

# National Audit Office's report to Parliament on the oversight of the funding of political parties in 2020



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NATIONAL AUDIT OFFICE'S  
REPORTS TO PARLIAMENT

R 2/2021 VP





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on the oversight of the funding of  
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# To Parliament



The National Audit Office has overseen compliance with the provisions of the Act on Political Parties (10/1969) regarding support and the use of party subsidies, as well as the preparation and filing of documents covered by the disclosure obligation during the period 1 September 2019 to 31 August 2020.

The National Audit Office submits the annual report on its activities in the oversight of the funding of political parties referred to in section 9 e (4) of the Act on Political Parties.

Helsinki 25 February 2021

**Jaakko Eskola**

Director

**Klaus Krokfors**

Principal Financial Auditor

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# Main content and conclusions

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The Act on Political Parties contains mandatory provisions that apply to political parties and party associations and promote the transparency of funding. The provisions aim at increasing the transparency of political party funding.

The National Audit Office oversees compliance with the provisions laid down in the Act on Political Parties concerning support, the disclosure of election campaign costs and funding, and the preparation and submission of related documents in the activities of the overseen entities. From the beginning of 2016, the National Audit Office has also been responsible for overseeing the party subsidies referred to in the Act on Political Parties.

The overseen entities, i.e. political parties, associations referred to in the party subsidy decision, and entities affiliated to political parties, have submitted their adopted financial statements for 2019 to the electronic political party funding register.

Contributions totalling EUR 33.2 million received by parties, party associations, and affiliated entities were reported to the political party funding register in up-to-date disclosures between 2011 and 2020.

Contributions totalling more than EUR 2.8 million were reported during 2020. The overseen entities can also file up-to-date disclosures on financial support received in earlier years, and the total for the previous years increased retroactively by approximately EUR 1.6 million as a result of the disclosures submitted in 2020. A significant part of the information supplementing the disclosures is the result of the National Audit Office's audits of political party funding. The amount of contributions disclosed for 2019, EUR 4.3 million, is the largest one during the time that political party funding has been monitored.

In 2020, the National Audit Office audited the political party funding of all political parties represented in Parliament and that of certain district organisations and women's organisations receiving party subsidies. The National Audit Office conducted a total of 49 audits. Because of the Covid-19 situation, all audits were implemented by electronic tools.

On the basis of the audits, it can be stated that, after being supplemented, the up-to-date disclosures concerning political party funding are correct in material respects and the information they provide on the support received by the audited entities is correct in material respects.

The audits discovered a number of cases where the recipient had not filed up-to-date disclosures of all the support it had received. As in previous audits, it was also found that it was not possible to obtain a reliable overall picture of the political party funding simply by examining income funding and the proceeds included in the financial statements. The audited political parties and other entities have many kinds of accounting transactions that are regarded as pass-through items. From the perspective of support as referred to in the Act on Political Parties, it is nevertheless important to determine their content.

No contributions clearly violating the restrictions laid down in section 8 b of the Act on Political Parties were discovered in 2020.

The National Audit Office has recommended that the parties should also submit an up-to-date disclosure as referred to in the Act on Political Parties on candidate's contributions and MP's contributions. A large number of such disclosures were submitted in 2020.

As a rule, the overseen entities have kept their accounts appropriately so that it has been possible for the National Audit Office based on them to oversee compliance with the provisions in the Act on Political Parties.

As in previous years, the National Audit Office found inadequacies in the financial audit reports of the overseen entities. The financial auditors have sometimes failed to include the statements required under section 9 c of the Act on Political Parties in their reports. In recent years, the financial audit reports have improved, but the statements included in them have not always proved sufficient and unambiguous.

In the oversight of party subsidies, the National Audit Office has examined the presentation of accounts of the recipients with the obligation to keep accounts. Where necessary, the recipients have been requested to correct their accounts or to submit additional information about their procedures. The audit memoranda the National Audit Office has issued of the audits of political party funding contain observations regarding the state subsidy procedure. The memoranda also draw attention to the allocation of party subsidies to entities other than associations referred to in the Act on Political Parties.

In the audits of political party funding, the National Audit Office has paid attention to the ambiguity of the terms and conditions of party subsidies, to inadequacies in the agreement procedures, and to the need to clarify the term "support". In its audits, the National Audit Office has also recommended that agreements be concluded annually to ensure that the agreement always includes up-to-date information.

As previously, the oversight of party subsidies revealed that the amounts of subsidies that political parties reported as transferred to their district organisations and women's organisations often differed from the amounts reported as received in the district organisations' and women's organisations' audited party subsidy accounts. The transferred subsidies have often differed from the amounts reported as received in the recipients' audited party subsidy accounts and from the entities' accounting, financial statements, and management reports. The overseen entities have been requested to specify their procedures, and after the requested corrections, the 2019 party subsidy accounts of political parties and their district organisations and women's organisations tally with each other. Some of the differences are explained in other financial statements.

The Government has set up a parliamentary election working group for the term of 20 February 2020 to 31 May 2021. The purpose of the working group is to examine the need to amend the Election Act, the Act on Political Parties, the Act on a Candidate's Election Funding, and, if necessary, legislation on other political activities, and to propose any necessary amendments.





# 1 Legislation applied to the oversight of political party funding

The Act on Political Parties (10/1969, as amended) contains mandatory provisions concerning the transparency of funding for political parties and party associations. Greater transparency in political party funding is expected to increase trust in political activities and thereby also to improve voter turnout. Another objective is to prevent corruption and inappropriate interests that influence parties' activities.

The Act on Political Parties contains provisions on support for political parties, party associations, and entities affiliated to political parties. Under the Act, all contributions in the form of money, goods, services, and other contributions, are as a rule regarded as financial support. Only certain contributions specified in the Act are not regarded as support and therefore do not fall within the scope of regulation.

The Act on Political Parties also applies to entities affiliated to political parties. An affiliated entity is an entity or foundation or a trust of an entity or foundation that a political party, with the consent of the entity or foundation in question, reports to the National Audit Office as an entity affiliated to it.

**Under the Act on Political Parties, all contributions in the form of money, goods, services, and other contributions, are as a rule regarded as support.**



The Act on Political Parties also contains provisions concerning restrictions on receiving support. A political party, a party association and an entity affiliated to a political party may receive contributions from the same donor up to a maximum value of EUR 30,000 per calendar year. However, this restriction does not apply to support given to a political party or a party association by an entity affiliated to the party. The Act also contains a ban on receiving contributions from certain public-sector organisations, foreign contributions, or contributions from a donor whose identity cannot be determined.

Under the Act on Political Parties, political parties, party associations and entities affiliated to political parties are obliged to report to the National Audit Office contributions with a value of at least EUR 1,500, as well as their donors. The information contained in these “up-to-date disclosures” is published in the political party funding register maintained by the National Audit Office.

Political parties and the associations named in the party subsidy decision shall itemise their election campaign costs and funding. If the value of the contribution is at least EUR 1,500, the amount of the contribution and the donor must also be specified. The information is also entered in the political party funding register and made publicly available. The first itemisations of election campaign costs and funding were to be sent to the National Audit Office in connection with the financial statements for 2011.



The National Audit Office performs its oversight task independently in accordance with its own audit plan.

The Act amending the Act on Political Parties (683/2010) also included amendments to the provisions regarding the oversight of political parties. After the amendments, the oversight of political parties has been the responsibility of the National Audit Office, the Ministry of Justice, and the auditors of the entities and foundations in question.

According to the Accounting Act and the Act on Political Parties, information on transactions related to external funding and election campaigns is part of the financial statements and thus subject to audit according to the Auditing Act. Under the law, financial auditors shall issue a statement on the correctness of the required information in the financial audit reports for parties, district organisations, and associations receiving subsidies. The financial auditor of an affiliated entity shall express their opinion on whether the received support has been itemised correctly.

The National Audit Office performs its oversight duty independently in accordance with its own plan. The National Audit Office oversees compliance with the provisions laid down in the Act on Political Parties concerning support, the itemisation of election campaign costs and funding, as well as the preparation and filing of related documents.

The Ministry of Justice oversees compliance with the Act on Political Parties insofar as the oversight is not the responsibility of the National Audit Office. Until the end of 2015, it was the Ministry of Justice that was responsible for the oversight related to party subsidies under the Act on Political Parties. After a legislative amendment (1688/2015), the oversight of the state's financial support to political parties, i.e. party subsidies, was transferred from the Ministry of Justice to the National Audit Office on 1 January 2016.

The Act on Political Parties contains a provision on the recovery of party subsidies. As from 1 January 2016, recovery decisions have been made by the National Audit Office.

