

# Public Management Reform from the Point of View of Parliamentary Steering and Auditing

*Ismo Lumijärvi*

## 1. INTRODUCTION

According to the Constitution in Finland, all political power is vested in the people and represented by the convening Parliament (PA 2§). The Parliament must be able to convey information of its own will to the administration as well as receive information on the affairs of the administration. The Parliament has a right and an obligation to the follow-up of the administration and these are based on the Constitution.

The management by results system has been applied to the Finnish public sector after the latter half of 1980's. The MbR system has been an extensive reform. It has changed the steering practices of the administration in several ways. It is still under development for example regarding result budgeting. The emphasis of the reform has been on the renewal of the activities of a ministry and its subordinate administration. So far the MbR system has been primarily a system which has reorganized the administration's internal methods of management. It is worth asking, what has been the impact of the reform on the steering and controlling of the administration? What is the role of the Parliament in the result steering of administrative agencies? Does the Parliament receive enough information on what is achieved with subsidies and if the activities are economical? Has the possibility for a democratic control increased? Or, has the new system weakened the possibility of the parliamentary actors to steer public agencies? It seems that the reform has been taken into use without a clear relationship with the parliamentary steering and auditing systems.

At the same time when the management by results system has been adopted, the regulative steering in the administration has decreased and relaxed. The change into commercial enterprises and corporations has also meant that many socially significant state institutions have moved further away from democratic steering and con-

trol. The change in the budgeting practice has also increased the latitude of administration, a situation which has generally been considered as something to strive for.

The purpose of this paper is to evaluate the functioning of the management by results (MbR) system in public administration, especially from the point of view of parliamentary steering and auditing. It is a question of an estimate of the situation: how the steering and auditing relations between the parliamentary actors and public administration have developed since the MbR-reform. What kind of problems exist? The functioning of parliamentary steering and audit is described in the light of the expert interviews.

## 2. PARLIAMENT'S TRADITIONAL MEANS OF STEERING AND AUDITING THE PUBLIC AGENCIES

By parliamentary actors is meant here the Parliament and its different suborgans, such as the Parliamentary State Auditors and Committees. The Parliament's most important and traditional means of steering and auditing the public agencies has been compiled in figure 1.

The channels and instruments to convey the parliamentary will to the administration have been the following:

- laws, statutes, regulations, stipulations, directions and notices
- the state budget,
- steering letters from the ministries

**Laws.** The very basic way in setting the strategies of the public agencies and other state institutions are the laws and enactments. Traditionally this steering has been of very general type. The description of activities in the enactments are rather a duty listing than an actual plan of service strategies. Only rarely have quality based expressions of main emphases or central

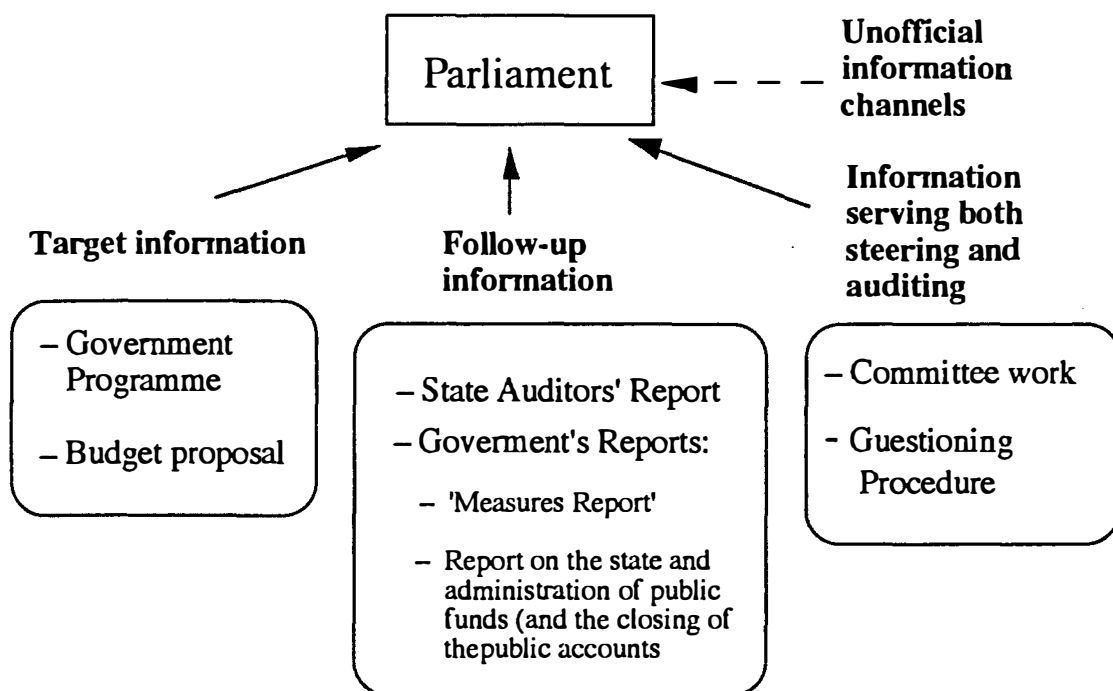


Figure 1. The Parliament's information channels for steering and auditing the public agencies.

operational principles been registered into enactments.

*Budget.* Another traditional channel for making the political will a basis for steering the policies of agencies is the annual budget approved by the Parliament. The declaratory part of the budget gives an informative forum for presenting the operational focuses and linings. During the recent years it has been aimed at to add sector specific characterization of policies to the declaratory part of the budget.

It belongs to the nature of the budget that it is at the same time both a decision act and an annual plan, in which the income and expenditure of the budget year are prognosticated in full. The prognostication is partly binding and partly an estimate. One of the special features in the budget, as a decision act, is the fact that both the general policies regarding the balancing of the national economy, and also targets and resources of an agency, are coincidentally decided in the budget (Tiihonen & Tiihonen 1990: 109, 124). The legal effects of the budget are connected with the types of subsidies and with the Parliament's reasonings, which are meant as attitudes (Myllymäki & Uoti 1994: 67, Myllymäki 1994: 45).

