



## **Audit plan 2021–2025**

## Audit plan of the National Audit Office

Reg. no. 260/02/2020, D/1059/998.02/2020

On the basis of section 3 of the Act on the National Audit Office (676/2000), the National Audit Office has, on this date, approved its updated audit plan for 2021–2025. The National Audit Office's audit and monitoring operations are based on this plan. The plan includes the performance targets for 2021, as well as resource calculations and a plan on the allocation of resources during the operational and financial period 2021–2025. The audit plan also serves as the operational and financial plan referred to in budget legislation.

Helsinki, 17 June 2021

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## 1 Operating environment and resources

The audit and monitoring work of the National Audit Office of Finland (NAOF) focuses on topics and phenomena that are significant for central government finances and society, and on material risks related to central government finances.

### 1.1 Operating environment and the risks related to it

The National Audit Office has identified such risks to the state's financial management and central government finances in the years to come as can be impacted by auditing. We have identified especially the following key risks to the state's financial management: the automation of financial processes, the outsourcing of functions, and the operation of the performance management system.

We have identified the risks to central government finances by analysing the vision of the future laid out by the Prime Minister's Office. The NAOF has assessed the vision of the future particularly from the perspective of the future development of central government finances and the societal impact of audits. The following risks were identified: needs for taxation adjustments, competence development and maintenance, and decision-making capability.

In addition to the identified risks, the NAOF actively monitors changes in the operating environment, general government calculations, verified information, and future scenarios and phenomena that will have an effect on the organization of audit work. In this monitoring, the NAOF cooperates closely with the supreme audit institutions (SAIs) of other countries.

The Covid-19 pandemic has extensive impacts on the operating environment. Central government's responsibility is highlighted in the measures taken to solve the economic crisis. In practice, central government is responsible for Covid-19-related costs, for supporting citizens and businesses to overcome the economic crisis, and also for the demand-based stimulus needed by the economy. This means a completely exceptional use of state resources and expansionary fiscal policy, which should, however, be followed by measures taken to strengthen public finances as the situation returns to normal.

Finland's public finances are forecast to show a deficit for a long time. The ageing population, the decreasing the birth rate, and the high level of structural unemployment cause pressures for indebtedness to persist in the long term. Other major risks to the Finnish economy continue to include the level of state guarantees and other contingent liabilities, and the significant interest rate risk related to the rapidly grown government debt. Therefore, success of the major structural social reforms launched during the government term plays a key role for the stabilization of public finances. These reforms include, in particular, the health and social services reform, the rescue services reform, the social security reform, and the reforms related to continuous learning.

In the NAOF's view, conditions for launching the health and social services reform and the rescue services reform are in place. However, it is not yet known whether the growth of costs will be curbed and the risk of over-indebtedness of regions managed successfully; much depends on the solutions taken in the regions during the reform, the functioning and steering of the funding model, and the success of the assessment of service needs.

From the perspective of the implementation of the UN Sustainable Development Goals (SDGs), it is important that Supreme Audit Institutions (SAIs) contribute to the national implementation through their audit work. The National Audit Office will direct its audit work at the risks it has identified in the implementation and strive to take special account of the challenges caused by political coherence.

Administrative structures and operating models should be developed in accordance with the public administration strategy in order to respond to long-term pressures for change in a front-loaded manner. Cross-sectoral efforts, the demolition of silos, a phenomenon-based approach, and the assessment of long-term impacts of policy measures must be supported by up-to-date audit information. Constructive audit work can support the reform of public administration and structures, as well as innovation. The National Audit Office believes that digitalization, experimental culture and networking offer important opportunities and strives to support the renewal of public administration with its audit work and by setting an example.

The competence of the NAOF's personnel will be developed diversely to ensure that we can manage the risks identified in the operating environment. The NAOF develops its own operations actively in order to be able to offer its stakeholders with more up-to-date and relevant information. At the same time, we will strengthen citizens' trust in good governance.

## 1.2 Impact portfolio

The impact portfolio provides an overall picture of the audit types and topics and of the main risk areas identified in the NAOF's risk analysis. The impact portfolio shows on an annual level how the NAOF will target its audit topics to the main risk areas. The impact portfolio also shows the audit type or monitoring activity the NAOF will use to conduct the audit.

### IMPACT PORTFOLIO

The focus areas are reforms and changes in public administration, and measures aiming at promoting sustainable public finances and balanced central government finances

1. RISKS TO THE STATE'S FINANCIAL MANAGEMENT	PERFORMANCE AUDIT	FINANCIAL AUDIT	COMPLIANCE AUDIT	FISCAL POLICY AUDIT	FISCAL POLICY MONITORING	MULTI-TYPE AUDITS	AUDIT TOPICS
Automation of financial processes	11	1 4	10			4 5 6 11	
Outsourcing of central government functions	11	1	6			10 11	
Operation of the performance management system	7 8 9 11	1 4				4 7 8 10 11 14	
<b>2. RISKS TO CENTRAL GOVERNMENT FINANCES</b>							
Taxation	8 11		10		12		1 Financial audits (incl. audit of final central government accounts)
Competence maintenance and development	8 9 11	1				6	2 Knowledge base of fiscal policy
Decision-making capability	8 9 11 14			2	12	7 11 14	3 Spending limits procedures
<b>3. OTHER RISKS</b>							
Economic growth and competitiveness	9	1	6	2 3	12	7 8	4 Budget procedures
Planning, financing and maintenance of investments	7	1	6			13	5 Audits of EU funds
							6 Procurement and market-based operations
							7 Audit of transfers
							8 Reforming and monitoring service and benefit systems
							9 Promotion of competitiveness
							10 Taxation, pensions, and liabilities
							11 Development and reform of public administration
							12 Regular reports on fiscal policy monitoring
							13 Central government debt management
							14 Risk management and ensuring continuity

Figure 1: Impact portfolio 2021 The information presented in the figure can be found in Excel format here: <https://www.vtv.fi/app/uploads/2021/03/audit-plan-2021-2025-impact-portfolio-2021.xlsx>.

### 1.3 Spending calculation of the operating and financial plan, OFP calculation, and human resource framework

The spending calculation for 2021–2025 (Appendix 1) assesses the total value of the budget proposals per year. The calculation indicates how much of the budget proposal is allocated to salaries, office rents, and other operating expenses. The operating and financial plan (OFP) calculation (Appendix 2) also indicates VAT expenses and changes in expenditure in 2021–2025. Human resources are allocated by function in compliance with the 2021–2025 human resource framework (Appendix 3). The human resource framework indicates the expected trends in salary expenses and person-years during the planning period.

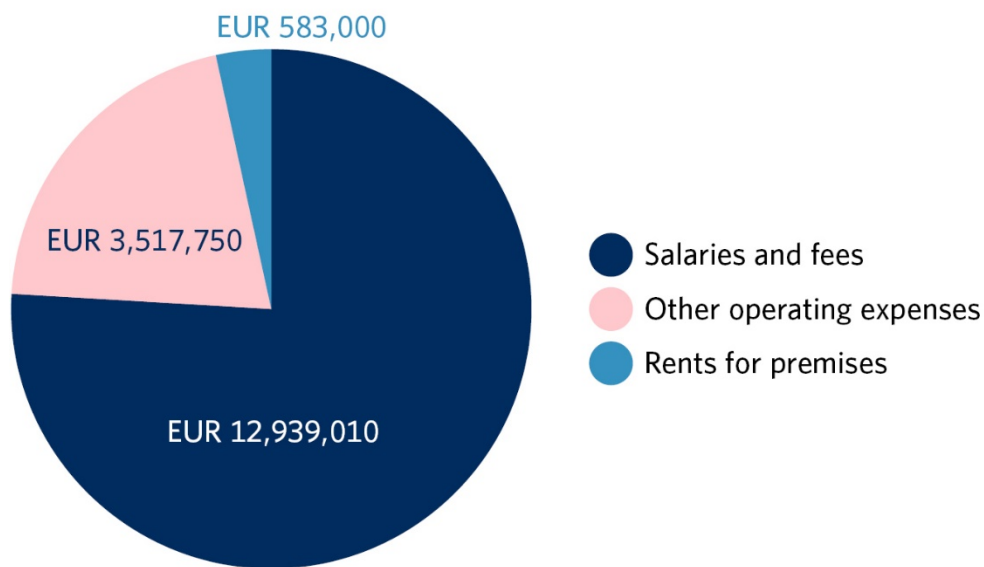


Figure 2: Planned allocation of appropriations in 2021

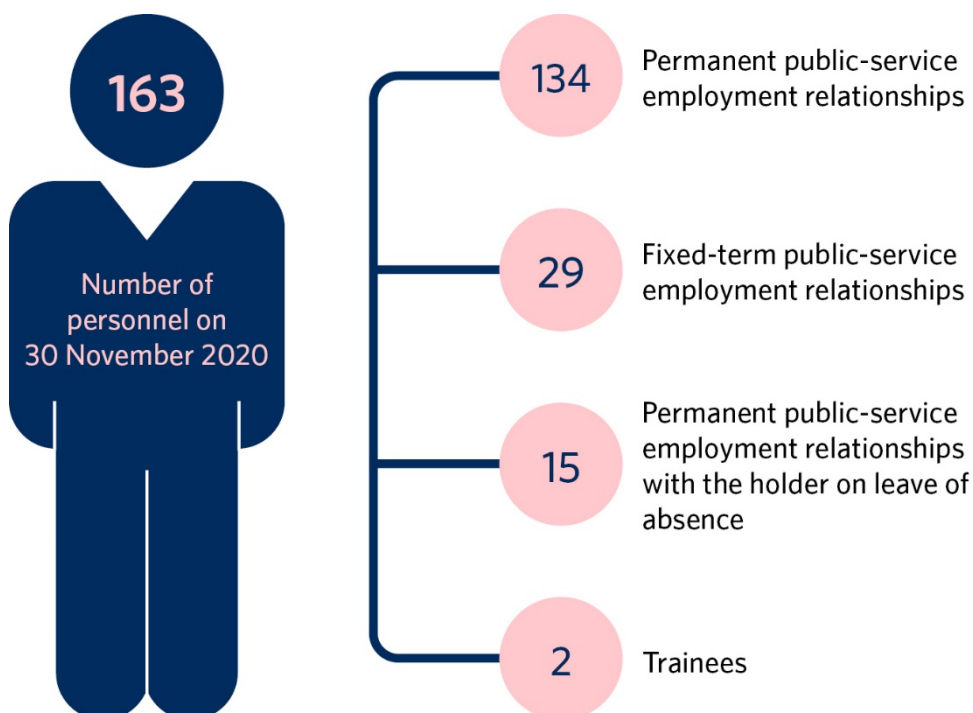


Figure 3: Personnel status on 30 November 2020

## 2 Focus areas of audit and monitoring, and reporting

The audit plan is a plan on the implementation of the strategy of the National Audit Office. The NAOF's operations aim at

1. improved cost-effectiveness of the management of central government finances
2. improved trust in the knowledge base of decision-making
3. improved trust in open, cost-effective and sustainable operations of the Finnish central government.