## **1.1 Those subject to the disclosure obligation and information to be submitted to the National Audit Office under the Act on Political Parties**

The Act on Political Parties contains provisions on different types of information to be submitted to the National Audit Office. Figure 1 illustrates the information to be submitted by each actor

## Disclosures by those subject to the disclosure obligation

### Political party

- Up-to-date disclosure
- Advance disclosure (voluntary)
- Itemisation of election campaign costs and funding
- Summary of up-to-date disclosures
- Financial audit report
- Financial statements and management report
- Accounts regarding the use of party subsidy (if the party has received any)

### Party association

- Up-to-date disclosure

### Those mentioned in the party subsidy decision

- Up-to-date disclosure
- Advance disclosure (voluntary)
- Itemisation of election campaign costs and funding
- Summary of up-to-date disclosures
- Financial audit report
- Financial statements and management report
- Accounts regarding the use of party subsidy

### Entity affiliated to a political party

- Up-to-date disclosure
- Itemisation of the contributions received by the affiliated entity
- Financial audit report
- Financial statements and management report

Figure 1: Those subject to the disclosure obligation and their disclosures under the Act on Political Parties

## Up-to-date disclosure

Under section 8 c of the Act on Political Parties, a political party, a party association, an association mentioned in the party subsidy decision, and an entity affiliated to a political party shall file a disclosure with the National Audit Office on the amount of support received and the donor. The disclosure shall be filed if the value of an individual contribution or the total of several contributions received by the political party, party association or affiliated entity from the same donor is at least EUR 1,500 per calendar year. The up-to-date disclosure shall always be supplemented if, after the disclosure has been filed or supplemented, the value of contributions received from the same donor exceeds EUR 1,500. Hence, more than one disclosure may have to be filed on contributions from the same donor. This means that a disclosure shall always be supplemented whenever the next limit of EUR 1,500 is exceeded (e.g. at EUR 3,001, EUR 4,502, etc.). Whether the donor is the same is determined by the donor's legal capacity.

The National Audit Office does not accept or process disclosures of contributions with a value of less than EUR 1,500. When a disclosure is supplemented, the reported amount of support can, nevertheless, be lower than EUR 1,500.

An up-to-date disclosure shall be filed by the 15th day of the month following the month during which the support was received. Disclosures filed after this date will be considered delayed.

An electronic up-to-date disclosure shall be filed by the 15th day of the month following the month during which the contribution was received.





Parties and the associations mentioned in party subsidy decisions submit their financial statement documents to the National Audit Office.

The political party sees to it that up-to-date disclosures are filed. The political party shall also ensure that its party associations and affiliated entities file up-to-date disclosures of the support they have received.

The disclosures shall be submitted to the electronic funding register maintained by the National Audit Office. Political parties may authorise their party associations and affiliated entities to file their own up-to-date disclosures. In that case, the political party in question is responsible for entering the basic information on the party association in the political party funding register. However, the party is responsible for ensuring that the disclosures are filed in compliance with the Act on Political Parties.

The National Audit Office enters the affiliated entities in its information system on the basis of the disclosures that it has received. After this, a user named as a representative of the affiliated entity can file up-to-date disclosures on behalf of the affiliated entity.

All up-to-date disclosures are available in electronic format on the website of the National Audit Office's political party funding register. Everyone is entitled to obtain information on and copies of the disclosures.

### Financial statements of a political party and the associations referred to in the party subsidy decision

Previously, a political party was obliged to submit to the National Audit Office the following documents of the party and the associations mentioned in the party subsidy decision, as referred to in section 9 b of the Act on Political Parties: the financial statements with notes, the financial audit report, an itemisation of election campaign costs and funding, accounts regarding the use of party subsidies, and the information contained in the up-to-date disclosures referred to in section 8 c of the Act on Political Parties.

On 30 December 2015, section 9 d of the Act on Political Parties was amended (1688/2015) in such a manner that a political party shall now submit to the National Audit Office the following documents of the party and the associations referred to in the party subsidy decision: the financial audit report, the management report, the balance sheet book, and the accounts and other information referred to in section 9 a(1) of the Act.

The filing of financial statement documents applies to the political party and the associations named in the party subsidy decision. Other party associations do not need to submit the above-mentioned information to the National Audit Office.

A political party shall submit to the National Audit Office the following documents of the party and the associations referred to in the party subsidy decision: the financial audit report, the financial statements with notes, and the accounts and information referred to



in section 9 a(1) of the Act on Political Parties. These include accounts regarding the use of party subsidies, the information contained in up-to-date disclosures, and an itemisation of election campaign costs and funding. Under a regulation issued by the National Audit Office (361/41/2011), election campaign costs and funding shall be itemised and reported on an electronic form approved by the National Audit Office.

According to the amendment (1620/2015) of chapter 3, section 1 of the Accounting Act on 30 December 2015, a management report as referred to in section 1 a shall be attached to the financial statements if the reporting entity is

1. a public limited company;
2. a cooperative or a private limited company which is not a micro-enterprise or a small enterprise; or
3. a public-interest entity.

On 30 December 2015, the Accounting Act was also amended in such a manner that it is no longer necessary to prepare a balance sheet book in paper format. The National Audit Office is of the opinion that even after these amendments, the overseen entities should submit their full financial statements to it under the Act on Political Parties, and if an overseen entity has prepared a management report in accordance with its Rules of Procedure, it should also be submitted and published together with the financial statements.

A political party's financial statements with notes, management report, financial audit report, accounts regarding the use of party subsidies, and the information contained in its up-to-date disclosures shall be submitted to the National Audit Office via the electronic party funding register it maintains on the public data network.

The itemisations of election campaign costs and funding shall be sent on an electronic form in connection with the closing of the books for the year when the election was held.

2011	Parliamentary elections
2012	Presidential elections and municipal elections
2014	European Parliament elections
2015	Parliamentary elections
2017	Municipal elections
2018	Presidential elections
2019	Parliamentary elections and European Parliament elections

Figure 2: Itemisations submitted to the National Audit Office on election campaign costs and funding

The National Audit Office publishes the information it receives without delay in its political party funding register. The documents are published in the form they have been submitted to the National Audit Office.

## Financial statements of affiliated entities

An entity affiliated to a political party is an entity or foundation, or a trust of an entity or foundation, which a political party, with the consent of the entity or foundation in question, reports to the National Audit Office of Finland as an affiliated entity. Section 8 a(1) of the Act on Political Parties allows only political parties to report an entity or foundation, or a trust of an entity or foundation, with its consent, as an affiliated entity. Consequently, only a political party entered in the Party Register maintained by the Ministry of Justice can report other entities, foundations, or their trusts as its affiliated entities. Accordingly, an association that has not been entered in the Party Register cannot have affiliated entities, as referred to here, which the association has reported itself.



An affiliated entity submits its financial audit report, financial statements with notes, and other required documents.

Section 9 d of the Act on Political Parties was amended on 30 December 2015 (1688/2015) in such a manner that an affiliated entity shall submit to the National Audit Office its financial audit report, management report, and balance sheet book, as well as the itemisation referred to in section 9 a(2) and the opinion referred to in section 9 c(3) within three months of the adoption of the financial statements of the entity or foundation concerned. An entity or foundation with a trust that has been reported as an affiliated entity shall file the corresponding documents within three months of the adoption of the financial statements of the entity or foundation concerned.

The information on an affiliated entity is submitted in electronic format to the funding register maintained by the National Audit Office. The obligation to file financial statements applies to an affiliated entity starting from the fiscal year during which it was reported to the National Audit Office as an affiliated entity.



 **Keskusta**



**SFP**  **RKP**

*Liike Nyt*



Kristillisdemokraatit  
ARVOISTASI POLITIIKKA.



**vasemmisto**

**Vihreät** De Gröna

**KOKOONOMUS**

## 2 National Audit Office's role in overseeing political party funding

Under section 9 e of the Act on Political Parties (10/1969), the National Audit Office oversees compliance of the activities of a political party, an entity affiliated to a party, and an association referred to in the party subsidy decision (i.e. an overseen entity) with the provisions laid down in the Act concerning support, the disclosure of election campaign costs and funding, and the preparation and submission of related documents and information. In performing this task, the National Audit Office can examine the overseen entity's accounting and use of funds and, if necessary, request the overseen entity to meet its obligations under the Act.

The National Audit Office may, on pain of a fine, require an overseen entity to meet its obligations if it has not submitted, corrected, or supplemented documents or information in spite of being requested to do so, or if it has not been verified that the documents or information are true and fair, and the breach, taken as a whole, is considered substantial. The payment of the fine is ordered by the Sanction and Penalty Board referred to in section 15 of the Act on the National Audit Office (676/2000).

Sanction and Penalty Board may impose a penalty fee.



In other respects, the oversight by the National Audit Office is governed by the Act on the National Audit Office.

The National Audit Office submits an annual report to Parliament on its activities in overseeing compliance with the Act on Political Parties.

By overseeing compliance with the Act on Political Parties and publishing the disclosures referred to in the Act, the National Audit Office contributes to the transparency of political party funding so that the interests of political parties can be assessed in the public arena and by citizens.

Under the Act on Political Parties, the National Audit Office has the right to audit the political parties, associations mentioned in party subsidy decisions as referred to in section 9 of the Act, and entities affiliated with political parties that fall within the sphere of its auditing right.

During the oversight period, the number of political parties entered in the party register was 18. Of these, nine were represented in Parliament and eligible for party subsidies.