The Parliament does not decide only on the income and expenditure of the state but also gives the Government a right to use state funds for purposes defined in the budget. The budget provides a setting for systematic decision-making. The reports that are included in the appendices section are important sources of information when it is a question of the Parliament getting information on planning for the coming years. The budget also gives a ground for audit and inspection: are the funds dispursed in the required way and are they spent as effectively and economically as possible (Komiteanmietintö 1985: 13).

The Constitution Act, the Parliament Act and the Budget Act create bounds, opportunities and possibilities for the Parliament and its individual members to influence and participate in the target-setting and expenditure frames of the agencies during the budget process. The role of the Parliament begins after the preliminary debate on the budget has been held. The preparation of the Standing Committee of Supply follows. The Standing Committee of Supply treats the budget initiatives made by Representatives, and prepares a report for the Parliament's plenary ses-

sion. In the Parliament's plenum there is a general discussion which is followed by a detailed reading. By approving the budget the Parliament annually ratifies the expenditure frames for agencies and units. The Parliament allocates funds for specific purposes and expects the funds to be spent as economically and effectively as possible and by producing services of good quality.

The Representatives have a possibility to interfere in the expenditure frames not only in connection with the plenum but also in the Grand Committee and in the Standing Committee of Supply, which is the most important committee when the reading of the budget proposal is in question.

When one considers the meaning of the reading of the budget from the point of view of steering, it must be noted that a great deal of the income and expenditure in the budget are tied by laws. The Parliament must approve them as they stand (Tiihonen & Tiihonen 1990: 112). In any case, the budget process has traditionally given the Parliament the only real possibility, in addition to the laws, to steer the policy of the administration.

*Given approval to the Government programme.* A third traditional way to parliamentarily steer the sector specific policies are the Government programmes. They are declarations of the Government's will and include reports on the different segments of policy highlighting the most central targets of the Government. The programmes also receive the Parliament's approval when the Government is formed. Government programme is normally given as a notice to the Parliament. In recent years it has been aimed at to increase the steering effect and accuracy of the Government programmes. The programme provides, in principle, quite a flexible forum for defining the exact sector specific policy lines for the coming years. It also enables long-term steering of public agencies during the whole term of office.

The position of the Government programme in the judicial regulation hierarchy has become emphasized along with giving information on the programme implementation for the Parliament. On the first hand the Government programme is an instrument for the Prime Minister in leading the Government and on the second hand it is an instrument for a minister in steering his/her ministry and administrative field. Parliament's role is not visible.

The Parliament's task is to evaluate, with the help of its own audit institution, the performance of the administration's activities and the realiza-

tion of the budget. For the parliamentary follow-up of results the Parliament elects five state auditors for its term of office, and a secretariate led by an inspection counsellor assists the state auditors. The auditors act as a collegial organ and make their most important decisions in their meetings. The Parliament's task to audit and supervise is primarily taken care of by these five elected Parliamentary State Auditors.

The traditional channels for the Parliament to participate in the follow-up are at least:

- Parliamentary audit and State Auditors annual report
- The Government's annual reporting procedure for the Parliament
- The Government's eventual notices and announcements for the Parliament
- Committee hearings of the administrative experts

Also the Government's questioning procedure in the Parliament presents a kind of follow-up channel, but its role and importance as a performance auditing mechanism is not very significant.

*The Parliamentary State Auditors' report* includes both a comparison of the closing of the public accounts to the one made a year before and a comparison of the information on the closing of the accounts this year in relation to the budget. The comparisons are done rather briefly in a form of tables. The report gives descriptive information on the implementation of result targets and legality of activities. This information aims at finding out if the activities and management of economy have been in accordance with legal regulations and the Parliament's budget regulations. The authority of the auditors extends to public economy proper, funds external to the budget, state subsidies, the state guarantee fund together with public industrial establishments, public utilities and pools of public utilities. Furthermore, the auditors have a right to receive the information they require from a state enterprise, the ministry in question and from the State Audit Office (Tuovinen 1995: 1).

The information from the auditors is brought through the reporting procedure to the knowledge of the Parliament. From the basis of remarks and reminders which the auditors' observations have given cause for and which are included in the report, the Parliament can begin to take legislative or other measures from the basis of changes proposed by the Government.

*The annual reports* (a report on the state and administration of public funds, and a so-called

measures report) are feedback information on the level of performance of administration and on the state of public economy. The Government's report includes a survey on the administration of public funds. The report on the Government's measures includes accounts of the measures that the Government has taken due to the parliamentary resolutions, of other important matters in the state administration and of the relations of Finland to foreign powers. The purpose of this report is to give the Parliament the possibility to control those Government measures which have been taken due to parliamentary resolutions.

As a supplementary material for the Government report, the Parliament receives a *closing of the public accounts* published by the Finnish State Treasury. Also the closing of the accounts is given to the notice of the Parliament. It is treated first by the Standing Committee of Supply and then by the whole Parliament in its plenary session. The Parliament does not make a separate decree on approving the closing of the accounts or discharging the liability of the Government and other persons that are required to render accounts. The Standing Committee of Supply in the Parliament has a special role in the monitoring in that it gives a report on the state of public funds and on the auditors' report.

Besides the annual reports and notices from the Government and from the controlling actors information on the administration is received also from experts in the committee hearings and with the help of personal contacts.

### 3. THE INTERMEDIATE ROLE OF THE GOVERNMENTAL ORGANS

Governmental actors also play themselves important roles in steering and auditing the public agencies. The Government's role is on the one hand a role of an independent target-setter and supervisor and on the other hand a role of intermediary preparing the steering and follow-up information to the Parliament. The steering and auditing roles of the Government and individual ministers differ from the parliamentary actors in many aspects. This analysis here is concentrated to the parliamentary organs.

