content requirements applied to the risk reporting concerning Finnvera. It was also recommended that the Ministry of Economic Affairs and Employment ensure that the supervision of Finnvera complies with the legislative objective of supervision in accordance with the principles governing the supervision of credit institutions.

The Government's annual report describes the ongoing development of public export financing and its risk management. The development of Finnvera's financial supervision, the content of the supervision, and its transfer from the Ministry of Economic Affairs and Employment to the Financial Supervisory Authority have been examined under the leadership of the Ministry of Economic Affairs and Employment since the autumn of 2019. The aim is to submit a government proposal on the transfer of the supervision in the summer of 2021. The term of office of the legislative working group appointed by the Ministry of Economic Affairs and Employment will continue until the end of 2021.

The follow-up of the audit Contingent liabilities of general government was completed in June 2020. In the follow-up, the National Audit Office found it positive that preparations for the measures recommended in the audit had been started in order to develop Finnvera's risk reporting and financial supervision. The development of financial supervision is part of more extensive development of the legislation related to Finnvera's financing activities. The National Audit Office considers the development of the financial supervision to be justified from the risk management perspective.

With regard to Finnvera, the Government's annual report deals with the coverage of Finnvera's loss in 2020. The Finnvera Group's result for 2020 showed a loss of EUR 748 million. In accordance with IFRS 9, Finnvera recorded credit loss provisions of EUR 1,166 million in its export credit guarantee and special guarantee operations as a result of the weakened risk ratings and macroeconomic forecasts. At the end of 2020, before the result showing a loss, Finnvera's accumulated loss reserve amount in export credit guarantee and special guarantee operations totalled EUR 1,52 billion (2019: EUR 1,46 billion). The loss was primarily covered by the export credit guarantee and special guarantee operations fund on Finnvera's balance sheet and a fund payment of EUR 349 million from the State Guarantee Fund. The fund payment has been recorded in Finnvera's financial statements as a receivable from the State Guarantee Fund. The payment schedule of the receivable is impacted by the possible realization of the loss provisions as compensations. The Government's annual report states that, after the result for the period 2020, the parent company Finnvera Oyj's domestic and export financing reserves amounted to EUR 692 million. The reserves consist of EUR 351 million of non-restricted equity in domestic financing and EUR 342 million remaining in the State Guarantee Fund after the fund payment.

As Finnvera's reserves have decreased substantially, it would be useful if the Government's annual report presented an assessment of the adequacy of the remaining risk reserves and the possible need to increase them.

The text parts and notes of the Government's annual report and the Ministry of Finance's risk overview disclose partly the same information. It would be good to develop the information contents so that the same information would not be presented both in the sections on general government finances in the Government's annual report and in the

notes. The information contents of the Government's annual report and the Ministry of Finance's risk overview should be developed, to the extent possible, so that the published information would complement each other.

Reporting on central government finances

In line with the established practice, the Government's annual report presents the total calculations of central government finances (statement of revenue and expenditure and balance sheet). They consolidate the final accounts of on-budget entities, off-budget funds, and unincorporated state enterprises, eliminating internal items. The calculations give a more comprehensive picture of the state of central government finances than the final central government accounts. The principles for preparing the total calculations are described clearly in the report.

However, in view of the entire central government, substantial sub-sectors of central government (such as state-owned companies) still fall outside the calculations. They will be included in the calculations if central government switches to consolidated reporting.

Measures aiming at introducing consolidated reporting in central government were launched in 2019 by a user needs survey. A survey is under way on the need for and implementation of consolidated calculations, and a preliminary plan has been drawn up for the first phase of the implementation. The National Audit Office considers this development justified in view of the transparency of central government finances and the development of the steering and risk management of central government.



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