The parties receiving party subsidies had a total of 105 district organisations and six separate women’s organisations. The parties had 12 entities affiliated to them. Some of the affiliated entities are also groups of companies based on their ownership.

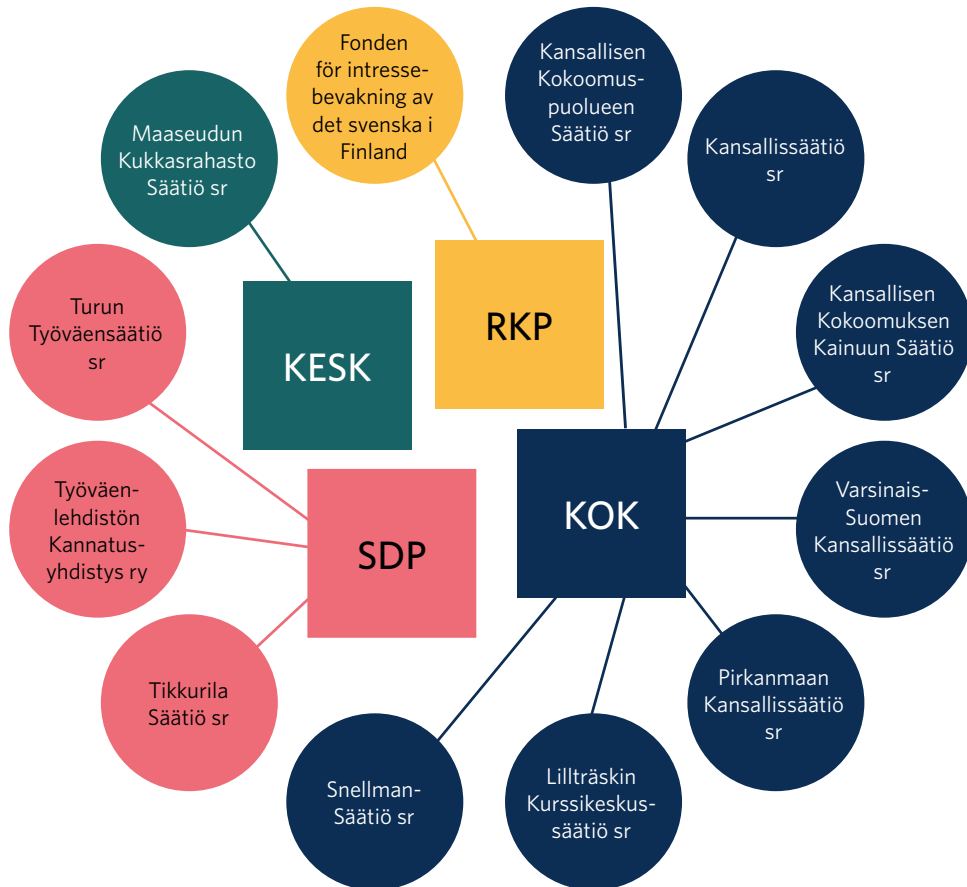



Figure 3: Affiliated entities disclosed by political parties in 2020

In the oversight of compliance with the Act on Political Parties, the goal of the National Audit Office’s long-term planning has been to audit all overseen entities within six years of the start of the oversight duty. In its long-term planning, the National Audit Office must take into account the obligation to retain vouchers, as referred to in the Accounting Act

 Nine political parties have received financial support from the state, i.e. party subsidies.



(1336/1997), and the impact of changes in the boundaries of electoral districts. In its planning, it may also consider the picture it has formed, on the basis of audit findings, of the risks in different entities' operations and internal control.

The long-term audit target was met, and the audit intervals of the district organisations of the political parties represented in Parliament have become shorter. In the following audits, the audit interval will be further shortened.

## 2.1 Measures taken by the National Audit Office as the overseer of political party funding

The Act on Political Parties states that the National Audit Office can issue regulations regarding the filing of up-to-date disclosures (section 8 c), the itemisation of election campaign costs and funding (section 9 b), and the submission of financial statements (section 9 d).

Under the Act on Political Parties, the National Audit Office has issued the following regulations and guidelines:

- National Audit Office's regulation regarding the filing of up-to-date disclosures as referred to in section 8 c of the Act on Political Parties (360/41/2010)
- National Audit Office's general guideline regarding the filing of up-to-date disclosures as referred to in section 8 c of the Act on Political Parties (358/41/2010)
- National Audit Office's regulation regarding the itemisation of election campaign costs and funding as referred to in section 9 b of the Act on Political Parties and the submission of information as referred to in section 9 d(1) of the Act on Political Parties (365/41/2016)
- National Audit Office's guideline regarding the filing of itemisations of election campaign costs and funding, as well as financial statements (367/41/2016)
- National Audit Office's regulation regarding the submission of financial statements and other information for an entity affiliated to a political party as referred to in section 9 d(2) of the Act on Political Parties (364/41/2016)

The regulations and guidelines have been sent to all political parties. The guidelines are also available in the Finlex database and on the website maintained by the National Audit Office at [www.vaalirahoitusvalvonta.fi](http://www.vaalirahoitusvalvonta.fi).

A guideline on processing complaints at the National Audit Office (307/01/2014) repealed and replaced the previous guideline on the same subject matter (02/01/2014) on 1 January 2015.

The National Audit Office has maintained an advice service related to the oversight of election campaign and political party funding since 2010. In addition, the website of the National Audit Office has a section for providing advice in matters concerning the interpre-

tation of the Act on Political Parties. The National Audit Office has also provided advice by email. Questions and answers that are deemed to have broader significance for the interpretation are published on the website.

The information system available to the National Audit Office for performing its duties under the Act on a Candidate’s Election Funding and the Act on Political Parties is used for receiving and publishing both election funding disclosures and the disclosures prescribed in the Act on Political Parties. The disclosures can be filed electronically in the system: after authentication, disclosers can publish their disclosures on the website for election funding oversight in such a manner that the disclosures have a uniform appearance. The National Audit Office enters disclosures received in hard copy format into the information system without delay. The aim of the National Audit Office has been that disclosers would submit all the information laid down in the Act on Political Parties to the electronic election funding register.

In 2020, the National Audit Office carried out a total of 49 audits on political party funding. The auditors were Klaus Krokfors, Principal Financial Auditor, CPFA, Pontus Londen, Principal Financial Auditor, and Hanna Surakka, Senior Auditor.



Figure 4: Process of auditing political party funding

## 2.2 Audit objectives and criteria applied in 2020

The objective of the audits of political party funding carried out in 2020 was to determine the following:

- whether the statutory disclosures filed by those subject to the disclosure obligation provide accounting-based true and fair information about political party funding and compliance with the restrictions concerning support in view of legislation and the needs of oversight,
- whether the disclosers have kept appropriate accounts, as required under the Act on Political Parties, and whether the disclosers have complied with the key provisions on political party funding and the related restrictions laid down in the Act.

The audit criteria were specified on the basis of the Act on Political Parties.





As the National Audit Office has also overseen party subsidies from the beginning of 2016, the goal was also to examine the procedures related to the transfer and use of the party subsidies.

In 2020, the National Audit Office audited all the nine registered parties that were represented in Parliament. In addition, audits were targeted at six women's organisations and 34 district organisations of the parties represented at Parliament. The National Audit Office thus conducted 49 audits in total.

The parties were audited for the period 1 September 2018 to 31 August 2020 (Movement Now, or Liike Nyt r.p., starting from 14 November 2019, when it was registered as a political party) and the district organisations and women's organisations of the parties represented at Parliament for the period 1 September 2016 to 31 August 2020 with the exception of Suomen Kristillisdemokraattien (KD) Keski-Suomen piiri ry, which was audited for the period 1 September 2015 to 31 August 2020. Kainuun Kokoomus ry was audited for the period 1 September 2016 to 31 December 2018.

The audits covered financial statements, management reports, financial audit reports, as well as the accounting transactions during the audit period that were relevant from the perspective of the Act on Political Parties, the up-to-date disclosures filed, the itemisations of election campaign costs and funding, and the party subsidy accounts.

The audited entities were notified of the audits in April 2020, and the audits were conducted in the autumn of 2020 when the electronic materials had been reviewed. Because of the Covid-19 situation, all audits were implemented by electronic tools.

The audit was targeted at the following issues:

- the general arrangement of accounting, payment traffic, and fund management at the audited entity
- itemisation of support funding and costs in the accounting from the perspective of the Act on Political Parties (such as bank accounts, cash in hand, and deeds of donation)
- compliance with the restrictions on support laid down in the Act on Political Parties in political parties during a maximum period of 1 September 2018 to 31 August 2020 and in the audited district organisations and women's organisations during a maximum period of 1 September 2015 to 31 August 2020
- the comprehensiveness of up-to-date disclosures on the basis of accounting, and verification of the content of the disclosures
- monitoring of non-monetary support and its consideration in the disclosure procedure
- comparison of the information in the disclosures filed by the party and another organisation
- appropriateness of the statements in the financial audit report from the perspective of the Act on Political Parties and, if necessary, examination of the content of the financial audit
- procedures concerning the use and transfer of party subsidies.