The basis for the Government's reporting procedure are the follow-up documents edited by the State Audit Office. The State Audit Office, which is subordinate to the Ministry of Finance, is the most important administrative inspection unit. Its operational aim is to produce inspection informa-

tion as an autonomous organ. The traditional role of the State Audit Office has been to develop and evaluate the legality of accounting in the civil service.

The State Audit Office as well as the Parliamentary State Auditors have the right to audit also the transfers of funds between Finland and European communities. The State Audit Office also supplies the Parliamentary State Auditors with its own reports of audit and this way serves the realization of parliamentary auditing.

The State Audit Office's task is to inspect the legality and expediency of the managing of the public finances and the compliance with the budget, and to secure the validity and sufficiency of the performance information which is central in the closing of the accounts. Furthermore, it has the right to guide and inspect the finances and activities of a bank, company, community or a foundation, which have received subsidies prescribed by law, and of state enterprises. The agencies annually submit their annual reports with documents on closing the accounts to the State Audit Office for auditing. The only obligatory follow-up data of the departments have been so far the calculation of how the budget has been realized.

The Finnish State Treasury is a central administrative agency which is subordinate to the Ministry of Finance like the State Audit Office. The role of the Finnish State Treasury is connected to the follow-up of result fulfilment in that it annually publishes the closing of the accounts which are submitted to the Parliament. The closing of the accounts includes combinations of the realization of the budget and the administrative balance sheet and an actual section of closing of the accounts where the different sectors are gone through in detail.

### 4. THE REFORM OF THE MBR AND THE CHANGES BY IT

*The short history of the MBR-reform in Finland.*

The management by results project officially began by a motion made by the Ministry of Finance in 1988, when the Customs Department, the Finnish National Road Administration and the National Board of Patents and Registration Board were nominated as the first agencies where the project would be applied in. These pilots were extended in 1991 when five new agencies voluntarily joined in. The reform gradually extend-

ed. In the 1995 budget all the public accounting agencies were managed by results in a way that used result budgeting and set result targets for themselves.

The adoption of the management by results system was visible especially in the reformation of norms regulating the public economy. Regulations in the Constitution Act concerning the national economy, as well as the Budget Law and the Budget Act were changed according to the requirements of the management by results system. Principles of contents and preparation of the annual budget proposal – the principles of budgeting together with regulations concerning net and gross budgeting, types of subsidies and the auditing of public economy – were registered in the reformed regulations. For instance changes regarding net budgeting, using of subsidies, book-keeping and operational accounting were included in the national budget law in connection with the reform. The new national budget law included an obligation to arrange operational accounting regarding also the follow-up of the targets set for activities. The Budget Act includes regulations regarding the preparation of the result budget proposals at civil service agencies and state institutions as well as of delivering the proposals to the ministry. According to these proposals a ministry prepares a result budget proposal of its administrative field to be further treated in the Ministry of Finance.

Also the general implementing provisions of the budget proposal were adjusted to result thinking during the years 1992 and 1993. The reduction of norm steering was sought with the new stipulations in the spirit of the MbR, for example by easing and simplifying regulations, and by directing the Government's preventive financial auditing into a more long-term steering of the public economy (Kivistö 1995:1). On the whole it can be said that the Finnish state administration was entered into the era of the MbR between the years of 1988 and 1995.

#### *Reforms made along with the MbR.*

The management reform has had many meant changes at both structural and behavioral levels. Firstly, there has been a general attempt to modernize, along with result thinking, the enactments of the civil service agencies which traditionally have only meant descriptions of the line of activities. The looseness of enactments has increased.

The contents and structure of the *Budget Deed* has been reformed into the direction of a result deed. The Ministry of Finance has a few times specified the way of expressing result targets connected to the budget. The result targets, defined at the civil servant level, must be set from the basis of a strategic plan, and at the same time the expenditure frames given by the Government and ministries must be taken into account. The result targets must form a feasible entity. The descriptions of activities must not be presented as being the same as result targets (e.g. by producing statistics). The result targets should be presented in the form of parameters, or if this is not possible, result targets must be described precisely so that evaluating their realization is possible. In those civil service agencies whose output cannot be measured, productivity and goals to function economically are substituted by calculations which indicate the development of costs in the result areas.

The most explicit change is seen in the thinning of the budget deed, which has been caused by the shift to lump sums allocated according to the costs. From the point of view of the new budget technique, the number of expenditure subitems has decreased from about 1200 sub-items in 1989 to less than 600 subitems in 1995 (Valtiovarainministeriö/ The Ministry of Finance 1995: 1). The budget document is nowadays the most important annual result target deed steering the whole administration. The most important parts, from the point of view of result steering, are included in the tables and account sections of the budget.

In the process of budgeting the steering role of the Government has become more visible in the definition of expenditure frames and through the general budget preparation process. The government makes up its opinion towards the central policies. When the Government starts the budget planning, general starting points of economic policy are decided upon. The Government gives expenditure frames for the next 3-year-period. The frames act also as a feedback information on the long-term plans of the administration. The feedback includes opinions towards e.g. the policies, targets and emphases of the different administration sectors. The Government's feedback is submitted further to the Ministry of Finance to be provided for the different sectors.

From the basis of the frames given by the Government the ministries give revised instructions to their subordinate agencies and state institutions their own, for preparing plans and budget proposals. In this connection, the ministries

and subordinate agencies conduct negotiations where the agencies are informed of the ministry's priorities and strategies and of guidelines for their own target-setting. The new practice in each ministry has been to steer through *result documents (contracts)* the specification of activities and service ideas in their own fields.

According to the renewed Constitution, the Parliament also approves, in connection with the reading of the budget proposal, the central *service targets and social targets for public corporations*. These are approved by the Parliament after the Government has first approved them. The Parliament does not directly decide on result targets for agencies. These targets, which have been placed in the explanatory part of the budget document are more of a background and additional information only. The targets are quite general statements.

