

National Audit Office's separate report to Parliament on the audit of the final central government accounts 2023 and the Government's annual report



NATIONAL AUDIT OFFICE'S
REPORTS TO PARLIAMENT

R 18/2024 VP



National Audit Office's separate report to Parliament
on the audit of the final central government accounts
2023 and the Government's annual report

R 18/2024 vp

To Parliament



The Government has submitted to Parliament the Government's annual report for 2023 as the report laid down in section 46 of the Constitution of Finland on its activities, management of central government finances and compliance with the state budget and on the measures that the Government has taken on the basis of the decisions of Parliament.

The National Audit Office has audited the final central government accounts contained in the report and the descriptions of central government finances, national financial administration and operational Performance for the budget year 2023 and submits this separate report to Parliament under section 6 of the Act on the National Audit Office (676/2000).

Helsinki 4 June 2024

Sami Yläoutinen
Auditor General

Jaakko Eskola
Director

Publication information

L 1798-6427

ISSN 1798-6435 (pdf)

urn:nbn:vtv-R182024vp

<http://urn.fi/urn:nbn:vtv-R182024vp>

Reg.no. D/381/04.10.01/2024

Contents



- Main content 7**
- 1 Financial audit report on final central government accounts for 2023 9**
- 2 Compliance with the state budget and key budget provisions 15**
- 3 Performance data in the Government's annual report 19**
- 4 Examination of general government finances in the Government's annual report 25**

Main content



The financial audit conducted shows that the final central government accounts for 2023 have been prepared in compliance with all relevant provisions.

Based on the audit findings, the National Audit Office draws attention to the procedures that are contrary to the state budget and in violation of the key budget provisions. A total of 13 accounting offices were issued with qualified opinions on regularity on account of such violations. The National Audit Office submitted a total of 61 financial audit reports on the financial audits of ministries and other accounting offices for the 2023 budget year.

The Government's annual report provides information in material respects on the issues required by law. The societal impact targets included in the budget proposal are also reported on adequately. The Government Programme's key policy themes are reported on adequately, but drawing up an action plan or project plan to support the Government Programme would contribute to the reporting. The general state of sustainable development is not reported on in the actual annual report. However, the ministries' reports on sustainable development measures taken in their own administrative sectors provide a better picture than before of the effectiveness of these measures.

As a rule, the Government's annual report deals with general government finances comprehensively. The national objectives and rules steering the management of general government finances are described only briefly. Pension liabilities are described more extensively than before. Reporting on the central government financial position is being improved overall.

1 Financial audit report on final central government accounts for 2023

The National Audit Office submits this financial audit report on the audit of the final central government accounts for the 2023 financial year. The audit was performed by Principal Financial Auditor Riitta-Liisa Heikkilä, Principal Financial Auditor Mari Brusila and Senior Auditor, CPA, Sami Rissanen. The audit was supervised by Audit Manager, CPFA, Sebastian Seemer.

The audit was conducted in compliance with the National Audit Office's financial audit manual, and it was targeted at the final central government accounts referred to in section 17a of the State Budget Act and the notes required for providing the true and fair information referred to in section 18 of the Act, to the extent that they concern on-budget entities. The audit covered the budget outturn statement, statement of revenue and expenditure, balance sheet, cash flow statement, notes and the consolidated accounting, on which the final accounts are based. The audit was also targeted at the procedures that ensure the integrity and accuracy of the information in the consolidated accounting and in the preparation of the final central government accounts.

Final accounts

The contents of the final central government accounts and the manner in which they are presented, as well as the bookkeeping on which they are based, were examined in sufficient detail to determine whether the final central government accounts and the notes to them had been prepared correctly in material respects.

Expenditure that should have allocated to 2024 has been allocated to 2023 in violation of the budget and section 5a of the State Budget Decree under the following items:

- EUR 120,000 under item 25.10.50 (Compensations paid to private legal aid attorneys, variable appropriation).
- EUR 1.3 million under item 30.20.20 (Veterinary services and control of plant pests, variable appropriation).
- EUR 490 000 under item 32.40.46 (Purchase of rolling stock for night trains, variable appropriation).
- A total of EUR 550 000 under items 33.50.30 (Specified government transfer for the maintenance of those affected by wars, variable appropriation) and 33.70.50 (Promotion of health, three-year deferrable appropriation in the 2021 budget).
- A total of EUR 342,789 under items 35.10.21 (Certain nature protection expenditure, three-year deferrable appropriation in the 2021 budget) and 35.10.22 (Certain environmental expenses, three-year deferrable appropriation in the 2021 budget).

