

**Inventory of the methods, procedures and sources
used for the compilation of deficit and debt data and
the underlying government sector accounts
according to ESA2010**

Finland

November 2015

Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA2010 as well as some updates of the relevant topics mirroring the changes introduced by the ESA2010.

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Annex I – list general government units

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

1. General Government

This section describes the coverage of the General Government sector and the sub-sectors for Finland.

The general government sector is composed by 3 sub-sectors: S.1311, S.1313 and S.1314. It includes:

1.1. Central government subsector (S.1311)

The central government sector of Finland consists of

- central government agencies (the budget economy)
- extra-budgetary funds (excl. State Pension Fund)
- universities (14 units in 2014)
- university property companies (3 units in 2014, incl. property company subsidiaries)
- Senate Properties (S.1311 since 2011, incl. property company subsidiaries)
- Solidium Ltd
- Governia Ltd
- Gasonia Ltd
- Leijona Catering Ltd
- Haus Kehittämiskeskus Ltd (S.1311 since 2010)
- Yleisradio Ltd (public broadcasting company, S.1311 since 2013)

1.2. Local government subsector (S.1313)

The main group included to the local government sector are municipalities and joint municipal authorities (317 municipalities in 2014 and 154 joint municipal authorities in 2014). In 2014 there were 130 quasi-corporations classified to the local government sector. Quasi-corporations are legally part of the municipality under which they are

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operating, in other words they do not have independent legal status. Quasi-corporations operating as market producers are classified as public corporations.

In addition, Ålands Landskapsregering (the Åland Government), Landskapet Ålands pensionsfond (the Pensionfund of the Åland Government), Kuntaliitto (Association of Finnish Local and Regional Authorities), KT Kuntatyönantajat (KT Local Government Employers) and Kuntien takauskeskus (Municipal Guarantee Board) are classified to the local government subsector.

As a result of ESA 2010 implementation, several incorporated units were classified to local government sector. In 2014, there was 159 incorporated units classified to local government sector.

1.3. Social security funds subsector (S.1314)

Sub-sector social security funds is divided into employment pension schemes S.13141 and other social security funds S.13149. Employment pension schemes S.13141 consists of pension insurance companies (6 units in 2014), pension funds, foundations (20 units in 2014) and other pension insurance institutions (8 units in 2014). Other social security funds S.13149 consists of Kela (the Social Insurance Institution), Työttömyysvakuutusrahasto (The Unemployment Insurance Fund), Koulutusrahasto (The Education Fund), unemployment funds (32 funds in 2014), employee sickness funds (137 funds in 2014), and funeral and redundancy relief funds (2 funds in 2014). Except for the Social Insurance Institution, all these units belonging to S.1314 are - to different extents - under the supervision of Finanssivalvonta (Financial Supervisory Authority), which maintains a list of them, and also collects financial statement data for e.g. all pension insurance companies and pension funds and foundations. The classification of employment pension schemes inside general government sector in Finland is grounded on the decisions of Eurostat on the issue (Eurostat news release No 10/97, 3 February 1997).

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter B, section 1.

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2. Institutional arrangements

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

Legal basis for the compilation of GFS and EDP data

There is no specific law relating to EDP or GFS statistics – all statistics are compiled under general statistical law of Finland.

2.1. Institutional responsibilities for the compilation of general government deficit and debt data

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat¹ via the following tables (see the related EU legislation)²:

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 801 – Non-financial accounts by sector (quarterly)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

¹ <http://ec.europa.eu/eurostat/data/database>

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:174:0001:0727:EN:PDF>

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables³.

Table 1. - Institutional responsibilities for the compilation of general government national accounts and EDP tables

Institutional responsibilities <i>(the appropriate cells are crossed)</i>		NSI	MOF	NCB	Other	
Compilation of national accounts for General Government:						
Nonfinancial accounts	annual	X				
	quarterly	X				
Financial accounts	annual	X				
	quarterly	X				
Maastricht debt	quarterly	X				
Compilation of EDP Tables:						
EDP table 1	actual data	deficit/surplus	X			
		debt	X			
		other variables	X			
	planned data	deficit/surplus		X		
		debt		X		
		other variables		X		
EDP table 2 (actual data)	2A central government		X			
	2B state government					
	2C local government		X			
	2D social security funds		X			
EDP table 3 (actual data)	3A general government		X			
	3B central government		X			
	3C state government					
	3D local government		X			
	3E social security funds		X			
EDP table 4		X				

NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)

MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)

NCB – National Central Bank

Other – other national body, to be specified in comments

³ <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Institutions involved in the compilation of EDP notifications are:

* Tilastokeskus - Statistics Finland

* Valtiovarainministeriö - Ministry of Finance

As can be seen from the table above, Statistics Finland is responsible for all actual and statistical data relating to EDP statistics. The Ministry of Finance is responsible for forecasting, i.e. planned data. Final approval is done accordingly – Statistics Finland approves all the actual data and MoF approves the planned data.

EDP tables are transmitted to Eurostat by Statistics Finland both via EDAMIS Web Portal (in electronic form) and in paper via surface mail. The paper version includes a signed cover letter with a signature of the Senior Statistician responsible for the matter.

2.1.1 Existence of an EDP unit/department

There is no specific EDP unit at Statistics Finland. The EDP is one of the responsibilities of Government Finance Statistics team, which belongs to the unit Government Finance and Sector Accounts at the Economic and Environmental Statistics directorate in Statistics Finland. All the GFS statistics transmitted to Eurostat are compiled in the same directorate (Economic and Environmental Statistics) of Statistics Finland and for that reason that directorate is also responsible for classification and methodological decisions applied in the compilation of the national accounts.

Because in Statistics Finland EDP tables are derived statistics from the national accounts (both from non-financial accounts and financial accounts) process, the compilers of EDP statistics are the same staff that also compiles subsectors for annual national sector accounts. In practise, that means for example that the person responsible for central government accounts for the purpose of annual non-financial accounts is compiling table 2A, and the person responsible for compiling local government financial accounts is responsible for the table 3D.

At Statistics Finland, EDP statistics is derived statistics from compilation process of national accounts (both non-financial and financial accounts) and can't really be described as an independent production line. Without regular process of compilation of annual national accounts on sector level there wouldn't be EDP statistics either. Incoming source data is provided to Statistics Finland for the purpose of compiling national accounts and there is very few data which is used only for EDP compilation. It works also other way around, the demands of the EDP process is already taken into account when designing data collection for national accounts purposes.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

2.1.2 Availability of resources for the compilation of GFS data

Current organization structure of the directorate:

Economic and Environmental Statistics directorate

Units of the directorate:

- Support and analysis (incl. development municipal statistics)
- Consumer and housing prices
- Cost indicators
- National accounts
- **Government finance and sector accounts** (GFS statistics team is part of this unit)
- Balance of payments
- Economic and environmental statistics data collection
- Environment and energy
- Greenhouse gas inventory unit

Please see also 2.1.1.

2.2. Institutional arrangements relating to public accounts

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

2.2.1 Legal / institutional framework

The central government applies the State Budget Act in terms of accounting, preparation and presentation of annual financial statements and budgeting and reporting. Valtiontalouden tarkastusvirasto VTV (The National Audit Office) reviews management of the central government. VTV may also control the use of public funds that are allocated to private organizations. It checks the quality and consistency of management, and the efficiency and effectiveness of actions. Reports of the National Audit Office are sent to the audited executive level, and they are composed of opinions on financial statements, findings and recommendations. Audits take place each year and the financial audit report is public. Reporting is required by law.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Overview of the accounting and auditing arrangements – Central government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
State budgetary units	State Budget Act (13.5.1988 /423), State Budget Decree (11.12.1992 / 1243), Government Accounting Board resolutions	Definition of the role of the National Audit Office: - Financial audit - Performance audit - Compliance audit	Each year
Extra-budgetary funds	State Budget Act (13.5.1988 /423) and specific laws on separate legal entities (this may include Accounting Act (30.12.1997 / 1336)), Government Accounting Board resolutions	Financial audit by private sector auditors (Authorized Public Accountants) and/or Chartered Public Finance Auditors	Each year
Universities	Accounting Act (30.12.1997 / 1336), Universities Act 24.7.2009 / 558), Accounting Board resolutions	Financial audit by private sector auditors (Authorized Public Accountants)	Each year
Incorporated units	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Each year

The local government applies the Accounting Act in General accounting. The annual financial statements are audited by Chartered Public Finance Auditors.

Overview of the accounting and auditing arrangements – Local government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	Municipalities Act (17.3.1995 / 365), Accounting Act (30.12.1997 / 1336), Accounting Board's Municipal sub-committee resolutions	Financial audit by Chartered Public Finance Auditors	Each year

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Joint municipal authorities	Municipalities Act (17.3.1995 / 365), Accounting Act (30.12.1997 / 1336), Accounting Board's sub-committee resolutions	Financial audit by Chartered Public Finance Auditors	Each year
Åland Government	State Budget Act (13.5.1988 /423), State Budget Decree (11.12.1992 / 1243), Government Accounting Board resolutions	Financial audit by Chartered Public Finance Auditors	Each year
Municipal Guarantee Board	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Each year
Association of Finnish Municipalities and Local Authority Employers Finland	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Each year
Incorporated units	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Each year

The Social security funds apply the Accounting Act in General accounting. The annual Financial Statements are audited by Certified Public Accountants. Units are also supervised by the Financial Supervisory Authority (FIN-FSA), so they report various information to the supervisor on a regular basis.

Overview of the accounting and auditing arrangements – Social security funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Statutory earnings-related pension providers	Specific legislation on pension providers, Accounting Act (30.12.1997 / 1336), Accounting Board resolutions, Financial Supervisory	Financial audit by Authorized Public Accountants	Each year

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
	Authority's resolutions		
Other Social Security Funds	Specific legislation on Social Security providers, Accounting Act (30.12.1997 / 1336), Accounting Board resolutions, Financial Supervisory Authority's resolutions	Financial audit by Authorized Public Accountants	Each year

2.2.2 Auditing of public accounts

2.2.2.1 *General government units*

All the units are under financial audit, which means that their financial statements (profit and loss account, cash flow statement and balance sheet) are audited. Auditing takes place once a year and for most units their financial year corresponds to a calendar year. The audited accounts are available when they are published and most units publish their accounts on their internet website (sometimes accounts are only available on demand). Audit reports might include all kind of analysis, but the main requirement is that the auditors give their statement if everything is done according to the legal demands.

Concerning the central government, the National Audit Office submits an annual activity report to Parliament each year by the end of September based on section 6 of the Act on the National Audit Office (676/2000). It can also submit separate reports to Parliament when needed. According to established practice, a separate report on the audit of the final central government accounts and the Report on the Final Central Government Accounts is submitted to Parliament each year in the spring.

2.2.2.2 *Public units, not part of general government*

As mentioned in 2.2.2.1, according to Finnish law all economic entities (limited companies, trust funds etc) have to be audited. There is an exception to that rule; if the unit is very small according to Auditing Act (459/2007): Section 4, Obligation to carry out an audit: "(2) Unless otherwise provided elsewhere in the law, there is no obligation to appoint an auditor for a corporation where not more than one of the following

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

conditions were met in both the past completed financial year and the financial year immediately preceding it:

- 1) the balance sheet total exceeds 100 000 euros;
- 2) net sales or comparable revenue exceeds 200 000 euros; or
- 3) the average number of employees exceeds three.”

All other units are audited.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

Table 1 of this inventory describes that there are two institutions responsible for EDP reporting. Statistics Finland has a sole responsibility for actual statistical data and the Ministry of Finance is responsible for the planned data (forecast). In addition, Statistics Finland has the responsibility for underlying national accounts (both non-financial and financial accounts) and the sole responsibility for applying national accounts methodology and making classification decisions.

For information sharing, an EDP co-operation group has been set up. It has been set up with an official decision of Statistics Finland. The chairperson of the group comes from Statistics Finland and there are invited members from the Ministry of Finance and Bank of Finland. Even though in Finland there are officially only two institutions, which are involved in the compilation of the EDP tables (as explained in Table 1 and chapter 2.1.) we consider important, that Bank of Finland is included as a close partner in the process - especially because at EU level ECB (via national central banks especially in the Euro area) is so heavily involved in the EDP activities.

The co-operation group meets regularly twice a year before the notification deadline to discuss and inform each others of underlying events and decisions which are behind the figures. The group is invited to meetings by Statistics Finland and in the meetings for example classification issues are discussed (StatFin has sole responsibility for sector classification) and it's important that while preparing the forecast the MoF has the clear idea which units are classified and on what basis to which sector/sub-sector. During these meetings StatFin also informs other participants for example what is going in this field at EU level and what kind of consequences those decisions might have nationally (like informing of new guidance notes of Eurostat etc.). The group doesn't have official minutes because it's not a decision making body, but short memos are always written of the subjects discussed during the meeting.

2.3.1.2 Access to data sources based on public accounts

Data sources are described in detail when describing compilation of each EDP reporting table.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

All EDP tables (1-4) are published nationally on the website of Statistics Finland on the same day as they are reported to EU/Eurostat. At the same time there is also a national publication of General government deficit and debt statistics, where evolution of the data is analysed and methodological issues are explained. EDP tables as such are annexed to this publication and there is a reservation which states that, if during the validation period the EDP tables are updated the new updated version will be published at the same day when Eurostat will publish its press release.

2.3.2.2 Publication of underlying government ESA2010accounts

Statistics Finland has its own national publications of different areas of national accounts, but transmission tables as such are not published. The publications which always include also metadata can be found from the website of Statistics Finland under the themes "National Accounts" and "Government Finance". There is also [a release calendar](#) which can be obtained from the website. Every published set of statistics contains information on when it will be updated next time.

Below is a list of publications where the data of underlying government accounts can be found. They are published at the website of Statistics Finland (first there is the name of the publication in Finnish and following that is the English name):

- [Julkisyhteisöjen alijäämä ja velka](#) (General government deficit and debt)
- [Julkisyhteisöjen menot tehtävittäin](#) (General government expenditure by function)
- [Julkisyhteisöjen rahoitustilinpito](#) (General government financial accounts)
- [Julkisyhteisöjen tulot ja menot neljännesvuosittain](#) (General government revenue and expenditure by quarter)
- [Julkisyhteisöjen velka neljännesvuosittain](#) (General government debt by quarter)
- [Verot ja veronluonteiset maksut](#) (Taxes and tax-like payments)
- [Kansantalouden tilinpito](#) (Annual national accounts)
- [Sektoritilit neljännesvuosittain](#) (Quarterly sector accounts)
- [Rahoitustilinpito](#) (Financial accounts)

A list of units belonging to general government sector is published here (in Finnish): <http://www.stat.fi/meta/luokitukset/linkki/julkisyhteisot.html>

3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA2010based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation⁴: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

This section focuses on Maastricht debt only. A detailed description of B.9 calculation and data sources for individual subsectors is covered under section 3.2.