By means of its audit and monitoring work, the NAOF provides Parliament, the decision-makers, and the senior public officials with significant, relevant and timely information where the significance of the matter for central government finances is highlighted.

The audit plan is based on the most significant risks identified in the NAOF's risk analysis. Our planning is steered by the focus areas of the planning period and the audit-type-specific materiality criteria. Before including a topic in the audit plan, we assess its auditability.

In the planning period, the focus areas of auditing are reforms and changes in public administration, and measures aiming at promoting sustainable public finances and balanced central government finances. Through our audits, we support the renewal of central government and its key development measures. With the information we produce, we strive to promote sustainable development of public administration proactively.

Our audits are centred around central government finances and financial management. The NAOF forms its overall view by annually auditing the final central government accounts and the Government's annual report, and by monitoring fiscal policy. The overall view is supplemented by the findings and conclusions of other audits and reviews. The NAOF actively monitors and assesses changes in the operating environment as well as risks related to central government finances or the state's financial management.

### 2.1 Reports to Parliament

Statutory reports submitted by the National Audit Office to Parliament include the following:

1. the National Audit Office's Annual Report to Parliament, as laid down in section 6 of the Act on the National Audit Office
2. separate reports submitted to Parliament whenever necessary, as laid down in section 6 of the Act on the National Audit Office
3. reports on the oversight of election campaign funding in connection with elections, as laid down in section 10(3) of the Act on a Candidate's Election Funding
4. annual reports on the oversight of political party funding, as laid down in section 9e(5) of the Act on Political Parties.

The purpose of the reports to Parliament is to serve Parliament as well as possible in its duties laid down in the Constitution. The reporting implements the interaction between the Supreme Audit Institution and the supreme decision-making body, as laid down in international audit standards. The Parliament reports include the audit observations and conclusions that are most relevant for parliamentary work in an easy-to-read and easy-to-use format. The reports are developed in cooperation with the decision-makers.

### 2.2 General principles for the development of quality management

The revamped quality management model of the National Audit Office is being established as part of daily activities. The key observations and development needs related to quality management in each audit type will be submitted to the NAOF's management forums for discussion. Quality management is based on the audit manual. Quality management is reported on annually in the financial report. As part of its quality management, the National Audit Office requests external experts, such as members of the Scientific Council, to assess the quality of selected audit reports. These external assessments are submitted to the NAOF's management for information.

### 3 Audit and monitoring topics

The audit work of the National Audit Office is centred around four subject areas. Some of the audit themes or perspectives extend to several subject areas.

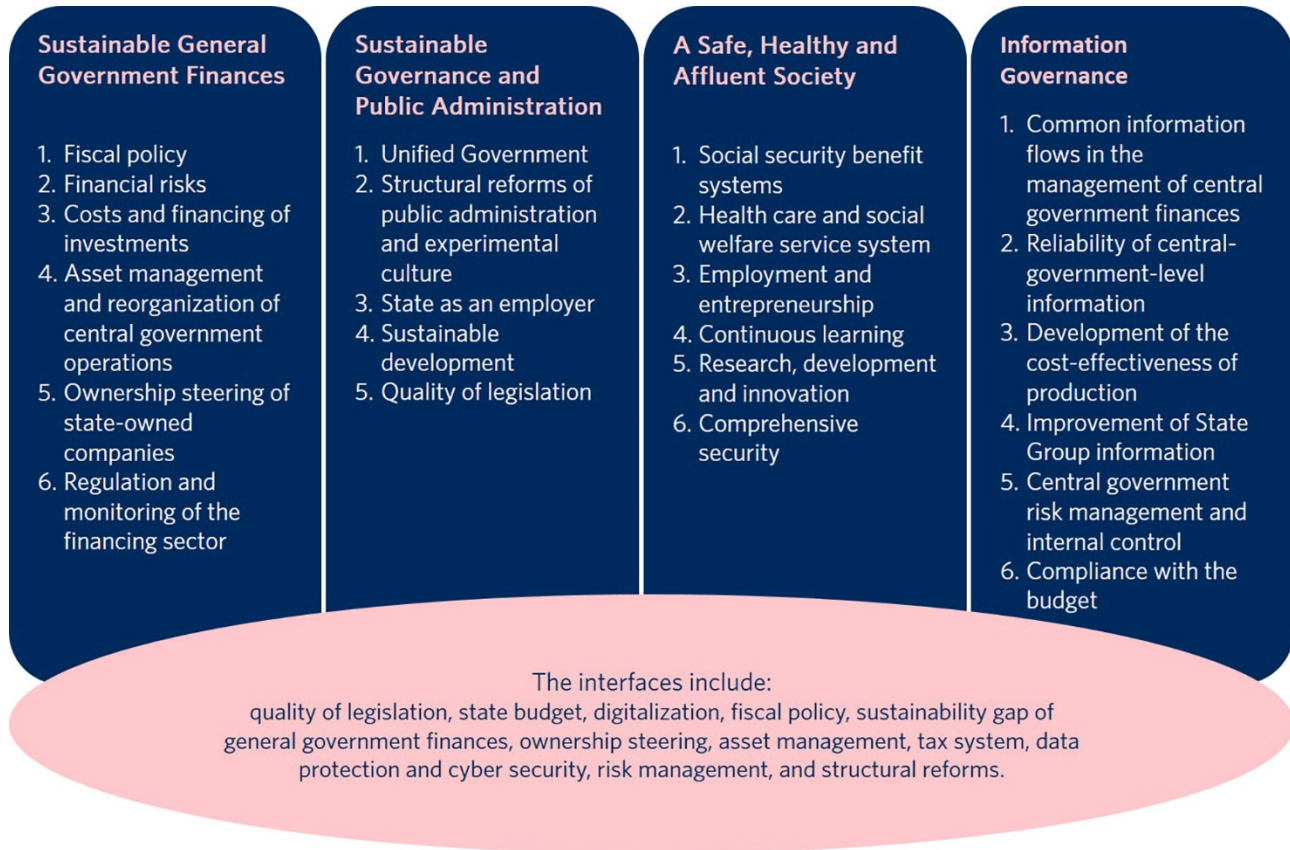


Figure 4: Areas of audit operations

By monitoring the operating environment, we identify risks that are significant for general and central government finances and potential audit topics, and draw up reviews, expert opinions and other statements to support Parliament and central government in decision-making.

The audit and monitoring topics are:

- Shared processes audit team
- Government grant team
- Balance sheet team
- Security team
- Backbone team
- Final central government accounts
- Statistical knowledge base of fiscal policy
- Medium-term budget frameworks
- Centralized audit of compliance with the budget
- Audit of EU funds
- Implementation of the Competition Act
- The state's climate financing to developing countries
- Preparation and implementation of the removal of incentive traps (in the audit plan for 2020: Benefit system incentives for accepting untypical employment)
- Measures for promoting growth and competitiveness of regional trade and industry
- Incomes Register

- Production of financial data on health and social services and utilization of assessment information in the steering of the service funding (in the audit plan for 2020: Assessment of the cost-effectiveness of social and health care services)
- Steering and monitoring of patient and customer safety
- Reform of vocational education
- Utilization of research data in business: funding and incentives
- Future workforce 2030
- Regular reports on fiscal policy monitoring
- Central government debt management
- Multiple steered central government organizations
- Jointly funded activities of on-budget entities
- Organizational mergers and changes
- Security of supply
- Business subsidies granted during the Covid-19 epidemic
- Renovation of the Olympic Stadium
- Taxation procedure for self-assessed taxes
- Effectiveness of the entrepreneurship service system
- Reform of continuous learning and its funding
- Recruitments and competence development in implementing central government's personnel policy targets
- Incentives and obstacles to employment-based immigration
- Fintfund's investment activities and related risk management
- State pension scheme and central government liabilities in other pension schemes
- Impacts of the reform of student financial aid in 2016
- Settlement of gambling proceeds and government grants allocated from them
- Monitoring of the operating environment and foresight in strategic decision-making
- Centralization of central government functions: Economic efficiency, quality and steering of Palkeet's service portfolio
- Funding from the EU Recovery and Resilience Facility (initially as part of the audits targeted at EU funds)
- General housing allowance
- Activities of the Housing Finance and Development Centre of Finland (ARA) in the implementation of development measures

#### **4 Audit operations: Sustainable General Government Finances**

The impact area Sustainable General Government Finances consists of five areas:

- fiscal policy
- central government asset management and investments
- financial risks
- ownership steering of state-owned companies and organization of central government operations
- regulation and monitoring of the financing sector.