With these procedures, appropriations have been carried over in violation of section 7 of the State Budget Act.

The audits of the accounting offices found the following procedures related to the use of the items that are in violation of the budget and the key budget provisions:

- Revenue (EUR 25,275) belonging under item 12.39.10 (Other miscellaneous revenue) has been entered under item 32.01.07 (Operating expenses of the Finnish Patent and Registration Office, three-year deferrable appropriation) in violation of the budget and section 3a of the State Budget Act.
- Part of the appropriation under item 25.50.20 (Election expenses, variable appropriation) has been used, in violation of the budget, for paying salary expenses (EUR 538,550 in total) of employees in contractual employment relationship.
- Part of the appropriations under items 26.01.24 (EU's contribution to the management of internal security and immigration, three-year deferrable appropriation in the 2021 budget) and 26.01.26 (EU's contribution to the management of internal security and immigration during the 2021–2027 programming period, three-year deferrable appropriation in the 2022 budget) has been used, in violation of the budget, for paying salary expenses (EUR 738,934 in total) of officials in public-service employment relationship.
- Part of the appropriation under item 26.10.01 (Operating expenses of the police, two-year deferrable appropriation) has been used, in violation of the budget, for paying expenses (EUR 560,000) belonging to item 26.10.21 (Joint expenses of the KEJO project, two-year deferrable appropriation). If the expenditure had been entered in accordance with the budget, the appropriation of item 26.10.21 would have been exceeded by the same amount in euros.
- Part of the appropriation under item 26.30.20 (Special expenditure, variable appropriation) has been used, in violation of the budget, for paying value added taxes (EUR 184,680) belonging to item 26.01.29 (VAT expenses of the administrative sector of the Ministry of the Interior, variable appropriation).
- A share of the funding related to the development of the UMA system that corresponds to the value added tax (EUR 109,415) has been entered as revenue under item 26.40.01 (Operating expenses of the Finnish Immigration Service and the state-owned reception centres, two-year deferrable appropriation) in violation of the state budget.
- Part of the appropriation under item 29.01.04 (Operating expenses of the Service Centre for Continuous Learning and Employment, three-year deferrable appropriation in the 2022 and 2023 budgets) has been used, in violation of the budget, for paying value added taxes (EUR 317,313) belonging to item 29.01.29 (VAT expenses of the administrative sector of the Ministry of Education and Culture, variable appropriation).
- Part of the appropriation under item 31.10.20 (Maintenance of the basic transport infrastructure, three-year deferrable appropriation) has been used, in violation of the budget, for paying expenses (EUR 87,659) belonging to item 31.10.77 (Transport network development, three-year deferrable appropriation).
- Part of the appropriation under item 32.01.01 (Operating expenses of the administrative sector of the Ministry of Economic Affairs and Employment, two-year deferrable appropriation) has been used, in violation of the budget, for paying VAT expenses (EUR 67,818) belonging to item 32.01.29 (VAT expenses of the Ministry of Economic Affairs and Employment, variable appropriation).
- Part of the appropriation under item 32.01.01 (Operating expenses of the Ministry of Economic Affairs and Employment, two-year deferrable appropriation) has been used, in

violation of the budget, for paying expenses (EUR 1.2 million) belonging to item 32.40.60 (Transfers to the funds of the administrative sector, variable appropriation). If the expenditure had been recorded in accordance with the budget, the appropriation of item 32.40.60 would have been exceeded by EUR 1.2 million.