*Net budgeting.* The budgeting procedure in the civil service agencies has been changing from gross budgeting to net budgeting. Only the difference between income and expenditure is itemized. In the Parliament's reading it is only decided what is left after the income of an agency is subtracted from its expenditure. The other decision-making on the use of money is left to the administration itself.

The parliamentary level is connected with the follow-up of the administrative agencies in two principle ways. On the one hand the follow-up is connected with the evaluation of the effectivity of activities and the realization of result targets. The parliamentary level joins into the evaluation of these when the result reports of the agencies are compiled into annual reports by each ministry and are further forwarded to the political level and the Parliament.

On the other hand the follow-up is connected to the evaluation of the functioning of the whole MbR system: how do the agencies form result indicators? Do the result criteria cover also quality and effectiveness? Are the result targets challenging enough? How has the profit in pay systems been carried out etc? This follow-up is a kind of a *meta-evaluation* of the functioning of the MbR system in the agencies. With this kind of external follow-up it is secured that the agencies are properly 'self-piloting'. (see the figure 2)

The *follow-up documents* have been developed in the direction of describing performance. The Audit Office produces information on the fulfilment of result targets in different administrative fields. However, the administrative field specific reports do not include an analysis that would be connect-

ed to result targets and their realization. The Parliamentary State Auditors report gives more analytical information on the attainment of result targets. The monitoring is connected to the attainment of result targets at all administrative levels. The feedback information is collected unit by unit and gathered into larger entities of fields and sectors. Central point of view has been to clarify if the targets set by the Parliament are realized in the administration of public funds.

It can be concluded from the reports of inspection that the state auditors have aimed at auditing both efficiency (economy + productivity) and effectiveness. The latter aspect has been the most central one. However, the precise evaluation of effectiveness requires that in connection with the budget, and the legislation supporting it, the targets set for desired effects are stated clearly enough. A concentration on wide and general evaluations has been typical for the Parliamentary State Auditors' auditing; they have concentrated on guiding the legality and expediency of the administration of the public economy.

According to the renewed Budget Act *the accounting* must present proper and adequate information on activities and finances and their development. It must be possible in the annual audit to clarify if the evaluation criteria and parameters, chosen within the subject of audit, give a proper picture of the level of performance.

The State Audit Office enlarged the entity of information on result follow-up in its 1993 annual audit regulations to include not only the information regarding the realization of performance targets (economy, productivity and effectiveness) which are in accordance with the result steering procedure of the agencies and state institutions, but also the information regarding activities subject to charges. In the auditing of the state enterprises attention is mainly paid to defects which may result in claims for compensation. The nature of the audit is to evaluate the profitability of the enterprise.

## 5. QUESTIONS ARISING

It has been estimated that changes in the regulative and budget steering have created, to some extent, voids in parliamentary steering to the administration and that the role of the Parliament has not been fully specified as a part of result steering. On the other hand the development of the explanatory sections of the Budget Deed into a result document has apparently com-

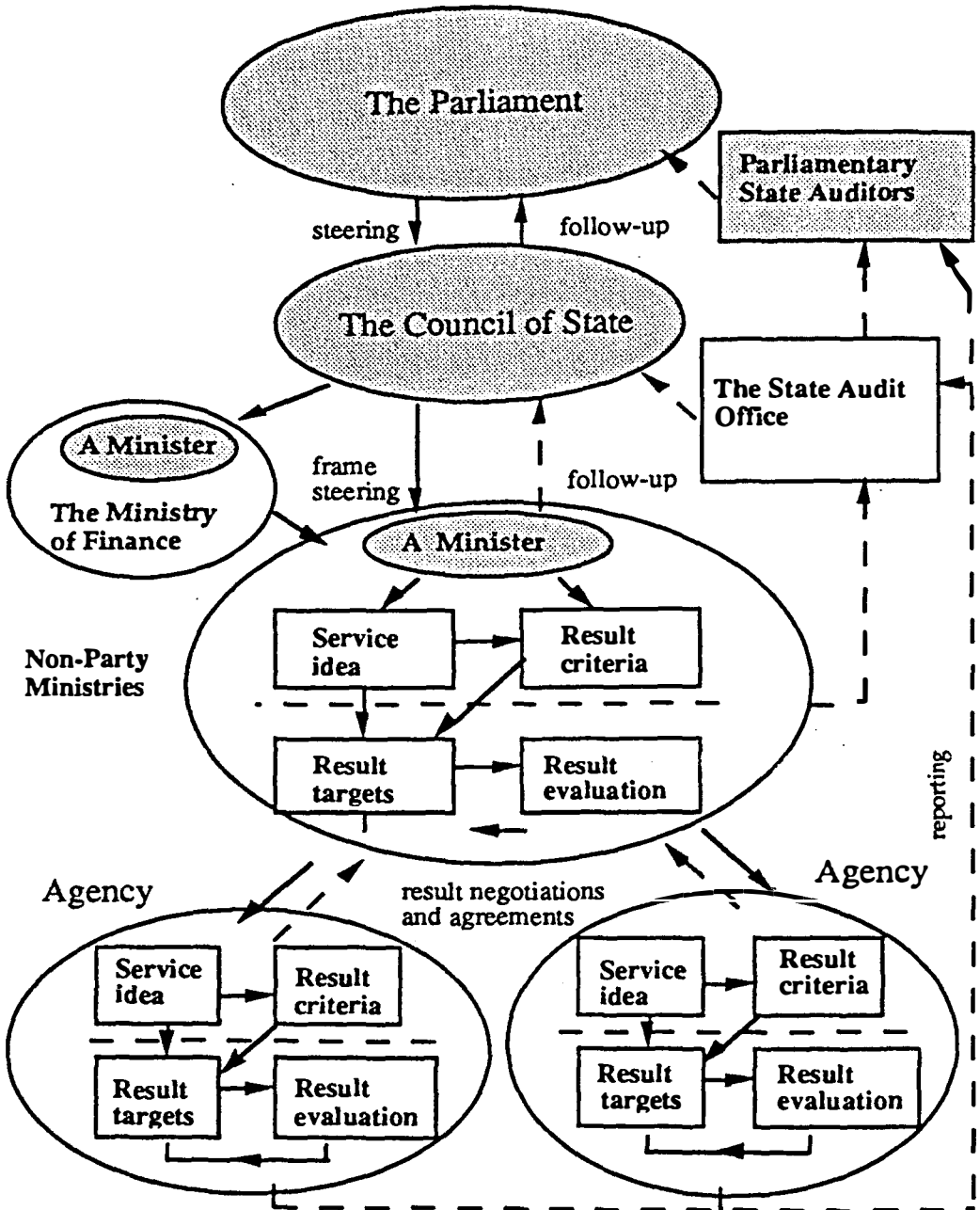


Figure 2. The new steering and auditing system of state agencies.