The impact area focuses on the planning and management of general and central government finances. The audit themes include fiscal policy and its preparation, as well as the management of central government assets, liabilities, investments, and financial risks. The functioning of the ownership steering of state-owned companies is audited particularly from the perspective of asset management and the organization of operations. In the impact area, we also audit financial sector supervision and regulation, which are strongly linked with the development of the EU banking union and important in view of the indirect risks directed at central government finances. Audits related to this area are limited by the audit rights of the National Audit Office, and one of the tasks of the impact area is to promote appropriate audit rights.

Independent fiscal policy monitoring also ensures the functioning of rules-based fiscal policy and contributes to the appropriateness of the rules. This task will be highlighted in the next few years, as it will be necessary to review the EU framework now that the Covid-19 crisis has raised the debt levels. Our fiscal policy monitoring assesses the fiscal policy pursued and submits related conclusions and recommendations to the Government. The operations and targets of fiscal policy monitoring during the planning period are described in Section 8.

Audit and monitoring information helps to ensure that general and central government finances are managed in a sustainable, responsible and transparent manner. The targeting of operations is impacted by the growth in indebtedness as a result of the Covid-19 crisis and the resulting need to stabilize general government finances. Audits are targeted at operations and projects that are the most important for the preparation of fiscal policy and the management of central and general government finances. The perspective of central government finances is thus always an integral part of all audits. Audits are targeted in a risk-based manner at topics that are significant to central government finances, taking into account the timeliness of the information in view of the decision-making in Parliament and public administration.

During the planning period, the audit work will be focused on ensuring the reliability of the fiscal policy knowledge base, assessing the functioning and efficiency of fiscal policy steering instruments, the planning and funding models of major investments of the state, and the organization of risk management in central government and state-owned companies. The functioning of ownership steering will be assessed in the light of the ownership steering principles of state-owned companies. In our audit work, we will take into account the changes resulting from the Covid-19 situation in the operating environment of financial management. The impact area will also conduct an audit of the organization of security of supply in society to promote preparedness for exceptional circumstances and the interoperability of different authorities in crisis situations.

We have an active dialogue on the results of our audit and monitoring with the parliamentary committees, the Ministry of Finance, and other ministries and agencies. By the monitoring activities of the impact area, we identify risks that are significant for general and central government finances as well as potential audit topics, and draw up expert opinions, briefing papers, and other statements to support Parliament and central government in decision-making.

#### 4.1 Fiscal policy

As regards the preparation of fiscal policy and the knowledge base of decision-making, we audit the reliability and comprehensiveness of forecasts, statistics, and impact assessments. In the case of the macroeconomic and fiscal forecasts by the Ministry of Finance, we will focus on assessing the implementation of the recommendations we have given in our previous audit reports. Our audit work will focus on the practices of managing the quality of the macroeconomic and fiscal statistics prepared by Statistics Finland in compliance with National Accounts. At the same time, we will assess the reliability of the related key source statistics (e.g. data on local government finances) in a risk-based manner.

The audit of fiscal policy steering instruments will focus on the functioning of the central government spending limits. The spending limits rule is the most important national fiscal policy steering instrument for limiting the growth of budget expenditure and for long-term expenditure policy that promotes economic stability. We will assess the functioning of the spending limits procedure from the perspective of transparency and appropriateness of public spending, for example. In addition, the features of the spending limits procedure will be examined from the perspective of the management of the exceptional circumstances caused by Covid-19. At the same time, we will participate in a parallel audit with the EU countries to get reference data on the practices applied by other countries to support the development of the Finnish spending limits system.

Based on the results of our previously completed audit of the effectiveness of the steering of local government finances, we will strive to influence the measures taken to enhance the compatibility of macroeconomic and microeconomic steering. They are also noteworthy in view of the funding and steering model of the proposed health and social services reform.

#### 4.2 Asset management and investments

During the planning period, the monitoring will focus particularly on the management of the transport infrastructure assets that are significant to central government finances and on investments in transport infrastructure, including the establishment of special purpose companies and multi-channel financing models. Monitoring and auditing will be targeted in a risk-based manner, taking Parliament's information needs into account in a timely manner.

We will monitor the strategic performance projects of the Finnish Defence Forces (purchase of HX fighters and Squadron 2020) based on the findings of a completed audit. In our monitoring activities, we will strive to influence the transparency of the preparation of the project, and we will pay special attention to the significance of lifecycle costs in the decision-making model and the comparison of alternatives. We will provide information to support the preparation

of the strategic capability projects and the decision-making in the Government and Parliament. The Government will make the decision on the purchase of HX fighters at the end of 2021.

### 4.3 Financial risks

As for financial risks, our audit work is targeted particularly at central government's operational debt management and its strategic steering, and the risk management procedures applied in the financing operations of the state's special purpose companies. In addition to defining and steering the risk position and the interest rate risk model, the audit of debt management takes into account the procedures applied in the use of derivatives in operational risk management. The operating environment of debt management has changed due to the economic impacts of the Covid-19 situation, and one of the viewpoints is therefore the adjustment of debt management to the new circumstances. In this area, we have active cooperation with the supreme audit institutions of other EU countries.

We monitor the development of the management of the state's contingent liabilities within the scope of previous findings and recommendations. We will pay special attention to the implementation of risk-based limitations to guarantee liabilities and the related risk management and monitoring practices. One of the issues to be examined during the planning period is the management of the state's growing pension liabilities.

### 4.4 Ownership steering of state-owned companies and organization of central government operations

The incorporation of central government functions has continued in recent years. We will assess future incorporations based on the conclusions of the audit completed in 2020 and thereby provide Parliament with information to support related decision-making. In this way, we aim to support the selection of appropriate forms of organization for central government operations and duties to ensure cost-effective operations. As regards incorporations, we will also look into the financing and implementation of investments from the perspective of central government finances.

A good governance model consists of ownership steering and good governance by state-owned companies and their bodies. This is necessary in order for the companies to be able to operate efficiently and effectively in the long term. Although the division of tasks between the companies and ownership steering is quite clear, problems may arise in the cooperation between the different actors. We will monitor how the ownership steering works in state-owned companies and, if necessary, target audits with a problem-oriented approach, focusing on issues that are relevant for the management of state assets. On the other hand, we will also examine the functioning of the good governance model, which consists of the companies' management and ownership steering.

### 4.5 Monitoring and regulation of the financial sector

In 2020, we completed an audit of the operations of the Financial Stability Authority, which serves as the national resolution authority. The audit related to preparedness to resolve crises of 'less significant institutions'. The audit was part of the EU countries' parallel audit. We will utilize the reference data obtained in the parallel audit when reporting on the audit results. We will monitor the expansion of the mechanisms of the EU banking union and pay special attention to the liabilities they cause to the state.

We will also promote the prerequisites for external audit of the supervision of the financial sector, taking into account Parliament's positions on the matter. The National Audit Office does not have the right to audit the operations of the Financial Supervisory Authority or the Bank of Finland. They have a key role in organizing the common banking supervision and resolution of the EU's banking union.

## 5 Audit operations: Sustainable Governance and Public Administration

One of the NAOF's strategic goals is producing information to support the development of public administration, to strengthen the link between sustainable development and the management of central government finances, and to ensure the quality of legislation. The need for reliable information is underlined by reforms of the public administration and the steering system, the aim to achieve a more unified and efficient public administration, and the preparedness for future challenges.

The themes related to the development of public administration and sustainable development are horizontal and linked with many administrative branches and activities. The key focus areas relate to the unity of the Government, the functioning and renewal of management and steering systems, the use of information in decision-making, and competence development. In our audits and other activities, we aim at strong future orientation and a development approach; our aim is to support organizations in preparing for future challenges and carrying out reforms. The activities of 2021 will be impacted by the special administrative arrangements and challenges related to the Covid-19 pandemic, which will also affect the selection of audit topics and the implementation of audits.

The audit topics of 2021 will include the challenges of multi-steering in situations where organizations are steered by several ministries. We will also audit mergers and other organizational changes, the use of operating environment and foresight information in decision-making, and recruitments and competence development in central government. In addition, we will produce information on topical issues related to sustainable development of public administration by analysing and combining previously produced audit information and other information. Examples of this kind of information include a report on mining policy as well as topical articles and addresses.

We will continue our close interaction with our national and international stakeholders in order to identify the key focus areas of the coming years and define the NAOF's special role in relation to other organizations and actors working with the same themes. In the selection of the topics and perspectives and in the targeting of our activities, a key role is played by topical reforms and phenomena, and especially by foresight, long-term review, and policy coherence.

## 5.1 Sustainable development and auditing

Ecological, social and economic sustainability requires systematic long-term actions by society as a whole. Effective steering instruments and holistic management are required to support this. The national SDGs of Finland are specified in the Society's Commitment to Sustainable Development, issued by the Finnish National Commission on Sustainable Development. The Government listed its own actions in its report in 2020.

Sustainable development perspectives, particularly those of the UN's 2030 Agenda and the national sustainable development goals, are linked to the NAOF's work. The National Audit Office monitors the promotion of the SDGs in central government. The use of state funds, steered by the Government Programme Implementation Plan, is directly included in the NAOF's audit mandate. The NAOF will assess whether the Government's annual report provides a true and fair view of the use of funds and cost-effectiveness in the case of sustainable development actions and goals. The link with the SDGs will be assessed in the planning stage of each audit.

