
1 POSITIONS ADOPTED BY THE STATE AUDIT OFFICE

The State Audit Office has examined the manner in which performance goals for 2004 were set within the administrative sector of the Ministry of Defence and reports on them made to the Eduskunta. The most important sets of material inspected in the audit were the 2004 budget and the Report on the Final Central Government Accounts, which had to be submitted to the Parliament for the first time, as well as the regulations, orders and guidelines applying to these. The aim with the audit was to ascertain how the goals had been set as well as the adequacy, veracity and appropriateness of performance reporting. On the basis of the audit, the following conclusions are presented:

In the section of the Report on the Final Central Government Accounts describing the results achieved by the administrative sector of the Ministry of Defence in 2004, the goals set forth under the main budget heading are highlighted well in association with the corresponding reporting. On the other hand, text relating to the categories of matters presented is also found in another part of the report, making it unclear in structure. The goals expressed on the level of chapter are presented quite randomly and the description of performance achievement relating to them is not comprehensive in its coverage.

Most attention in the reporting is focused on the effectiveness of impacts on society. A linkage between the appropriations spent and impacts on society has not been successfully achieved. Nor in describing the effectiveness of impacts has any analysis been made of performance relative to the targeted level. The central feature in reporting to the Parliament is accountability for the administrative sector's success in achieving its results and implementing those expressed in the budget.

The Report on the Final Central Government Accounts contains numerous functions and measures in relation to which effectiveness is not itemised nor analysed. Reporting measures that are inadequately linked to each other does not form a reliable overall picture of how goals are being implemented. In addition, there is reporting of measures whose actual effects can be expected to manifest themselves only after the budget year. Reporting does not seem to be conveying to decision makers the information on performance that they need for guidance and decision making.

The reporting does not contain any mention of the assessments of external social impacts nor of the summary of impact assessments that the guidelines call for.

Quite little is told about the operational success achieved by the Ministry of Defence's administrative sector. With the exception of a few individual cases, no information is provided on productivity and economy. Reporting in relation to these aspects is done without a clear linkage to the goal. Quantitative or qualitative data relating to output are presented sparingly. Reporting of the success of operations does not cover all of the sector's activities systematically and comprehensively enough. Sufficient information on the internal efficiency of administration is not mediated to decision makers.

Performance goals for the administrative sector's or office's budget year are clearly itemised in the budget and presented in list form. The performance goals are not presented by result area or policy segment, as result thinking would have required. Changes in the operating environment are described quite well.

No goals at all have been set for economy and productivity. The vast majority of the goals can be categorised as relating to effectiveness.

Most of the effectiveness-related goals are such that achieving the unambiguous reporting that must be associated with them can be regarded as very difficult. These goals are expressions relating

to developing or improving the situation. Since they lack a clear definition of the target level aspired to, they do not constitute a good basis for real reporting of effectiveness.

Nor have time sequences which would reflect the development that has taken place been set out in relation to the goals.

In the Report on the Final Central Government Accounts it is possible - and, for example to allow for unexpected changes in the operating environment, desirable as well - to report also on matters that are not mentioned in the budget. However, it is a fundamental principle in performance-related thinking that the starting point in describing the success of performance is that the results corresponding to the goals have been outlined in the budget. On the other hand, despite the inadequacy of goal formulation, the effectiveness with which goals relating to main functions have been achieved must always be stated in the Report on the Final Central Government Accounts.

In the Ministry of Defence's administrative sector, the appropriations granted by the Parliament are not linked sufficiently well to operational effectiveness. As a consequence, neither the goal formulation nor the accountability for performance that were the subjects of the audit have been done in an appropriate manner.

When developing performance reporting it would be necessary to take the shortcomings outlined in the foregoing and the following recommendations into consideration:

Recommendation 1:

Both presentation of performance goals in the budget and reporting should be made clearer. The entire set of goals for the administrative sector and reporting should be presented in accordance with performance-related thinking, for example by policy segment. The Report on the Final Central Government Accounts and the budget should have similar structures. In developing the defence administration's organisational structure, the perspective of management-by-results should be taken into consideration.

Recommendation 2:

The set of goals should clearly express the hierarchic structure in which the individual goals are located relative to each other. There should be an effort in the goal-related documents to itemise the lower-level goals that are linked to implementation of the higher-level goals set forth in the budget. Reporting of the lower-level goals could constitute a systematic starting point for reporting results relating to the Report on the Final Central Government Accounts.

Recommendation 3:

Thought should be given to the time span adopted in reporting on higher-level goals. For most of the performance-related goals, a one-year reporting interval is too short. The effectiveness of performance goals should be improved in a way that makes it possible to reliably measure and assess how well they have been achieved. The use of time sequences illustrating development should be increased.

Recommendation 4:

Assessments of the social impacts of the administrative sector's activities should in future play a more important role as a component of goal formulation and reporting.

Recommendation 5:

In accordance with the new guidelines, there must be an effort to formulate a concrete set of goals, covering the entire administrative sector on all levels of the organisation, for all sub-factors of operational effectiveness and impacts on society.

The State Audit Office emphasises that appropriate setting of goals and reporting of results are essential in order to ensure that the Parliament's information requirements are satisfied, but that they are also very necessary in the administrative sector's management-by-results.