## 2.3 Restrictions on the oversight

When the results of the oversight conducted by the National Audit Office are interpreted, it is also necessary to observe the key restrictions related to the oversight system.

The transparency of political party funding is mainly restricted by the fact that all party associations do not fall within the scope of the oversight. Under the Act on Political Parties, the National Audit Office is only responsible for overseeing political parties, the associations specified in party subsidy decisions, and the entities affiliated to political parties. There are approximately 150 entities to be overseen. Other party associations are not overseen by the National Audit Office. This means that most of the party associations (approximately 6,000) fall outside the scope of the oversight. Overseeing these would also require significant resources.



Overseeing the approximately 6,000 party associations falling outside the scope of the oversight would require significant resources.





# 3 Disclosures on political party funding and measures related to them

The National Audit Office has overseen the filing of disclosures and documents related to political party funding with its electronic funding register. If necessary, the National Audit Office has requested the overseen entities to supplement or correct the disclosed information and to submit any missing documents.

The audited political parties, district organisations, and women’s organisations were notified of the audits in April 2020. After this, the audited entities submitted the requested materials to the National Audit Office, which conducted the audits according to the audit plan in autumn 2020.

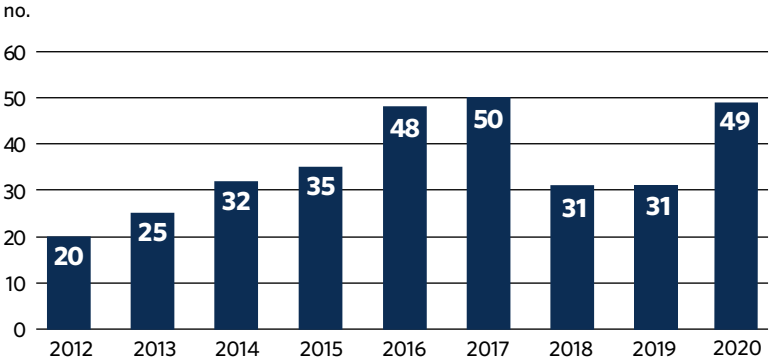


Figure 5: Number of audits of political party funding 2012–2020

The draft feedback memoranda on the audits were submitted to the audited entities for comments in November 2020. The final feedback memoranda were submitted to the audited entities in December 2020. Each political party represented in Parliament also received the draft and final feedback memoranda on the audits of their district organisations. Any comments on the feedback memoranda were to be submitted to the National Audit Office by 8 January 2021. The feedback given consisted mainly of changes of technical nature and notifications of measures taken after the draft memorandum, and the National Audit Office has taken them into account when preparing this report.

### 3.1 The overseen entities' accounting and financial statement procedures

The National Audit Office's oversight task does not directly concern the audited entities' general accounting arrangements. However, as prescribed by law, the National Audit Office publishes in its funding register the financial statements of parties and the party associations mentioned in the party subsidy decision that have been submitted to it. Another duty of the National Audit Office is to oversee that those subject to the disclosure obligation prepare the documents specified in the Act on Political Parties and submit them to it. The National Audit Office can make comments intended as recommendations on the accounting arrangements and financial statement procedures.

The audits strived at first to examine the accounting arrangements of the audited entity specifically from the perspective of monitoring external funding. In the same connection, it was also examined how reliably the actual amount of external funding could be deduced from the accounting data.

As in previous audits, it was found that it was not possible to obtain a reliable overall picture of political party funding simply by examining income funding and the proceeds in the financial statements. The audited political parties and other entities have many kinds of accounting transactions that they regard as pass-through items. Nevertheless, it is important to determine their content from the perspective of support as referred to in the Act on Political Parties.

Under the Act on Political Parties, support does not cover income from market-based business activities of a permanent nature on the general market or income from investments. Nor does support cover fair-value contributions received by a political party or a party association in connection with its ordinary organisational activities or asset management. However, in practice, it is extremely difficult to verify afterwards by means of an audit that the agreement arrangements between, for example, an affiliated entity and a party or a party association have not involved support.

The Accounting Act allows various compensation and adjustment entry procedures that reduce the net volumes of accounts and can influence the conclusions drawn from the financial statements and thereby comparisons between different organisations. When such exceptional procedures have been used, it is not possible, on the basis of the financial statements, to form an adequate picture of the actual amount of external funding received by political parties.

The obligation to keep accounts applies to all associations and foundations under chapter 1, section 1 of the Accounting Act (1336/1997). Under chapter 2, section 4 of the Act, all cash payments shall be recorded in the order of payment without delay on a daily basis.



The National Audit Office publishes the financial statements of parties and the associations mentioned in the party subsidy decision.



Under an amendment to the Act on 30 December 2015 (1620/2015), all cash payments shall be recorded on a daily basis. Other entries and combined entries in auxiliary accounts can be transferred to the main accounts on a monthly or other similar basis unless more specific entries are required by another act or regulations issued under it.

Pursuant to chapter 2, section 9 of the Accounting Act, financial statements, ledgers, vouchers, and other accounting material shall be retained carefully in compliance with the requirements of section 7 so that they can be reviewed in Finland by an authority or auditor without undue delay.

It was discovered in the audit that, at the time of the audit, there were a few material inadequacies in keeping the accounts up to date or in organising the accounts. Even if they had only a small number of vouchers and entries in their main accounts, the overseen entities should keep their accounts as up to date as possible. This is necessary so that any up-to-date disclosures and contributions can be monitored on a cumulative basis.

For the sake of clarity, the audited entities were requested to close any unnecessary bank accounts and modify their account scheme to make it more appropriate. The National Audit Office requested the audited entities, when necessary, to also itemise party subsidies, other contributions, and payments received from support foundations in their accounts and financial statements.

The content and scope of the financial statements submitted to the National Audit Office vary. As in previous audits, the openness to interpretation of section 9 a(1) of the Act on Political Parties with regard to the application of the new financial statement obligations appeared in the audit in that the audited entities had interpreted the information to be presented in connection with financial statements in various ways. In addition, there had been differences in the interpretation of the amendments made in late 2015 to the obligation to prepare and submit a management report. However, the National Audit Office has requested the overseen entities to submit their management report if they have prepared one.

The non-registered association Sosialidemokraattiset Naiset operates as part of the Social Democratic Party of Finland (Suomen Sosialidemokraattinen Puolue r.p.). However, the non-registered association in question has its own bookkeeping and bank account. Vasemmistonaiset, an association responsible for women's activities in the Left Alliance (Vasemmistoliitto r.p.), is not a registered association, either, but a network and, in practice, part of the party's own operations. Thus, the financial statements submitted to the political party funding register by these two parties also include those of the unregistered associations.

## 3.2 Financial audit reports of the overseen entities

The provisions of section 9 c of the Act on Political Parties regarding the arranging of financial audits entered into force on 1 January 2011. These provisions apply to the financial audits of political parties receiving party subsidies, associations mentioned in the party subsidy decision, and affiliated entities. The provisions do not apply to political parties that do not receive party subsidies.

Under the Auditing Act, not all associations are obliged to elect an auditor. Some of the associations to which section 9 c of the Act on Political Parties does not apply may elect a performance auditor, who prepares a performance audit report. The election of a performance auditor or the preparation of a performance audit report have not been taken into consideration in the Act on Political Parties, which only contains references to a financial audit report. However, the National Audit Office also publishes performance audit reports.

Under section 9 c of the Act on Political Parties, the auditor of a political party receiving party subsidies, or another association referred to in the party subsidy decision, shall be an authorised public accountant or a similar authorised entity.

In the financial audit report, in addition to what is laid down in the Auditing Act, the auditor gives an opinion on the following:

1. whether the use of party subsidies and related reporting have complied with the provisions of the Act on Political Parties and the terms and conditions of the party subsidy decision, and
2. whether the provisions of the Act on Political Parties concerning support, restrictions on support, and the disclosure of election campaign costs and funding have been complied with.

In addition to what is laid down in the Auditing Act, the auditor of an entity affiliated to a political party or an entity or foundation with a trust that is an affiliated entity gives an opinion on whether the affiliated entity's activities have complied with the provisions in the Act on Political Parties concerning support and restrictions on support.

The contents of the financial audit reports varied in such a manner that some of them lacked opinions in accordance with section 9 c of the Act on Political Parties. The auditors of some entities have also given separate opinions or notifications. Opinions required under the law have also been expressed after the audits. Some of the audited entities had a performance audit report as well as a financial audit report.

Although the obligation to prepare a management report has become less strict following the amendment of the Accounting Act, the Auditing Act still requires auditors to express an opinion in their audit report on the consistency of the management report and the financial statements. If the auditor cannot express an opinion on this, this must be stated in the financial audit report.

The audits of political party funding found that, in some cases, the auditors had amended the financial audit report they had issued. In such a case, the financial audit report must be provided with a new date, and the entity must process it in the same way as the previously issued financial audit report. If this has not been done, the National Audit Office has requested the overseen entity to attend to this.