3.1.1 Compilation of Maastricht debt

3.1.1.1 *Specification of debt instruments*

Below are listed instruments according to ESA 2010 for different sectors.

Currency and deposits (F.2)

S.1311: Coins in circulation, creditor S.121; EC's deposit at State Treasury, creditor S.2.

S.1313: Not applicable.

S.1314: Not applicable.

Money-market instruments (F.31)

S.1311: Treasury bills issued, valued at nominal value, with original maturities of one year or less, main creditor S.2.

S.1313: The amount of outstanding municipal papers valued at nominal value, with original maturities of one year or less, main creditors S.11, S.122.

S.1314: Debt securities with original maturities of one year or less. Issued only occasionally, main creditor S.122.

Bonds (F. 32)

S.1311: Government bonds issued and outstanding, valued at nominal value, main creditor S.2.

S.1313: Municipal bonds issued, valued at nominal value, main creditors S.122, S.11, S.2.

S.1314: Currently not applicable.

Short-term loans (F.41)

⁴ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R0479-20140901&from=EN>

S.1311: Loans with maturities of one year or less. Cash collaterals payable (relating to derivative contracts), main creditor S.2.

S.1313: Loans valued at nominal value, with maturities of one year or less, main creditor S.122.

S.1314: Currently not applicable.

Long-term loans (F.42)

S.1311: Loans with original maturity over one year, valued at nominal value, main creditors S.111, S.122, S.2.

S.1313: Loans with original maturity over one year, valued at nominal value, main creditors S.122, S.2.

S.1314: Loans with original maturity over one year, valued at nominal value, main creditor S.122.

3.1.1.2 *Data sources used for the compilation of Maastricht debt*

Central government:

The main source for the central government gross debt is the State Treasury debt report. It covers all central government agencies and in addition 10 extra-budgetary funds. The source is usually finalised in t+1 month and the figures are directly available at nominal values, i.e. according to EDP valuation rules. The State Treasury debt report is used in compiling F.31 (short-term bonds), F.32 (long-term bonds) and F.4 (loans). The State Treasury debt report is compiled for statistical purposes only. Equivalent information can be obtained from the following address:

http://www.treasuryfinland.fi/en-US/Statistics/Central_government_debt/Structure_of_central_government_debt

Since the EDP debt concept is wider than the one in State Treasury debt report, some additions are made: the equity of Ydinjätehuoltorahasto (the National Nuclear Waste Management Fund), the issued bonds by Solidium Ltd, the EFSF lending operations, coins in circulation, the debt of other units, and the imputed debt for Public-Private Partnerships. The equity of Ydinjätehuoltorahasto is held by private stakeholders, and it is recorded as a loan in national accounts. The information needed is obtained from the financial statements, the EFSF lending operations report, business statistics database of Statistics Finland, and the Solidium's quarterly report. No adjustment for the valuation is needed for the nominal value. Further, cash collaterals payable (F.41) and EC's deposit at State Treasury (F.22) are added using the central government bookkeeping data.

Local government:

Financial statements of municipalities and joint-municipal authorities (included in Kuntien ja kuntayhtymien talous- ja toimintatilasto / Finances and activities of municipalities and joint municipal authorities) is the main source for local government gross debt. The data is complete in t+10 months. It covers all municipalities and joint-municipal authorities. Book values are stated in balance sheets, which comply with EDP valuation rules (nominal/face value). This source is used to compile the total debt and it provides also the breakdown for F.32 (long-term bonds) and F.4 (loans) categories.

Even though the complete data for the local government is only available in t+10 months, Statistics Finland receives preliminary data for balance sheets at t+6 months (the data is already very reliable under normal circumstances) and for that reason there is not normally a need to revise data after October (t+1) notification. Of course, if there would be revisions in the source data when the final data is available, Statistics Finland would update debt data for local government in the EDP notification at the following year (April t+2 notification).

Since Finances and activities of municipalities and joint municipal authorities is not available for the April EDP notification, Kuntien ja kuntayhtymien talous neljännesvuosittain (Quarterly local government finances) compiled in Statistics Finland are used for local government gross debt data. The comprehensive description of Quarterly local government finances can be found from following link: https://www.stat.fi/meta/til/kkt_en.html

Data on local government short-term bonds (F.31) is obtained from Bank of Finland which collects, on monthly basis, information on municipal papers arranged by banks. The outstanding amount is recorded in face value, i.e. according to EDP valuation rules. This data is finalised in t+45 days. These papers are entered as loans in balance sheets of municipalities.

Social security funds:

The debt of the social security funds is obtained from quarterly Outstanding Credit Stock Statistics and MFI statistics. Balance sheets are used as well when available which means October notification in practise. Adjustments for nominal value are done when needed concerning the debt instrument.

3.1.1.3 *Amendments to basic data sources*

3.1.1.4 *Consolidation of Maastricht debt*

At the level of each government sub-sector (intra-flows and positions)

Central government:

Intra-central government holdings of debt, concerning all instruments, are obtained from various sources. These are preliminary financial statements collected from specific central government units, Netra (an internet reporting service provided by the State Treasury), and the State Treasury debt report. Figures comply with the EDP valuation rules. The central government consolidated gross debt is calculated by deducting these intra-positions from non-consolidated gross debt figures.

Local government:

Intra-local government holdings of debt, concerning all instruments, are indicated in balance sheets of municipalities and joint-municipal authorities. Book values comply with the EDP valuation rules. Using this information local government consolidated gross debt can be calculated. Transactions are calculated as a change in the value of holdings.

Social security funds:

The data is obtained from Outstanding Credit Stock Statistics.

At the level of general government sector (inter-flows and positions)

Central government:

Data on social security funds' holdings of central government debt mainly consists of bond holdings of Employment Pension schemes. The information is obtained from Finnish pension alliance's (TELA) "Quarterly investment survey of pension institutions" recorded at market values. The conversion to nominal value is done by using market-to-nominal value ratios of central government bonds obtained from the State Treasury debt report. Other main sources used are Statistics Finland's quarterly Luottokanta (Outstanding Credit Stock Statistics) and Bank of Finland's Securities Holdings Statistics, which include financial corporations', central government's and social security funds' holdings on short-term bonds (F.31), long-term bonds (F.32) and loans (F.4) by debtor sector. Figures are recorded at nominal value.

Information on local government's holdings on central government debt is based on balance sheet data of municipalities and joint-municipal authorities obtained from Kuntien ja kuntayhtymien talous neljännesvuosittain (Quarterly local government finances). The book values used comply with EDP valuation rules.

Local government:

Data on other general government sub-sectors' holdings of local government debt is obtained from Statistics Finland's quarterly Outstanding Credit Stock Statistics. This source includes financial corporations', central government's and social security funds' holdings of short-term bonds (F.31), long-term bonds (F.32) and loans (F.4) by debtor sector (including local government). Values are recorded in nominal (face) value. It is finalised in t+45 days.

Information on local government's holdings of other general government sub-sectors' debt (i.e. central government debt) is based on balance sheets of municipalities and joint-municipal authorities.

Social security funds:

Social security fund's holdings of other general government sub-sectors' debt is based on Statistics Finland's quarterly Outstanding Credit Stock Statistics and Finnish pension alliance's (TELA) "Quarterly investment survey of pension institutions" (S.1311 and S.1313).

3.2. Central Government sub-sector, EDP table 2A and 3B

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA2010.

3.2.1 Data sources for main Central Government unit : “The State”

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

Table 2 – Availability and use of basic source data for the main central government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
M	M	T+45	T+4	(1) Current revenue and expenditure	x	x	
M	M	T+45	T+4	(2) Current and capital revenue and expenditure	x	x	x
M	M	T+45	T+4	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				Financial Statements			
M	A	T+45	T+6	(5) Profit and loss accounts	x	x	
M	A	T+45	T+6	(6) Balance sheets	x	x	x
M	A	T+45	T+6	(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
C	Q	T+30	T+1	(9) State Treasury debt reports for balance sheet items and financial transactions (F.3, F.4 for liabilities)			x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

Data from the state is collected by the State Treasury and in this case all relevant, available data sources are used in April EDP notification and October EDP notification.

There are no estimations used in April EDP notification for the budget economy. All compilations of the working balance (WB), B.9 and B.9f are based on the same data source. April EDP notification is based on the preliminary of state financial statements from the 12-month state bookkeeping system. This data comprises complete sets of the accounts of all accounting offices, but is not finalised in a sense that the State Treasury and accounting office's may still make corrections to it.

The accounting basis is mixed, because in the state financial statement data on taxes are on a cash basis and the 'pure' financial transfers to/from other sectors are on mixed cash-accrual. Budget reporting is on a mixed cash/accrual/commitment basis.

3.2.1.1 *Details of the basic data sources*

Data sources used for compilation of national accounts

Main data sources are available for compilation of national accounts and EDP. The data is non-consolidated and in line with ESA 2010 sector classification: all state units are classified in the central government sector (S.1311). The state bookkeeping data comprises budget accounting and financial accounts data (income and expense accounts and balance sheet accounts). It includes the detailed data of the revenue and expenditure by the type of transaction (following the chart of state bookkeeping accounts) and by the budgetary item (following the chart of budgetary accounts).

Link to the state bookkeeping accounts (year 2014):

<http://www.valtiokonttori.fi/kasikirja/Public/download.aspx?ID=85967&GUID={FA4268D4-D7FE-46B4-B2ED-488404FB73CD}>

Link to the state budget accounts (year 2014):

<http://www.valtiokonttori.fi/kasikirja/public/download.aspx?ID=89094&GUID={D3B2FF04-4B21-4605-A8D9-BF57EC6B14EE}>

All units of the budget economy (revenue and expenditure) that are basis for compilation of main central units accounts and for the EDP notification are classified by ESA codes, which allows to distinguish of non-financial and financial flows. The state bookkeeping codification includes also for most of the transfers counterpart sector information for non-financial accounts (see Annex II).

For non-financial accounts, there are three different ways to determine ESA classification (see Annex II):

1. The bookkeeping account alone determines ESA non-financial code.
2. The bookkeeping account and budget account together determines ESA non-financial code.
3. The bookkeeping account and offices code together determines ESA non-financial code.

For financial accounts options 1 and 3 are used.

In financial accounts, transactions of F.8 are recorded as change in stocks. For F.89 on liability side there are still minor uncertainties, but as main rule we can identify "clean" stocks of F.8 from the central government bookkeeping accounts.

In financial accounts liabilities and receivables between the state offices and organisations are consolidated but the consolidation item data between the central government and other S.13 subsectors is mainly obtained from other sources. For this reason, it is sometimes quite difficult to record the interest flows between S.13 subsectors (mainly between central government and social security funds).

Working balance (WB)

All revenue and expenditure items that are basis for the compilation working balance are also used in the compilation of national accounts. The basic data source is non-consolidated.

The state bookkeeping system is a dual system that combines two different bookkeeping methods of double entry accounting (commercial accounting) and single entry bookkeeping (budgetary bookkeeping) system. Most of the transactions are recorded in the state bookkeeping system in three different accounts (debit, credit and budget account). Budgetary accounting is based on the concepts of expenditure and revenue.

Working balance in non-financial accounts is compiled from all budget accounts except central government liabilities and liabilities repayments account (liabilities and liabilities repayments have the same budget account). Final sum of budget accounts describes the central government budget deficit/surplus (WB in table 2A). On the contrary, financial accounts are compiled from bookkeeping accounts (commercial accounting) of the state bookkeeping system.

The source data contain enough details for the purpose of consolidation. The state bookkeeping codification includes a separate coding for most transfers to/from counterpart sectors. The income and expense between the state offices and organisations are eliminated in the state's profit and loss statement.

3.2.1.2 Statistical surveys used as a basic data source

No statistical surveys are used.

3.2.1.3 Supplementary data sources and analytical information

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Several additional data sources are used for the compilation of the non-financial and financial account of the state.

EDP tables and data sources

Other administrative sources:

- Extra details on the Public-Private Partnerships
- Report related to subsidies and difference in recording EU-grants in the budget

Special reports on dedicated operations:

- Report related to the swaps
- Report of the premiums and discounts spread over time
- Report of recording of taxes
- EFSF Operations report

Counterpart information:

- Securities Holdings Statistics (SHS), MFI statistics, OFI statistics. These are not relevant to non-financial accounts.
- Balance of Payments
- Financial reports for counterpart sectors, like the financial reports of government-owned corporations and the quarterly investment survey of pension institutions.

Securities databases (these are not relevant to non-financial accounts.):

- Quoted shares database (based on book-entry securities register data)
- Outstanding Credit Stock Statistics

Other indirect information:

- The amount of coins in circulation, obtained from Bank of Finland (relevant only for financial accounts).

Some of these other sources are described in detail below:

Extra details on the PPPs:

The details on PPPs are collected from different sources: mainly from different budget authorities and/or State Treasury (more information in section 7.6.). The data has to be collected separately and that has been done since the first PPP project in Finland.

The details for the premiums and discounts spread over time:

In the budget accounts, annual premiums and discounts are recorded on the cash basis. Redemption/issuance of debt above/below par is recorded as a budget revenue or expenditure, but in national accounts it is recorded as financial transactions not affecting the deficit, and premiums/discounts are spread over time on the basis of annual bookkeeping accounts. In the notification Table 2A the adjustment is shown for these differences under item "difference between interest paid (+) and accrued (D.41) (-)".

The data for recording of taxes:

Data used for recording of taxes are obtained from state's bookkeeping data, tax administration's published reports and directly from tax administration (VAT accruals of January and February for time adjustment at April EDP notification). Concerning preliminary figures (April EDP notification), time adjustment of D.2-taxes (excl. VAT) is based on assessments on the accrual of these taxes in January. (More information in section 6.1.1). The data has been available on regular basis from the year 1994 onwards.

The financial reports of government-owned corporations:

These reports provide us information on dividends and profits of public corporations in order to test for super-dividends (more information in section 7.4). The data is available on regular basis. A business statistics database containing financial statements data is also used for this purpose.

A report that relates to subsidies and difference in recording EU-grants in the budget:

We acquire some extra details from the Ministry of Agriculture and Forestry. The information relates to the time adjustment on subsidies and consists of the accrual adjustment of some subsidies and differences in recording EU-grants in the budget. The first adjustment made in national accounts is based on the payment data received from the Ministry of Agriculture and Forestry (April n-1 notification) and the latter is connected to the EU-grants (October n-1 notification). Basically information relates to EU-grants that are re-routed through the state budget, but which in national accounts are eliminated from central government revenue and expenditure and shown directly as transfer from EU to the final receiver. The impact is added to the financial accounts for F.89 receivables. The data has been available on regular basis from the year 1994.