- Part of the appropriation under item 32.30.64 (EU and central government co-financing for the EU regional and structural policy and other cohesion policy programmes, variable appropriation) has been used, in violation of the budget, for paying the salary expenses (EUR 621,421 in total) of officials in public-service employment relationship.
- Refunds (EUR 25,295) that should have been allocated to the previous year have been entered under item 33.03.04 (Operating expenses of the Finnish Institute for Health and Welfare, three-year deferrable appropriation) in violation of the state budget. In addition, value added taxes related to rental expenses (EUR 45,960 in total), which were originally paid from item 33.01.29 (VAT expenses of the administrative sector of the Ministry of Social Affairs and Health, variable appropriation), have been entered as imputed overhead costs under item 33.03.04.
- Part of the appropriation under item 35.10.61 (Supporting water and environmental management, three-year deferrable appropriation in the 2021 budget) has been used, in violation of the budget, for paying expenditure (EUR 29,405) belonging to item 35.10.22 (Certain environmental expenses, three-year deferrable appropriation).

Overall, the information on authorisations submitted to the State Treasury for the purpose of preparing the final central government accounts can be considered true and fair. The information provided in the final central government accounts on authorisations corresponds to the information in centralised authorisation accounting.

The budget outturn statement has been prepared in compliance with relevant provisions.

The central government statement of revenue and expenditure, balance sheet and cash flow statement have been prepared in compliance with relevant provisions.

The notes to the final central government accounts are presented in a manner required under the State Budget Decree.

The state's consolidated accounting has been organised in compliance with the State Budget Decree.

Emphasis of Matter

We draw users' attention to certain matters that are of significance for the interpretation of the information presented in the final accounts and that may also be, in the auditor's judgment, fundamental to users' understanding of the final accounts.

We draw users' attention to miscellaneous revenue under department 12 of the budget outturn statement, which consists mainly of exceptionally high, EUR 10 billion, revenue from a cancelled deferrable appropriation under budget item 28.91.80 (Loans and guarantees for companies operating in the electricity derivatives market, deferrable appropriation in the 2022 budget). The cancellation of a deferrable appropriation is entered in the budget outturn statement as revenue for the financial year concerned under item 12.39.04 (Cancellations of deferred appropriations).

The amount of loans for securing liquidity increased as a result of the around EUR 4 billion payments to the wellbeing services counties. As the payment date was 2 January 2024, preparations for the payments were made in 2023. Preparations for these payments mainly explain the growth of the item “cash in hand and at bank and other financial assets” presented in the central government balance sheet of 31 December 2023 compared with the situation on 31 December 2022. In addition, it also mainly explains the increase in liquid assets in the cash flow statement of 31 January 2023 compared with the situation on 1 January 2023. According to the final accounts, the net borrowing including debt management items amounted to EUR 12.7 billion.

The financial audit report has not been adjusted to reflect these matters.

Internal control

The internal control of the final central government accounts has been assessed in a risk analysis and audited as part of the audits of the state’s consolidated accounting, final central government accounts and the financial statements of central government agencies. Internal control has also been assessed in an audit of the internal control covering centralised processes in financial administration.

The internal control of certain financial management tasks referred to in section 12b of the State Budget Act has been assessed in connection with the risk analysis and audited in connection with the audits of service production processes. Under section 5, subsection 1 of the Act on the National Audit Office, the Finnish Government Shared Services Centre for Finance and HR shall report to the National Audit Office by 16 August 2024 what measures it has taken as a result of the shortcomings in its internal control of the centralised tasks referred to in section 12b of the State Budget Act.

According to the opinion formulated in connection with the audit of the final central government accounts, the information contained in the consolidated accounting and used as a basis for the final central government accounts does not contain any material misstatements.

The National Audit Office’s opinion of the final accounts

The final central government accounts for the year 2023 have been prepared in compliance with the valid statutes.

Helsinki 13 May 2024

Sami Yläoutinen
Auditor General

Riitta-Liisa Heikkilä
Principal Financial Auditor

2 Compliance with the state budget and key budget provisions

The National Audit Office issued a total of 61 financial audit reports on the financial audits of ministries and other accounting offices for the 2023 budget year.

Improper procedures were discovered in a total of 13 accounting offices. These procedures were deemed to involve violations of the state budget or key budget provisions. A qualified opinion on regularity was included on them in the financial audit report.

