

Conclusions and recommendations of the National Audit Office

Reliability of fiscal statistics

The aim of the audit of fiscal statistics was to ensure that the statistical data on which fiscal policy and other economic decision-making is based provide a good and reliable foundation for the preparation of decisions. The direct significance of the preparation of statistics is small for central government finances; the annual costs amount to a few million euros. However, the indirect significance is considerable, as the statistics are used as a basis for economic forecasts and planning and the related decision-making. The audit was targeted particularly at the quality and quality assurance of fiscal statistics. The audit also assessed the steering of the production of statistics by the Ministry of Finance as well as the transfer of the responsibility for collecting data on local government finances from Statistics Finland to the State Treasury.

Fiscal statistics are reliable

Based on the audit, fiscal statistics are reliable and provide a good basis for fiscal policy and economic decision-making. The data are also internationally comparable. Other users than those working in the public administration were found to have good experience of the data.

Fiscal statistics are subject to extensive and systematic quality assurance. Eurostat and its quality assurance work have a key role in this. There is broad cooperation within the European Union in the production of fiscal statistics. In practice, however, the cooperation is steered by the European Commission and its Directorate-General Eurostat, and the activities are also steered to a great extent by EU legislation. This is understandable because the euro countries are committed to deficit and debt targets. Deviation from these targets entails sanctions for the Member State concerned. In addition, fiscal statistics play a significant role in EU funding as part of the national accounts. One of the reasons why Eurostat systematically assures the quality of Member States' fiscal statistics, focusing on methodological and classification issues, is that it allows Member States to rely on the comparability of their statistical data. Ultimately, Eurostat is also responsible for the content of EU-wide statistics.

Due to Eurostat's prominent role, the role of the quality assurance conducted by Statistics Finland itself on fiscal statistics has remained smaller. This applies particularly to the quality work at the Statistics Finland level, whereas in the fiscal statistics production processes, quality assurance is more systematic. The producers of statistics hardly recognised any quality assurance at the Statistics Finland level and, on the other hand, they considered that there was quality assurance that, in fact, does not exist. In addition, the guidelines related to the statistics production processes are inconsistent and include partly outdated

instructions. For the time being, Statistics Finland does not apply an external process review, i.e. quality assurance conducted by other actors than the producers of the statistics. However, quality assurance should not be left to Eurostat alone, and Statistics Finland should assume a more active role in this. The description of the quality assurance for the users should at least be developed.

Statistics on local government finances continue to be needed

The responsibility for the collection of data on local government finances was transferred from Statistics Finland to the State Treasury starting from the statistical year 2021 as part of the overall reform of the collection of economic data on municipalities and joint municipal authorities. The early stages of the reform have not succeeded in full. Comparing the present quality of data with the previous one is not fully possible, as the new model covers more extensive information needs and also includes collecting data that were previously not obtained in order to meet the data needs of several actors.

During the transition period, the quality of the data that Statistics Finland has received for statistical purposes has declined. All entities subject to the disclosure obligation have not provided their data, and all data are not reported automatically according to the data model or in the scope specified in the model. Due to the shortcomings in the data, it is necessary to supplement the data in the production of statistics by means of imputation methods. In the new data collection, the perspective on the data collected is also slightly different from that of the previous practice, which served only statistical needs. The new data collection is based on data run automatically from the accounting, whereas the data needed for statistical purposes cannot be produced automatically.

The collection of data also suffered technical problems in spring 2022. Due to the problems, access to the data has been delayed and Statistics Finland has given a result warning to the Ministry of Finance on the quality of future statistics.

The data collection reform was partly justified by cost savings. However, the amount of savings was not assessed sufficiently at the preparatory phase, nor has it been monitored after the transfer. As the transfer was justified on such grounds, the amount of savings should have been assessed and monitored in greater detail. In autumn 2022, the Association of Finnish Municipalities, the State Treasury and the Ministry of Finance are assessing the costs that the transfer has caused to municipalities, joint municipal authorities and other entities obliged to keep accounts.

The publication of statistics on local government finances was discontinued in connection with the transfer. The original, collected and unprocessed data are available to everyone, to the extent they are public, in the State Treasury's service.

Since the transfer, data on total amounts have been compiled and partly also published by the Ministry of Finance and the Association of Finnish Municipalities for their own purposes. The discontinuation of the publication of statistics on local government finances may lead to a situation where the data on total amounts provided by different actors differ slightly from each other, because the source data must be processed and supplemented for final statistics. However, statistics

on local government finances continue to be needed, and when the wellbeing services counties start operating, uniform statistics will also be needed on their finances.

The production of fiscal statistics is bound by EU legislation

The production of fiscal statistics is an exceptional activity in the central government. The national authority, Statistics Finland, has only limited possibilities to steer the content of the activity. The collaboration within the EU and also EU legislation determine on what statistics are produced, and an individual Member State has only have limited influence on it.

The performance management of Statistics Finland is not particularly successful as regards fiscal statistics. Performance management is ill-suited to the production of independent statistics. Statistical duties are also defined and monitored in the EU. Serious deliberate neglect of the duties or misrepresentation of data may result in a fine. In practice, the activities should be allocated sufficient resources that enable the duties to be carried out impeccably.

Recommendations of the National Audit Office

1. Statistics Finland should define its own quality assurance process for fiscal statistics more clearly. It should also enhance the capacity of third parties to assess the quality of fiscal statistics by improving the openness and transparency of the methods used for their quality assurance and production.
2. The Ministry of Finance should ensure that statistics are produced on the data on local government finances collected by the State Treasury in order for the data users and decision-makers to have consistent data on local government finances as a whole. Once the collection of data on the wellbeing services counties has started, it should be ensured that statistics are also prepared on these data.
3. The Ministry of Finance should assess the cost savings or cost impacts and plan the monitoring of the implementation of the savings in advance in the case of reforms justified by the savings achievable from them.