In the audit "The state's climate financing to developing countries", we will examine the financing reported by the State of Finland to conferences of parties to climate change conventions, the procedures for assessing the climate impacts of financing, and the effectiveness of the steering system. The audit results will be published in 2021. The work is closely related to the work programme of the INTOSAI Working Group on Environmental Auditing (WGEA), coordinated by Finland in 2019–2021.

In the audit "Future workforce 2030", we will analyse how the preparation, implementation and maintenance process of the curricula of grade levels 1–6 in comprehensive school take into account the competence needs of the future workforce and the expectations set for it. The audit will be conducted as an international parallel audit that aims to identify different countries' practices in basic education, vocational education, and continuous learning. The audit results will be published in the spring of 2021.

## 5.2 Processing of complaints and reports of suspected misconduct

The National Audit Office processes complaints submitted to it concerning compliance with the state budget, the lawfulness of the management of central government finances, or election campaign and political party funding. It also processes reports of misconduct as laid down in section 16 of the Act on the National Audit Office (676/2000).

The estimated annual number of complaints concerning issues other than election campaign and political party funding is 30–40. Around half of these are processed as complaints. The goal is to resolve a complaint usually within three months of its submission. The NAOF can launch a compliance audit to resolve a complaint, in which case the goal is to resolve the complaint within six months.

Citizens' contacts help us to recognize changes in the operating environment, to select audit topics, and to plan communications and auditing.

## 6 Audit operations: A Safe, Healthy and Affluent Society

The audits conducted in the impact area A Safe, Healthy and Affluent Society have focused on assessing the functioning, efficiency, and indirect financial impacts of the different areas of an affluent society and their interconnections.

Strengthening public finances permanently requires measures to support economic growth. During the rest of the period, the impact area will focus on assessing the appropriateness and coordination of social security benefits and related services, as well as on issues related to measures to promote employment and economic growth. Multi-channel financing, where the state is one of the key providers of financing, is typical of these areas. National steering plays a prominent role in the operating environment, while the results and societal impact are created regionally and locally.

We provide reliable information on complex issues through our audits: we focus our resources on topical issues that are significant for society and utilize different audit types, the competence of our personnel, and external data and specialist services in a versatile manner.

### 6.1 Social security

We audit the knowledge base of central government finances and the state's financial management on which the decisions on the social security reform are based by

- identifying risks related to central government finances and the state's financial management,
- assessing the interconnections between benefits and services, their appropriateness, and their impacts in relation to each other and to the targets set,
- providing information on the systemic interdependencies and mutual relationships of issues for the preparation of the social security reform,
- assessing the link of social security expenses to the development of general government finances.

The so-called incentive traps hamper the supply of labour, and therefore their removal can have positive impacts on employment. At the end of 2021, we will complete an audit where we assess the appropriateness of the preparation and implementation of legislative measures aimed at removing unemployment, income, bureaucracy, and information traps. By auditing the interconnections between social security and the systems interacting with it, such as taxation and enforcement, we can produce material and timely information on the functioning and success of different reforms made so far. Auditing these issues serves the need for information of the committee that is preparing the overall reform of social security.

An audit is also underway to examine the extent to which the objectives set for the reforms of student financial aid in 2011, 2014 and 2017 have been achieved, whether the reforms have had unforeseen impacts, and on what kind of knowledge base the impact assessments of the reforms have been based. As a result of the reforms, the conditions for student financial aid have been tightened, incentives for the use of student loans have been increased, and students have become eligible for the all-year housing allowance scheme. The audit will be completed in spring 2022.

An audit of the general housing allowance will also be launched in 2021. It aims to assess what kinds of fiscal problems the current act on general housing allowance poses and how they could be solved.

### 6.2 Healthcare and social welfare reform, and rescue services reform

In our expert opinions to parliamentary committees, we have taken a stand on the economic aspects related to the establishment of wellbeing services counties and to the healthcare and social welfare reform and rescue services reform.

In summer 2021, we completed two audits related to the steering, data utilization, and monitoring of healthcare and social welfare.

In the other audit, we examined the production of financial data on health and social services and their utilization in cost effectiveness indicators and expert assessments. The knowledge base of healthcare and social welfare used in the

financial steering is currently compiled through many different processes and developed in several projects, which makes it challenging to manage the whole. The comparable knowledge base needed for effective national steering is still defective, and there are delays in the receipt of data. An up-to-date knowledge base on the costs and operations of healthcare and social welfare still requires further development, national guidelines, and legislation also from the perspective of the needs of the health and social services reform. The ongoing reform of the automation of financial reporting should be monitored closely in order to ensure that the data are up to date and of high quality.

The other audit was targeted at the development, steering, monitoring, and assessment of patient and client safety. The steering and guidelines related to patient and client safety form an extensive entity that is difficult to interpret and that the public administration has not managed to steer in a long-term and consistent manner. At the same time, many of the key national targets set for patient and client safety have not been met. National data on patient and client safety are fragmented and incomplete, and no key indicators have been defined for monitoring. Although the overall picture of the work done in healthcare and social welfare organizations is positive, there is not enough data available on the safety of services to be used in developing activities, comparing organizations, or disseminating good practices. The national responsibility for the management and development of patient and client safety should be more clearly assigned to one competent authority. The role that the wellbeing services counties under preparation will have in the development and supervision of the quality and appropriateness of services should also be considered when the responsibilities are developed.

### 6.3 Employment and entrepreneurship

In summer 2021, we launched an audit of the promotion of the growth and competitiveness of regional trade and industry. In the audit, we will assess whether the implementation of the regional development decision 2020–2023 has provided sufficient conditions for economic activities in the business sector. In addition, we will assess how changes in the operating environment have affected the implementation of the decision and the operating conditions of business in different regions. The audit will also examine the preparation and implementation of the regional stimulus measures resulting from the Covid-19 crisis, as well as the fulfilment of the conditions of the national decisions taken on business subsidies related to the Covid-19 crisis.

At the end of the year, we will start to audit the entrepreneurship service system. In this audit, we will examine whether the public business services are organized in such a manner that they provide appropriate support at different stages of the life cycle of business activities.

### 6.4 Research, development, and innovation

The aim of Prime Minister Marin's Government is to secure long-term funding for research and development (R&D funding), strengthen Finland's investment environment, and improve companies' investment capacity. One of the objectives is to increase Finland's R&D expenditure from the current 2.8% to 4% of GDP by 2030. Achieving this objective would mean additional annual R&D investments of nearly EUR 600 million, of which public sector funding would amount to approximately EUR 200 million.

In the audit "Managing the utilization of research data in health sector business", we assess the effectiveness of the support, guidance, and improvement of research data utilization in strategies and programmes, as well as through health sector financial instruments.

### 6.5 Continuous learning

Long-term sustainability of central government finances requires that vocational education should provide a solid foundation for students' employment and that it meets the changing competence needs of business life and enterprises. The audit completed in spring 2021 found that the implementation of the reform had progressed in line with the objectives. According to the principle of continuous learning, the education system should support the combination, deepening and targeting of different skills, not only through qualifications and qualification units but also through smaller education modules. Safeguarding learning in workplaces is of utmost importance for ensuring the sustainability of the education system. The Incomes Register is a useful tool for monitoring the effectiveness of education and training.

The reform of continuous learning was launched in 2021. We are currently preparing an audit in order to produce information on the conditions for the implementation of the reform of continuous learning, on the funding base of the planned service system, and on ensuring the risk management.

## **7 Audit operations: Information Governance**

The impact area Information Governance is responsible for issues related to:

1. common information flows in the management of central government finances
2. reliability of national-level information
3. development of the cost-effectiveness of production
4. development of the state group information
5. central government risk management and internal control
6. compliance with the budget.

The audit work of the impact area ensures, in material respects, that the state budget is complied with and that the state's financial management has effective internal control. From 2020 onwards, we apply a new procedure in the audit of the lawfulness of the state's financial management and compliance with the budget. This applies particularly to the financial audit conducted in the impact area.

### **7.1 Development of the audit of compliance with the budget and the lawfulness of financial management (financial audit)**

In its financial audits, the National Audit Office verifies the reliability and usability of information on central government finances and the realization of good governance. Reliable information on central government finances and the state's financial position contribute to sustainable central government finances. The NAOF's core expertise and the related insight are formed in connection with and on the basis of auditing. The NAOF supports reforms and changes in public administration with its expertise both during audits and in governance development projects, and through opinions, articles, and other interaction.

The financial audit conducted by the NAOF implements all of the NAOF's strategic impact targets both as an audit type and in its audit questions. In addition to auditing, a key means to influence is expert activities both during the audit and in all forums that are relevant for impact work. Through its wide-reaching and regular contacts related to financial audits, the NAOF promotes the implementation of the principles of good governance and the sharing of good practices in the management of central government finances, strengthens Parliament's budgetary and legislative powers, and supports the administration operating under the Government in the management of central government finances.

The audit questions that are the most essential in the audit of compliance with the budget will be audited in a centralized manner during the planning period. The criteria for the centralized audit will be defined in such a manner that they are uniform for all accounting offices. We will utilize data analytics in the audit, and we will not make any limitations specific for certain accounting offices. In addition to the centralized audit of compliance with the budget, we will take into account the special characteristics of each government agency in the implementation of and compliance with the budget.

The audit of common information flows in the state's financial management has also been centralized in material respects. The aim is to conduct the audit of these information flows in a centralized manner in material respects until the transaction audit required. The controls related to shared processes will be tested both in the audit of the service centre and in government agencies. We will not make any limitations specific for certain accounting offices in the audit.