Table 1: Financial audit reports for 2023

| Administrative sector | Financial audit reports (No.) 2023 | Qualified opinions on regularity (No. of accounting offices) 2021 | Qualified opinions on regularity (No. of accounting offices) 2022 | Qualified opinions on regularity (No. of accounting offices) 2023 |
|--|------------------------------------|---|---|---|
| Office of the President of the Republic of Finland | 1 | - | - | - |
| Prime Minister's Office | 1 | - | - | - |
| Administrative sector of the Ministry for Foreign Affairs | 1 | - | - | - |
| Administrative sector of the Ministry of Justice | 6 | 1 | 2 | 2 |
| Administrative sector of the Ministry of the Interior | 7 | 1 | 2 | 3 |
| Administrative sector of the Ministry of Defence | 2 | - | - | - |
| Administrative sector of the Ministry of Finance | 12 | 2 | 2 | - |
| Administrative sector of the Ministry of Education and Culture | 6 | 1 | 1 | 1 |
| Administrative sector of the Ministry of Agriculture and Forestry | 4 | - | - | 1 |
| Administrative sector of the Ministry of Transport and Communications | 4 | 1 | 1 | 2 |
| Administrative sector of the Ministry of Economic Affairs and Employment | 8 | 1 | - | 2 |
| Administrative sector of the Ministry of Social Affairs and Health | 6 | 2 | 2 | 1 |
| Administrative sector of the Ministry of the Environment | 3 | - | - | 1 |
| Total | 61 | 9 | 10 | 13 |

The number of accounting offices issued with a qualified opinion on regularity has increased from the previous two years. A qualified opinion on regularity may include several specified cautions on regularity. Therefore, the number of cautions on regularity may exceed the number of accounting offices issued with a qualified opinion on regularity. The total number of cautions on regularity issued in 2023 was 19, as four accounting offices were issued with more than one caution on regularity. The total number of cautions on regularity was 10 in 2022 and 13 in 2021. Based on the number of cautions on regularity, the increase from the previous years was significant.

In its financial audits, the National Audit Office always aims to bring all material observations to the attention of the audited accounting office as early as possible in the process. This is to enable the audited accounting office to take measures as soon as possible based on the observations. Accounting offices can rectify incorrect practices or transactions contrary to budget already during the financial year prior to the adoption of the final accounts and the issue of the financial audit report.

The qualified opinions on regularity should not lead to a conclusion that the management of central government finances does not comply with the legality requirement laid down for it or that the qualified opinions on regularity were prompted by misappropriation of central government funds. However, a qualified opinion on regularity should always be considered a serious issue for the financial management of the accounting office in question. It is noteworthy that both the number of accounting offices issued with a qualified opinion on regularity and the total number of qualified opinions on regularity have grown from 2022. The procedures that are in violation of the state budget and key budget provisions should be addressed.

3 Performance data in the Government's annual report

The Government's annual report covers in essential respects the issues required by law. The societal impact targets included in the budget proposal are also reported on adequately. The Government Programme's key policy themes are reported on adequately, but drawing up an action plan or project plan to support the Government Programme would contribute to the reporting. The general state of sustainable development is not reported on in the actual annual report. However, the ministries' reports on sustainable development measures taken in their own administrative sectors provide a better picture than before of the effectiveness of these measures.



The annual report and its appendices cover the issues required by legislation

Based on the audit, the Government's annual report for 2023 presents in essential respects the issues laid down in the State Budget Act (423/1988, sections 17 and 18) and specified in the State Budget Decree (1243/1992, sections 68a–b). The contents of the annual report are mainly adequate and in compliance with legislation.

According to section 68b, subsection 1, paragraph 4 of the State Budget Decree, the annual report shall present the most important summary information on the achievement of the operational performance targets set for the ministries' administrative sectors and the agencies and institutions operating under them and on the development of the operational performance. There are differences in how the different administrative sectors report in the annual report on the achievement of the performance targets set for 2023, and the content requirements set for the texts are met reasonably well. The information provided in the annual report consists mainly of a general description of the activities and finances, and more detailed information is provided in the management reports and final accounts linked at the end of the performance descriptions. The number of appended documents is a marked feature in the reporting. However, the actual report texts should also aim to describe the indicators of the development of operational performance so that the descriptions would provide a clear picture of the situation during the reporting year.