The objective of the Act on Political Parties is that the oversight of compliance with the Act's provisions should be based essentially on the financial audits (by their own auditors) of political parties receiving party subsidies and their affiliated entities, district organisations, and women's organisations. The special provisions on financial audits laid down in the Act on Political Parties do not apply to political parties that do not receive party subsidies or the basic branches or local associations of political parties. The oversight of party entities thus depends largely on the election of professional auditors with the necessary expertise and knowledge of their tasks and the related reporting requirements. However, according to the National Audit Office's findings, this is still not always the case, as inadequacies were found in the financial audit reports of several overseen entities. In this respect, the oversight system does not yet fully function in the intended manner.

The audits of political party funding also paid attention to the manner in which auditors had interpreted the requirement of section 9 c of the Act on Political Parties, under which the auditor shall express an opinion on whether the use of the party subsidies and the reports on its use have complied with the Act on Political Parties and the party subsidy decision. The audits found cases where the auditor had issued the financial audit report before the cost accounting form for the party subsidies received during the year in question had become available or had been submitted to the state aid authority.

The financial audit reports rarely disclose the period or year to which the opinion on the reports on the use of party subsidies applies. Therefore, the National Audit Office recommends that the overseen entities should process their party subsidy accounts for the previous year already in connection with their financial statements and that the accounts should be made available to the auditors before the issue of the financial audit report.

### **3.3 Filing of the overseen entities' financial statements and information on election campaign costs and funding**

According to chapter 3, section 6 of the Accounting Act (1336/1997), the financial statements shall be prepared within four months of the end of the accounting period. According to section 9 d of the Act on Political Parties, a political party shall submit its financial statements and the information referred to in section 9 a(1) of the Act on Political Parties to the National Audit Office within three months of the adoption of the financial statements. The documents and information required of an association referred to in the party subsidy decision shall be submitted within one month of the adoption of the association's financial statements, and the documents required of an affiliated entity within three months of the adoption of the financial statements.



## Not all financial information referred to in the Act on Political Parties was received conveniently in an electronic format corresponding to the original documents

Apart from a few exceptions, the financial statements for 2019, as referred to in the Act on Political Parties, and the information on election campaign costs and funding were submitted to the electronic political party funding register maintained by the National Audit Office. Part of the information to be submitted to the National Audit Office was not received through the system until the audit was underway.

The itemisation of election campaign costs and funding should be traceable from and reconcilable with bookkeeping and other accounts. Careful documentation of the itemisation grounds also facilitates the preparation of the itemisation and subsequent verification of the information. However, in practice, not all overseen entities had carried out the documentation with equal thoroughness.

If necessary, the National Audit Office has at first requested the entities obliged to supply financial statements to submit the missing financial statements information and after that, if necessary, sent them a letter concerning a hearing as follows:

Table 1: Reminders and hearings in 2013–2020

Year	Request	Letter concerning a hearing
2020	0	0
2019	0	0
2018	0	0
2017	0	0
2016	2	0
2015	3	0
2014	4	2
2013	15	2

### 3.4 Up-to-date disclosures and supplementing them

Under section 8 c of the Act on Political Parties, a political party, a party association, and an entity affiliated to a political party shall file a disclosure with the National Audit Office on the amount of support received and the donor. The disclosure shall be filed if the value of an individual contribution or the total of several contributions received by the political party, party association or affiliated entity from the same donor is at least EUR 1,500 per calendar year. The up-to-date disclosure shall be supplemented if, after the disclosure has been filed or supplemented, the value of contributions received from the same donor exceeds EUR 1,500. Hence, more than one disclosure may have to be filed on contributions from the same donor.

Contributions totalling more than EUR 2.8 million were reported during 2020. The up-to-date disclosures also apply to earlier years, and the total for the previous years increased retroactively by approximately EUR 1.6 million as a result of the disclosures submitted in 2020. A significant part of the information supplementing the disclosures is the result of the audits of political party funding. The amount of contributions disclosed for 2019 is the largest one during the time that political party funding has been monitored. The up-to-date disclosures published in the party funding register include the supplements made to them after the deadline referred to in the Act on Political Parties.

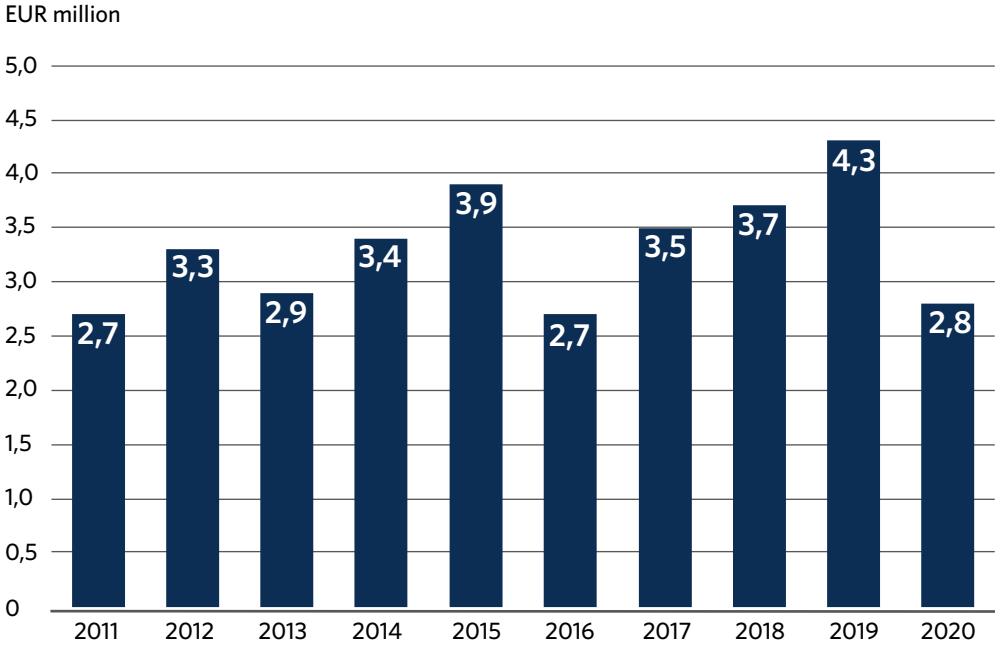


Figure 6: Contributions of at least EUR 1,500 reported to the party funding register in 2011-2020 (up-to-date disclosures)

A total of EUR 33.2 million were reported in up-to-date disclosures as contributions received between 2011 and 2020. The audit found that most of the contributions received by the overseen entities had been reported in the up-to-date disclosures. However, the audit also found contributions as referred to in the Act on Cooperation between Political Parties that had not been reported to the system.

The disclosers were requested to supplement and correct their up-to-date disclosures during the audit. When the contributions for different years are compared, it should also be noted that no elections were held in 2013 or 2016.

Some types of contributions that were not reported are open to interpretation. In most cases, however, they are legal contributions as referred to in the Act on Political Parties that fall within the scope of the disclosure obligation and have not been listed as exceptions in the Act. The audited entities usually regarded such contributions or other bene-



## The audited entities have also been requested to monitor contributions cumulatively.

fits that can be valued in money as pass-through items or transactions based on an agreement. These include, for example, advertising revenue and “candidate’s contributions” and “MP’s contributions” collected by political parties. In addition, one political party collects a contribution from its MEPs for their election campaign costs. Since the size of such contributions and the related collection practices vary significantly, and some individuals may also pay other contributions to the same entity, the cumulative annual disclosure limit of EUR 1,500 can easily be exceeded. The contributions to be disclosed may also be contributions made for consideration either in full or in part.

As it is difficult in practice to make a distinction between the different types of contributions, the National Audit Office has recommended that the disclosers should submit up-to-date disclosures on all contributions by private persons and their support groups. However, all party associations have not complied with this recommendation.

In the course of the audit, the political parties and their district organisations submitted several new up-to-date disclosures. Some of them involved substantial amounts. In the case of considerable monetary or non-monetary support, it may be necessary to report a new affiliated entity to the National Audit Office.