The information on swaps obtained from Valtiokonttori (State Treasury):

Net payments under the swap arrangements are included in the interest payments in the state source data. Swap corrections have been made to the central government interest expenditure from the year 2003 onwards.

Balance of Payments:

Balance of Payments is mainly used as a main source for S.2 counterpart sector data. Balance of Payments data is also used to the inclusion of government revenues from reinvested earnings on foreign direct investments (D.43) not included in the working balance. Data has been available on regular basis from the year 2000 onwards.

3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

Luottokanta (Outstanding Credit Stock Statistics) (t+60) is used as a main source of counterpart sector information. Data is available on a regular basis from the year 1996 onwards.

Balance of Payments (t+50) is mainly used as a main source for S.2 counterpart sector data. Data is available on a regular basis from the year 2000 onwards.

MFI and OFI statistics have been fully adopted in general government financial accounts from the statistical year 2011 onwards. MFI statistics (t+40) is used for F.2 deposit banks' counterpart sector information and OFI statistics (t+60) as a main

source for F.52 data. Securities Holdings Statistics (SHS) has been adopted in financial accounts from the statistical year 2014 onwards.

EFSF Operations monthly report (t+30) received from Eurostat is used to make amendments to the total level of F.4, F.519 and F.8 stock data. Data is available from the first quarter of 2011 onwards.

3.2.1.4 *Extra-budgetary accounts (EBA)*

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions which are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

The central government agencies (the budget economy) and extra-budgetary funds are included at the state bookkeeping system. The budget economy and the extra-budgetary funds form a basic set of central government units. The extra budgetary funds act outside the budget economy. In year 2014, there were 11 extra-budgetary funds, but only 10 are included on central government sector (see Annex I). The extra-budgetary fund outside the central government sector is The State Pension Fund (classified in S.1314). The central government units' bookkeeping system is managed by the State Treasury. The extra-budgetary funds are part of the state bookkeeping system even they have not budget accounts.

The extra-budgetary units have not been recorded in the working balance. Data for all extra-budgetary funds net lending/borrowing appears in EDP table 2A row “net borrowing or net lending of other central government bodies”.

Below can be found some information on extra-budgetary funds.

Maatilatalouden kehittämisrahasto (Development Fund of Agriculture and Forestry):

The fund operates under the supervision of Maa- ja metsätalousministeriö (the Ministry of Agriculture and Forestry). The purpose of the Development Fund of Agriculture and Forestry is to secure the financing of investments in agriculture and other economic activities in rural areas and to promote activities targeted at developing these. The aid may be granted as interest-rate subsidies on the state loans or as subsidies. The revenues of the fund include e.g. grants from EU-budget and interests on loans. The fund's mainly transfers assets to households (capital transfers).

Öljysuojarahasto (Oil Pollution Compensation Fund):

The fund operates under the supervision of Ympäristöministeriö (the Ministry of Environment). The fund's mission is to compensate oil spill damage and also prevent possible future oil damage. The fund collects assets by taxes and tax-like payments. The fund pays compensation for oil damages and preservation

of environment after oil damages. The fund also pays grants to acquisitions of equipment used in prevention of oil pollution. The fund gains revenue from oil damage levy.

Valtion asuntosrahasto (National Housing Fund):

The fund operates under the Ministry of Environment. National Housing Fund's main task is to provide financing for ARAVA (state-subsidised) rental housing production. The fund has also other obligations such as to approve interest subsidies for social housing and pay interest subsidies for interest subsidy loans, to provide grants for housing repairs and to supervise a granting of state guarantees on loans for owner-occupied housing. Furthermore, the Housing Fund of Finland is an agency to implement social housing policy, e.g. through the operation of the ARAVA lending.

Valtion ydinjätehuoltorahasto (National Nuclear Waste Management Fund):

The fund operates under the supervision of Työ- ja elinkeinoministeriö (the Ministry of Employment and the Economy). The purpose of the fund is to collect, store and reliably invest funds that are going to be needed to take care of nuclear waste in the future. The fund takes care of the collection of the nuclear waste fee and the investing of these assets.

Valtiontakuurahasto (State Guarantee Fund):

The fund operates under the Ministry of Employment and the Economy. The purpose of the fund is to ensure that the state-owned specialist financing company, Finnvera Plc, can fulfil its commitments. Finnvera Plc engages in e.g. export guarantee activities. The fund assets can also be used to cover the contingent liabilities of the predecessors of the Finnvera Plc (Finnish Guarantee Board, the Export Guarantee Board and the State Guarantee Board). Revenues of the fund include claims for recovery of old loans.

Huoltovarmuusrahasto (National Emergency Supply Fund):

The fund operates under the supervision of the Ministry of Employment and the Economy. The fund takes care of emergency supply in unusual conditions. Its revenues include stock-building levies on liquid fuels, and sales of the reserves of the fund.

Maatalouden interventiorahasto (Intervention Fund of Agriculture):

The fund is under the supervision of the Ministry of Agriculture and Forestry. The Intervention Fund of Agriculture provides the national financing for the intervention activity financed by the EU for the time before the EU payments for the intervention actions arrive. Revenues come from the EU.

Valtion vakuusrahasto (Government Guarantee Fund):

An authority set up in 1992 to handle bank crises and which operates under the Ministry of Finance. The fund's aim is to stable operations for the deposit banks and take care of the possible banking crises. The fund has been used very rarely, last time in the end of 1990's.

Palosuojelurahasto (Fire Protection Fund):

The fund operates under Sisäasiainministeriö (Ministry of the Interior). Under the law, insurance companies which provide fire insurance are obliged to pay tax on fire insurance to Fire Protection Fund. The fund uses this revenue in grants to associations promoting fire safety, to municipalities and to voluntary fire brigades.

Valtion televisio- ja radiorahasto (Government Television and Radio Fund):

The fund is managed by Liikenne- ja viestintäministeriö (Ministry of Transport and Communication). Yle, the public broadcasting company, is financed by a specific Yle-tax since 2013. The revenue is transferred to Yle from state budget via the Government Television and Radio Fund.

Data of extra-budgetary units is available and used in the compilation of national accounts. The funds have mostly recorded on P.11 market output, D.411 interest and D.214 tax-like payments, P.22 intermediate consumption, D.92 investments grants and D.39 other subsidies on production. The source data allows detailed consolidation for extra-budgetary units.

Non-financial flows recorded in EBA

Financial flows recorded in EBA

Extra-budgetary funds data is not included in the working balance. Data of extra-budgetary units are taken into account when compiling the table 2A and 3B of EDP and in national accounts compilation (both non-financial and financial accounts).

3.2.2 Data sources for other Central Government units

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

Table 3 – Availability and use of basic source data for other central government units: universities, university property companies, Senaatti-kiinteistöt, Leijona Catering Ltd, Solidium Ltd, Governia Ltd, Haus Kehittämiskeskus Ltd, Yle Ltd, Gasonia Ltd

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				Budget Reporting		
				(1) Current revenue and expenditure		

EDP tables and data sources

				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				Financial Statements		
A	A	T+180	T+6	(5) Profit and loss accounts	x	x
A	A	T+180	T+6	(6) Balance sheets		x
				(7) Cash flow statement		
				Other Reporting		
				(8) Statistical surveys		
M	Q	T+45	T+2	(9) Report from Solidium	x	x
A	A	T+180	T+12	(10) Business statistics database	x	x
A	A	T+180	T+6	(11) Universities data from Ministry of Education and Culture	x	x
A	A	T+60	T+6	(12) Report from Leijona Catering Ltd	x	x
A	A	T+60	T+2	(12) Preliminary financial statements collected from units	x	x
A	Q	T+30	T+4	(13) Report from Yle	x	x

See notes to table 2, on the used abbreviations.

Financial Statements: The time of availability (T+6) relates to legislation: According to the Accounting Act (1336/1997), companies must prepare the financial statements within four months of the end of the financial period. In addition, according to the Limited Liability Companies Act (624/2006), the financial statements must be adopted at the Ordinary General Meeting within six months of the end of the financial period.

Universities:

For the April (T+1) EDP notification there is no actual source data available for the universities for the compilation of non-financial accounts (table 2A). Instead, available is some indirect data (mainly for most important expenditure items like salaries), and data are estimated using the change in the wage and salary earnings index for universities in current accounting year.

Preliminary financial statements collected from units:

For April EDP notification, data on preliminary financial statements are collected from university property companies, Senaatti-kiinteistöt (Senate Properties) and Leijona Catering Ltd.

Solidium Ltd:

Data from Solidium Ltd is acquired with a separate quarterly report and data of Solidium Ltd is based on that report when compiling the April EDP notification and both B.9 and B.9f.

Transactions in assets and liabilities in the notification tables 3 are based directly on ESA 2010 financial accounts. The report from Solidium Ltd includes share-by-share data on holdings, disposals and acquisition of equity.

3.2.2.1 *Details of the basic data sources*

Universities:

Even though universities since 2010 have been operating as independent units outside the budget economy, all universities are classified to the central government sector (see more in 3.2.3.3.2). The financial reports data of universities is decoded to correspond with the ESA 2010 codifications. The balance sheet is decoded with the ESA 2010 codes for the financial accounts purposes and profit and loss statement is decoded with the ESA 2010 codes for the non-financial accounts.

Main problem in the data for universities is the lack of counterpart information, especially in financial accounts, thus the consolidation is not possible (except inside the central government level). For financial accounts, we have to use many other counterpart data sources to be able identify some of consolidated flows from data of universities.

Solidium Ltd:

Solidium Ltd is fully state owned company (see more in 3.2.3.3.2) which is classified in the central government sector. The report it provides to Statistics Finland has been designed for our statistical needs and a separation for non-financial and financial accounts source data is already built in within the report. From the report, all relevant data can be obtained. The report includes share-by-share data on holdings, disposals and acquisition of equity.

Leijona Catering Ltd:

A report including financial statements data is received directly from Leijona Catering. The balance sheet is decoded to correspond with the ESA 2010 codifications in financial account and same is done for profit and loss statement for the purposes of compilation of non-financial account.

Yle Ltd:

A quarterly report including financial and non-financial accounts data is received directly from Yle. The report is designed for national accounts data needs.

3.2.2.2 *Statistical surveys used as a basic data source*

Not used.

3.2.2.3 *Supplementary data sources and analytical information*

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

For universities we amend/improve data by collecting more information from their annual reports.

3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts

The universities cash flow statements (T+180) are used to amend/improve information on gross fixed capital formation. Data has been available from the year 2010 onwards.

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

3.2.3 EDP table 2A

This section provides detailed information on individual lines reported in EDP T2A.

3.2.3.1 *Working balance - use for the compilation of national accounts*

The same data sources are used for the compilation of non-financial accounts and for the calculation of working balance (WB).

3.2.3.2 *Legal basis of the working balance*

Working balance is based on two laws: The State Budget Decree 1243/1992 and the State Budget Act 1988/423. Working balance as such is not voted in the parliament. Instead, the final accounts of the state, which are the basis for the working balance for the previous years, are submitted to the parliament for discussion by the Ministry of Finance.

Valtiontalouden tarkastusvirasto (National Audit Office) is responsible for financial audit which focuses with the budget and annual audits of the final central government accounts. The Government report on the final accounts is submitted to the parliament in June of the following year for each budget year. The report contains the final central government accounts together with their appendices. Included in the report is the statement by the Government financial controller's function on the correctness of the data contained in the report. By law, it is in the competence of Government financial controller's function to ensure that the report provides the true and fair information on state revenues and expenditure and the state's financial position. However, the National Audit Office is also indirectly involved in the process: the office submits later its report on the auditing of the final central government accounts to the parliament. Findings relevant to national accounts can be found both in the statement by the Government financial controller's function and in the report of the National Audit Office.

In April notification, the working balances for t-2, t-3, and t-4 have gone through an auditing process. In October notification, also the working balance for t-1 has been submitted to this process. Auditing report is public and it is available here:

http://www.vtv.fi/en/publications/nao_s_reports_to_parliament

To this day auditing has not been impacting on B.9 or B.9f, but there is no reason why it could not affect these.

3.2.3.3 *Coverage of units in the working balance*

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA2010 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB

There are no such units in working balance.

3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB

Other government units included in the central government subsector are (year 2014):

Extra-budgetary funds

Solidium Ltd

Universities

University property companies

Senaatti-kiinteistöt (Senate Properties)

Yle Ltd

Haus kehittämiskeskus Ltd

Leijona Catering Ltd

Governia Ltd

Gasonia Ltd

All units use bookkeeping system based on accrual basis, so net borrowing/net lending of these units is recorded on accrual basis in EDP table 2A (“Net borrowing (-) or net ending (+) of other central government bodies”). A full sequence of ESA 2010 accounts is available for units.

The impact of methodological imputations/reclassifications relating to these units would be normally reflected in their B.9 as reported in EDP table 2A (as opposite to other items in 2A). An exception are “reinvested earning on FDI and mutual funds” (concerning especially Solidium), which are shown in specific 2A item.

3.2.3.4 *Accounting basis of the working balance*

The Budget reporting is on a mixed cash/accrual/commitment basis (see point 3.2.1.1).

The working balance describes the central government current year deficit/surplus and it comprises all budget accounts including deferrable appropriations which are not used in the same year as budgeted. The treatment of transferable appropriations is different in national accounting and in working balance. In the working balance transferable appropriations are expended in the year they are allocated to. In national accounts transferable appropriations are expended in the year they are used.

EDP tables and data sources

3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

Data for interest revenue and expenditure is recorded on accrual basis and in line with ESA 2010. All interest expenditure and revenue of the state are recorded in the WB. All payments of discount are recorded in the working balance, but it is difficult to find out exact amount of payment of discounts by single transactions. The accrual adjustment to interests is received from state bookkeeping records, and from 2004 onwards the interests have been on accrual basis also in the budget accounting.

The row "Difference between interest paid and accrued" includes only the state. It includes redemption/issuance of debt above/below par, and premiums and discounts spread over time.

3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2

"Other accounts receivable" includes time adjustments of taxes, subsidies and EU-grants. "Other accounts payable" is related to holidays pays. Accrual adjustments in EDP table 2A are fully consistent with F.8 reported in EDP table 3B.

For more information, see point 3.2.1.3.

3.2.3.4.3 Other accrual adjustments in EDP T2

Not relevant.

3.2.3.5 *Completeness of non-financial flows covered in the working balance*

Not relevant.