The Government's annual report does not include a comprehensive description of the cost-effectiveness of measures, i.e. the relationship between the costs and results or effects of the measures. This is understandable in view of the conciseness and specified form of the report. The first page of the chapter on each ministry presents the share of the administrative sector's appropriations in the state budget, the ministry's share, and the use and percentage of use of the appropriations. Clear indicators are presented by the Ministry of Justice, the Ministry of Defence, the Ministry of Education and Culture, the Ministry of the Environment and the Ministry of Transport and Communications. Information on the costs and effectiveness of the activities by area of activity is presented particularly well by the Ministry of Education and Culture, which also provides data on the cost-effectiveness of the measures taken in relation to all its impact targets. As with the operational performance targets, more information on the cost-effectiveness of the measures taken is provided in the appendices linked at the end of the descriptions of the administrative sectors.

According to section 68 of the State Budget Decree, the annual report shall present a summary of the most important information on and assessments of the development of the finances and operational performance of the unincorporated state enterprises and state funds in the ministry's administrative sector. The report presents only a limited amount of such summary information.

Impact targets are reported on more pessimistically

The justifications for the main titles in the budget proposal include societal impact targets, the achievement of which is reported on in the annual report in the descriptions of the performance of the administrative sectors. In the annual report, the ministries report on the measures they have taken in the report year to achieve the targets. In addition, the ministries assess how well they have succeeded in achieving their targets using a five-step scale (weak–excellent).

The justifications for the main titles in the budget proposal for 2023 contain 54 impact targets. The number of impact targets complies with what is laid down in the regulation on drawing up budget proposals: according to the regulation, each ministry shall present a few impact targets in the justifications for the main titles. The annual report covers all the targets presented in the justifications for the main titles and, in addition, one target that has been deleted after 2022 (Ministry of the Interior). Overall, the reporting on the societal impact targets is adequate and comprehensive.

The assessments of how well the ministries have succeeded in achieving the targets are based on the ministries' own overall assessments, and therefore they are not objective descriptions of the achievement of the targets. In the report year 2023, the ministries' assessments of their success were slightly more pessimistic than in the previous year. Of the targets, four were assessed to have been achieved excellently, 28 well, 20 satisfactorily, and three adequately. The most positive assessment of the achievement of its targets was presented by the Ministry of Defence, which assessed that it had achieved all its targets either excellently or well. The Ministry of Economic Affairs and Employment also assessed that it had achieved its impact targets better than in the previous year. The assessments that weakened the most from the previous year were presented by the Ministry of the Environment and the Ministry of Finance.

An action plan or project plan would facilitate reporting on the Government Programme

Under section 68a of the State Budget Decree, the Government's annual report shall provide an overview of the Government's key policy themes and an assessment of their development. Prime Minister Petteri Orpo's Government Programme is divided into 11 themes, and it is reported on in the annual report based on these themes. The reporting consists of brief texts that were requested from the different ministries and that were modified and supplemented at the finalisation stage. The Government Programme is broad and covers many different types of issues. The ministries were instructed to focus in their reporting on the most extensive or significant measures.

Because of its extensiveness and complexity, the Government Programme as such does not provide a clear framework for the reporting in the annual report. So far, no implementation plan or other clarifying document has been drawn up for the Government Programme. The lack of an implementation plan makes it more difficult to structure the reporting in the annual report and also causes the measures selected by the ministries themselves to be highlighted in the report. From the reporting, it is not possible to determine on the basis of what criterion of importance – economic significance, topicality, political weight, etc. – the matters reported on have been selected. In practice, it is impossible to monitor what measures and projects should have been implemented during the report year. This will also affect the reporting in the coming years and the overall assessment of the implementation of the Government Programme.