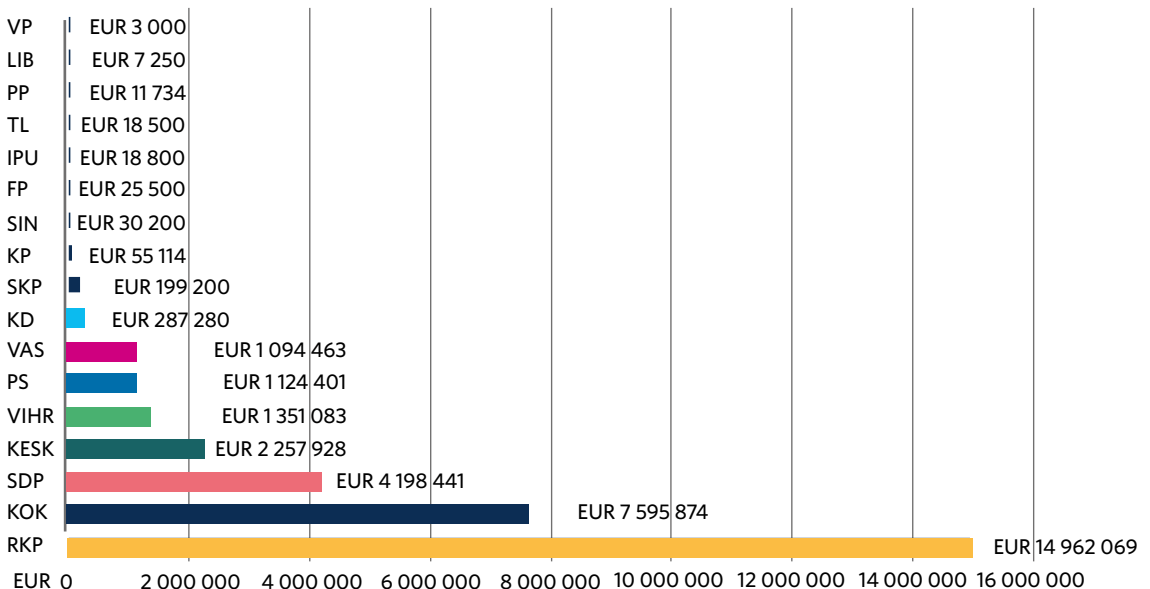


Figure 7: Contributions of EUR 1,500 or more reported to the political party funding register (up-to-date disclosures) in 2011–2020 by political party

During the audit, the audited entities were requested to monitor the contributions they had received cumulatively in order to comply with their disclosure obligation. For example, the total amount collected from a person as a “candidate’s contribution” and an “MP’s contribution” during the same calendar year may exceed EUR 1,500, in which case it exceeds the limit for an up-to-date disclosure. The disclosure limit may also be exceeded, for example, when the officials of an entity subject to the disclosure obligation waive their meeting fees, which, together with other contributions, total at least EUR 1,500 per year. When more than one person from the same organisation attend an event for which a fee is charged, the payer’s total contributions may exceed the disclosure limit.

A total of EUR 33.2 million were reported in up-to-date disclosures as contributions received in 2011–2020. Affiliated entities of political parties accounted for approximately EUR 21.8 million of the total, i.e. approximately 66% or almost two-thirds of the total funding.

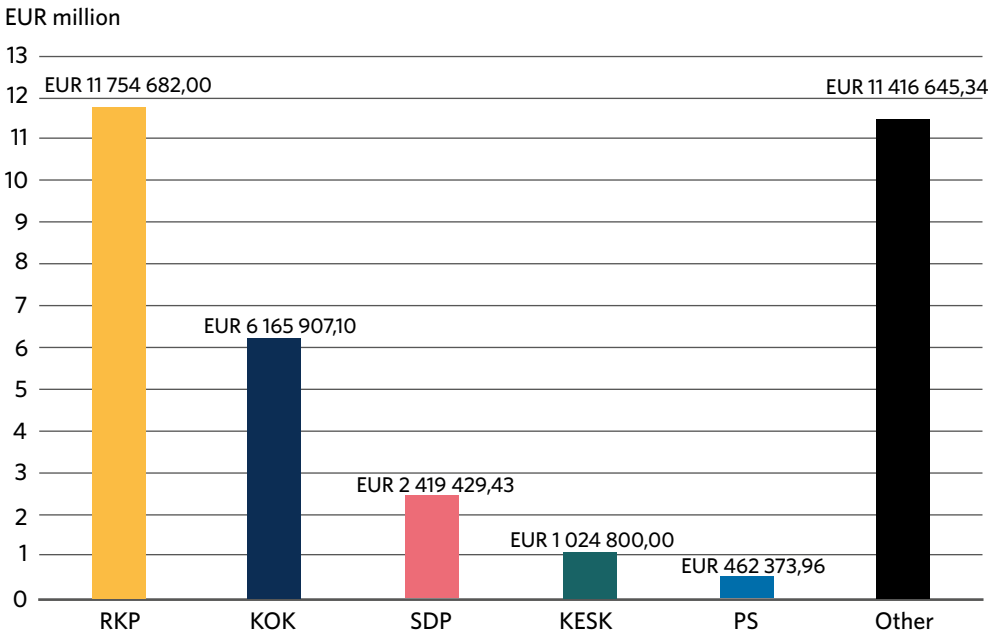


Figure 8: Contributions of EUR 1,500 or more received from affiliated entities and other entities (up-to-date disclosures in 2011–2020)

Table 2: Contributions by entities affiliated to political parties 2011-2020

Organisation	Amount of contribution
<b>Ruotsalainen kansanpuolue r.p.</b>	
Fonden för intressebevakning av det svenska i Finland	11 754 682,00 €
<b>Kansallinen Kokoomus r.p.</b>	
Kansallisen Kokoomuspuolueen Säätiö sr	2 600 000,00 €
Kansallissäätiö sr	1 122 806,00 €
Kansallisen Kokoomuksen Kainuun Säätiö sr	943 492,00 €
Snellman-Säätiö sr	747 062,50 €
Varsinais-Suomen Kansallissäätiö sr	477 826,60 €
Pirkanmaan Kansallissäätiö sr	256 220,00 €
Lillträskin Kurssikeskussäätiö sr	18 500,00 €
<b>Suomen Sosialidemokraattinen Puolue r.p.</b>	
Työväenlehdistön Kannatusyhdistys ry	874 000,00 €
Turun Työväensäätiö sr	882 035,44 €
Tikkurila Säätiö sr	663 393,99 €
<b>Suomen Keskusta r.p.</b>	
Maaseudun Kukkasrahasto Säätiö sr	1 024 800,00 €
<b>Perussuomalaiset r.p.</b>	
JRT-säätiö sr (Perussuomalaisten Tukisäätiö sr) *)	462 373,96 €

\*) The disclosure is directed at June 2018 and was filed late, in April 2019. As from June 2018, the foundation is no longer an affiliated entity.

Tables 2 and 3 reflect the situation at the end of 2020. As subsidies can also be reported retroactively, the amount of contributions in 2020 may change during 2021.

Under the Act on Political Parties, a recipient may receive a maximum of EUR 30,000 in contributions from other donors than affiliated entities per calendar year. This means that one donor may give several different entities up to EUR 30,000 each per calendar year.

Table 3: Contributions by foundations other than entities affiliated to political parties 2011–2020

Organisation	Amount of contribution
Stiftelsen för utbildning och kultur på svenska i Finland sr	EUR 960 000,00
Stiftelsen Tre Smeder sr	EUR 547 000,00
Yksityisyrittäjien Säätiö sr	EUR 300 000,00
Stiftelsen Brita Maria Renlunds Minne sr	EUR 206 000,00
Teollisuuden ja Työnantajain Keskusliiton (TT) -säätiö sr	EUR 160 000,00
Avantisäätiö sr	EUR 92 200,00
Salin-säätiö sr	EUR 61 000,00
Spartacus-säätiö sr	EUR 57 941,00
Maaseudun Säätiö sr	EUR 52 250,00
Imatrankoskenparrassäätiö sr	EUR 49 890,00
Koillismaasäätiö sr	EUR 41 500,00
Satakunnan Kansallissäätiö sr	EUR 32 950,13
Kansan Sivistysrahasto sr	EUR 23 000,00
Keskitiesien säätiö sr	EUR 15 000,00
Maaseudun Yhteisvaliokunnan Säätiö sr	EUR 15 000,00
Pohjois-Pohjanmaan Kansallissäätiö sr	EUR 11 100,00
Stiftelsen för det tvåspråkiga Finland sr	EUR 9 000,00
Kari Mattilan säätiö sr	EUR 3 500,00
Heinolan Sosialidemokraattisen Työväenyhdistyksen Säätiö sr	EUR 3 100,00
Yrjö Sirolan Säätiö sr	EUR 2 000,00

The contributions collected by parties from elected municipal officials are tax-deductible expenses caused by income generation. Even though it is not necessary to report these contributions in up-to-date disclosures, they are of substantial economic importance on the national level. According to information obtained from the Finnish Tax Administration, the tax-deductible contributions collected from elected municipal officials totalled EUR 5.7–7.6 million per year between 2010 and 2019.