3.2.3.6 *Financial transactions included in the working balance*

Financial transactions which are included in the central government budget (and so in the working balance) but are excluded in the section "financial transaction included in the working balance" are (see also Annex II):

a) Loans granted

Granted loans that have been approved by the parliament and included in working balance.

b) Loans repayments

The repayments of granted loans, which are included in the state budget and in the working balance (for example repayments of loans to the Finnish Funding Agency for Technology and Innovation).

c) Acquisitions of equities

Acquisitions may be financed from the state budget. Acquisitions include both equity injections and acquisitions on the secondary market. In year 2012 item includes also the recapitalisation of the European Stability Mechanism (ESM).

d) Sales of equities

This includes privatisation receipts and repayments of the loans of quasi-corporations to the central government. These loans originate mainly from property transfers by central government to quasi-corporations. But they are recorded on equity sales according to the rules of the MGDD.

e) Other financial transactions

Adjustment includes:

- PPPs deferred debt repayments.
- Delivery of coins for circulation to Bank of Finland.
- Redemption of coins for circulation from Bank of Finland.
- At the beginning of the year 2011 the State Treasury started acting on behalf of Finnish government and to provide loans to Suomen Vientiluotto (Finnish Export Credit) to finance exports of Finnish companies. The government's loans to FEC are denominated in foreign currency, typically USD. According to general currency risk policy of the State Treasury, Finnish government does not expose itself to a currency risk and because of that the State Treasury are hedging these loans against currency risk. These hedging transactions (swap arrangements) between the State Treasury and the banks are shown in the row "Other financial transactions" and are included in the working balance.
- Net settlements under swap contracts (+/-).

3.2.3.7 *Other adjustments reported in EDP T2*

The following items are reported under "other adjustments" in EDP table 2A:

"Debt cancellation/assumption" (negative sign) represents the recording of capital transfer expenditure relating to debt cancellation/debt assumption not included in the working balance.

"Reinvested earnings on FDI and mutual funds" (mostly positive sign) relates to the inclusion of government revenues from reinvested earnings on foreign direct investments (FDI) and mutual funds not included in the working balance.

"The impact of the difference in the recording of deferrable budgetary appropriations" (mostly positive sign) represents different treatment of transferable appropriations between budget accounting and national accounts. In the working balance, transferable appropriations are expensed at the year they are allocated (positive sign). In the national accounts transferable appropriations are expensed in the year when they are used. The use of transferable appropriations is not included in the working balance (negative sign) if the used transferable appropriations are from previous years.

"Super dividends" (negative sign) corresponds to transactions relating to dividends that are reflected as revenue in the working balance, but treated as withdrawal of equity in national accounts.

"PPP" (negative sign) represents the recording of investment expenditure during the construction period, not included in the working balance.

“Other known differences between working balance and B.9” (positive or negative sign) relates to differences that, for example, concern only one year.

3.2.3.8 *Net lending/net borrowing of central government*

The net lending/net borrowing (B.9) is derived from the same source data which is used for the working balance, but taking into account also the other accounts than budget accounts in the data, and to which data of other central government units and extra-budgetary funds are added (see point 3.2.2.1 and 3.2.1.4), but it also impacted by all adjustments described in the preceding paragraphs. The main entity is the same for the calculation of the working balance and net lending/net borrowing (B.9).

3.2.4 EDP table 3B

3.2.4.1 *Transactions in financial assets and liabilities*

Table 4. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)				X					X	X			X	
Other transaction data				X					X	X				
Stock data	X	X	X	X			X	X	X	X		X		X
	Calculation of stocks													
Transaction data														
Stock data	X	X	X	X			X	X	X	X		X	X	X

In the case of central government, the figures are calculated in the context of General Government Quarterly Financial Accounts (QFAGG), which is the basis for the annual accounts as well. Main sources for financial accounts are central government bookkeeping accounts (integrated with public accounts), State Treasury debt report, Securities Holdings Statistics (SHS), Solidium Ltd's quarterly report, and Balance of Payments (BoP).

Main supplementary sources are data of the universities, OFI statistics and EFSF Operations report. Luottokanta (Statistics Finland's Outstanding Credit Stock Statistics), and MFI statistics are widely used to determine counterpart sector information. Direct transaction data is available from State Treasury debt report, Solidium Ltd's quarterly report, Balance of Payments, OFI statistics, MFI statistics, and SHS.

Transactions of financial instruments are valued at actual transaction prices observed. As a general rule, financial transactions are recorded on an accrual basis. When applicable, transactions are calculated as the change of balance sheet values. However, every existing source of actual transactions is exploited.

Subsets of other flows are also calculated. Changes in classification of units and instruments are entered as reclassifications. Other volume changes are entered when needed. Holding gains/losses are derived as a residual. Stock/flow consistency is monitored mainly by studying relative holding gains/losses.

In the QFAGG compilation process all relevant available sources are transferred to the compiling system. Thus the data from different sources is constantly on display as a reference data. The whom-to-whom approach applied includes the compilation of all intra-sector positions. Consolidation can be thus made simply by subtracting intra-positions from non-consolidated totals. Generally, in Finland financial accounts are compiled as a complete matrix containing always counterpart information, both for stocks and for transactions.

Main sources and methods for the Central government S.1311

Currency and deposits (F.2):

Assets

Stocks: Central government bookkeeping accounts. MFI statistics and BoP for counterpart sector data.

Transactions: Change in stocks.

Liabilities

Stocks: Coins in circulation, data obtained from Bank of Finland. EC's deposit at State Treasury, data obtained from central government bookkeeping accounts.

Transactions: Change in stocks.

Securities other than shares (F.3)

Assets

Stocks: Central government bookkeeping accounts, business statistics database, SHS, and Outstanding Credit Stocks Statistics. BoP, data of the universities and Solidium Ltd's quarterly report are used as supplementary sources.

Transactions: Change in stocks.

Liabilities

Stocks: State Treasury's debt report, which includes information on short-term and long-term bonds issued in market value (also in nominal value), Solidium Ltd's quarterly report, and SHS. Outstanding Credit Stock Statistics, MFI statistics, and Quarterly Investment Portfolio Inquiry for Pension Institutes are used mainly for counterpart sector data.

Transactions: New issues and redemptions are included in State Treasury's debt report.

Loans (F.4):

Assets

EDP tables and data sources

Stocks: Central government bookkeeping accounts, EFSF Operations report, and business statistics database are the main sources. Counterpart sector data is mainly acquired from Outstanding Credit Stock Statistics and BoP.

Transactions: Change in stocks.

Liabilities

Stocks: Main data sources are State Treasury debt report, central government bookkeeping accounts, business statistics database, financial statements of the other central government units, and EFSF Operations report. Main supplementary data used are data on the debt equity of the Nuclear Waste Management Fund and separate book-keeping data on the amount of payables on cash collaterals. Outstanding Credit Stock Statistics, OFI statistics, MFI statistics, and BoP are used for counterpart sector data.

Transactions: Mixed. Both direct transaction data and change in stock method are used.

Shares and other equity (F.5)

Quoted shares (F.511):

Assets

Stocks: SHS and Solidium Ltd's quarterly report.

Transactions: Direct transaction data from both main sources. Recording of super-dividends is added manually.

Liabilities

Not applicable.

Unquoted shares and other equity (F.512+F.519):

Assets

Stocks: Central government bookkeeping accounts and the publication "Valtiokonttorin ehdotus valtion tilinpäätökseksi" (the Proposal for the financial statement of the state of Finland according to the State Treasury). Valuation is according to own funds at book value.

Transactions: Acquisitions and disposals of unquoted shares are added manually, the data is from Government Ownership Steering Department.

Liabilities

Not applicable.

Mutual fund shares (F.52):

Assets

Stocks: OFI statistics, Solidium Ltd's quarterly report, and BoP.

Transactions: Direct transaction data from the main sources.

Liabilities

Not applicable.

Insurance technical reserves (F.6)

Assets

Not relevant in Finland.

Liabilities

Stocks:

Provisions for calls under standardized guarantees, related to student loans guaranteed by the central government. Calculation based on information obtained directly from social security institution Kela.

Transactions: Change in stocks.

Financial Derivatives (F.7):

Assets

Stocks and transactions: Netted in liability side.

Liabilities

Stocks: Value of currency swap contracts is recorded as a net amount in liability side.

Transactions: Additional data obtained from State Treasury.

Other accounts receivable and payable (F.8)

Trade credits (F.81):

Assets

Stocks: Central government bookkeeping accounts, business statistics database, and BoP.

Transactions: Change in stocks.

Liabilities

Stocks: Central government bookkeeping accounts and business statistics database. MFI statistics and BoP for counterpart sector data.

Transactions: Change in stocks.

Other accounts receivable and payable (F.89):

Assets

Stocks: Central government bookkeeping accounts and business statistics database.

Transactions: Change in stocks.

Liabilities

Stocks: Central government bookkeeping accounts and business statistics database.

Transactions: Change in stocks.

3.2.4.2 *Other stock-flow adjustments*

The gains (+) and losses (-) of government bond issuances are recorded under "Issuance above/below nominal value". The item describes the difference between nominal value and subscription price after deduction of provisions and costs. The sum of consolidated accrued interests and the swap adjustment are recorded under "Difference between interests accrued and paid". The streams of interest payments resulting from swap arrangements and forward rate agreements are recorded under interest flow attributable to swaps and FRAs. The data is derived from the differences between accrual-based pre-swap and after-swap interests.

Capital gains (+) and losses (-) are recorded under "Redemptions of debt above/below nominal value". The item "Appreciation/depreciation of foreign currency debt" describes the difference of the value of repayments measured by the FCY/EUR (FCY~ foreign currency) rate at the time of repayment and the ones measured using the FCY/EUR rate at inception (when the bonds were issued or the latest settlement was

made). The item is derived from the difference between after-swap and pre-swap transactions.

Information on issuance above/below nominal value, difference between interests accrued and paid, interest flow attributable to swaps and FRAs, redemptions of debt above/below nominal value and appreciation/depreciation of foreign currency debt is obtained from the State Treasury.

3.2.4.3 *Balancing of non-financial and financial accounts, transactions in F.8*

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

Allocation of discrepancy B.9 vs B.9f

Statistical discrepancies between net lending in B.9f and B.9 are allowed and shown. Discrepancies result from the two different compilation processes, one for non-financial national accounts (behind EDP tables 2) and another for financial accounts (behind EDP tables 3). This concerns all sub-sectors of the general government sectors.

Discrepancies are closely monitored and reasons for them are studied by checking source data and methods. Discrepancies are also frequently being analysed with non-financial account compilers during compilation rounds.

Normally discrepancies for subsector level are moderate and at the level of S.13 quite often they balance each other's out. Discrepancies are considered to partly originate from issues concerning time of recording.

3.3. State government sub-sector, EDP table 2B and 3C

There is no state government sub-sector in Finland.

3.4. Local government sub-sector, EDP table 2C and 3D

3.4.1 Data sources for Local Government main units: municipalities and joint municipal authorities

Table 5 – Availability and use of basic source data for main local government units

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
M	A		T+6	(5) Profit and loss accounts	x	x	
A	A		T+6	(6) Balance sheets			x
A	A		T+6	(7) Cash flow statement			x
				Other Reporting			
M	A		T+2	(8) Quarterly local government finances	x	x	x
A	A		T+11	(9) Finances and activities of municipalities and joint municipal authorities (part II)		x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.4.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

The main source data used for national accounts are the statistics “Kuntien ja kuntayhtymien talous neljännesvuosittain” (“Quarterly local government finances”) (April T+1 and October T+1 notifications) and “Kuntien ja kuntayhtymien talous- ja toimintatilasto (osa II)” (“Finances and activities of municipalities and joint municipal authorities (part II)”) (April T+2). In the April T+1 reporting, the working balance is from the same source as B.9, but the working balance is not used directly for B.9 calculation.

Kuntien ja kuntayhtymien talous neljännesvuosittain (Quarterly local government finances)

This is a statistics compiled by Statistics Finland. Data of the fourth quarter is collected from all municipalities and joint municipal authorities, except the ones of the Åland province. Last quarter includes the financial statement estimate of the whole year. Data is published in February. The contents of the statistics combine elements of a financial statement and a statistical survey. The data is available by units and by category of transaction or instrument.

Each unit is divided into two parts: the “basic” municipality / joint municipal authority and quasi-corporations. Quasi-corporations are further divided to quasi-corporations classified to local government and quasi-corporations classified to public corporations. Because of differences in classification and coverage, the data cannot be used to set levels for the transactions. The data can be used despite this, because it is used for calculating changes from the previous year, which are then applied for transactions in national accounts.

The classification of transactions used in municipal finance statistics is developed by the Association of Finnish Local and Regional Authorities, in collaboration with Statistics Finland. The classification does not exactly correspond to the Government Finance Statistics (GFS) classifications, but it can be recoded appropriately enough for national accounts’ purposes. Sometimes classification is not detailed enough, for example “other financial expenses” includes (in addition to depreciations of financial assets) items that should be recorded as expenditure in national accounts. Also, the data does not allow identifying individual flows in order to reclassify, for example capital injections from financial to non-financial transactions.

The data enables partial consolidation between local government units. Regarding consolidation between general government subsectors, the data allows consolidation in financial accounts, but for non-financial accounts counterpart data is used.

Regarding codification of other counterpart sectors than general government, it is possible to distinguish current transfers to households.

Kuntien ja kuntayhtymien talous- ja toimintatilasto (osa II) (Finances and activities of municipalities and joint municipal authorities (part II))

This is a statistics compiled by Statistics Finland and published in November. It is the main source data for local government non-financial accounts. The statistics includes

for example revenue and expenditure data by function and financial statements of quasi-corporations. The data covers all municipalities and joint municipal authorities. The data is available by units, so that a municipality or a joint municipal authority is divided to the “basic” unit and to quasi-corporations. Quasi-corporations are reported not by a unit but by a function. The statistics will have a major reform during 2015. The first data collected with improved contents will concern year 2015.

About the classification of transactions used, see above.

The data enables exclusion of quasi-corporations classified outside local government sector. Consolidation of current and capital transfers and property income between local government units is possible. For consolidation between general government subsectors counterpart data is preferred.

Questionnaire of the statistics (only in Finnish):

<http://www.stat.fi/keruu/kutall/lomakkeet.html>

Kuntien ja kuntayhtymien talous- ja toimintatilasto (osa I), Finances and activities of municipalities and joint municipal authorities (part I)

This is a statistics compiled by Statistics Finland. It is published in June. The statistics includes financial statements (profit and loss accounts, balance sheets, cash flow statements) of all municipalities and joint municipal authorities. The financial statement is external, so all internal transactions are eliminated, and a municipality or a joint municipal authority is consolidated with its quasi-corporations.

Balance sheet data is the main source for financial accounts. The profit and loss accounts are used as a source for interest and dividends.

In financial accounts compilation, transactions of F.8 are calculated as the difference between the closing and opening balance sheets. As a main rule we can identify stocks of F.8 from financial statements of municipalities and joint municipal authorities (included in Finances and activities of municipalities and joint municipal authorities).