In the planning period, government agencies will be audited according to teamwork principles in such a manner that the teams will be responsible for the audit of several agencies. The aim is to take the special characteristics of each agency into account already in the organization of the audit. This will make it easier to target the audit work in the planning period at the most essential transactions and operating processes from the agencies' perspective.

Financial audit reports will be prepared in the planning period on the final central government accounts and on the financial audits of ministries, accounting offices, and certain funds. The audits conducted by the National Audit Office will continue to cover the ministries and accounting offices, which are obligated by law to prepare final accounts, certain off-budget funds, and the final central government accounts.

We will promote the digitalization of audits and software robotics during the planning period in all sectors of audit work so that new procedures can be introduced quickly and efficiently. The goal is to further automate data transfer and develop analytical audits utilizing data from several sources. Financial audits will be developed during this audit period to better utilize data analytics and to target them by means of analytical assessment and automation, using a risk-based approach. In this development work, we will utilize centralization of tasks, for example, to further reduce and centralize manual work. The goal is to verify a significant part of the data given in final accounts and notes to them by means of automated and centralized audits.

Data analytics will be developed to meet the needs of audit work in close cooperation with the development of audit methods and the organization of audits. The reorganization of audits contributes to efficient integration of the benefits of data analytics with our procedures. The methodology based on financial audit standards also works very well with financial audits conducted using data analytics.

In connection with the development of financial audit, we will launch an information system development project. The aim is to compile the entire audit process and the key work phases and guidelines related to it in the information system. The division of tasks between the different financial audit teams can also be managed by means of the information system.

## 7.2 Common information flows in the management of central government finances

Common information flows in the management of central government finances cover specified shared processes of the state's financial management. These processes are need-to-payment, order-to-collection, entry-to-final-accounts, payroll administration, and travel. The processes are mainly shared by all government agencies, and they operate in shared information systems. A key actor in the shared processes is the Finnish Government Shared Services Centre for Finance and HR. Audit work related to these processes will be centralized in material respects until the necessary transaction audit.

The aim of the audit is to produce an adequate amount of appropriate financial audit evidence on the accuracy of the accounting-office-specific final accounts insofar as the accounting transactions are performed in the shared processes: the aim is to present an opinion based on reasonable assurance on the final account items concerned or their assertions. Another aim is to ensure that internal control is appropriately organized and that the provisions laid down have been complied with.

The audit of the shared processes is planned on the basis of materiality and risk in such a manner that the audit can efficiently address the identified risks and thereby ensure that the processes and the information systems used in them comply with the rules and that the internal control related to final accounts information is appropriate and adequate. Audits targeted at the shared processes reduce the audit risk involved in the opinions given in the financial audit reports of the service centre and the accounting offices that are its customers.

In the planning period, the audit of the shared processes will be developed in the audit team for shared processes and in a separate financial audit development project. This requires continuous renewal of the procedures applied in financial audits.

State aid activities must be effective, and their effectiveness must be assessed continuously. This is a key requirement and applies to both the state aid authority and the entities receiving state aid. A significant annual aid package consists of government grants distributed through the proceeds of gambling activities. Gambling proceeds have decreased annually, and therefore it may be necessary to prioritize government grants in a new way. In this case, effectiveness should be a key criterion when government grants are allocated.

## 7.3 Reliability of central-government-level information and improvement of State Group information

The final accounts of accounting offices have been audited annually in financial audits. During the planning period, the audit work will continue to be performed without any limitations per accounting office, but the organization and implementation of the audits will be developed. The audits will be conducted to a greater extent from the perspective of central government final accounts. The targeting of audits will be strongly based on materiality and risk.

The National Audit Office has audited and will continue to audit central government final accounts annually. The information contents of central government final accounts will continue to consist of the final accounts of the accounting offices, the reliability of which will thus determine whether the central government final accounts give a true and fair picture. Material balance sheet items are still missing from the balance sheet of the accounting offices and central government. The most significant item is defence materiel. The balance sheet also lacks part of the national heritage. The reliability and information content of central-government-level information will continue to be developed in this respect.

No consolidated accounts are prepared for the State Group. Internal transactions of different central government actors are material. They include transactions between government agencies and also between central government and entities controlled by it. During the planning period, the National Audit Office will, in a manner appropriate to its role, support projects related to the improvement of State Group information and also prepare to audit this information. Uniform financial information on the State Group would contribute to the improvement of the overall operational management as well.

A significant part of the state's long-term liabilities consists of pensions for which the state is liable. In the state budget, pension expenditure is a significant expenditure item. The objective of our audit is to provide an overall picture of how pensions are managed outside the state's direct financial management. Another objective is to provide an overall picture of the steering of other entities than central government actors and how this differs from central government steering. The aim is also to compile an overall assessment of the state's long-term pension liabilities. Our audit examines how central government finances have prepared for an increase in the pension liabilities annually financed from the budget. It will also be ensured that the use of state funds outsourced to pension institutions and pension companies is appropriately regulated, supervised and legal.

## 7.4 Compliance with the state budget

Compliance with the state budget means that the budget has been prepared in accordance with relevant provisions and regulations and that public administration uses appropriations, revenue estimates, and budget expenditure and revenue in compliance with the budget, and the related provisions and regulations.

When the budget is applied, it is necessary to be aware of the budget valid at any given time and the relevant provisions related to it. During the year, it is important to monitor changes made to the budget, such as supplementary budgets approved by Parliament, permissions to exceed variable appropriations, changes to the account scheme, any letters granting unallocated appropriations for specific uses, and any changes to the most relevant provisions governing the state budget. The audit work aims at promoting knowledge of the budget as a key steering document in central government.

When auditing compliance with the budget, the National Audit Office will pay special attention to

- compliance with the key budget principles
- compliance with the legislation governing gross and net budgeting
- the use of items
- types of appropriations, and overrun and carry-over of appropriations
- categorization of expenditure
- justifications for the budget and their wording
- budgeting of authorizations
- allocation of expenditure, revenue, and authorizations to the budget year.

Through our audit work, we have promoted the uniformity of the state budget and the clarity of budget practices. The follow-up of the audit is conducted when the budget for 2022 is prepared.

## 7.5 Central government risk management and internal control

The use, introduction and utilization of new digital technology, and the rapid changes in the ICT technology of the operating environment call for rapid solutions, clear operating models and allocation of responsibilities, as well as foresight. The problem with the current steering model is that it is unable to respond in a sufficiently quick and timely manner to emerging challenges and risks, which will become more probable and relevant as a result of new methods and technologies. New technologies and methods will also cause new kinds of significant risks and threats to information

and cyber security and data protection, for example. The management of these risks and threats will be increasingly important.

From the perspective of effective financial management and central government revenue, it is absolutely essential that the taxation process is effective and efficient. Effectiveness is also linked with the automation of the process and with ensuring that the right amount of statutory taxes is collected at the right time. The Act on the Assessment Procedure for Self-Assessed Taxes has been in force since 2017, and it has not been subject to any audits. The off-the-shelf software reform (the Valmis project) has been underway in the Finnish Tax Administration since 2013. The project will end in 2020, when all tax information systems have been replaced by a new uniform information system. The system covers all types of tax.

The increasingly limited resources of central government will also cause many kinds of risks to digital capability. In view of the utilization of ICT technology, public administration suffers from uneven distribution of competence. Public administration has limited possibilities of competence development. If resourcing problems or any defects in present competence are fixed by outsourcing, there is the risk that outsourcing is used in wrong functions or in a wrong way.

Central government is increasingly dependent on ICT technology, and digital procedures and technologies are used in almost all central government functions. It was found in the audit that systems are rolled out into production while their development is still in progress, which results in incomplete controls, for example. Another risk is central government's competence and ability to order large information system projects and supervise their implementation. This may result, for example, in a substantial delay in the introduction of an information system, in a significant overrun of the cost estimate, and in partial obsolescence of the system upon introduction.

When auditing government agencies, the National Audit Office always goes through the information systems that are important to the management of central government finances, and the NAOF directs its audits annually to the most essential information systems.

## **8 Monitoring and oversight operations: Fiscal policy monitoring**

The ultimate goal of fiscal policy monitoring is to ensure that the fiscal policy and its preparation promote the sustainability of general government finances. The monitoring verifies the setting of fiscal policy targets and assesses compliance with rules and achievement of the targets. It also verifies the reliability of the forecasts on which the fiscal policy is built. Another goal is to promote transparent rules that are easy to understand.

The independent fiscal policy monitoring duty is governed by the Fiscal Policy Act (869/2012), the Government Decree on the General Government Fiscal Plan (120/2014), the Fiscal Stability Pact of the European Union and its common principles on national fiscal correction mechanisms (COM 2012/342), the European Union Budgetary Framework Directive (2011/85/EU) and Regulation (EU) No. 473/2013 of the European Parliament and Council.

### **8.1 Regular monitoring duties**

The monitoring is primarily targeted at statutory duties, which include assessment of compliance with the Fiscal Policy Act and the Government Decree on the Central Government Fiscal Plan, issued thereunder, as well as an assessment of the achievement of the targets set for the general government fiscal position. The duties also include monitoring the correction mechanism included in the Fiscal Policy Act. Furthermore, the statutory monitoring duties include regular assessment of the reliability of the macroeconomic and fiscal forecasts on which the fiscal policy is based. The regular monitoring covers the preparation and implementation of the General Government Fiscal Plan and compliance with the central government spending limits. The scope of the monitoring also includes assessment of compliance with the EU Stability and Growth Pact.

As part of its monitoring duties, the NAOF issues public assessments of and opinions on the achievement of the fiscal policy targets, compliance with the rules, impacts of the measures taken, and reliability of the forecasts of the Ministry of Finance.