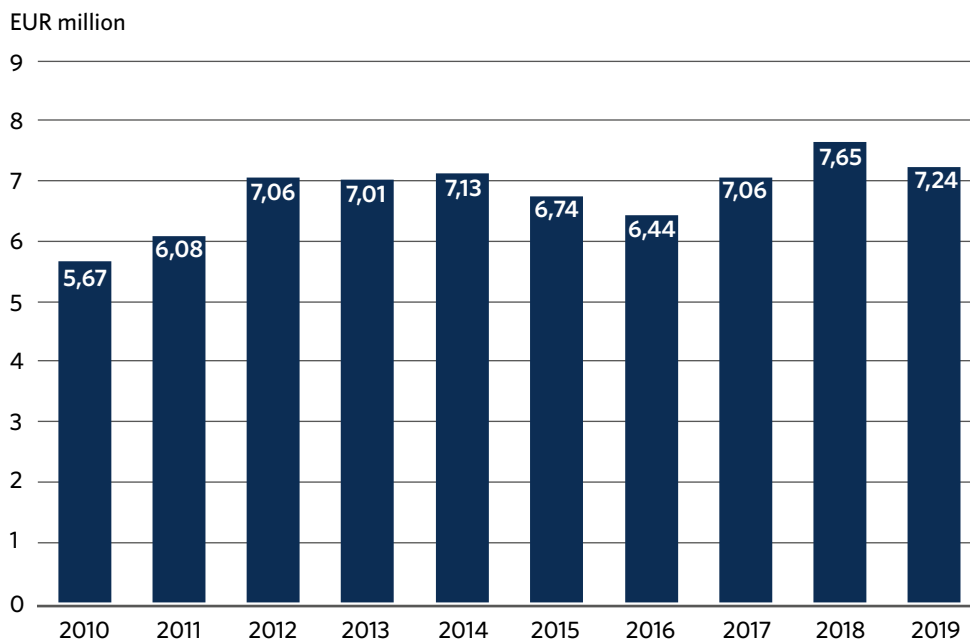


Figure 9: Contributions collected by parties from elected municipal officials in 2010–2019 (source: Finnish Tax Administration)

All the up-to-date disclosures submitted and supplemented during the audit have been published in the funding register on the website maintained by the National Audit Office. If a disclosure was submitted or supplemented after the deadline referred to in the Act on Political Parties, this is also indicated.

Contributions between political parties and their district organisations had also been reported to the political party funding register. As up-to-date disclosures should not be filed on such contributions, the National Audit Office has tried to delete them from the funding register so that the total amount of contributions would not be distorted. On the other hand, the total amounts per calendar year do not necessarily include all support received during the year, as an up-to-date disclosure shall be filed according to law only when the following limit of EUR 1,500 is achieved cumulatively. Thus, if one and the same donor has paid contributions of EUR 1,500 and EUR 300, the political party funding register may show only EUR 1,500, although the total for the year is EUR 1,800.

According to the up-to-date disclosures concerning 2020 (totalling more than EUR 30,000), the largest donors have been entities affiliated to the parties, as expected. However, the largest donors also include foundations that have not been reported as affiliated entities, as well as registered associations. One and the same donor may give more than EUR 30,000 in contributions if the contributions are divided between several recipients and if the contributions per recipient do not exceed EUR 30,000 per year.



Table 4: Entities that donated the most in 2020

Organisation	Amount of contribution
Fonden för intressebevakning av det svenska i Finland	EUR 1 682 100,00
Svenska Litteratursällskapet i Finland rf *)	EUR 150 000,00
Turun Työväensäätiö sr	EUR 117 247,36
Kansallisen Kokoomuspuolueen Säätiö sr	EUR 100 000,00
Maaseudun Kukkasrahasto Säätiö sr	EUR 90 000,00
Kansallissäätiö sr	EUR 76 000,00
Stiftelsen Tre Smeder sr	EUR 64 000,00
Kansallisen Kokoomuksen Kainuun Säätiö sr	EUR 52 000,00
Tikkurila Säätiö sr	EUR 51 204,15
Föreningen Konstsamfundet r.f.	EUR 42 000,00
Metalliliiton sos. dem. opintoyhdistys	EUR 30 000,00
Stiftelsen för utbildning och kultur på svenska i Finland sr	EUR 30 000,00
Palvelualojen ammattiliitto PAM ry	EUR 30 000,00
Yksityisyrittäjien Säätiö sr	EUR 30 000,00

\*) The association handled the payment traffic of the foundation Stiftelsen för utbildning och kultur på det svenska Finland sr.

Tables 4 and 5 reflect the situation at the end of 2020. As contributions can also be reported retroactively, the amount of contributions for 2020 may change during 2021.

In addition to political parties, the largest recipients (more than EUR 30,000 in total) in 2020 included two district organisations, two youth organisations, two local organisations, and one women's organisation.

Table 5: Entities that received the most contributions in 2020

Organisation	Amount of contribution
Ruotsalainen kansanpuolue r.p.	EUR 1 712 100,00
Kansallinen Kokoomus r.p.	EUR 200 000,00
Svensk Ungdom, Svenska folkpartiets ungdomsorganisation rf	EUR 100 000,00
Turun Sosialidemokraattinen Kunnallisjärjestö ry.	EUR 94 784,64
Suomen Keskustanuoret ry	EUR 90 000,00
Suomen Sosialidemokraattinen Puolue r.p.	EUR 65 000,00
Kainuun Kokoomus ry	EUR 52 000,00
Tikkurilan Työväenyhdistys ry	EUR 51 204,15
Helsingin Kokoomus ry	EUR 46 000,00
Svenska Kvinnoförbundet rf	EUR 40 000,00
Finlands Svenska Socialdemokrater rf	EUR 30 000,00
Kansallisen Kokoomuspuolueen Säätiö sr	EUR 30 000,00
Svenska folkpartiet i Egentliga Finland rf	EUR 30 000,00
Svenska folkpartiet i Nyland r.f.	EUR 30 000,00
Svenska folkpartiet i Österbotten rf	EUR 30 000,00

The users of the funding register may themselves produce summary reports on the largest donors or recipients, for example.

It was found in the audits that all recommendations given in the previous audits had not been taken into account. Retroactive up-to-date disclosures were submitted to the funding register based on the audits of autumn 2020 for as long as the beginning of the 2010s. Some of them concerned significant amounts. To ensure that the funding register is kept up to date, the National Audit Office must therefore conduct closer follow-up than before despite shorter audit intervals.

### 3.5 Compliance with restrictions on support

Section 8 b of the Act on Political Parties contains restrictions on receiving support, and these restrictions were also covered by the audit.

A political party, a party association, and an entity affiliated to a party may not receive a contribution if the identity of the donor cannot be determined. However, this provision does not apply to contributions received from ordinary fund-raising activities.



A political party, a party association, and an entity affiliated to a party may not receive support exceeding EUR 30,000 from the same donor in a calendar year. However, this does not apply to support provided by an affiliated entity to a political party or a party association or financial support left in a will.

A political party, a party association, and an entity affiliated to a party may only receive foreign support from private individuals and from international organisations and foundations that represent the party's ideology.

A political party, a party association, and an entity affiliated to a party may not receive support from the state, a municipality, a joint municipal authority, an unincorporated state enterprise, a municipal company, an association, institution or foundation operating under public law, or a company controlled by the state or a municipality as referred to in chapter 1, section 5 of the Accounting Act. However, this does not apply to the use of facilities or ordinary hospitality.

A political party and a party association must make sure that a paid advertisement that is part of an election campaign or intended to support it displays the name of the person paying for the advertisement. However, the name of a private individual may not be published without their express consent if the value of the advertisement paid for by the individual is less than EUR 1,500.

Under section 8 b of the Act on Political Parties, foreign support may only be received from private individuals and from international organisations and foundations that represent the party's ideology. Foreign contributions can be considered at least partly prohibited because the Act on Political Parties does not set out exceptions regarding support paid by international organisations.

The audits discovered no such wills, debts turned into financial support or donations of shares that would have been significant from the perspective of political party funding. Nor did it discover any payments or funds not included in the accounts.

The audits of 2020 found no new cases where the limit of EUR 30,000 per calendar year, applied to other donors than affiliated entities, would have been exceeded.

The amounts of contributions reported during the audits have increased. As stated above, according to the audit findings, the disclosers had received support or similar contributions on which they had not filed up-to-date disclosures. In addition to support from affiliated entities, these contributions include advertising revenue, for example. Based on the audit, the disclosers filed new or adjusted up-to-date disclosures, which partly remedied the situation.

No significant contributions explicitly banned under the Act on Political Parties were detected in the audit. One district organisation returned to donors minor amounts received from public actors as congratulations.

Under section 8, subsection 2, item 1 of the Act on Political Parties, ordinary voluntary work is not regarded as support. The concept of ordinary voluntary work is open to interpretation, but the question is important in the assessment of when ordinary voluntary work becomes non-monetary support. Under section 8, subsection 2, item 6 of the Act on Political Parties, statutory grants or grants based on the state or municipal budget are not considered financial support, either.

In the oversight of political party funding, the National Audit Office had previously detected four contributions made in the virtual currency Bitcoin that did not explicitly state the name of the donor. However, up-to-date disclosures had been filed on them, and the donor's name was added later on to these disclosures. In 2020, no new contributions made in Bitcoin were reported to the political party funding register.





## 4 Procedures concerning the transfer and use of party subsidies

In 2019, the Government granted party subsidies according to section 9 of the Act on Political Parties to registered associations entered in the Party Register. The party subsidies totalled approximately EUR 29.4 million, and the associations were allowed to use them for supporting the public activities specified in their rules and general programme. As from 2016, support for political activities and support for the party's information and communications activities have been combined in the party subsidy decision. According to the National Audit Office, combining two separate party subsidy decisions into one has unified the process of cost accounting and facilitated the oversight of the use of party subsidies.