Questionnaire of the statistics (only in Finnish):

<http://www.stat.fi/keruu/kutal/lomakkeet.html>

Working balance (WB)

The working balance is the annual margin (“vuosikate” in Finnish) recorded in the municipal statistics. It covers municipalities and joint municipal authorities, including their departmental enterprises (quasi-corporations).

The source statistics of the working balance are:

April T+1 notification: Kuntien ja kuntayhtymien talous neljännesvuosittain (Quarterly local government finances)

October T+1 notification: “Kuntien ja kuntayhtymien talous- ja toimintatilasto (osa I, tilinpäätökset)” (Finances and activities of municipalities and joint municipal authorities (part I, financial statements))

For more information on the sources of the working balance, see the sections on above mentioned statistics.

3.4.1.2 *Statistical surveys used as a basic data source*

Not relevant for local government.

3.4.1.3 *Supplementary data sources and analytical information*

3.4.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

Statistics on financial leasing (Statistics Finland)

Municipalities and joint municipal authorities record financial lease contracts off-balance sheet, so as expenditure they record rents, not investments. This statistics is used as a source in order to record leases according to the ESA 2010 requirements (as gross fixed capital formation) in national accounts. The statistics on financial leasing is published yearly (in April T+1) and the data providers are companies that provide financial leasing. The data is available by sector, industry and object.

Tax Administration

The main source for local government's tax revenue are the reports of Tax Administration, which are available monthly on Tax Administration's internet page. (Two exceptions are the tax on dogs (D.59), which source is the municipal financial statements, and the pharmacy levy (D.21) collected in Åland, which source is the financial statement of the Åland Government. Recording practice for income tax is time-adjusted net cash, and one of the reasons why we use the reports of Tax Administration is because the data can be time-adjusted more easily than the data from municipal statistics. Also, this way the source of tax revenue is the same in annual and quarterly accounts.

National accounts data of other general government subsectors

The counterpart information is used for current and capital transfers between local government and other general government sub-sectors. This is due to better-defined sector classification compared to local government data.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

Counterpart information:

- * OFI Statistics
- * MFI Statistics
- * SHS, Security Holding Statistics
- * Balance of Payments data

Securities database:

- * Quoted shared database
- * Outstanding Credit Stock Statistics

3.4.2 Data sources for other Local Government units

Other units classified to local government are Ålands Landskapsregering (the Åland Government) and Landskapet Ålands pensionsfond (the Pensionfund of the Åland Government) and the local government's associations: Kuntaliitto (Association of Finnish Local and Regional Authorities), KT Kuntatyöntajat (KT Local Government Employers), Kuntien takauskeskus (Municipal Guarantee Board) reported in table 6.

The remaining units are reported in table 7. These are incorporated units classified to local government. Most of these units were classified to local government during the implementation of ESA 2010 with the exception of Länsimetro Oy which was classified to local government also in ESA 95.

Table 6 – Availability and use of basic source data for other local government units: Ålands Landskapsregering (the Åland Government) and Landskapet Ålands pensionsfond (the Pensionfund of the Åland Government), Kuntaliitto (Association of Finnish Local and Regional Authorities), KT Kuntatyöntajat (KT Local Government Employers) and Kuntien takauskeskus (Municipal Guarantee Board)

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts		x	
A	A		T+6	(6) Balance sheets			x
A	A		T+6	(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
A	A		T+11	(9) Other: Non-financial ESA accounts for the Åland Government		x	

EDP tables and data sources

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

April T+1 notification: The data of the units are estimated. However, the current transfers from central government are obtained from central government's accounts.

**Table 7 – Availability and use of basic source data for other local government units:
Incorporated units classified in the local government**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
A	A	T+180	T+6	(5) Profit and loss accounts		x	
A	A	T+180	T+6	(6) Balance sheets		x	x
A	A	T+180	T+6	(7) Cash flow statement			
				Other Reporting			
C	M	T+60	T+2	(8) Other: Tax administration data on paid wages and turnover		x	
A	A	T+60	T+2	(9) Preliminary financial statements collected from units		x	x
A	A	T+180	T+12	(10) Business statistics database		x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

The time of availability (T+6) relates to legislation: According to the Accounting Act (1336/1997), companies must prepare the financial statements within four months of the end of the financial period. In addition, according to the Limited Liability Companies Act (624/2006), the financial statements must be adopted at the Ordinary General Meeting within six months of the end of the financial period.

April T+1 notification: If the financial statement of a unit is already available, it is used. If it isn't yet available, are the data of the unit estimated.

3.4.2.1 *Details of the basic data sources*

Table 6:

Financial statements of the Åland Government and the Pensionfund of the Åland Government are obtained via internet.

Non-financial ESA accounts of the Åland Government:

The main source data for the Åland Government non-financial accounts is compiled by the Statistics and Research Åland (ÅSUB). The data received by Statistics Finland is already classified according to ESA codes. The financial statement is used in addition to this data.

Table 7:

Financial statements of other units (table 7) are obtained via business statistics database of Statistics Finland, internet or directly from the units. The data is partially available in October T+1 notification and final data should be available in April T+2 notification. The units operating in several industries may have minor changes also in October T+2 because the split of units to establishments in business statistics database is made in July T+2. Because of the split, data can be updated, but changes should be minor.

Data on business statistics database includes headings of financial statements and their subdivisions to more accurate transactions. For example the "other income" is divided to received subsidies and other transactions.

Preliminary financial statements are collected from a few (around 10) of most important incorporated units.

The tax administration data is an administrative data source which includes monthly data on paid wages and sales of units for taxation purposes. Data is used in the April T+1 to estimate wages, sales and intermediate consumption of incorporated units classified to local government. Other transactions have to be estimated based on previous year's data in April T+1 notification.

3.4.2.2 *Statistical surveys used as a basic data source*

3.4.2.3 *Supplementary data sources and analytical information*

3.4.3 EDP table 2C

3.4.3.1 Working balance - use for the compilation of national accounts

Data sources used for the working balance are partly used for non-financial accounts and B.9. See chapter 3.3.1.1.

3.4.3.2 Legal basis of the working balance

The working balance/WB (the annual margin, “vuosikate”) is the most known figure of municipal finances. The final WB is available for October T+1 notification, when its source is the statistics on “Finances and activities of municipalities and joint municipal authorities (part I)”, which is based on the financial statements (in principle, the statistics is still half-final during October notification, but the revisions of the WB between October (T+1) and April (T+2) notifications have been insignificant). Therefore, the WB - although based on official and audited financial statements - is a statistical concept, which is as such not submitted to auditing.

The official financial statement is audited by a chartered public finance auditor and approved by the municipal council. According to the Act on Municipalities (410/2010), the municipal council must receive the financial statement for approval by the end of June.

3.4.3.3 Coverage of units in the working balance

3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB

The working balance includes municipal quasi-corporations (departmental enterprises) which are classified outside the local government. The market/non-market test is applied for these units. However, a complete unit-by-unit analysis cannot in practice be undertaken from the source statistics. Therefore, quasi-corporations acting on certain industries (water supply, energy supply, public transport, port authorities and waste management) are always, by convention, considered as market producers and classified to non-financial corporations sector.

The balance of these quasi-corporations is excluded from the EDP table 2C via the line “WB of entities not part of local government”. The final source data is detailed enough for identifying the related flows. In April T+1 and October T+1 notifications the flows are estimated.

3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB

The units reported under the line “B.9 of other local government bodies” are the Åland Government, the Pensionfund of the Åland Government, Association of Finnish Local and Regional Authorities, KT Local Government Employers and Municipal Guarantee Board. These units are included on the row “Net borrowing of the Åland Government, Finnish Association of Municipalities etc.”

The second line below the B.9, “Net borrowing of other units classified to local government” includes the B9 of all the incorporated units classified to local government.

The “WB” of these units is on accrual basis.

The impact of methodological imputations/reclassifications relating to these units (e.g. debt cancellations, debt assumptions, EU flows, dividends, capital injections etc.) would be reported separately under other adjustment lines in EDP T2.

3.4.3.4 *Accounting basis of the working balance*

The accounting basis of the working balance is mixed. Municipalities record tax revenue on a cash basis, but other items are accrual based.

3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C

Interest revenues and expenditures are recorded on an accrual basis in the working balance.

The interest expenditure relating to financial leases is not included in the WB, but it is reported in the line “Non-financial transactions not included in the working balance”. In the same line is also reported the interest received from the quasi-corporations classified outside the local government. The reinvested earnings of mutual funds, which are recorded as interest revenue, are added to the line “Other adjustments”.

3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C

The adjustment reported under other accounts receivable is “Time adjustment of income tax and difference due to source”. The adjustment is the difference between the income tax D.51 included in the B.9 and the income tax included in the working balance. See chapters 3.4.1.1, 3.4.1.3.1 and 3.4.3.4.

3.4.3.4.3 Other accrual adjustments in EDP T2C

3.4.3.5 *Completeness of non-financial flows covered in the working balance*

Under the line “Non-financial transactions not included in the working balance” are reported following adjustments:

- * Property income (D.422+D.41) from quasi-corporations classified outside S.1313
- * Investments (P.51 excluding VAT and R&D)
- * Capital transfers (D.9), net
- * Interest expenditure (D.41) of financial leases
- * Acquisitions less disposals of non-produced assets (NP)

3.4.3.6 *Financial transactions included in the working balance*

Working balance doesn't include financial transactions.

3.4.3.7 *Other adjustments reported in EDP T2C*

Reinvested earnings of mutual funds recorded as property income (D.421+D.41):

This item refers to interest and dividends that are capitalised but recorded in national accounts as property income.

The effect of revaluation items in the working balance, net:

The working balance includes revaluation items such as capital gains and write-downs of financial assets (e.g. shares). The B.9 doesn't include revaluation items, so their effect is cancelled in this adjustment.

Sales profits on land (included in the annual margin)

Selling land (e.g. sites, plots) is regular activity for municipalities. Because of this, the working balance includes sales profits on land. In B.9 these profits are included in 'NP Acquisitions less disposals of non-produced non-financial assets' (which includes all revenue/expenditure related to acquisitions/disposals of land). The NP is presented under "Non-financial transactions not included in the working balance" and the elimination of sales profits is presented here.

Rents of financial leases included in the working balance:

In municipal statistics and in municipal bookkeeping, financial leasing is recorded off-balance sheet. So, the working balance includes rents of leases. Because of the different recording in national accounts (on-balance sheet), the effect of paid rents is cancelled in this adjustment.

Other known differences between working balance and B.9:

This item is for one-off events recorded differently in working balance and in national accounts.

3.4.3.8 *Net lending/net borrowing of local government*

Local government's B.9 is not, in any point, compiled directly through the working balance, but through calculating each transaction of sector accounts separately. Partly same sources are used for WB and B.9. See chapter 3.4.1.

3.4.4 EDP table 3D

3.4.4.1 *Transactions in financial assets and liabilities*

For all sub-sectors, transactions in assets and liabilities in notification tables 3 are based directly on ESA 2010 financial accounts.

Table 8. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)				X										
Other transaction data				X										

EDP tables and data sources

Stock data	X	X	X		X	X	X		X	X	X		X	X
	Calculation of stocks													
Transaction data														
Stock data	X	X	X	X	X	X	X		X	X	X		X	X

Transactions of assets and other liabilities indicated in table 3D are calculated in the context of annual financial accounts. Financial statements (balance sheets, cash-flow statements) of municipalities and joint-municipal authorities (included in Kuntien ja kuntayhtymien talous ja toiminta (osa I)/Finances and activities of municipalities and joint municipal authorities (part I) compiled in Statistics Finland) is the main source for local government. Other main sources are Quoted shares database, OFI Statistics, MFI Statistics, Security Holding Statistics, Outstanding Credit Stock Statistics and Balance of Payments.

For assets and liabilities other than Shares and other equity (F.5), data is valued at nominal value, and transactions are calculated, as a main rule, as a difference between closing and starting balance. Accrued interest is recorded under Loans payable (F.4). Transactions concerning F.5 are based on actual acquisition and sales prices.

Some units classified in S.1313 are not included in the statistics of municipalities (tables 6 and 7) and their data has to be added to the source data: Ålands Landskapsregering (the Åland Government), Kuntaliitto (Association of Finnish Local and Regional Authorities), Kuntatyöntajat (KT Local Government Employers), Kuntien takauskeskus (Municipal Guarantee Board) and the incorporated units classified in the local government.

The source data for these units are the financial statement of the Government of Åland, the financial statement of the Pension fund of the Government of Åland and annual reports and financial statements of the Association of Finnish Local and Regional Authorities, Municipal Guarantee Board and the incorporated units.

Financial statements of incorporated units (table 7) are obtained via business statistics database of Statistics Finland, internet or directly from the units. The data is partially available in October T+1 notification and final data should be available in April T+2 notification. Preliminary financial statements are collected from a few (around 10) of most important incorporated units.

In the April notification the figures are calculated in the context of General Government Quarterly Financial Accounts (QFAGG). Its main data source is Statistics Finland's Kuntien ja kuntayhtymien talous neljännesvuosittain (Quarterly local government finances (QLGFS)), which includes quarterly balance sheet information on municipalities and is completed in t+45 days. Quarterly local government finances is based on a sample survey for the first to third quarter. Data for the fourth quarter are collected from all municipalities and joint municipal authorities in Mainland Finland. These balance sheet figures are used as such. QLGFS is used for calculation on F.32 and F.4 debt. Book values are indicated, so the valuation is in line with EDP rules. As for finalised data, information on local government short-term bonds (F.31) is obtained from Bank of Finland.

Main sources and methods for the Local government S.1313

Currency and deposits (F.2)

Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities. MFI statistics and BoP for counterpart data.

Transactions: Change in stocks.

Liabilities

Not Applicable

Debt securities (F.3)

Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks.

Liabilities

Stocks: Balance sheets of municipalities and joint-municipal authorities, short-term bonds at nominal value from Financial Market Statistics of the Bank of Finland.

Transactions: Change in stocks.

Loans (F.4)

Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks. Foreign transactions according to BoP.

Liabilities

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks. Accrued interest is included.

Shares and other equity (F.5)

Quoted shares (F.511)

Assets

Stocks: SHS, Security Holding Statistics, (Quoted share database for domestic sectors, until 2014q4) , BoP for rest of the world.

Transactions: SHS, Security Holding Statistics, (Quoted share database for domestic sectors, until 2014q4), BoP for rest of the world

Liabilities

Not applicable.

Unquoted shares and other equity (F.512+F.519)

Assets

Stocks: Balance sheets of municipal corporations. Valuation is according to own funds at book value.

Transactions: Cash-flow statements of municipalities and joint-municipal authorities.

Liabilities

Stocks: Equity of joint-municipal authorities.

Transactions: Change in equity of joint-municipal authorities.

