
THE STATE AUDIT OFFICE'S POSITIONS

The audit focused on the State Nuclear Waste Management Fund, an off-budget fund operating under the Ministry of Trade and Industry. The fund collects money from licence-holders with a waste management obligation during the life of a nuclear power plant to cover the future cost of nuclear waste management. The objective of the audit was to obtain a complete picture of how the fund works and to provide information needed by Parliament concerning off-budget funds. A working group that was appointed by the Speaker's Council in October 2001 to study reporting called for funds' activities to be evaluated according to objectives set by Parliament. The Finance Committee has also noted that Parliament does not receive adequate information concerning off-budget funds or related audits (Finance Committee 25/2002).

The main questions in the audit were how well the fund has succeeded in its statutory task, which is providing for the cost of nuclear waste management, and whether the process of estimating the costs of nuclear waste management has been handled appropriately. The audit did not evaluate the correctness of the total costs of nuclear waste management or the adequacy of securities.

The objectives with regard to financial provision for the cost of nuclear waste management in the Government bill for a Nuclear Energy Act concern ensuring the existence of funds collected for nuclear waste management, the fund's liquidity in case excess amounts need to be returned, the proper scheduling of costs and the protection of assets. When it passed the Nuclear Energy Act, Parliament approved the sections concerning nuclear waste management and financial provision for the cost of nuclear waste management (Chapter 6 and Chapter 7) as they were in the Government bill (16/1985). Parliament did not set objectives for the State Nuclear Waste Management Fund concerning activities in its communication on the Government bill for a Nuclear Energy Act or in its responses to Government bills to amend the Nuclear Energy Act in 1988-2002. From the beginning of 2004 Parliament required that funds collected for research on nuclear waste and nuclear safety be kept separate from other funds. This has been accomplished with different payment points.

With regard to the process of estimating the costs of nuclear waste management, the fact that provision for the cost of nuclear waste management is based on licence-holders' own estimates concerning costs and liabilities can be considered an operational and financial risk. This risk is reduced by the fact that the Radiation and Nuclear Safety Authority is asked for a statement regarding the security of the measures presented in the nuclear waste management scheme. The fact that the Ministry of Trade and Industry has asked the Technical Research Centre of Finland for a statement on cost calculations, even though it is not obligated to do so, can be regarded as a good practice. The ministry should consider adding an obligation to the Nuclear Energy Decree according to which a statement on cost calculations should regularly be requested from at least one research centre that specializes in auditing technical calculations.

The liabilities and cost calculations in the nuclear waste management scheme are based on electricity production estimates. Estimates take into account the need to spread out the costs of large investments. This ensures the proper scheduling of costs.

On the basis of the audit, costs are estimated in accordance with the provisions in the Nuclear Energy Act. The current process of estimating the costs of nuclear waste management can be considered appropriate.

The audit indicated that the fund's lending and investment activities have been conducted appropriately and, according to studies conducted by the fund, in a way that is practically risk-free. The fund has also administered assets so that they have maintained their value. The fact that neither the fund nor the ministry regularly monitors the fund's average return in relation to inflation can be considered a shortcoming. Monitoring should be developed.

The fund's investment activities have revolved around government bonds and serial bonds. If a higher return is desired, investments should be diversified. The Government bill regarded investment activities on the market as a last resort because of their demanding nature, however. Lending to the state is risk-free and the risks involved in lending to licence-holders has been offset by demanding that borrowers provide adequate securities. The payback clauses in bonds are intended to ensure that assets are available if needed. The loan period for licence-holders is one year, so the fund's liquidity in case excess amounts need to be returned has been ensured. The fund's evaluation of securities for loans can also be considered appropriate and adequate.