Table 6: State subsidies to political parties in 2019

Political party	Remaining on 31 December 2018 according to the accounts	Granted in 2019	Carried forward	Remaining on 31 December 2019 according to the accounts
KOK	EUR 0	EUR 5 581 259,00	EUR 2 462 971,00	EUR 0
LIIK		EUR 23 461,00	EUR 0	EUR 20 853,24
PS	EUR 1 997 262,57 *)	EUR 5 729 433,00	EUR 834 956,30	EUR 1 547 837,93
RKP	EUR 0	EUR 1 333 575,00	EUR 365 000,00	EUR 0
KESK	EUR 564 393,88	EUR 5 482 475,00	EUR 2 614 356,76	EUR 74 990,86
KD	EUR 44 927,14 *)	EUR 740 875,00	EUR 125 341,23	EUR 0
SDP	EUR 0	EUR 5 630 650,00	EUR 2 200 682,00	EUR 0
VAS	EUR 132 116,90	EUR 2 173 233,00	EUR 548 006,00	EUR 0
VIHR	EUR 0	EUR 2 716 542,00	EUR 658 031,85	EUR 0
<b>Total</b>	<b>EUR 2 738 700,49</b>	<b>EUR 29 411 503,00</b>	<b>EUR 9 809 345,14</b>	<b>EUR 1 643 682,03</b>

\*) The accounts have been adjusted

Six parties had used the state subsidies they had received in full during 2019, while three parties had carried forward more than EUR 1.6 million in total to 2020. This is about EUR 1.1 million less than the amount carried forward from 2018.

In the terms and conditions of the party subsidy decision, it is stated that, if the subsidy granted to a political party is used for purposes other than the party's own activities, the party shall conclude an agreement according to section 7(2) of the Act on Discretionary Government Transfers on the use, supervision of the use, and their terms and conditions with the entity (including district organisations and women's organisations) or foundation using the subsidy. The agreement shall comply with the terms and conditions of the subsidy decision.

In connection with the audits of political party funding, we have previously observed that the agreement procedures of different parties have varied a great deal and some of the parties have not concluded any agreements. The agreement procedures were covered for the first time in the 2016 report on the oversight of political party funding. Agreements on party subsidies have been concluded and renewed after that, and they have also been concluded with district organisations.

Under section 9(1) of the Act on Political Parties, part of the party subsidies granted to a political party can be allocated to supporting the activities of other associations. Under the terms and conditions of the 2019 party subsidy decision, an agreement on the use of party subsidies could, however, also be concluded with a foundation or another entity. Political parties have concluded party subsidy agreements not only with associations but also with media companies and cooperatives, and according to the accounts of the overseen entities, they have also transferred party subsidies to these companies and cooperatives.

According to the reply issued by the Government on 25 September 2017, the Act on Political Parties does not contain any detailed provisions regarding the use of granted party subsidies, and thus section 7(2) of the Act on Discretionary Government Transfers, which covers the agreement procedure applied to other recipients, becomes applicable. The Prime Minister's Office considered that the term of the party subsidy decision complied with the Act on Discretionary Government Transfers and therefore did not warrant any further measures.

The National Audit Office is of the opinion that the party subsidy decision has extended the use of party subsidies, restricted by the Act on Political Parties, by enabling party subsidies to be transferred to limited companies or foundations. The Act on Political Parties is a special act and thus takes precedence over the Act on Discretionary Government Transfers and its more general provisions. Since the recipients of the party subsidies have nevertheless complied with the terms and conditions of the party subsidy decision, the National Audit Office considers that there are currently no absolute preconditions for the recovery of the granted party subsidies.

However, the Act on Political Parties and the terms and conditions of party subsidy decisions should be more closely linked. The transfer of subsidies to limited companies may also have significance from the perspective of business subsidies and value-added tax. Furthermore, in ambiguous cases, it is recommended that political parties should use funds other than party subsidies to support limited companies and foundations.

The 2019 party subsidy decision required political parties to use five per cent of the party subsidy received for the activities of their district organisations and to transfer the subsidy to their district organisations during the year in which the subsidy was granted.



The National Audit Office is of the opinion that the terminology used in party subsidy decisions should be clarified to ensure that it is unambiguous how the party subsidies can be used and transferred and that the accounts on the use of the party subsidies are comparable.

The audits and the oversight of party subsidies also revealed that there were some differences in the accounts on the use of the party subsidies between political parties and their district organisations. The National Audit Office has requested the entities concerned to correct their accounts to tally with each other, and corrections were already made during the audit, as in the previous year. Some of the differences are explained in other financial statements. Some inadequacies were also detected in the monitoring of party subsidies carried over from the previous year.

The National Audit Office also paid attention to the fact that only the entities referred to in the party subsidy decision are obligated to submit disclosures to the public political party funding register. However, this does not seem appropriate, as political parties may also have allocated their party subsidies to other associations than those referred to in the party subsidy decision.

In the audits of political party funding, the National Audit Office paid attention to the ambiguity of the terms and conditions of party subsidies and to inadequacies in the agreement procedures. In its audits, the National Audit Office has also recommended that agreements be concluded annually to ensure that the agreement always includes up-to-date information.

The Government has set up a parliamentary election working group for the term of 20 February 2020 to 31 May 2021. The purpose of the working group is to examine the need to amend the Election Act, the Act on Political Parties, the Act on a Candidate's Election Funding, and, if necessary, legislation on other political activities, and to propose any necessary amendments.



# Appendix: Audits of political party funding in 2020

Audited organisations	Audit date
Kaakkois-Suomen Vasemmistoliitto ry	24.9.2020
Kainuun Kokoomus ry	8.9.2020
Kainuun Vasemmisto ry	8.9.2020
Kansallinen Kokoomus r.p.	13.10.2020
Keskustan Etelä-Savon piiri ry	25.9.2020
Keskustan Kainuun piiri ry	9.9.2020
Keskustan Lapin piiri ry	15.9.2020
Keskustan Peräpohjolan piiri ry	30.9.2020
Keskustan Pohjois-Pohjanmaan piiri ry	29.9.2020
Keskustan Pohjois-Savon piiri ry	8.10.2020
Keskustan Satakunnan piiri ry	16.9.2020
Kokoomuksen Naisten Liitto ry	14.10.2020
Lapin Kokoomus ry	16.9.2020
Lapin Sosialidemokraattinen Piiri ry	16.9.2020
Lapin Vihreät ry	14.9.2020
Liike Nyt r.p.	29.10.2020
Oulun Sosialidemokraattinen Piiri ry	21.9.2020
Oulun vaalipiirin Vihreät ry	23.9.2020
Perussuomalaiset r.p.	5.10.2020
Perussuomalaiset Naiset ry	6.10.2020
Perussuomalaisten Etelä-Savon piiri ry	25.9.2020
Perussuomalaisten Kainuun piiri ry	9.9.2020
Perussuomalaisten Lapin piiri ry	15.9.2020
Perussuomalaisten Pohjois-Pohjanmaan piiri ry	21.9.2020
Perussuomalaisten Pohjois-Savon piiri ry	9.10.2020
Perussuomalaisten Satakunnan piiri ry	16.9.2020

Audited organisations	Audit date
Pohjois-Pohjanmaan Kokoomus ry	22.9.2020
Pohjois-Pohjanmaan Vasemmisto ry	8.9.2020
Satakunnan Kokoomus ry	17.9.2020
Satakunnan Sosialidemokraatit ry	17.9.2020
Satakunnan Vasemmistoliitto ry	20.10.2020
Satakunnan Vihreät ry	19.10.2020
Suomen Keskusta r.p.	14.9.2020
Suomen Keskustanaiset ry	8.9.2020
Suomen Kristillisdemokraatit (KD) r.p.	22.10.2020
Suomen Kristillisdemokraattien (KD) Etelä-Savon piiri ry	24.9.2020
Suomen Kristillisdemokraattien (KD) Keski-Pohjanmaan piiri ry	11.9.2020
Suomen Kristillisdemokraattien (KD) Lapin piiri ry	1.10.2020
Suomen Kristillisdemokraattien (KD) Pohjois-Pohjanmaan ja Kainuun piiri ry	10.9.2020
Suomen Kristillisdemokraattien (KD) Pohjois-Savon piiri ry	8.10.2020
Suomen Kristillisdemokraattien (KD) Satakunnan piiri ry	19.10.2020
Suomen Kristillisdemokraattiset (KD) Naiset ry	23.10.2020
Suomen Sosialidemokraattinen Puolue r.p.	7.9.2020
Svenska Folkpartiet i Finland r.p.	28.10.2020
Svenska Kvinnoförbundet r.f.	1.10.2020
Vasemmistoliiton Lapin piiri ry	30.9.2020
Vasemmistoliitto r.p.	3.9.2020
Vihreä Liitto r.p.	26.10.2020
Vihreät Naiset ry	27.10.2020





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**VALTIONTALOUDEN TARKASTUSVIRASTO (VTV)**  
PORKKALANKATU 1, PL 1119, 00101 HELSINKI

puh. 09 4321 | [www.vtv.fi](http://www.vtv.fi) | @VTV\_fi