Mutual fund shares (F.52)

Assets

EDP tables and data sources

Stocks: OFI Statistics for domestic sectors, BoP for rest of the world.
Transactions: OFI Statistics for domestic sectors, BoP for rest of the world.
Liabilities
Not applicable.

Insurance technical reserves (F.6)

Assets

Stocks: Counterpart data of insurance corporations. Insurance corporations' liability is divided to counterpart sector according to premiums paid.

Transactions: Change in stocks.

Liabilities

Not applicable.

Financial Derivatives (F.7)

Assets

Stocks and transactions: Netted on liability side.

Liabilities

Stocks: According to MFI Statistics and BoP.

Transactions: According to MFI Statistics and BoP.

Other accounts receivable and payable (F.8)

Trade credits (F.81)

Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks.

Liabilities

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks.

Other accounts receivable and payable (F.89)

Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities. The impact of adjustment of taxes is added to data.

Transactions: Change in stocks.

Liabilities

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks.

3.4.4.2 *Other stock-flow adjustments*

Information on appreciation/depreciation of foreign-currency debt is obtained from Balance of Payments. In the case of local government no other adjustments are needed, as in financial accounts debt instruments are recorded at nominal value.

3.5. Social security sub-sector, EDP table 2D and 3E

3.5.1 Data sources for Social Security Funds main units: Employment pension schemes (S.13141)

Table 9 – Availability and use of basic source data for employment pension schemes (S.13141)

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
A	A	T+60	T+2	(2) Current and capital revenue and expenditure	x	x	
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
A	A	T+180	T+6	(5) Profit and loss accounts	x	x	
A	A	T+150	T+7	(6) Balance sheets			x
				(7) Cash flow statement			
				Other Reporting			
A	Q	T+80	T+3	(8) Statistical surveys			x
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.5.1.1 Details of the basic data sources

So far, financial statements information has been collected in the following way:

1) In February, a separate questionnaire is collected from S.13141 units to get preliminary data before financial statements are available. This questionnaire includes some of the items in the profit and loss account: property income and costs, social

security contributions and benefits, investments. The April EDP notification is based on this data.

2) In the July publication of national accounts and the following October EDP notification, we use the data collected by Finansssivalvonta (The Finnish Financial Supervisory Authority - FIN-FSA), which contains financial statements information. This is the final data source for employment pension companies, company pension funds and industry-wide pension funds, The Seafarers' Pension Fund and The Farmer's Pension Fund and it contains the most accurate information. Also the financial statements of public-sector pension providers and the pension fund of the Central Church Fund are available by July publication of national accounts.

3.5.1.2 *Statistical surveys used as a basic data source*

"Quarterly investment survey of pension institutions" is administrative, full population survey that covers all employment pension schemes. It covers both stock and transaction data on main instruments (i.e. quoted shares and mutual funds shares as well as unquoted shares, which are valued at book value unlike the other instruments). The organisation collecting the data and making the survey is Finnish Pensions Alliance TELA.

3.5.1.3 *Supplementary data sources and analytical information*

3.5.1.3.1 *Supplementary data sources used for the compilation of non-financial accounts*

Additional source data is used for the following transactions:

- *Gross fixed capital formation: a) Investment data collected by The Finnish Pension Alliance TELA, b) separate R&D calculation based on R&D expenditure statistics (GERS)
- *Output for own final use: separate R&D calculation based on R&D expenditure statistics (GERS) and an estimate of computer software developed for own use based on the back series (software investments were compiled in a centralized manner with more detail in the past).
- *FISIM-adjustments: separate FISIM-calculations, sources include banks' financial reporting data and e.g. data on interest rates.
- *Current transfers and capital transfers: for these items counterpart sector information is used.
- *Investment income attributable to collective investment fund shareholders are from separate calculations of investment funds. Sources include stock data from financial accounts and flow data collected separately from the Bank of Finland.
- *Compensation of employees: annual financial statements data from business statistics database (YTY).

3.5.1.3.2 *Supplementary data sources used for the compilation of financial accounts*

In around mid-March (~T+3 months), Työeläkelaitosten liitto - TELA (The Finnish Pension Alliance) publishes "Quarterly investment survey of pension institutions" which is used to compile financial accounts and consequently also EDP report. Statistics Finland receives the data electronically and it contains information on stocks and flows of all main financial instruments. Data is based on a comprehensive inquiry thus the

figures do not usually revise substantially although it is possible. Other supplementary sources for domestic counterpart sectors are OFI, SHS and MFI Statistics. BoP is used respectively for rest of the world.

3.5.2 Data sources for other Social Security units

**Table 10 – Availability and use of basic source data for other social security units:
Other social security funds (S.13149)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
M	M	T+45	T+7	(2) Current and capital revenue and expenditure	x	x	
				(3) Current and capital revenue and expenditure and financial transactions			
A	Q	T+55	T+7	(4) Balance sheets			x
				Financial Statements			
A	A	T+150	T+7	(5) Profit and loss accounts		x	
A	A	T+150	T+7	(6) Balance sheets			x
				(7) Cash flow statement			
				Other Reporting			
A	Q	T+80	T+3	(8) Statistical surveys			x
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.5.2.1 Details of the basic data sources

Sub-sector S.13149 consists of units that provide other social security than pensions. Main units of the sub-sector are the Social Insurance Institution of Finland (Kela) and the Unemployment Insurance Fund (Työttömyysvakuutusrahasto). Other entities

belonging to the category S.13149 are for example unemployment funds and employee sickness funds.

At the request of Statistics Finland, Financial Supervisory Authority (FIN-FSA) collects data on paid unemployment benefits from all unemployment funds. This provisional data is available in February (T+1). Financial Supervisory Authority publishes the data in cooperation with the Social Insurance Institution.

From the Social Insurance Institution (Kela) Statistics Finland receives monthly bookkeeping data through the year and in the February also other supplementary and preliminary data on revenue, expenditure and investments are delivered. From the Unemployment Insurance Fund (Työttömyysvakuutusrahasto) Statistics Finland receives preliminary financial statement in February (T+1).

Sickness benefit, death benefit, severance pay and education funds' financial statements are received only by July or August (T+7 months or T+8 months) but their impact on the aggregate level is rather small. Generally speaking, all data sources used in the first EDP round are based on estimates and are preliminary by nature. They also cover only the main aggregates. By the time of second EDP report, the above-mentioned institutions have already published their final balance sheets and income statements. Therefore, in the latter EDP round we have not only final revised numbers to be used but also better understanding about the entirety.

3.5.2.2 *Statistical surveys used as a basic data source*

3.5.2.3 *Supplementary data sources and analytical information*

Outstanding Credit Stock Statistics and balance sheets are the main supplementary data sources for financial accounts and consequently also the EDP report. The latter being used only in October notification. Other supplementary sources for domestic counterpart sectors are OFI, SHS and MFI Statistics. BoP is used respectively for rest of the world.

3.5.3 EDP table 2D

3.5.3.1 *Working balance - use for national accounts compilation*

Currently, the working balance reported in the EDP table 2D includes working balances of the most significant units from both of the subsectors, employment pension schemes (S.13141) and other social security funds (S.13149). The units not included in the working balance are other pension providers than pension insurance companies of the employment pension schemes (S.13141). The net borrowing/lending of other pension providers than pension insurance companies is shown on the row "Net borrowing or net lending of other social security bodies" of the table 2D.

The working balance includes the bottommost item in the profit and loss account, the 'profit/loss for the accounting period' of pension insurance companies and other social security funds. The working balance per se has no use for national accounts

compilation as the national accounts figures are compiled separately, transaction by transaction. Of course, the items that form the WB are also used as source data in national accounts compilation.

3.5.3.2 *Legal basis of the working balance*

For the pension insurance companies the working balance includes the bottom line of the profit and loss account, the 'profit/loss for the accounting period'. The working balance is thus subject to all laws and regulations concerning the financial statements of pension insurance companies. The earnings-related pension scheme is heavily regulated with responsibilities spread among different institutions. Detailed information on the scheme's regulation and supervision can be found on the web site of Eläketurvakeskus (Finnish Centre for Pension):

http://www.etk.fi/en/service/administration_and_supervision/1428/administration_and_supervision

http://www.etk.fi/en/service/supervision_of_pension_scheme/1488/supervision_of_pension_scheme

For other social security funds, except for the Social Insurance Institution, all units are - to different extents - under the supervision of Finanssivalvonta (Financial Supervisory Authority). The institutions included in other social security funds are governed by public law (inc. general bookkeeping act) and supervised by the central government (i.a. the Ministry of Social Affairs and Health).

3.5.3.3 *Coverage of units in the working balance*

Units in the working balance include the following: pension insurance companies (these companies together accounted for 63 % of total S.13141 social contributions received in 2013, to give an example of their significance). Information on the rest of S.13141 units (other units than pension insurance companies) is on the row "Net borrowing (-) or net lending (+) of other social security bodies" of the table 2D.

From the other social security funds sub-sector the WB includes Social Security Institution of Finland (Kela), unemployment funds, the unemployment insurance fund, sickness benefit funds, death benefit and severance pay funds.

3.5.3.3.1 Units to be classified outside the subsector, but reported in the WB

None.

3.5.3.3.2 Units to be classified inside the subsector, but not reported in the WB

Units not reported in the working balance are:

*company pension funds and industry-wide pension funds, which are authorized pension providers (today these are very small institutions that only accounted for 2 % of total S.13141 social contributions received in 2013)

*local government pension fund Keva (this is a large institution that accounted for 25 % of total S.13141 social contributions received in 2013)

- *Valtion Eläkerahasto/VER (The State Pension Fund) (8 % of total S.13141 social contributions received in 2013)
- *Maatalousyrittäjien eläkelaitos/Mela (The Farmers' Social Insurance Institution) (around 1 % of total S.13141 social contributions received in 2013)
- *Merimieseläkekassa/MEK (The Seafarer's Pension Fund) (around 0,3 % of total S.13141 social contributions received in 2013)
- *Eläketurvakeskus/ETK (Finnish Centre for Pensions)
- *Työeläkevakuuttajat TELA ry (The Finnish Pension Alliance)
- *The Pension Fund of the Central Church Fund
- *Pension Fund of Social Security Institution

3.5.3.4 *Accounting basis of the working balance*

Accrual. Social security contributions of Social Insurance Institution are on cash basis in the financial statement, but the institution provides time adjusted data separately.

3.5.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2D

No accrual adjustments done.

3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D

No accrual adjustments done.

3.5.3.4.3 Other accrual adjustments in EDP T2D

No accrual adjustments done.

3.5.3.5 *Completeness of non-financial flows covered in the working balance*

Items not included in the working balance but included in the net lending:

Employment pension schemes:

- *Investments, net of output for own final use (gross fixed capital formation P.51g minus output for own final use P.12)
- *Reinvested earnings of mutual funds recorded as property income
- *Current transfers (somewhat large items, generally almost completely to/from other S.13 subsectors)
- *Capital transfers (small items, generally under 5 million euros)

Other social security funds:

- *Investments, net of output for own final use (gross fixed capital formation P.51g minus output for own final use P.12)

3.5.3.6 *Financial transactions included in the working balance*

Not relevant.

3.5.3.7 *Other adjustments reported in EDP T2D*

Items included in the working balance, but not in the net lending:

- *Holding gains/losses on investments (from financial statements' net investment income specification: 'Value re-adjustments', 'Realized gains on investments',

'Value adjustments and depreciation', 'Realized losses on investments',
'Revaluations on investments and revaluation adjustments')

*Derivatives-related income and interest expenditure (estimated by 'net investment income' minus all dividend income, all interest income and 'other income' from investments in land and buildings)

*Net change in technical pension provisions (sum of profit and loss account items 'Change in provision for outstanding claims' and 'Change in provision for unearned premiums')

*Pension benefits -related cost clearing transfers between pension providers

*Reinsurers' shares of premiums written and claims incurred

*Transitional charge payable to State Pension Fund

Items not included in the working balance, but included in the net lending:

*Adjustment on interests not considered in the working balance of the other social security funds

3.5.3.8 *Net lending/net borrowing of social security funds*

Net lending/net borrowing (B.9) of the Social security funds is not compiled directly through working balance, but partly the same sources are used.

The row "Net borrowing or net lending of other social security bodies" excludes reinvested earnings of mutual funds recorded as property income, which are reported under "Non-financial transactions not included in the working balance" on the row "Reinvested earnings of mutual funds recorded as property income".

The row "Net borrowing or net lending of other social security bodies" excludes current and capital transfers, which are reported under "Non-financial transactions not included in the working balance" on the row "Current and capital transfers, net".

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

For all sub-sectors, transactions in assets and liabilities in notification tables 3 are based directly on ESA2010 financial accounts.

Table 11. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)									X					
Other transaction data		X		X										
Stock data	X	X	X		X	X			X	X	X		X	X
	Calculation of stocks													
Transaction data														
Stock data	X	X	X	X	X	X			X	X	X		X	X

Currency and deposits (F.2): Finnish pension alliance's (TELA) "Quarterly investment survey of pension institutions" provides information from which we calculate both stocks and transactions. Also MFI statistics are used.

Securities other than shares (F.3): Main data source is "Quarterly investment survey of pension institutions" which covers stocks and direct transaction data for bonds. As a general convention, we compare the transaction data with changes in stocks. In order to divide the known stock into detailed counterpart sector we use outstanding credit stock statistics and balance of payments as supplementary sources.

Loans (F.4): Compilation of transactions and stocks base on stock data from "Quarterly investment survey of pension institutions". As a supplementary source, we use outstanding credit stock statistics.

Shares and other equity (F.5): Main source is the above-mentioned "Quarterly investment survey of pension institutions" which covers both stock and transaction data on main instruments (i.e. quoted shares and mutual funds shares as well as unquoted shares (F.512), which are valued at book value unlike the other instruments). Supplementary sources for counterpart information are OFI and BoP statistics.

Insurance technical reserves (F.6): They are insignificant for sector S.1314.

EDP tables and data sources

Derivatives (F.7): We start collecting (Q1/2016) the comprehensive information on derivatives within the same framework as all the other data from social security funds. Until then our main source is BoP.

Other accounts receivable/payable (F.8): Balance sheets from major employment pension schemes play the role of our main source in compiling other accounts receivable/payable. Transactions are calculated from changes in stocks.

3.5.4.2 *Other stock-flow adjustments*

3.6. Link between EDP T2 and related EDP T3

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and they are consolidated.

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

3.6.1 Coverage of units

Central government (S.1311):

Coverage of the units is the same in EDP T2 and EDP T3.

Local government (S.1313):

The coverage of units is the same in EDP T2 and EDP T3.

Social security funds (S.1314):

S.13141: In national accounts compilation, the coverage is virtually the same, including all the employment pension scheme's pension providers, the Finnish Centre for Pensions and the Finnish Pension Alliance. In table 2D, the working balance and the adjustments made in "non-financial transaction not included in the WB" and "other adjustments" only pertain to a subset of S.13141 (the employment pension companies), so these adjustments are not directly comparable to similar items in table 3D.

