

The steering and administration of off-budget funds

The objective of the audit was to obtain a general picture of off-budget funds' activities by assembling information concerning the purpose, activities, finances, administrative structure and steering of each fund. Another objective was to obtain a picture of how funds as a whole are steered and what kinds of objectives have been set for funds and to survey how ministries steer and supervise funds and their activities. The audit also sought to determine how well budgeting and accounting procedures function from Parliament's viewpoint and whether Parliament is able to receive a true and fair picture of funds' activities.

The Finnish state has 11 off-budget funds. These are the National Emergency Supply Fund, the Agricultural Intervention Fund, the Development Fund for Agriculture and Forestry, the Fire Protection Fund, the Housing Fund of Finland, the State Pension Fund, the State Television and Radio Fund, the Government Guarantee Fund, the State Nuclear Waste Management Fund, the State Guarantee Fund and the Oil Pollution Fund. These funds are steered by six different ministries. At the end of 2007 they had total assets of about 26 billion euros.

Separate legislation concerning individual funds contains different provisions concerning funds' activities, purpose, tasks, organisation, finances, accounts and audit. The central government accounting reform has not been taken into consideration in all the funds, nor have steering and management systems been reformed as recommended by the Working Group on Central Government Accounting and Accounts in all cases.

The information that is received by Parliament concerning funds' activities is meagre and the off-budget position of funds reduces Parliament's budgetary power. To improve information and accountability, legislation concerning funds should be revised according to the recommendations of the Working Group on Central Government Accounting and Accounts, or in other words legislation

should be harmonised. Differences in funds' activities do not present an obstacle to harmonising funds' administration. Harmonisation must not endanger the achievement of the objectives that have been set for funds, however, nor should it lead to an increase in unnecessary or excessively heavy administration. Instead the goal should be the efficiency and appropriateness of activities. Any deviations from principles regarding the organisation and administration of funds should be justified. The central government accounting reform should also be taken into consideration in funds, and steering and management systems should be reformed.

Performance management is agreed between ministries and the agencies and units in their administrative sector. Performance objectives had been set for only one fund. In some cases the ministry responsible for steering has concluded a performance agreement with the organisation managing the fund. The lack of steering constitutes a risk, insofar as off-budget funds may receive less attention than budget funds and the use of off-budget funds may not be monitored as efficiently from the viewpoint of performance.

On the basis of the report on the final central government accounts, the information that is received by Parliament concerning off-budget funds has been meagre. Although the report on the final central government accounts is meant to include only the most important summary information concerning the operational performance of the central government as well as agencies and units and off-budget funds, this has not been done for all off-budget funds. The report on the final central government accounts does not contain an analysis of individual funds' year-end accounts, which was recommended by the Working Group on Central Government Accounting and Accounts.

The matters prescribed in legislation must be included in the report on the final central government accounts for all funds and the information that is received by Parliament concerning off-budget funds must be increased. Off-budget funds form such a significant whole financially that the ministries responsible for steering funds should consider issuing a joint report concerning funds' activities to Parliament each year. This could be part of the report on the final central government accounts and could include an analysis of funds' financial statements.

The ministries have issued opinions on off-budget funds' year-end accounts, but these differ considerably in content and structure. Ministries' opinions on off-budget funds should comply with the requirements that have been set in the State Budget Act.

The meagreness of information concerning off-budget funds in ministries' opinions on year-end accounts, the report on the final central government accounts and budget proposals may have been due to guidelines on the drafting of these documents, according to which documents should be as concise as possible. Guidelines should be revised so that this does not result in a situation in which funds receive too little or no attention in the above-mentioned documents.

The National Audit Office considers that Parliament should be provided information on the basis of which it can form a true and fair picture of off-budget funds. The National Audit Office also considers that there is room for improvement in the steering of off-budget funds as a whole.