## 8.2 Focus areas of operations and reporting in the planning period

The focus in the planning period will be on the development of the methods and tools used for assessing the impacts of fiscal policy measures, and the aim is to further increase the share of independent analysis in reporting. A key task in view of the objectives of the ongoing parliamentary term 2019–2022 will be assessing the employment measures taken by the Government. The development projects will examine the usability of macro-modelling and micro-simulation. If necessary, we will also utilize external research contracts.

The output gap has a key role for the rules and stance of the fiscal policy, and the NAOF will highlight the uncertainty related to its assessments and compare the results with those provided by alternative methods. In 2021, the NAOF will improve the visibility of the alternative description of cyclical conditions developed by the NAOF, i.e. the heat map and the composite indicator derived from it.

The external assessment of the NAOF's fiscal policy monitoring task, launched in 2020, will continue in 2021. The assessment is conducted by the OECD, and the results will be utilized in the development of the NAOF's operations.

Because of the Covid-19 crisis, the escape clause that allows deviations from the achievement of the EU's fiscal policy objectives remains in force in the EU in 2021. For this reason, the NAOF does not assess compliance with the preventive arm of the Stability and Growth Pact in 2021 as referred to in the European Fiscal Compact. The fiscal policy monitoring assessment to be published in May 2021 will focus on assessing the contents of the General Government Fiscal Plan of spring 2021 and the progress of the Government's employment measures. A more extensive fiscal policy monitoring report will be published in December 2021 as a separate report submitted to Parliament. Because of the Covid-19 crisis, the assessments will, on a regular basis, deal with the economic measures taken by the Government to mitigate the economic impacts of the crisis. In addition to this, the assessments will pay attention to the stabilization of general government finances and debt sustainability after the crisis. Both reports will assess the realism of the economic forecast of the Ministry of Finance on which the General Government Fiscal Plan and the budget proposal are based.

The National Audit Office reports on its main observations in fiscal policy monitoring twice a year. In normal circumstances, the report published in the spring focuses on an ex-post examination of compliance with the Stability and Growth Pact and the spending limits, on the preparation of the General Government Fiscal Plan, and on assessing the realism of forecasts. The separate report to be submitted to Parliament towards the end of the year assesses the management of general government finances, compliance with the Stability and Growth Pact (ex-ante assessment), and achievement of the national goals and rules in the light of the budget proposal. The separate report to be issued at the end of 2022 will compile the observations made by fiscal policy monitoring and audit of the entire parliamentary term. The National Audit Office reports on the reliability of the forecasts of the Ministry of Finance regularly, approximately every two years. The next separate report focused on fiscal forecasts will be published in 2021.

## 9 Monitoring and oversight operations: Oversight of the legality of election and political party funding

As a politically independent actor, the National Audit Office is a credible and fair oversight authority in issues concerning election campaign and political party funding. The oversight operations can detect and prevent funding that is in violation of the Act on Political Parties or the Act on a Candidate's Election Funding and thus influence the legality of election and political party funding. The oversight enables improper funding to be detected.

Based on legislation, the tasks include reception and publishing of funding disclosures, communication with the disclosers, verifying the correctness of the received documents, and actions for verifying compliance with the statutory limitations. The National Audit Office has a purpose-built information system for the document management and the publication of disclosures.

The oversight of election campaign and political party funding is an established part of the operations of the National Audit Office. As far as the tasks laid down in the Act on Political Parties are concerned, it is a permanent duty requiring permanent resources. The duties regulated by the Act on a Candidate's Election Funding are election-specific but constitute a recurrent process. The tasks related to post-election reports require resources even during years when there are no elections.

## 9.1 Targeting of the oversight

According to the Act on Political Parties (10/1969, amended by 683/2010) and the Act on a Candidate's Election Funding (273/2009), it is a duty of the National Audit Office to receive election campaign funding disclosures and oversee their correctness. From the beginning of 2016, the National Audit Office has also overseen the state subsidies granted to political parties.

## 9.2 Focus areas in development

A working group set by the Ministry of Justice to develop the legislation on political party and election campaign funding started working in 2019, and its mandate will expire in May 2021. The National Audit Office holds two permanent expert positions in the working group. Any legislative amendments will be taken into account in the development work. The information system used for the oversight will be revamped to enable the National Audit Office to also receive election campaign funding disclosures on regional elections. The oversight of the district organizations of political parties will be based on electronic materials to the extent possible.

## 9.3 Plans for the oversight of political party and election campaign funding in 2021–2025

The content and schedule of the oversight reports are governed in material respects by the Act on Political Parties and the Act on a Candidate's Election Funding. The National Audit Office will meet the statutory reporting requirements. The reports will present views on the functioning of the legislation.

The following reports will be submitted to Parliament based on the Act on a Candidate's Election Funding:

- A report on the 2021 municipal elections will be published in December 2021
- A report of the 2023 parliamentary elections will be published in December 2023
- A report on the 2024 presidential elections will be published in September 2024
- A report on the 2024 European Parliament elections will be published in February 2025
- A report on the 2025 municipal elections will be published in December 2025.

The possibility of regional elections in 2022 is taken into account in the planning.

The following reports will be submitted to Parliament based on the Act on Political Parties:

- A report on the oversight operations in 2021 will be published in March 2022
- A report on the oversight operations in 2022 will be published in March 2023
- A report on the oversight operations in 2023 will be published in March 2024
- A report on the oversight operations in 2024 will be published in March 2025.

# 10 Digitalization of the audit and monitoring operations

The National Audit Office has launched a digitalization development programme for 2021–2023 in accordance with its strategy. The objective of the programme is to productize digital and data analytics solutions that will free our experts' time for the actual audit work at all project phases – from planning to implementation and to making audit information available to our customers and stakeholders.

The programme is divided into four areas, the first one of which is knowledge-based management and the building of a digital foundation. The objectives will be implemented gradually from the beginning of 2021.

## 10.1 We are developing knowledge-based management of audits

We aim to define how we can support our experts' work by digital and data analytics services in audits combining the different audit types of the NAOF. To this end, we will launch the concept development of digital audit in 2021 together with audit experts and selected customer and stakeholder groups. The concept will be gradually incorporated into our operations through the digital development model and portfolio management.

The objective is to genuinely streamline the main audit processes and the related support processes from start to finish. The streamlining will be planned and implemented gradually. At the same time, we will promote the introduction of a common audit system, i.e. the digital and data analytics tools we have productized, in our audits.

In addition to the knowledge-based management of audits and their planning, we will develop the knowledge-based management of the entire NAOF's operations: we will develop data analytics and reporting for the NAOF's management to provide information on the basis of which we will be able to plan and implement our audit projects effectively.

## 10.2 We will strengthen the development of knowledge and data management as well as the technical foundation for digitalization.

We will start building the digital foundation from three entities. First, we will launch a digital development and change management model and introduce new roles and information systems to support it. This will create a system for ensuring that development proceeds in a controlled manner as a whole. We will develop the skills needed for digitalization, on the one hand, by identifying the competence required by the digital transformation in different roles and, on the other hand, by providing our staff with opportunities to develop in practical projects.

Second, we will continue to develop our data architecture on the basis of our current information management model and the needs of our operations. We will turn the existing information resources into a form that is better usable in auditing and ensure that we have such information management processes and roles that enable us to process information in accordance with the requirements and in a controlled manner. We will develop and expand our opportunities to utilize and cultivate public administration information and other external information that we need in our audit and monitoring.

Third, we will draw up a target architecture for the NAOF's digital and data analytics services and start its implementation, responding to the most critical needs of our operations.

To support digital development, we will find the necessary external partners. Once we have built a strong digital foundation for the NAOF, we will continue the digitalization according to our strategy in a controlled manner in the coming years so that we can produce effective audit information in a verifiable and secure manner.

## 11 International activities

Through international cooperation and interaction, the National Audit Office is able to draw on the experience of other supreme audit institutions in its work and share its own expertise. This supports the efficient implementation and development of external audit and monitoring and thereby creates preconditions for a sustainable reform of public finances and administration both in Finland and internationally.

The key focus areas in the NAOF's international audit cooperation in the planning period 2021–2025 are:

- the societal impact of audit work and the role of supreme audit institutions (SAIs) in promoting general government reforms and sustainable financial management
- digitalization and data analytics
- the Sustainable Development Goals (SDGs) of the UN 2030 Agenda
- environmental auditing
- responding to emerging issues, e.g. sharing peer information and developing competences needed in audits of measures related to the pandemic and climate crises.

The National Audit Office participates extensively in cooperation projects on these themes and shares information and experiences by various means in accordance with the principle of joint development of external auditing.

One of the core tasks of the international cooperation in which the NAOF participates is the development of the standards and guidelines of external audit (INTOSAI Framework of Professional Pronouncements). The NAOF participates in this development work in the International Organization for Supreme Audit Institutions (INTOSAI). The National Audit Office also participates in international audit and monitoring cooperation within the scope of external audit of the EU financial management and independent fiscal policy monitoring and is the national audit body that acts in cooperation with the European Court of Auditors.

In 2021–2025, the National Audit Office of Finland holds the presidency of the INTOSAI Working Group on Environmental Auditing (WGEA). The secretariat of this working group, which is the largest one in the INTOSAI (76 participating countries), operates at the NAOF and is responsible for the practical issues of the working group and for implementing the work programme. During the planning period, the NAOF will also participate in several other INTOSAI working groups, e.g. the working groups on public debt, big data, financial modernization and regulatory reform, SDGs and their indicators, and the impact of science and technology on auditing.

Until April 2021, the NAOF is a member of the Governing Board of the European Organization of Supreme Audit Institutions (EUROSAI). The NAOF is responsible for the area of Emerging Issues and Forward Thinking and serves as Vice President in two Covid-19-related project groups: Auditing the Response to the Covid-19 Pandemic, and Preparing for Future Risks and Climate Crisis. The NAOF also participates in the EUROSAI working groups on environmental auditing, audit ethics, and IT audit.