pensated, to some degree, the lack of democracy left by the relaxation of the statutory steering.

The net budgeting means that the possibilities of the Parliament to steer the activities by resources are more general than before. If there are no exact result targets set by the Parliament,

the formation of the Parliament's will does not, as it is, steer the activities of a net budgeted agency at all. It can be said that the chiefs of an agency can choose their priorities of activity at their free discretion as long as there is at the end of the year a sufficient net result.

Net budgeting tends to indicate the transfer of authority from the Parliament to the agencies. At the same time the net budgeting evidently transfers, more than before, the financial steering role of the Parliament into the role of auditing and monitoring of goal attainment. Then again by approving the transfer to net budgeting the Parliament at the same time admits, at least implicitly, that the civil servants who use the subsidies are capable of using them at their discretion economically and effectively enough.

Tuovinen (1995: 3) states that the MbR system has vested decision-power from the Parliament's sphere of budget closer to the activities. This way the MbR has decreased the need for external auditing and the emphasis of the auditing has been vested in the internal audit of units in public economy. The importance of evaluating the activities has been emphasized instead. In addition to approving the budget, the Parliament does not deal with any other issues beside making decisions on the subsidies regarding ministries and agencies. And because the subsidies are allocated mainly in lump sums, giving lines for activities through the subsidies is insignificant.

When it comes to the targets of the public corporations, it can be asked if there is real steering power included in them. It is also here more of a question of information given to the Parliament, because the service targets are quite general.

## 6. THE RESEARCH PROJECT

The research project was conducted as to get information of experiences on the management reform and the functioning of the parliamentary steering and evaluating (Lumijärvi & Salo 1997). Material to the research was obtained in an outlined theme (expert) interview which was directed to a group of representatives from the 'key' organizations:

- The Parliament: central secretariate, Standing Committee of Supply, Secretaries of the committees in the Parliament; total of 7 interviewees
- Prime Minister's Office; total of 1 interviewee
- Parliamentary State Auditors' Office; total of 2 interviewees
- State Audit Office; total of 2 interviewees
- Ministry of Finance; total of 2 interviewees
- Finnish State Treasury; total of 1 interviewee

And the following party-ministries:

- Ministry of Trade and Industry; total of 3 interviewees
- Ministry of Education; total of 2 interviewees
- Ministry of Communications; total of 2 interviewees.

There were 22 interviews in total, one of them via telephone. In every organization the selection of the interviewees was made so that the management by results process should be an essential part in the work of each of them. From the Parliament the interviewees were secretaries of parliamentary groups. All other interviewees were leading civil servants. The interviews were carried out in August-September 1995. Before the actual interviews took place, the question themes were sent to the interviewees to be deliberated beforehand. The actual interviews (average duration approx. 1,5 hours) were taperecorded. Notes were taken during every interview and turned out to be of good help when some interview recordings of poor quality were transcribed. The notes were also used when the plentiful tape material was outlined into themes. The interest of the interviewees towards the study was excellent; they had made preparations for the interview beforehand and for example incoming calls were connected to others.

The question themes which were presented to the interviewees handled the following entities, which were divided into more detailed sections in the question form:

- structure and contents of the budget proposal
- the preparing and reading process of the budget proposal
- setting result targets for a particular field of administration
- the contents and 'technical' nature of result targets
- channeling the information on result targets for the Parliament
- follow-up of the realization of result targets
- channeling the information on the realization of result targets for the Parliament.

To the interviewees was also presented overall theme questions on the management by results process, which included questions related to the proportioning of the long and short term planning, to the management by results system, to the functioning of the parliamentary system from the point of view of the MbR (division of work and roles) and to the 'liberties of administration'.



The main aim of the research project was to explore the relationship between MbR and the parliamentary actors: how the role of the parliamentary actors in steering and auditing the public administration has changed since the adoption of the MbR system?

(1) What is the role of the Parliament in the MbR system? Special attention was drawn to the question how the parliamentary actors are able to take part in the directing of service goals, defining performance indicators, making up annual result targets, treating the expenditure frames and evaluating the results. Do the present channels and instruments make it possible to convey the parliamentary will to the administration? What are the critical points of the parliamentary 'interference'?

(2) How do the partners of the MbR process experience the actual steering and auditing of the parliamentary actors? What is their point of view regarding the feasibility of parliamentary steering and auditing? How do they see it? Has the movement towards management by results happened at the expense of political steering and auditing?

When reading the findings one should keep in mind the limitations of the material. There were only three non-party ministries in this study. The researchers were able to take a look at the MbR processes in the agencies only through official documents and by interviewing key persons. Although the interview covered a group of people which undoubtedly had an excellent knowledge of the functioning of the MbR in both the administration in general and in their own organization, there were only 22 interviewees. This kind of a small group gives no statistical grounds for generalizations. On the other hand, similar observations have recently been made in other evaluations of the MbR system (e.g. Temmes & Kiviniemi 1995) and thus the observations carry more importance and may be generalized.