In case of subsector S.13149 the coverage of units is identical for non-financial and financial accounts compilations. See also 3.5.3.3.

3.6.2 Financial transactions

Central government (S.1311):

The T3 for the central government is consolidated (includes budget entities, universities, extra-budgetary funds and incorporated units). Working balance includes only the budget economy (the state) and data is non-consolidated. Rest of the central government units are recorded in table 2A on row “net borrowing (-) or net lending (+) of other central government bodies” (and, naturally, no financial transactions are included in that row). For these reasons, we are not using the financial transactions which are reported in the WB for compilation of the EDP T3 or financial accounts, but consistency checks are carried out regularly.

See also chapter 3.2.3.6.

Local government (S.1313):

The working balance reported in T2C doesn't include financial transactions.

Social security funds (S.1314):

The working balance reported in T2D doesn't include financial transactions.

3.6.3 Adjustments for accrued interest D.41

Central government (S.1311):

The adjustment in EDP T2A for accrued interest refers to interest expenditure and revenue. The item includes redemption/issuance of debt above/below par, premiums and discount spread over time and the lump sum paid or received by central government for swap cancellation. See also 3.2.1.3.

In the budget accounts, annual premiums and discounts spread over time are recorded on the cash basis. Redemption/issuance of debt above/below par is recorded as a budget revenue or expenditure, but in national accounts it is recorded as not affecting the deficit, and the premiums and discounts are spread over time. In EDP T2A, adjustment for these differences is shown under item “difference between interest paid (+) and accrued (D.41) (-)”.

Local government (S.1313):

There is no adjustment for accrued interest in EDP T2 because interest is recorded on an accrual basis in the working balance.

Social security funds (S.1314):

S.13141: As for D.41 payable, the source data includes flows related to interest rate swaps, which should not be included in B.9. Thus, D.41 payable has to be estimated (currently no source data for the amount related to the swaps is available). This deviation is included in the table 2D residual.

3.6.4 Other accounts receivable/payable F.8

Central government (S.1311):

The following transactions are reported in other accounts receivable in EDP T2A and they are recorded also in the financial accounts for the central government compilation of EDP T3B:

Time-adjustment of taxes consists of time adjustment of taxes on products and taxes on income. The most significant taxes of income and other current taxes are time-adjusted in national accounts on the basis of the provisions of the Finnish tax legislation concerning the collection of taxes. They are time-adjusted with one month (VAT with two months). All taxes on products are time-adjusted based on the monthly state bookkeeping data.

Data used for recording of taxes are obtained from central government bookkeeping data and from reports on received taxes of the tax administration's accounts. Concerning preliminary figures (April EDP notification), time adjustment of D.2-taxes (excl. VAT) is based on assessments on the accrual of these taxes in January.

For some categories of taxes time-adjustment is not undertaken because according to experts' assessment the meaning of time-adjustment would be insignificant: the amounts of possible time adjustments would be very small, the cash flow of the taxes is even, or the taxes being of such nature that the time-adjustment would not be sensible, and therefore an agreement has been reached that no time-adjustment is needed. An example of such significant taxes is Real estate tax.

The adjustment on subsidies consists of the accrual adjustment of some subsidies and the difference in recording EU-grants in the budget. The first adjustment is made in national accounts based on the payment data received from the Ministry of Agriculture. The latter is connected to the EU-grants (notably subsidies for agriculture) that are re-routed through state budget, but which in national accounts are eliminated from central government revenue and expenditure and shown directly as transfer from EU to the final receiver. Normally there is a difference in recording these transfers on revenue and expenditure side in the budget and it has to be shown as an adjustment item.

Local government (S.1313):

The adjustment reported under other accounts receivable in EDP T2C is "Time adjustment of income tax and difference due to source". The adjustment is the difference between the income tax D.51 included in the B.9 and the income tax included in the working balance. The consistent time adjustment of income tax is included in EDP T3D and recorded under Other accounts receivable (F.8).

Social security funds (S.1314):

Not relevant for S.1314.

3.6.5 Other adjustments/imputations

Central government (S.1311):

The adjustments are described in detail in the chapter 3.2.3.7.

Debt cancellation/assumption: In EDP T3 the debt cancellation is recorded under the F.4.

Reinvested earnings on FDI and mutual funds: In EDP T3 the reinvested earnings are recorded under the F.5.

The impact of the difference in the recording of deferrable budgetary appropriations: This adjustment is reflected in EDP T3 already in source data.

PPP: In EDP T3 the PPPs are recorded under the F.4.

Super dividends: In EDP T3 the super dividends are recorded under the F.5.

Other known differences between working balance and EDP B.9: These are studied case by case to check how they are recorded in financial accounts source data.

Local government (S.1313):

The adjustments are described in detail in the chapter 3.4.3.7.

Reinvested earnings of mutual funds recorded as property income (D.421+D.41): In EDP T3 the reinvested earnings are reported under F.5 (Shares and other equity).

The effect of revaluation items in the working balance, net: In EDP T3 the effect of revaluation items is reflected already in the source data.

Realised holding gains relating to disposals of non-produced assets (land) recorded in the working balance: This adjustment is reflected in EDP T3 already in source data.

Other known differences between working balance and EDP B.9:

These are very rare and they are studied case by case to check how they are recorded in the source data.

Social security funds (S.1314):

The only entry under heading "other adjustments" at T2D which has impact to financial accounts is Investment gains and losses. Concerning that we don't do any adjustments but rely that these are already reflected in our data sources. No imputations are done in this part, but the item reinvested earnings of mutual funds recorded as property income at EDP T2 under "Non-financial transactions not included in the working balance" is recorded under F.5 (Shares and other equity) in EDP T3.

3.7. General comments on data sources

3.8. EDP table 4

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

3.8.1 Trade credits and advances

This item is calculated within the normal compilation process of financial accounts. Source data includes bookkeeping records in case of central government, and balance sheets in case of local government and social security funds. Because in financial accounts we have sector against sector information, it is easy to deduct internal general government F.81 items and report consolidated figure.

3.8.2 Amount outstanding in the government debt from the financing of public undertakings

4. Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

4.1. Existence of a revision policy in your country

4.1.1 Relating to deficit and non-financial accounts

The deficit data in EDP notification largely follow the general revision policy of non-financial national accounts. The first preliminary data on the previous year non-financial accounts are published in the beginning of March. The reported data in April EDP notification corresponds to that data, unless new information has become available in March.

Preliminary non-financial accounts with broad contents are published in July. The October EDP notification broadly corresponds to this data. The non-financial accounts of year t are next time revised in January $t+2$. For example, local government deficit data becomes final at that time, and therefore the EDP data for local government data is comprehensive only in the April $t+2$ notification.

"Officially" the whole non-financial accounts are final when the final supply and use tables concerning year t are published in December $t+2$ and the entire data content of the accounts in January $t+3$. Therefore, in EDP tables the year t becomes marked as final in April $t+3$ EDP notification.

From time to time Statistics Finland carries out major revisions, when also the earlier years are open to revisions. These are usually in connection to some methodological or classification updates (e.g. ESA-revisions, NACE-revisions). If needed, certain corrections to certain time-series are also possible in other times (e.g. due to EDP requirements).

In general, there may be following reasons for revisions for year t in different EDP-notifications:

April $t+1$: -

October $t+1$: updated and/or new data sources for all sub-sectors, elimination of errors, methodological changes

April $t+2$: updated data sources and/or new data sources for all sub-sectors, elimination of errors, methodological changes

October $t+2$: elimination of errors, methodological changes

4.1.2 Relating to debt and financial accounts

Like the deficit data also debt data in EDP notification largely follow the general revision policy of financial accounts. All the data on financial transactions and other flows entered to EDP tables 3 as well as debt figures are compiled within financial accounts compilation processes.

April notification t+1

Preliminary data (t+3 months) on flows of financial assets and liabilities in EDP tables 3 are derived from quarterly financial accounts for general government (QFAGG-process). Debt figures are compiled within the same process (for quarterly government debt). QFAGG provides comprehensive data for central government and social security funds sub-sectors also from annual perspective as the key data sources are available on quarterly/monthly basis. For the local government QFAGG/QDebt-figures the main data source is Quarterly local government finances (QLGFS), which has some shortages in terms of coverage (excluded the Åland municipalities) and accuracy (preliminary data).

October notification t+1

First set of annual financial accounts for all the sectors, including general government and its sub-sectors, are compiled in June/July and reported with a time lag of 6,5 months to Eurostat. Annual debt figures are compiled within the same process. These results are, as a main rule, reported in EDP October notification having a status of “half-final”. However, for EDP purposes, corrections are possible to government sector data when necessary -leading to re-transmission of annual financial accounts at t+9 months.

The most significant changes, in comparison to preliminary EDP data, concern local government data sources. For annual financial accounts at t+6 months almost complete financial statements are available for municipalities and joint-municipalities as well as for their quasi-corporations (from statistics on Finances and activities of municipalities and joint municipal authorities).

April t+2: updated data sources and/or new data sources, elimination of errors, methodological changes

October notification t+2

Annual financial accounts for general government are revised and made “final” in June/July t+18 months. Usually the revisions at this stage are minor and concern mostly local government, resulting from updating of the underlying main data source.

Like explained for deficit, from time to time Statistics Finland carries out major revisions, when also the earlier years are open to revisions (concerning both non-financial and financial accounts). These are usually in connection to some methodological or classification updates (e.g. ESA-revisions, NACE-revisions).

4.2. Reasons for other than ordinary revisions

Major revisions originate from methodological changes (ESA, NACE) and also from the need to incorporate results of changes in important data sources and/or to correct found errors.

4.3. Timetable for finalising and revising the accounts

See sections 4.1.1 and 4.1.2.

B. Methodological issues

5. Sector delimitation – practical aspects

5.1. Sector classification of units

General government is defined by ESA2010 §2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- a. if it is an institutional unit (ESA2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA 2010 §20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"... According to the list of criteria listed in ESA 2010 §20.309)
- c. if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 §20.19 to §20.28 and MGDD I.2.4)"

Market/nonmarket-distinction

The general government subsectors include public institutional units that are non-market producers according to ESA 2010. The market / nonmarket test is applied for municipal quasi-corporations and public corporations. However, for quasi-corporations a complete unit-by-unit analysis cannot in practise be undertaken from the source statistics. Therefore, quasi-corporations acting on certain industries (water supply, energy supply, public transport, port authorities and waste management) are always, by convention, considered as market producers in corporations sector. Their performance is followed occasionally. Generally, quasi-corporations acting on these industries perform well.

Regarding public corporations, the 50% criterion is applied annually, in the context of "Questionnaire on government controlled units classified outside general government". Significant units are monitored more closely than smaller units. Units classified in general government are generally not tested because of the nature of their activities.

New units

New units that belong to the "basic set" of government subsectors (e.g. new municipalities or offices) are included in the government source data and therefore they are also included in national accounts.

New government controlled limited companies are analysed, and they are classified either to government sector or corporations sector based on both qualitative and quantitative criteria. Qualitative aspects taken into account are: What is the purpose of the unit? To who is the unit selling? Is the unit competing on the market? Information on the unit is acquired, for example, from its web pages and financial report.

We have a working group in Statistics Finland, the task of which is to implement sector classification. The working group consists of members from different departments of Statistics Finland, (for example national accounts, the Business Register, business statistics) and from the Bank of Finland. The chair of the group is from national accounts unit. The working group gives general guidelines on sector classification and makes decisions on major individual cases. For the major cases, there is also a tradition to provide these decisions available to public at large by publishing them at the website of Statistics Finland: <http://www.stat.fi/meta/luokitukset/linkki/soveltamisp.html> (only in Finnish). Statistics Finland also publishes a list of general government units: <http://www.stat.fi/meta/luokitukset/linkki/julkisyhteisot.html>

5.1.1 Criteria used for sector classification of new units

Units are classified inside or outside general government following the sector delimitation rules of ESA 2010 and the more specific guidance given in MGDD manual (holding companies, defeasance structures, etc.). The market/non-market criterion is considered the most decisive and it is applied to government controlled units. However, some practical rules have been implemented, like the use of activity/NACE class when making distinction between local government quasi-corporations.

5.1.2 Updating of the register

In Statistics Finland, the national accounts department is responsible for the sector classification (see above about the working group on sector classification). The unit by unit sector data is in practise maintained in the Business Register.

The Business Register includes information on legal status, sector, NACE class and ownership of units, as well as ownership linkages between units. Ownership information is used as background data when determining the sector class (public, private, foreign-owned, etc.) and it is updated regularly, on yearly basis. For that several administrative and survey sources are used. Sector class information as a whole is also updated regularly and new units are evaluated separately.

Sector classification of significant units is analysed and decided in a dedicated group lead by national accounts. There's also another sector classification group, under the main group, which deals with smaller cases and routine classification work.

For conducting the quantitative 50% test, comprehensive annual financial statement data is available. It is included in Business statistics data warehouse, which covers basically all companies (on legal unit basis). It is composed of administrative data (Tax records) and direct survey data and contains detailed data on profit and loss accounts, balance sheets and investments in fixed assets, etc. It includes also classification

Sector delimitation – practical aspects - Existence and classification of specific units

details. The preliminary version of the data becomes available at t+6 months and the final data at t+12 months.

For testing the 50% criterion the following items are used in the calculations:

- sales: turnover + other operating income (excl. subsidies)
- production costs: purchases of materials and services + other operating expenses + personnel costs + depreciation of fixed assets + net interest cost

When new units are classified into government sector, the changes are usually implemented in national accounts for the whole time series in the context of benchmark revisions. Occasional revisions can be made when considered necessary.

5.1.3 Consistency between different data sources concerning classification of units

In municipal statistics, the respondents define counterpart sectors by themselves (e.g. when dividing purchases between different sectors). They are given guidance and support from Statistics Finland. The state bookkeeping data is classified by national accounts, as well as the source data of social security funds. From year 2015, state units are encouraged to use the Business Register's sector data in their bookkeeping.

Money and Banking Statistics (both the compilers and the respondents) exploit the Business Register's sector data, so the sector classification in the statistics should match the Business Register and therefore the national accounts.

The same sector classification of units in non-financial and financial accounts is ensured by consistent use of source statistics and communication between non-financial and financial accounts compilers.

5.2. Existence and classification of specific units

All units are classified following the principles explained in 5.1.1.

6. Time of recording

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

6.1. Taxes and social contributions

Time of recording

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded.

6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

Data used for recording of taxes are obtained from state bookkeeping data and from Tax Administration's reports on received taxes. Income from auction of emission allowances' data is from Energy Authority (Energiavirasto). All sources are cash-based. The same sources are used for the first and second notification. The data on first notification is preliminary and there can be some changes. Final data for year t is available in T+11 months.