Within the framework of the EU Contact Committee, the Audit Office chairs the Fiscal Policy Audit Network and participates, for example, in the activities of the Banking Union Working Group. In addition, the National Audit Office participates actively in Nordic cooperation and in the Nordic Covid-19 and foresight networks.

The NAOF has a multilateral cooperation agreement in data analytics with the Netherlands, Great Britain, Norway, Germany, and Brazil as well as bilateral cooperation agreements with, for example, the SAI of Bhutan. The National Audit Office acts as the external financial auditor in the Baltic Marine Environment Protection Commission – Helsinki Commission (HELCOM), the European Southern Observatory (ESO), and the European Organization for Nuclear Research (CERN). The NAOF also cooperates with international organizations such as the UN, the EU Commission, and the OECD.

## 12 Focus areas in HR policy development

The HR policy is based on the values of the National Audit Office, and it implements the NAOF's strategy. The HR policy is focused on and aims at competent and wellbeing personnel. The HR policy defines the vision and ambition for the NAOF's human resource management and development. It provides the foundation for systematic and long-term human resource management. The HR policy is based on the NAOF's values. It determines the principles for the management of HR issues and sets out the NAOF's operating principles for HR management.

Competence management ensures that the National Audit Office has the competence needed to perform its duties and implement its strategy. To enable its employees to adopt new working methods and a new operating culture and increase their digital capacity, the National Audit Office must commit itself extensively to competence development measures and resourcing. Competence management includes annual competence discussions with all employees and measures planned and implemented on the basis of them to support competence development. Each employee is responsible for maintaining and developing the professional skills and competence required by their duties. Key forms of competence development are on-the-job learning through working in different projects and competence sharing. The employees are also offered a wide range of opportunities to participate in training in order to maintain and develop their professional and work community skills.

The core of the NAOF's strategic change is increasing its societal impact by unifying operating methods and increasing interaction between the employees. The NAOF's projects utilize all employees' competence flexibly. Project work in teams requires teamwork and team leadership skills, project competence, the adoption of a coaching leadership culture, and the ability for systems thinking. The staff's potential and competence development is supported according to the strategy, systematically and sustainably over a long term. We invest in development, particularly in strategically critical areas.

In supporting the employees' competence management and success at work, key roles are played by continuous dialogue about the targets and development, feedback, and coaching leadership. The aim of coaching leadership is to increase interaction and thereby to help the employees to work in a target-oriented manner and achieve their targets. A new competence management system will be introduced to support competence management and personal development discussions.

The NAOF's staff planning and recruitment will focus on the strategic competence needs. The underlying principle is that external recruitment will be used for filling any competence gaps that cannot be filled by training the existing employees, by using internal job rotation, or by reorganizing the employees' duties. External recruitment due to retirement, a leave of absence, or other personnel changes will focus on acquiring new competence required to carry

out the NAOF's duties. Unlike in the old operating method of the National Audit Office, a trial period can be used in external recruitments in the future.

The employees' motivation and wellbeing play an important role. To develop wellbeing at work, the NAOF has introduced the VMBaro survey of wellbeing at work. The NAOF will utilize the results of the survey when drawing up a plan for developing wellbeing at work in cooperation with the staff. A few concrete development measures will be selected for the planning period, and the implementation of the plan will be monitored by conducting the survey annually. In addition, the wellbeing of the work community will be monitored by real-time workplace atmosphere surveys. To maintain the work capacity, we will continue to operate according to the active support model in order to identify and reduce risks related to work capacity early on. We ensure that our employees are treated equally by taking the measures described in the updated equality and non-discrimination plan.

Achievement of the HR policy goals is monitored regularly at quarterly meetings between the management and the personnel organizations. All of the HR policy themes are monitored and assessed.

### 13 Focus areas in competence development

Competence development is one of the focus areas of the strategy period. Through competence development, we aim at obtaining abilities to do things in a new way and thereby create a new kind of organizational culture according to our strategy.

The changing operating environment and the requirements set by the audit sector will shift the focus of competence development towards broader and more versatile competence paths. In 2020, we defined the competence areas that are critical to our operations and that help us to ensure that we have the sufficient competence and skills to operate both now and in the future. The 12 critical competence areas of the National Audit Office are:

1. Analytics and data competence
2. Knowledge of public administration
3. Knowledge of general government finances
4. Risk management knowledge
5. IT system and digitalization knowledge
6. Audit competence
7. Knowledge of societal impact and networking
8. Project work knowledge
9. Interaction and teamwork skills
10. Coaching leadership skills
11. Systems thinking skills
12. Strategic thinking and operations skills

The critical competence areas will be used as a framework in the development of the personnel's competence. In 2021, competence development at the NAOF level will focus on:

- the development of digital capacity, including, among other things, the development of analytics and data skills, as well as IT system and digitalization knowledge
- strengthening activities according to the new operating model, which includes deepening the project work knowledge and developing the skills of managing your own work and self-leadership
- knowledge of societal impact and networking
- systems thinking skills.

In addition to developing new kind of competence, the NAOF will continue to maintain its extensive and versatile audit competence. It will continue to be possible for the NAOF's auditors to pursue domestic and international certifications in auditing as part of their work.

#### 13.1 Development of digital capacity

Technology is developing rapidly, which enables us to develop new operating models for both audit work and all of the NAOF's activities. Our aim is to develop our competence so that we can, for example, acquire, combine and utilize new

kinds of data in the audit work. We need new skills for automating data processing and analysis. The importance of knowledge related to information management will also be emphasized in 2021.

The digitalization of the audit environment requires us to have a better understanding of the operating principles of information systems and of the processes, controls and risks associated with their management. We also need to be more familiar with the principles, procedures and technologies used in the digitalization of functions and services.

### 13.2 Strengthening activities that are in line with the new operating model

The National Audit Office has adopted a project organization, where all work is done in projects. Working in projects means working together instead of working alone. Compliance with common rules is emphasized, and people's strengths are better utilized. We will continue to focus on the development of teamwork and project management skills, coaching, and interaction skills.

The transfer from a hierarchical model to a project organization that gives responsibility requires the adoption of new ways of working. Dismantling hierarchies increases freedom at work and experimenting, which will open opportunities for the organization. Our competence development will focus on skills and competences that support and promote working in the new organization model. Strengthening self-management and shared management in teams promotes the transition to a genuinely learning, responsible and creative organization.

### 13.3 Knowledge of societal impact and networking

In the future, it will be even more important to know our stakeholders and partners. We practise the ability to identify, join and form networks that are useful for our activities. In order to succeed, we are also required to be able to adapt our own activities according to the actors in the network.

In order to increase our societal impact, we will focus on negotiation, presentation, and facilitation skills in the coming years. By developing these skills, we will support our ability to engage in dialogue, listen, and hear.

### 13.4 Systems thinking skills

In order to have a societal impact, we must be able to identify increasingly how our audits relate to complex and broader cross-sectoral issues or phenomena. We need to be able to examine matters in a more comprehensive and systemic manner than before. When discussing the conclusions of our audits and the recommendations made on the basis of them, we must also be able to link different future scenarios to the systemic models. We will develop the systems thinking skills in connection with the planning of audit projects and our societal impact work, for example.

### 13.5 In competence development, we will emphasize on-the-job learning.

Competence development will no longer mean only individual one-off training sessions or programmes. The perspective is shifting more and more towards learning that continues throughout the career and competence that develops in different duties at all stages of the career. We aim to support and promote on-the-job learning and find new forms and operating models to this end. At the same time, we will improve the capacity of our staff to provide and receive feedback as a natural part of everyday work. In team-based working, on-the-job learning is supported by learning from others as well as sharing one's own expertise.

## 14 Societal impact targets and performance targets

The target of the National Audit Office is to have societal impact. From the perspective of our operations and duties, societal impact has the following meaning:

### **Improved cost-effectiveness of the management of central government finances**

We influence the cost-effectiveness of the management of central government finances by having a dialogue based on our audit information with the Government, other actors steering central government finances, and the public administration that implements the decisions taken.

### **Improved trust in the knowledge base of decision-making**

Our audit operations ensure that the knowledge base of decisions on central government finances and financial management is reliable and of high quality.

### **Improved trust in Finnish central government acting openly, cost-effectively, and sustainably**

We help to ensure that taxpayers and international actors operating with the Finnish society can trust the ability of the Finnish central government to act openly, cost-effectively, and in an economically sustainable manner.

### **The management of general government finances is sustainable**

We help to ensure that general government finances are managed in a responsible manner, taking into account long-term sustainability. Fiscal policy complies with the rules, and the measures taken are counter-cyclical.

The NAOF reviews its external impact by monitoring the implementation of its audit recommendations and the opinions of the Parliamentary Audit Committee, by regularly requesting its stakeholders' view on its activities, and by monitoring the achievement of its performance targets.

In order for the National Audit Office to achieve its impact targets, we have identified the following performance targets. The achievement of the performance targets provides the conditions and foundation for the societal impact of our operations.

#### **1. We provide timely and material information that decision-makers can utilize in the development of operations**

We provide timely and relevant information on areas according to our societal impact targets. Our target is to have an impact during the entire audit process. We know when and what kinds of issues the NAOF should address and target its audit work at. The information and recommendations we provide are taken into account in the development of operations, and we are requested to provide diverse expert information and opinions.

