

Election and party financing provided by state-owned companies and unincorporated state enterprises in 2006-2009 and ownership steering

The purpose of the audit was to examine the size and extent of economic support, for or without consideration, provided by state-owned companies and unincorporated state enterprises to political parties, associations connected to political parties, candidates or candidates' support groups. The audit also examined the state's ownership policy and ownership steering as well as companies' and enterprises' activities in relation to legislation, steering and recommendations on corporate governance in this respect. The audit covered the period from 1 January 2006 to 30 June 2009, during which a presidential election (2006), a parliamentary election (2007), local elections (2008), regional elections (2008) and a European Parliament election (2009) were held.

The audit was conducted by surveying domestic state-owned companies, unincorporated state enterprises, the ministries responsible for ownership steering and political parties in the party register. The audit did not focus on parties, but the information requested from parties was used to check election or party financing provided by state-owned companies and unincorporated state enterprises. On the basis of an analysis of the responses that were received, companies and enterprises had gone over ledger and accounting data thoroughly and used their expertise and experience in financial and business management and internal audit to respond to the National Audit Office's request for information. The National Audit Office went over the information received from companies and enterprises to ensure that the information that was supplied by them was consistent and adequate to achieve the objectives of the audit. During the course of the audit discussions were also held with officials responsible for ownership steering and companies' and enterprises' auditors to verify and supplement information.

According to the audit, during the period from 1 January 2006 to 30 June 2009, total election and party financing provided by state-owned companies for consideration (purchases) amounted to about one hundred thousand (100,000) euros on the basis of the survey, which considering the volume of companies' operations can be considered negligible. The total net sales of all state-owned companies (groups) was about 28 billion euros in 2008. About half of group had not provided any election or party financing.

Total election and party financing provided by unincorporated state enterprises for consideration was also negligible on the basis of the survey. Four out of five enterprises had made purchases, but these totalled less than seven thousand (7,000) euros. The total net sales of all unincorporated state enterprises was about 2.6 billion euros in 2008.

The amount of election and party financing provided by individual state-owned companies (groups) for consideration varied from about 400 to 28,000 euros and the amount of election and party financing provided by unincorporated state enterprises for consideration varied from about 500 to 4,000 euros.

Total election and party financing provided by state-owned companies and unincorporated state enterprises without consideration (donations) was quite small on the basis of the survey. Only two state-owned companies and one unincorporated state enterprise made donations, which totalled less than two thousand (2,000) euros.

Both purchases and donations were made on the basis of decisions approved by the management of companies and enterprises. Considering the volume of enterprises' business operations and the small size of individual enterprises' contributions, this can be considered an adequate decision-making level within the framework of the Companies Act and the decision-making hierarchy in enterprises.

Recommendations on corporate governance have not dealt directly with election and party financing provided by enterprises. Instead this has been dealt with in recommendations aimed at preventing corruption. The National Audit Office considers that corporate governance helps ensure good practice in providing election and party financing. Recent discussion concerning election and party financing provided by enterprises together with questions and

confusion regarding what has been paid and what enterprises have made payments gives reason to emphasize the significance of corporate governance. With good practices in corporate governance an enterprise and its administrative organs know what has been paid and according to what principles, and payments, which are completely legal in themselves, can be openly and accurately reported if necessary.

Compliance with the recommendation of the Committee of Ministers of the Council of Europe on common rules against corruption in the funding of political parties and electoral campaigns would mean that state-owned companies and unincorporated state enterprises would be prohibited entirely from providing election and party financing without consideration (donations) or for consideration (purchases) to political parties, individual candidates or associations connected to political parties or candidates.

On the basis of the audit, state-owned companies and unincorporated state enterprises have not provided election and party financing to such an extent that the size of election and party financing would require the issuing of guidelines. Nevertheless, because of requirements concerning the transparency of election and party financing, good governance, international anti-corruption recommendations, the avoidance of conflicts of interest and independence, a position concerning election and party financing should be included in recommendations or guidelines issued by the state owner.

The issuing of guidelines, the approval of a decision by the general meeting or an addition to the articles of association would also show compliance with the legislator's will. With regard to openness, in its report a commission that was appointed by the Ministry of Justice to study election and party financing proposed on 6 November 2009 that parties and candidates should be prohibited from accepting election or party financing from state-owned companies. If Parliament approves a prohibition (full or partial) to receive election or party financing, it would make sense to show that the legislator's will has been taken into consideration in ownership steering by including a position on election and party financing in companies' general meeting procedures and decisions. In this case compliance with norms would also be included in the sphere of monitoring procedures under corporate law. A company's auditor would then have a concrete norm (decision by the general meeting, point in the arti-

cles of association) with which to check compliance in an audit if necessary. This would be a good way to help ensure that general meeting practices and monitoring procedures under corporate law are used as an ownership steering tool.