## 7. FINDINGS

### *The adequacy of result information which the Parliament receives*

Almost all of the interviewees from the ministries agreed that the result information in the declaratory parts of the budget proposal as such is inadequate to act as a basis for reading in the subcommittees of the Standing Committee of Supply and in the Parliament. However, prepar-

ing more detailed information wasn't seen as necessary because the Parliament's possibilities to receive additional information are good. The Parliament can ask for additional reports from the ministries if necessary, and through the Parliament's committee work there is an opportunity to hear the ministries' experts. A fear of the return of the management by resources along with the production of more detailed information was expressed in a few answers.

The views of the State Audit Office and Parliamentary State Auditors on the adequacy of information in the budget proposal regarding result targets, were similar to the views of the ministries' representatives. They think that the information in the budget proposal regarding result targets is too 'general and unorganized'. When the adequacy of the information was discussed, usually defects and problems were referred to in the presentation and formation of result targets.

In every answer from the different quarters of the Parliament it was stated that the information on result targets is not adequate and too 'general'. In some of the answers it was emphasized that the MbR has just begun and now it is only learnt how the result targets should be defined and written. On the other hand the detailed vs. general dilemma was strongly brought up: taking the middle course has been difficult before and it still is. In the answers from both the Parliament and the ministries it was stated that there certainly are possibilities to get additional information. In this connection the Standing Committee of Supply and its subcommittees were the most emphasized ones.

In connection with the interviews, the following was stated during the preliminary and feedback debates on the budget:

"The preliminary and feedback debates on the budget are the few discussions where the Representatives can freely speak about whatever they like, because the budget covers everything. The Representatives discuss targets which are set by the Government's activities and which are external to the budget deed."

According to the interviewees the plenary reading of the budget proposal in the Parliament is of a very general kind. The debate is dominated by the 'Government's general policy lines' which means that no detail, for example regarding result targets, is included in the discussion. One of the interviewees stated that "the detailed discussion on the budget proposal takes place in the Standing Committee of Supply and its subcommittees".

"It is impossible in the plenary reading to go very deeply into the result targets set by the Government. Issues which are more important are always discussed in the plenary session, for example unemployment or financial support to banks. These same themes are brought up also in the collective addresses of the parliamentary groups. The overall political objectives of the Government and the individual result targets of the ministries are emphasized in the addresses of the individual Representatives. If the Representative is a member of the Cultural Committee, his/her address deals with the educational items in the budget proposal."

If individual result targets are discussed in the plenary debate, they are connected to the addresses of individual Representatives. Then the result targets are mostly treated according to the Representative's own experience and to the professional field of the committee he/she represents. The sector specificity of the Representatives' speeches doesn't help in creating any profound discussion.

"In the parliamentary debate on the budget proposal there is hardly any discussion. Every Representative who comes up to speak, has a prepared speech with him/her and he/she does not refer to previous speakers. This way there is hardly any discussion and the comments are unconnected to previous speakers. It would be possible to start a discussion on the basis of collective speeches."

According to the interviewees the MbR reform has not changed the Parliament's plenary reading.

"The MbR reform has had no impact on the Parliament's life from the point of view of plenary sessions."

#### *Information on the realization of result targets*

The question if the Parliament receives enough information was primarily directed towards Parliamentary State Auditors and the Parliament itself. According to the state auditors the Parliament does not receive enough information on the realization of the result targets although finding the optimum level of producing a proper amount of information is extremely difficult.

"The Parliament receives fiddle-faddle reports, annual reports and Government reports, which actually don't say anything."

"The Representative is unsatisfied with the information he/she receives. There isn't enough of it and it isn't current. Drawing the line on what is adequate information is difficult. There are 200 individuals in the Parliament and everyone has his/her own idea of what is adequate and valid information. If 50% of them were satisfied, the situation would be satisfactory."

The Parliament's reply to the previous question was a definite 'no'. The information on the realization of result targets is officially limited to the reports the Parliament receives. The information value of these reports was interpreted the same way as the Parliamentary State Auditors did. In this the importance of the committees was again brought up. They are the hunters and 'interpreters' of the lacking information. According to the Parliament's replies, preparing clearer information on the realization of result targets would require the renewal of the reporting procedure and committee work. A couple of interviewees stated the following:

"The Parliament does not automatically receive all information. One has to ask for it and then it is definitely possible to get it."

In this respect also the role of the parliamentary groups in finding additional information on both result targets and their realization was brought up. Is there a difference in the adequacy of the feedback information between the Government and opposition parties? This kind of a question was also asked from the different quarters of the Parliament. According to every interviewee there is a difference between the Government and opposition parties in getting information on both the result targets and their realization. The main differences are connected to the fact of how current the information is, and to the way of getting the information. The Government parties get current information continuously because of their position and getting information from the ministers in their 'own party' is rather simple. The opposition parties instead must use remarkably more time and work in order to get the equivalent information. According to the interviewees the opposition parties have less trouble in getting follow-up information than getting information on the targets.

The question on the possibility of realizing the Parliament's auditing function in the present MbR system, and with the help of feedback on the system, was directed towards the different quarters of the Parliament and external audit organizations. The interviewees felt that it is difficult to answer this question. Five of the eight interviewees didn't directly answer the question. In these replies the complicated nature of the Parliament's auditing was problematized.

"In a narrow mind the auditing function of the Parliament is taken care of by the state auditors. In principle this auditing can culminate in expelling the Government. However, in practice this does not happen nowadays. There is nevertheless a basis for other

than financial auditing, which is performed by the state auditors."

"The Parliament strictly speaking does not guide, but it has the opportunity to do so. When there is a possibility of auditing, the administration guides its activities by itself. The administration is encouraged by the fact that the Parliament can tighten its grip. The Parliament cannot be an actor which concretely guides all the time. Earlier, this was understood differently in the Parliament."

Three of the interviewees said that the realization of the Parliament's auditing function is possible in the present system and it is 'well carried out'. They did not see that the MbR system would have changed the role or position of the Parliament in any way. However, developing the work of the committees and their subcommittees, the better consideration of the Parliament's resolutions and the Parliament's own activity were connected in the replies to the possibilities of realizing the auditing function.