Indicators: Implementation of the audit plan, stakeholder surveys, feedback survey, percentage of implemented recommendations, number of opinions and hearings, number of external website visitors, number of blog post and briefing paper readers, the target groups' engagement rate on Twitter

#### **2. Our opinions are observed in fiscal policy preparation and decision-making**

The Government takes into account the assessment information and opinions we provide through fiscal policy monitoring when preparing and making decisions on fiscal policy, and we are requested to provide expert information on many kinds of issues related to the management of general government finances.

Indicator: Self-assessment

#### **3. Our customers appreciate our interaction and mutual dialogue**

We understand our stakeholders' operations and are able to offer them audit findings in a manner that meets their needs. The audited entities find that communication during the audit works well.

Indicators: Stakeholder survey, feedback survey, number of working group members

#### **4. We diversify the methods of producing information**

To strengthen our societal impact, we will use new technologies and diverse means of producing information. We conduct multi-type audits in order to provide the decision-makers with more diverse information.

Indicators: Number of new methods introduced, number of multi-type audits, percentage of implemented multi-type audit recommendations

**5. We have competence that foresees and meets the needs of operations**

We implement our strategic competence development plan efficiently. We implement development plans that conform to the NAOF's targets and support the employees' individual targets, thereby developing the skills and competence we will need in the future.

Indicators: Personnel survey on critical competence areas, and competence discussions

**6. The NAOF is a healthy and well-functioning work community**

Our personnel feel that we have a healthy and well-functioning work community. We assess this particularly from the perspectives of the personnel's cooperation, motivation, work capacity, and ability to reform, as well as supervisory work and leadership.

Indicators: Personnel survey and the number of absences due to sickness

We report on the progress and achievement of the performance targets regularly in connection with our financial statement.

## Management commitment

We commit to acting in a consistent, predictable, and encouraging manner that complies with the values set out in the strategy of the National Audit Office. We aim at providing the employees with as good conditions as possible to implement the audit plan. We commit to managing and developing the audit, monitoring and expert operations for which we are responsible, and to working in cooperation to ensure that the performance targets laid down in the audit plan can be achieved as well as possible.

We will manage people and their work by setting goals and creating the prerequisites needed for achieving the goals. We will support each other and other employees in management duties to ensure that shared management will create the prerequisites for efficient high-quality work that has societal impact, a good work atmosphere, and a functional work community.

We will carry our responsibility for the shared management and active development of the National Audit Office in different management forums and in our special responsibility areas specified in the Rules of Procedure.

Helsinki, 16 December 2020

Tytti Yli-Viikari  
Auditor General

Mikko Koiranen  
Director

Matti Okko  
Director

Jaakko Eskola  
Director

Heli Mikkilä  
Director

Pirkko Lahdelma  
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Anna-Liisa Pasanen  
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Leena Juvonen  
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Tuula Sandholm  
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Riitta-Liisa Heikkilä  
Director

Miikka Saarteinen  
Director

Juhani Heimsch  
ICT Director

Jaana Beversdorf  
Communications Director

Jenni Leppälahti  
Planning Director

## Appendices

### APPENDIX 1

#### Spending limits calculation 2021–2025

Spending limits	2019 FS	2020 BP	2021 BP	2022 BP	2023 BP	2024 BP	2025 BP
<b>Budget/spending limits</b>	<b>15,669,000</b>	<b>15,804,000</b>	<b>16,554,000</b>	<b>16,554,000</b>	<b>16,554,000</b>	<b>16,554,000</b>	<b>16,554,000</b>
Carried forward from previous year	2,251,536	2,539,197	2,749,452	2,263,692	1,777,932	1,492,172	1,406,412
<b>Available appropriations in total</b>	<b>17,920,536</b>	<b>18,343,197</b>	<b>19,303,452</b>	<b>18,817,692</b>	<b>18,331,932</b>	<b>18,046,172</b>	<b>17,960,412</b>
Salaries and bonuses	12,158,776	12,392,995	12,939,010	12,939,010	12,939,010	12,939,010	12,939,010
Rents for premises	662,606	583,000	583,000	583,000	583,000	583,000	583,000
Other operating expenses	2,559,957	2,617,750	3,517,750	3,517,750	3,317,750	3,117,750	3,117,750
<b>Operating expenses total</b>	<b>15,381,339</b>	<b>15,593,745</b>	<b>17,039,760</b>	<b>17,039,760</b>	<b>16,839,760</b>	<b>16,639,760</b>	<b>16,639,760</b>
Carried forward to following year	2,539,197	2,749,452	2,263,692	1,777,932	1,492,172	1,406,412	1,320,652

## APPENDIX 2

## Spending calculation (operational and financial plan calculation)

National Audit Office of Finland

Operational and financial plan 2021–2025

Updated on 29 October 2020

## Adjusted plan data

Responsibility area	2019	2020	2021	2021	-	2022	-	2023	-	2024	-	2025
	Financial statements	Budget	Budget proposal	Change +/-, €	Operational and financial plan 2022	Change +/-, €	Operational and financial plan 2023	Change +/-, €	Operational and financial plan 2024	Change +/-, €	Operational and financial plan 2025	Change +/-, €
Salaries and operating expenditure												
NAOF (two-year deferrable appropriation)	15,669,000	15,804,000	16,554,000	750,000	16,554,000	0	16,554,000	0	16,554,000	0	16,554,000	0
Salary expenditure	12,158,776	12,392,995	12,939,010	546,015	12,939,010	0	12,939,010	0	12,939,010	0	12,939,010	0
Operating expenditure	3,222,563	3,200,750	4,100,750	900,000	4,100,750	0	3,900,750	-200,000	3,700,750	-200,000	3,700,750	0
Operating expenditure, section 21.40.01 final accounts	15,669,000	15,804,000	16,554,000	-	16,554,000	-	16,554,000	-	16,554,000	-	16,554,000	-
Operating expenditure/year	15,381,339	15,593,745	17,039,760	-	17,039,760	-	16,839,760	-	16,639,760	-	16,639,760	-
Item to be carried forward	2,251,536	2,539,197	2,749,452	210,255	2,263,692	-485,760	1,777,932	-485,760	1,492,172	-285,760	1,406,412	-85,760
Available appropriations total	17,920,536	18,343,197	19,303,452	-	18,817,692	-	18,331,932	-	18,046,172	-	17,960,412	-
VAT expenses total (21.40.29)	523,330	650,000	650,000	0	850,000	200,000	850,000	0	850,000	0	850,000	0
Operating expenditure and VAT expenditure total	15,904,670	16,243,745	17,689,760	-	17,889,760	-	17,689,760	-	17,489,760	-	17,489,760	-
+/- Change 2020–2024, total	-	-	-	2,406,270	-	-285,760	-	-685,760	-	-485,760	-	-85,760

## Deferrable appropriation

The appropriation intended to cover the National Audit Office's operating expenditure has been budgeted as a deferrable appropriation (2 years) in the same way as the operating expenditure of other government agencies. According to the State Budget Act, a deferrable appropriation may be carried over, in part or in whole, from one fiscal year to another within the three budget years following the year during which it was added to the budget, provided that the budget does not indicate that the deferrable appropriation may only be carried over to the following budget year. On account of the nature of the deferrable appropriation, the spending limits table includes the column "Operating expenditure/year". After the end of the budget year, any unused part of the appropriation may be carried over to the following budget year. Deferrable appropriations are carried over in connection with the final accounts. It is a budget expenditure item for the fiscal year concerned, but it will not be entered into the business accounts until the year when it is actually used. Therefore, a transferable appropriation may be used to realise projects that span over the course of several years.

## APPENDIX 3

## Personnel resource framework 2021–2025

Personnel resource development	2021	2022	2023	2024	2025
Personnel expenditure forecast (€)	12,902,902	13,050,413	12,774,784	12,677,712	12,470,116
Personnel expenditure forecast excl. holiday bonus leaves (€)	12,735,164	12,880,758	12,608,712	12,512,902	12,308,005
Personnel expenditure goal (€)	12,939,010	12,939,010	12,939,010	12,939,010	12,939,010
Target – Forecast excl. holiday bonus leaves	36,108	-111,403	164,226	261,298	468,894
Person-year forecast (person-year = 180 person-workdays)	148.1	146.9	139.9	137.5	135.0
Person-year target (person-year = 180 person-workdays)	144.0	144.0	144.0	144.0	144.0
Person-years: target–forecast	-4.1	-2.8	4.1	6.5	9.0
Working hour distribution per main function, target, audit and monitoring	50% / 72 py	50% / 72 py	50% / 72 py	50% / 72 py	50% / 72 py
Working hour distribution per main function, target, other core operations	25% / 36 py	25% / 36 py	25% / 36 py	25% / 36 py	25% / 36 py
Working hour distribution per main function, target, support functions	25% / 36 py	25% / 36 py	25% / 36 py	25% / 36 py	25% / 36 py
Working hour distribution per main function, total	100% / 144 py	100% / 144 py	100% / 144 py	100% / 144 py	100% / 144 py
Personnel position structure forecast (% of euros, person-years), top management	1% / 1 py	1% / 1 py	1% / 1 py	2% / 1 py	1% / 1 py
Personnel position structure forecast (% of euros, person-years), management	19% / 20 py	17% / 17 py	14% / 16 py	13% / 15 py	14% / 13 py
Personnel position structure forecast (% of euros, person-years), service teams	17% / 36 py	17% / 34 py	17% / 31 py	18% / 32 py	17% / 32 py
Personnel position structure forecast (% of euros, person-years), audit and monitoring experts	63% / 92 py	65% / 95 py	68% / 92 py	67% / 89 py	68% / 89 py
Total personnel	100% / 149 py	100% / 147 py	100% / 140 py	100% / 137 py	100% / 135 py
Retirement (person-years), actual/forecast (persons)	2	0	1	3	0