In the absence of an action plan or projects, Appendix B, *Tables on financial decisions*, to the Government Programme was regarded in the audit as a kind of specifying framework. The measures planned to be taken during the government term have been scheduled in the table for the next few years. The report provides fairly comprehensive information on the entities or measures to be implemented in 2023 according to Appendix B. However, the table does not provide a clear list of projects or a framework for steering the reporting during the government term. Reporting would be facilitated if a clearly scheduled action plan were drawn up for the Government Programme.

The strategic themes of Prime Minister Sanna Marin's Government Programme included several projects that were scheduled to be completed or terminated at the very end of the government term (4/2023). The progress or completion of these projects is reported on briefly but adequately in the annual report.

Sustainable development is reported on only at ministry level

The Government's annual reports for 2017–2022 reported on sustainable development in two ways. The actual annual report reported on the state of sustainable development, and the ministries reported in the performance descriptions on the key measures they had taken to promote sustainable development. This way of reporting was based on the Government Report on Sustainable Development published in 2017. The Government Report concluded that reporting on sustainable development measures in the Government's annual report serves as a tool for the Government's self-assessment and strengthens the Government's accountability towards Parliament and citizens.

The Government's annual report for 2023 does not contain a separate sub-chapter on the state of sustainable development, as the Government intends to present a new report on sustainable development during the current government term and, consequently, new guidelines on the subject. Instead, sustainable development is reported on in the ministries' performance descriptions.

Reporting guidelines leave room for differences between the ministries

Sustainable development targets are set by ministry in the justifications for the main titles in the budget proposal. However, the current guidelines for reporting on sustainable development in the annual report are rather vague and enable also reporting on the targets described in the Government Programme, in the Government Report on the Implementation of the 2030 Agenda and in the sustainability reports of ministries and agencies.

The audit found no substantial change from 2022 in the forms of the targets set in the budget proposals. Most ministries continued to include goals presented in the 2030 Agenda, the UN's global sustainable development action plan, in their sustainable development targets in the justifications for the main titles. However, there were differences in the interpretation of how the goals were linked to the ministries' core activities. The Ministry of Economic Affairs and Employment, for example, made a clear reference to the individual sustainable development goals linked to its activities and reported extensively on measures related to these goals. The Ministry of Education and Culture had interpreted the link between its activities and sustainable development in the broadest manner. According to it, virtually all of its core activities have an impact on the achievement of all the sustainable development goals.

In general, the sector-specific sustainable development targets and measures presented in the justifications for the main titles in the budget proposal were reported on comprehensively in the ministries' performance descriptions. The reporting has become more comprehensive over the past few years. The number of such concrete targets included in the budget proposal that have not been reported on at all has continued to decrease. However, there are still significant differences between the ministries. Some of the targets set out in the budget proposal are of a very general nature and difficult to measure, which was also reflected as shortcomings in reporting on them.

In previous years, reporting on sustainable development both in general in the actual annual report and as part of the ministries' separate performance descriptions has proven to be a balanced and comprehensive way to describe the impacts of activities. Description of the state of sustainable development in the actual annual report as well can be considered justified when the Government's new report on sustainable development is completed.

4 Examination of general government finances in the Government's annual report

As a rule, the Government's annual report deals with general government finances comprehensively. The national objectives and rules steering the management of general government finances are described only briefly. Pension liabilities are described more extensively than before. Reporting on the central government fiscal position is being improved overall. The audit assessed whether the chapter in the Government's annual report on general government finances contains the information referred to in section 18 of the State Budget Act and section 68a of the State Budget Decree on the state of central and general government finances.

The state of general government finances

Under the State Budget Decree (section 68a), the Government's annual report shall include an overview of the state of general and central government finances. Section 4.1, *The state of general government finances*, in the Government's annual report provides a concise and informative picture of the state of general government finances in 2023. The annual report includes a comprehensive description of the situation with the reformed EU regulations steering general government finances. The general escape clause, which suspends the application of the rules of the Stability and Growth Pact, remained in force throughout 2023, which affected the assessment of compliance with the regulations. The subsector-specific fiscal position objectives set in the General Government Fiscal Plan are covered only briefly, and it does not appear clearly from the annual report whether the objectives have been achieved or not.