It was interesting that the possibility to realize the Parliament's auditing function was felt differently by the external audit organizations than by the Parliament itself. Three out of four interviewees from the external audit organizations stated that the Parliament's auditing function is 'difficult to carry out'. The idea of emphasizing the Parliament's auditing function by reforming the Parliament Act was clearly brought out in the answers, because the Parliament's power of decision has decreased along with the MbR. As a means of increasing the Parliament's auditing function the 'auditing instruments' were to be united, i.e. the State Audit Office and Parliamentary State Auditors. This way the role of auditing would completely be focused on the Parliament.

"The one who gives the money, should also have the possibility and right to control the use of funds. The Parliament administers the taxpayers' and citizens' money, gives it for different purposes and achieves different kinds of impacts on the society with this money. This way the Parliament must also have a possibility to make sure that the funds have been properly used. Because of this activity there must exist proper instruments for carrying out the auditing function. The Parliament should have such a machinery which would take care of this control. At the moment the machinery is quite modest."

In a contradictory opinion it was emphasized that the Parliament's position hasn't changed along with the MbR for example in relation to the budgetary decision-making power. The interviewee stated that the Parliament has 'plenty of means to guide the administration'. With this he/she referred to the Parliament's legal right to receive all the required information and to the

committee work, which enables for example the hearing of administration experts.

On the basis of the interviews the contradictory question is that the Parliament itself does not see any bigger problems in carrying out its auditing function, whereas the audit organization, which is a part of the Parliament, states that carrying out the auditing function effectively isn't possible in its present form. The narrowness of the interview sample doesn't however make it possible to draw any tenable conclusions on the Parliament's position on the basis of this observation.

## 8. CONCLUDING REMARKS AND FUTURE CHALLENGES

### *The Parliament's role in a new system*

In principle, the Parliament Act is considered as being functional from the point of view of result steering. The problems are mainly connected to the ways the MbR reform has been carried out. One doesn't need the increasing of the amount of guidelines and regulations in connection with the MbR. However, the present regulations should be reformed and made more flexible in order to take the ministries' different needs into consideration. The Parliament hasn't yet found its role in the new system. The result follow-up is a task which is being emphasized because it is seen that the decision-making power has anyhow been forwarded to the civil service agencies and state institutions along with the different kinds of reformations. The MbR thinking hasn't yet been reflected on the plenary debate in the Parliament. Instead, the MbR thinking is visible in the work of committees, especially in the Standing Committee of Supply, as well as through the emphasizing of the Parliamentary State Auditors' role. The committees have the possibility to get additional information from the administration and have evaluation reports made. The state auditors' position can be improved as they 'filter' the reports pouring from the administration, perform the appropriateness audit and speed up and rationalize the report information received by the Parliament. The Government report procedure should be centralized and developed into a reporting on result targets and their realization. The follow-up of the level of performance in the administrative fields is also needed.

The role of the Parliamentary State Auditors is evidently very central in obliging the administra-

tion, because their role is, as they represent the Parliament, to carry out the auditing function of the administration in practice. After all they receive the result information on the ministries and civil service agencies. The state auditors must be able to require the ministries, their sector equivalents and agencies to sharpen their result thinking. The result criteria registered in the budget have to be comprehensive enough, especially with regard to quality and efficiency meters, and the annual result targets have to be sufficiently specified. After this has been done, the opportunities for Parliament's committee work, for example, are better in connection with the annual reading of the budget. The auditors' report should also be developed to the direction of evaluating the appropriateness of result targets and making comparisons of performance: what has been achieved within each expenditure frame? Is the result equivalent with the targets registered in the budget?

The role of the Parliament's committees should be developed in the reading of verbal and written result information on the administration. The meaning of the committee work in both the result steering and follow-up is commonly seen as very important. The present working methods of the committees aren't apparently equivalent to the requirements of the MBR system in the best possible way when the processing of information and follow-up are in question. The methods and forms of working should be developed into the direction of result steering and follow-up. The committees should be able to deal with the agencies' target-setting and to steer it to the desired direction if needed, although the Government and ministries do have better possibilities of parliamentary interference in this case.

Almost every interviewee mentioned the unofficial sources as an essential means for an individual Representative to get information on result targets and their realization. The unofficial sources mentioned in the interviews were different types of media, meetings, negotiations and the Representative's own contacts and relations. In this study the unofficial sources of information wasn't handled any further.

### *The renewal of the Budget Deed*

The budget has become more like a result deed, but is still incomplete in this respect and includes structural defects, for example the presentation of cost and result information lacks

comparisons, the result meters are in an undeveloped state, result targets are approximate and there isn't enough of information on comparisons. The undeveloped state of result meters and target-setting is visible also in the civil service agencies' annual reports. Parliamentary steering can be increased by including the systematic specifications of policies for every field and sector of administration, even for specific agencies and state institutions, in the budget document. Then there would exist a parliamentary ground for the specification of policy lines at regional and local levels as well as intra-administratively. Result targets should be set on income transfers, too.

At the latest in connection with adopting the principles of net budgeting, it is essential from the point of view of the Parliament's steering power to require that the result targets of the agencies are precise and comprehensive. By approving the result targets of the agencies the Parliament fulfils at the same time its constitutional duty and right to give information of its will to the administration.

### *Government programme and long-term contracts giving policy linings*

On the other hand it may be asked if the annual budget really is the most proper forum for introducing policy lines for a longer period of time. Isn't the budget primarily a target and resource deed for the coming year? In evaluating the possibilities of the budget as a means of policy steering it must be added that with regard to steering, the meaning of the policy lines in the declaratory part is not precise nor binding.

It is apparent from the point of view of the Parliament that neither the legislation nor the budget is a fully proper means of strategic steering. The legislation seems to be too permanent a means of giving policy linings in today's changing environment; and on the other hand the budget with its declaratory part again is too shortsighted a forum. In the budget there are certainly the sector specific linings and descriptions of development, but they describe and predict more than steer the activities.

