

## Appendix 1: Fiscal policy monitoring and audit plan 2024–2027

### Fiscal policy monitoring

The ultimate goal of fiscal policy monitoring is to ensure that fiscal policy promotes sustainable public finances and that its preparation provides good prerequisites for decision-making. The monitoring focuses on the setting of fiscal policy targets and on assessing compliance with the rules and achievement of the targets. It also aims to verify the reliability of the forecasts used in fiscal policy-making. Another goal is to promote rules that are transparent and easy to understand. The independent fiscal policy monitoring task is governed by the Fiscal Policy Act (869/2012), the Government Decree on the General Government Fiscal Plan (120/2014), the Stability Pact of the European Union and the 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.

The monitoring focuses primarily on statutory duties. As part of its monitoring duties, the National Audit Office issues public assessments of and opinions on the achievement of fiscal policy targets, compliance with fiscal rules, impacts of the measures taken, and reliability of the forecasts of the Ministry of Finance. The main findings of the fiscal policy monitoring are reported twice a year: in spring / early summer and at the end of the year. The report published at the end of the year is submitted to Parliament for consideration.

In addition to the regular reports, the fiscal policy monitoring function prepares statements to Parliament according to an established practice when Parliament is discussing the General Government Fiscal Plan and the budget proposal for the coming year. The fiscal policy monitoring function also participates in the expert discussion on fiscal policy, for example by organising seminars and through blog posts and research publications. Expert networks are utilised in the activities. The key stakeholders include the Economic Policy Council, the Ministry of Finance, the Bank of Finland, and Statistics Finland, which also participate in the meeting of a group of fiscal experts organised annually by the NAOF.

In 2024, the fiscal policy monitoring function will launch a study to analyse the fiscal policy measures taken in 2020–2022 due to the Covid-19 pandemic to support the economy. The analysis will focus on the allocation and timing of the measures, and the appropriateness of their size.

In the planning period 2024–2027, the regular monitoring will be significantly affected by the ongoing reform of the EU fiscal framework and the amendments made to national fiscal legislation as a result of the reform. The reform will affect both the rules whose compliance will be monitored and the scope of the monitoring activities. The statutory duties of independent fiscal institutions may increase. Legislative work on the reform is still underway. The situation brings uncertainty to the planning of tasks, as the escape clause related to the current framework will be deactivated at the beginning of 2024. The escape clause has allowed Member States to deviate from the achievement of the fiscal objectives set out in the EU framework. The fiscal policy monitoring function prepares to monitor compliance with the rules according to the new framework and will adapt the assessment of compliance with the EU's Stability and Growth Pact to the forthcoming framework.

The fiscal policy monitoring function will continue to develop the content of its activities and strengthen its analysis methods. A key long-term development project is the construction of a comprehensive framework for analysing general government finances, which began in 2023. The framework will serve, for example, the monitoring of compliance with fiscal rules, the assessment of the adequacy of corrective measures, and the assessment of the reliability of economic forecasts. The aim is to have the analysis framework fully available for regular assessment tasks in 2025. Development work is carried out in interaction with national expert bodies.

The fiscal policy monitoring function will continue the regular publication and use of the business cycle heatmap and the composite indicator derived from it (including the forecast), i.e. the alternative way it has developed to measure the business cycle, in its regular reporting. The development will continue during the planning period 2024–2027, and a similar set-up will also be developed for analysing the business cycle in other EU countries.

The competence of the fiscal policy monitoring staff in the assessment tasks falling within the scope of the monitoring and in the methods and analysis tools essential for the tasks will be expanded and deepened through the NAOF's internal training.

The fiscal policy monitoring function also engages actively in expert cooperation in international networks of independent fiscal institutions (IFIs). At present, the active cooperation networks are the Network of EU IFIs, the Commission-led EU Network of IFIs (EUNIFI), the OECD-led Working Party of PBO and IFIs, and the IFI network of the Baltic and Nordic countries. International cooperation also takes place at the initiative of the European System of Central Banks and the European Fiscal Board.

### **Fiscal policy audit**

Fiscal policy audit is part of the external audit task that is assigned to the National Audit Office by law and that is subject to the international ISSAI audit standards. Fiscal policy audits are typically targeted at the information base and steering framework of fiscal policy. The themes of fiscal policy audits are, in principle, non-recurring, whereas fiscal policy monitoring involves continuous monitoring and reporting on largely established assessment areas. Fiscal policy audit supports fiscal policy monitoring: audit findings may raise issues that will then be monitored as part of the fiscal policy monitoring. On the other hand, audits can supplement the oversight task. The National Audit Office chairs the Network on Fiscal Policy Audit, operating under the Contact Committee of the Supreme Audit Institutions of the European Union (EU CC), and participates actively in the Network's operations even otherwise.

Three previously launched fiscal policy audits will be continued in 2024. The audits focus on the effectiveness of the municipalities' assessment procedure, the methods of forecasting general government debt, and the information base of climate and energy policy. The first two of these audits will be completed and published in 2024. The target is to publish 1–2 fiscal policy audits annually during the planning period 2024–2027. In the planning of new fiscal policy audits, the focus is, among other things, on the functioning of the financial steering of the wellbeing services counties. During 2024, follow-ups will be carried out on two fiscal policy audits: Functioning of the central government spending limits system (8/2021) and Reliability of fiscal statistics (12/2022).

A new fiscal policy audit to be launched in 2024 will focus on the assessment and reporting of discretionary fiscal stance.

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