Compliance with the principles of the central government spending limits system and the spending limits rule is not discussed in the Government's annual report. In its separate report submitted to Parliament in autumn 2023, the fiscal policy monitoring function

of the National Audit Office stated that the Government had set the spending limits for the parliamentary term contrary to the policy lines of the Government Programme and presented the expenditure within the spending limits vaguely. The Government's investment programme is only partly included in the spending limits, and the level of spending limits expenditure according to the Government Programme is not met in the spending limits decision.

The National Audit Office will present its assessment on the management of general government finances in the fiscal policy monitoring memorandum to be published in June 2024. The memorandum will assess, for example, the Government's fiscal policy and the economic forecast of the Ministry of Finance.

Central government liabilities and risks

Under the State Budget Decree, the Government's annual report shall include an assessment of the key economic risks related to central government activities and their significance. In addition, the annual report shall present an overview of the revenue and expenditure as well as of the financial wealth position and off-balance sheet liabilities of the whole consisting of on-budget activities, unincorporated state enterprises and off-budget state funds. Central government liabilities include state guarantees, callable capital and debts and other liabilities, such as pension liabilities. In the annual report, risks are defined as deviations that have a negative impact on the central government fiscal position in relation to the projected development.

Central government debt is discussed in a separate subchapter of the annual report, while the risks associated with it are discussed in the subchapter on central government liabilities and risks. Central government debt is reported to have more than doubled from the level of 2007, and the level of interest payments is compared both with the interest payments of the previous years and the projected interest payments of the next few years.

According to the Government's annual report, the off-balance-sheet liabilities of central government on-budget activities, state funds and unincorporated enterprises increased by EUR 40.7 billion in 2023. The majority of the growth is explained by the increase of the item "Other liabilities", which includes not only pension liabilities but also authorisations to use budget appropriations. Pension liabilities are described more extensively than before in line with the previous conclusions and recommendations of the National Audit Office (*Audit Report 1/2022: The state pension scheme and central government liabilities in other pension schemes*). The section of the annual report that describes the development of liabilities should be clarified in such a manner that the reasons for the significant increase in liabilities would appear from it more clearly. The pension liabilities included in the description should be itemised in the table as part of the on-budget activities in the same way as the other sub-items.

The amount of state guarantees has been growing in Finland for more than 10 years, but in 2023 it started to decrease somewhat (EUR 67 billion in total; EUR -1.6 billion). Particularly the guarantee liabilities related to Finnvera decreased (EUR 31.9 billion; EUR -3.5 billion). The guarantee liabilities related to the National Housing Fund, in turn, continued to grow (EUR 19.8 billion; EUR +1.3 billion). Finnvera's activities and the risks associated

with them are described extensively in the annual report. According to the Government's annual report, a legislative project aiming at a comprehensive reform of the legislation concerning Finnvera Oyj was set up in December 2023 for the period 1 January 2024 to 30 June 2025. It concerns, for example, Finnvera's financial supervision.

It is stated in the annual report that it is difficult to form a complete picture of the central government's balance sheet position, as the central government has asset items in off-budget units. This complicates the risk management related to the balance sheet. In its previous assessments, the National Audit Office has drawn attention to the need to develop consolidated reporting for the central government, as it would improve the overall picture of the central government's financial position. The project to develop the final central government accounts (Valtike), set up by the Ministry of Finance, has been preparing consolidated calculations on central government finances that would include the central government on-budget activities, unincorporated state enterprises and state funds. These consolidated calculations would be made using the acquisition cost method in the same way as in consolidated final accounts.

A consultation round is currently underway on a government proposal to Parliament proposing amendments to the State Budget Act and certain related laws. The consolidated calculations on central government finances presented in the development project would be presented in future in connection with the final central government accounts, and they would cover the central government on-budget activities, off-budget state funds and unincorporated state enterprises. The consolidated calculations on central government finances would provide a more comprehensive overall picture of the central government's revenue and expenditure and of the central government's financial position. The National Audit Office considers the development in this matter to be in the right direction.



NATIONAL AUDIT OFFICE OF FINLAND (NAOF)
PORKKALANKATU 1, PO BOX 1119, FI-00101 HELSINKI

tel. +358 9 4321 | www.vtv.fi | @VTV_fi