The Government programme provides an effective instrument for defining the sector specific policies for a longer period. The application of the result agreement system in strategic management, as it happens in Holland, seems to be a procedure worth experimenting also in Finland, because it could complement the once-for-all

steering nature of the Government programme. When a minister approves policies concerning the strategic development of his/her administrative field, the policies are considered having also the steering support of the whole Government. It is this kind of practice that Treur (1992: 5) refers to when he describes the steering model that is in use in Holland. Contracts are made at two levels between the ministries and agencies. On the one hand there are management contracts, which deal with developing the long-term policy of the agencies subordinate to a ministry, and on the other hand there are production contracts, which deal with annual result targets connected to productivity and such like.

#### *Better utilization of the result information*

At all levels of internal and external audit it has been aimed at emphasizing the utilization of the result information that has been produced through the follow-up. The main function of the Parliamentary State Auditors' appropriateness auditing is to improve the financial planning and future activities of the public administration and to assist the administrative organization of the public economy in decision-making (Meklin 1991: 135–136).

The reporting procedure serving the follow-up of administration is insufficient especially in that it still is far behind present events although it has been speeded up, and the reports do not include clear information on the realization of result targets and on 'what it has been achieved with the money'. The number of reports is quite high at present. The reporting procedure should be reformed as a whole in order to better correspond to the information needs required by the MbR system.

The group of experts from the Prime Minister's Office (Valtioneuvoston kanslian asiantuntijaryhmä 1995: 56–60) proposed that the possibilities of the Parliament contributing to the lines of activities of the administration and guiding the realization of these, should be strengthened. According to this group of experts, the information which is given to the Parliament on the cost, results and result targets of administration and on the activities which are financially supported by the state, should be increased and be made more profound. The Parliament should also be given a chance to contribute to central result targets. In addition to the legal use of funds it would be necessary to increase the evaluation of the performance of public activities from what it is at

present. The actual result responsibility of the executive civil servants should be adopted in the administration. The system should reward effective and high quality activities. An open evaluative system should be created to every unit of administration, and this should be based on continuous self estimation and on necessary external evaluation. It has also been proposed that the State Audit Office be subordinated directly to the Parliament and be brought under the authority of the Parliamentary State Auditors.

#### *Common visions for development*

In itself the development during the recent years which has led to a decrease in regulative and resource steering and to an increase in result steering can be considered as parallel to the needs of modern administration. There is no common will to go back to limiting the administration's operative freedom of action because the purpose of the recent reforms has been to systematically get rid of it. The agencies are the primary utilizers of their own evaluation information.

MbR has meant a new system of steering where the elements of steering in the administration are specifying the service goals, result criteria, result targets and result follow-up. MbR is more than the traditional management by objectives. MbR aims at steering the agencies also in directing their service strategy, choosing the items for which targets are set, and in defining the expenditure frame for activities.

This study indicates that the development of the MbR system is quite advanced in the Finnish public administration although there are differences in the stage of adoption between the agencies. On the other hand the study also indicates that the shift to MbR is not yet complete from the point of view of the parliamentary steering and auditing. The reform hasn't meant a shift to a new, more flexible way to steer the administration in every case, but there has been an increase in situations where there is no steering at all. These situations may appear, for example, in bringing such loose result targets to reading a the political level, that the targets do not really steer the agencies' activities. Because of this it is impossible to evaluate afterwards if the targets were attained. The parliamentary steering actors should become conscious of their role as attending to the nation's interests. Once again it is a question of to what extent the political governing is able to make its control over the administra-

tive apparatus more effective (cf. Temmes 1987: 363). One must require the administration to develop the MbR system so far that it enables sufficient realization of the political steering and auditing in accordance with the administration.

## REFERENCES:

- Kivistö, W. (1995). Valtion talousarvion yleisten soveltamismääräysten uudistaminen. Valtiovarainministeriö 24.3.1995. (Unpublished memorandum).
- Komiteanmietintö (1985:13). Tilisäännösten tarkistamistoimikunnan mietintö. Helsinki. (Committee memorandum).
- Lumijärvi, I. & Salo, S. Steering and Auditing – Public Management Reform and the New Role of the Parliamentary Actors. Peter Lang, Inc., European Academic Publishers. Bern. Berlin. Frankfurt a.M. New York. Paris Wien 1997.
- Meklin, P. (1991). Valtiontalouden perusteet. Valtionhallinnon kehittämiskeskus. VAPK-kustannus, Helsinki.
- Myllymäki, A. (1994). Julkistalouden sääntely. Finnpublishers Oy, Tampere.
- Myllymäki, A. & Uoti, A. (1994). Eduskunnan budjettivalta, tulosohjaus ja parlamentaarinen valvonta. Tampereen yliopisto, julkisoikeuden laitos. Tampere.
- Temmes, M. (1987). Hallintokoneiston autonomisuus. Acta Universitatis Tamperensis, ser. A vol. 218, Tampere.
- Temmes, M. & Kiviniemi, M. (1995). Muutoksen mahdollisuudet. Arvioiteja ja näkemyksiä julkisen sektorin ja hallinnon kehittämisestä 1990-luvulla. Valtion painatuskeskus Oy. Helsinki.
- Treur, H. (1992). Contractual Management and Result-Responsibility in the Dutch State Police and Municipal Police. Paper presented at the EGPA-Conference, Pisa.
- Tuovinen, T. (1995). Valtiontalouden tarkastuksen nykytila. Valtiontalouden tarkastuksen kehittämistoitumikunta. Julkaisematon muistio. (Unpublished memorandum).
- Valtiovarainministeriö (1995:1). Ministeriö tuloksenteikijänä – ministeriön tulosohjauksen kehittämishanke II. Valtiovarainministeriön työryhmämuistioita. Budjettiosasto. Helsinki. (A Ministry of Finance's report).