The method used for some taxes is the time-adjusted cash, where cash amounts are attributed to the period when the activity takes place. The most important time-adjusted taxes are VAT and income taxes. Concerning preliminary figures (April EDP notification), time adjustment of D.2 taxes (excluding VAT) is based on assessments on the accrual of these taxes in January. VAT cash accruals of January and February are available for April EDP notification. Income from auction of emission allowances is calculated based on the data and the formula given in the EDP manual.

For some categories of taxes, time-adjustment is not undertaken because, according to experts' appraisal, the meaning of time-adjustment would be insignificant: the amounts of possible time adjustments would be very small, the cash flow of the taxes is even, or the taxes being of such nature that the time-adjustment would not be sensible. Therefore an agreement has been reached that no time-adjustment is needed. An example of such significant taxes is real estate tax.

Reimbursements and refunds of taxes cannot, in practice, be allocated on accrual basis and are recorded on a cash basis. Final settlements are recorded when the cash is paid. Fines and penalties for non-payment are recorded with associated tax on a cash basis. Interest on late payment is recorded as D.41 on accrual basis. Regarding tax amnesties and payable tax credits, we are not aware of any cases.

The Statistics Finland compiles the data to the EDP tables and related questionnaires. Information about the taxes is collected by Statistics Finland from the State Treasury and Tax Administration.

6.1.2 Social contributions

The time of recording of social contributions is defined in ESA2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

Data source for social contributions collected by employment pension funds (S.13141) in the first notification are preliminary data for the most important sector account

Time of recording

transactions, including social contributions from all pension institutions. Statistics Finland collects the data and it is available in February t+1. For the second notification, employment pension contributions are based on the financial statements of the pension institutions. The social contributions data are accrual data minus amounts not received (amounts accrued but not collected), i.e. no adjustment is needed.

Data used in compiling the social contributions for subsector S.13149 in the first notification is based on the data from the Social Insurance Institution (Kela) and the Unemployment Insurance Fund (Työttömyysvakuutusrahasto). From the Social Insurance Institution, Statistics Finland receives the detailed preliminary data on revenue in the beginning of February (t+1) and from the Unemployment Insurance Institution the preliminary financial statement. For the second notification, the preliminary data is replaced by the information from the financial statements of all units belonging to the subsector S.13149. The data of the Social Insurance Institution is based on cash receipts. Statistics Finland receives time-adjusted data already in February t+1 months from the Social Insurance Institution and the Unemployment Insurance Fund.

If existent, reimbursements and refunds, interest on late payments, fines and penalties for non-payments and amnesties are recorded with social contributions. This means that social contributions are recorded as a net amount of these.

Statistics Finland collects the data except for social security funds (S.13149) for which at the request of Statistics Finland, the Financial Supervisory Authority (FIN-FSA) collects data on the main aggregates (contributions and benefits) from all unemployment and sickness funds. Statistics Finland compiles all data to the EDP tables and related questionnaires.

Final data for employment pension funds (S.13141) for year t should become available at around T+5 months and for the social security funds (S.13149) at T+6 months.

6.2. EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. The ESA2010 Manual on government deficit and debt Chapter II. 6 “*Grants from the EU budget*” provide further details concerning the recording of these flows.

6.2.1 General questions

The following ministries (central government S.1311) are involved and designated to receive payments from the EU:

Ympäristöministeriö (The Ministry of the Environment)

Opetus- ja kulttuuriministeriö (The Ministry of Education and Culture)

Työ- ja elinkeinoministeriö (The Ministry of Employment and the Economy)

Liikenne- ja viestintäministeriö (The Ministry of Transport and Communications)

Time of recording

Maa- ja metsätalous ministeriö (The Ministry of Agriculture and Forestry)

The State Treasury is the source of the data related to EU-flows. EU-flows transit through the state bookkeeping system (they are managed by Valtiokonttori (State Treasury)) but in national accounts the EU-flows are eliminated from central government revenue and expenditure and shown directly as transfer from EU to final receiver.

From the annual budget, we are able to extract EU-flows distribution to the government and non-government units according to the final beneficiary. If the final beneficiary is non-government, EU-flow is eliminated from central government calculation and included in the rest of the world calculations.

The Ministry of Agriculture and Forestry delivers extra detail from distribution to the other subsidies on the products (D.319) and other subsidies on production (D.39). The detail includes different types of aid by name and by the accrual amount paid. Mainly all the EU-flows are recorded on cash basis and the difference on accrual basis and cash basis is shown as an adjustment item.

The money flow from EU is considered as revenue of the government, and the corresponding expenditures as an expenditure of the government. However, in order to avoid deficit effects stemming from the timing of EU-prepayments or reimbursements, we record the revenue from the EU always, and at the time, when government makes an expenditure related to EU-financing. This means that we correct the revenue from the EU to match the actual expenditures, and record the difference in F.79. From this treatment follows that we do not have to know what is contained in the money flow from the EU (in the sense of its division into prepayments and reimbursements). The recording is as close to accrual as it is possible to get, as the time of the recording of the budget expenditure is close to accrual. In Finland the money for EU-funded projects is spent by the government gradually: for example if a project is realised through a non-government partner, this partner is financed gradually (no prepayments are offered, and on the other hand, financing is provided to the partner to cover its accrued costs before reimbursements from the EU have been requested).

In the context of agricultural policy, all the revenue and expenditure appearing in the state bookkeeping is removed from the government accounts, and are shown as paid by the EU and received by domestic sectors other than government. Difference between the annual amounts of removed expenditure and revenue is recorded in F.89. Also in this case, we do not need to know the composition of revenue (prepayments/reimbursements) from the EU. In the long run, removed expenditure and revenue offset each other.

We are, in principle, able to quantify both receivable and payable but in the table 2A we show the difference on net receivables.

In the budget accounting third own resource is included in the heading "Finland's contribution to the EU" (two other items included to this heading are GNI based payment and UK rebate) and that figure is not adjusted in national accounts calculations.

Time of recording

6.2.2 Cash and Schengen facility:

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

Not relevant to Finland.

6.2.3 Jeremie/Jessica

The European Commission and the European Investment Bank Group and other International Financial Institutions on financial engineering in cohesion policy, the European Commission drew up new initiatives for improving access to finance of European corporations. These initiatives require the involvement of EU governments (as in the case for other cohesion and structural policy instruments). EU Member States implement the JEREMIE and JESSICA initiatives by establishing a Holding Fund funded through their Structural Fund receipts from the European Commission and national contributions. The Holding Fund (HF) can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable. In this context, the "Managing Authorities" can award management either directly to the EIF or any national institution which benefits from public procurement exemption under national law through a grant agreement, or indirectly by way of tender to a financial institution through a service contract. Holding Funds can be set up either as "*ring-fenced blocks of finance*" or as bank accounts managed by the Holding Fund manager on behalf of and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV).

There are no Jeremie/Jessica programmes in Finland.

6.2.4 Market Regulatory Agencies

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in

Time of recording

value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

There is Maatalouden interventiorahasto (Intervention Fund of Agriculture) in Finland and it's classified in S.1311 (central government). The stock changes of agricultural inventories do not affect B.9 of the central government.

6.3. Military expenditure

The ESA2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered. ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter II.5 in Part II of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

6.3.1 Types of contracts

The data source is the state bookkeeping data. So far as accrual recording principles are correctly applied, the state bookkeeping data serves the purposes of national accounts. Complementary information can be attained by request from the Finnish Defence Forces (controlled by Puolustusministeriö (The Ministry of Defence)).

Purchases of military equipment are often agreed in advance with industrial suppliers. Government pre-financing is connected to these contracts, especially in more significant acquisitions. Sometimes purchases have been pooled with other countries, like for example Finland has ordered transport helicopters in co-operation with Norway and Sweden.

6.3.2 Borderline cases

No borderline cases have been found. In the compilation of national accounts the state bookkeeping data is used as a source for central government sector. The data also includes the finances on the Finnish Defence Forces. In the data, the acquisition of military equipment is recorded on special military equipment's account under operating expenses. The division of expenditure between intermediate consumption and gross fixed capital formation is done based on detailed data received from the Defence Forces. All non-military equipment, such as buildings, airfields, normal transportation vehicles etc., are recorded on the respective balance sheet account and considered as gross fixed capital formation.

6.3.3 Recording in national accounts

The time of recording is accrual, which fulfils the requirements of MGDD for all types of contracts.

Time of recording

6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA2010 paragraph 20.178 reads: "*In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding*"

ESA2010 MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

6.4.1 Interest expenditure

Table 12 Availability and basis of data on interest

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
Deposits (AF.2)	A	A	M	M	L*	L*	A	A
Debt Securities (AF.3)	A	A	M	M	L*	L*	A	A
Loans (AF.4)	A	A	M	M	A	L*	A	A
Other accounts receivable (AF.8)	A	A	M	M	L*	L*	A	A

Cash/accrual, M (not applicable) or L (not available)

The calculation of accrual interest for each sub-sector:

Central government (S.1311):

The calculation is done on the basis of an accrual-based source data (main data source is the central government bookkeeping data from the State Treasury). The data on premiums and discounts, on both cash amounts and accruals, are available in the source data (for accruals on quarterly basis, the State Treasury provides a separate report). Streams of interest payments resulting from swap-contracts and FRAs are included in the interest expenditure in the source data, so a swap correction is needed for EDP. The swap correction item (incl. payments resulting from early cancellation of swap contracts) is provided by the State Treasury.

As a general practice, accrued interest is recorded under proper financial instrument.

Local government (S.1313):

The calculation is done on the basis of an accrual-based source data (main source statistics is Finances and activities of municipalities and joint municipal authorities). Interest expenditure includes impact of SWAP and FRA related payments, but information is not available separately.

Social security funds (S.1314):

The calculation is done on the basis of an accrual-based source data (main data sources): Data collected by Financial Supervisory Authority (FIN-FSA), the bookkeeping data of the Social Insurance Institution. In the FIN-FSA's data, the interest expenditure includes impact of SWAP and FRA related payments but information is not available separately. The impact of SWAP and FRA related payments is eliminated on the basis of the separate data from the questionnaire in February (see 3.5.1.1).

6.4.2 Interest Revenue

The main source datas for interest accrued and received for each sub-sector:

S.1311: Central government bookkeeping accounts.

S.1313: Finances and activities of municipalities and joint municipal authorities.

S.1314: Data collected by Financial Supervisory Authority (FIN-FSA), Quarterly Investment Portfolio Inquiry for Pension Institutes, the Social Insurance Institution's balance sheet and the Unemployment Insurance Funds' balance sheet.

6.4.3 Consolidation

The consolidation is done on the basis of financial accounts data on intra-government debt stocks (F.31, F.32, F.4), using an assumption that the interest rate on intra-government debt is the same as it is for the total debt for each sub-sector; so the consolidation item is calculated by multiplying the total interest expenditure of each sub-sector by the ratio: intra-government debt stock / total debt stock of that sub-sector. The same method is implemented in asset side.

6.4.4 Recording of discounts and premiums on government securities

In the budget accounts, annual premiums and discounts are recorded on the cash basis. Redemption/issuance of debt above/below par is recorded as a budget revenue or expenditure, but in national accounts it is recorded as financial transactions not affecting the deficit, and premiums/discounts are spread over time on the basis of annual book-keeping accounts. In the notification Table 2A the adjustment is shown for these differences under item "difference between interest paid (+) and accrued" (EDP D.41) (-).

Information on the issuance of debt above/below par of other government bodies is not available. Information on the repayment of discount is not available either.

6.5. Time of recording of other transactions

Central government (S.1311):

In general, all significant transactions are recorded according to ESA 2010 rules. The state bookkeeping is based on law (State Budget Decree 1243/1992 and the State Budget Act 1988/423). Valtiokonttori (State Treasury) gives all the guidelines according to the state bookkeeping to the central government units.

Local government (S.1313):

As far as we know, all significant transactions should be recorded according to ESA 2010 rules. Transactions that we know to be recorded differently are for example gross capital formation of quasi-corporations (buildings and structures are recorded as expenditure at once when they are finished, not gradually during construction. This exception will be removed from year 2015 onwards) and pensions directly paid by municipalities (they are recorded according to municipalities' bookkeeping, which means that changes made in obligatory provisions are reflected in the item).

7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA2010), 2013 edition⁵.

7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

7.1.1 Guarantees on borrowing

7.1.1.1 *New guarantees provided*

Recording in public accounts

Following units provide guarantees for which the government is ultimately liable: State Treasury, Kela (The Social Insurance Institution), Maatilatalouden kehittämisrahasto (Development Fund of Agriculture and Forestry), Ministry of Education and Culture, Finnvera Plc (S.12 financial corporations), Finavia Plc (S.11 non-financial

⁵ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF

Specific government transactions - Guarantees, debt assumptions

corporations), municipalities, joint municipal authorities, Kuntien takauskeskus (Municipal Guarantee Board) and the Åland Government.

Guarantees are provided for example on public corporations' borrowing, housing loans, export credit and student loans.

Statistics Finland publishes data on government guarantees quarterly in the statistics called Valtion takaukset (Central government guarantees). The statistics covers guarantees provided by central government units, Kela, Finnvera Plc and Finavia Plc. The data is collected directly from these units. Information is available (by counterpart sector) for:

- Amounts of new guarantees provided
- Expired guarantees
- Stock of guarantees
- Cash calls
- Repayments by the original debtor
- Fees collected

Statistics Finland publishes also data on guarantees provided by municipalities and joint municipal authorities. The data is published as part of the statistics "Finances and activities of municipalities and joint municipal authorities (part I)" (see chapter 3.4.1.1). Available is stock data only on "guarantees for the units belonging to the same group" and "guarantees for others".

Also units themselves publish information on guarantees on their internet pages, for example as notes to their financial statements.

The guarantees issued by the Ministry of Education and Culture and reported in the "Central government guarantees" –statistics are guarantees on art exhibitions. Actually, they are not guarantees but more like insurance. Hence, they are not included in table 9.1 in the Questionnaire relating to the EDP notification tables.

In public accounts, granted guarantees are recorded as contingent liabilities. The same recording applies also to guarantees granted by the non-government units Finnvera Plc and Finavia Plc.

Recording in national accounts

Source data for guarantees are the statistics "Central government guarantees" and "Finances and activities of municipalities and joint municipal authorities (part I)", state bookkeeping data, annual report of Kuntien takauskeskus (Municipal Guarantee Board) and financial statement of the Åland Government.

New guarantees provided (also by the non-government units Finnvera Plc and Finavia Plc) are treated as contingent liabilities, and therefore they do not appear in the national accounts.

The consolidation of guarantees at the EDP questionnaire: Guarantees provided by central government, Finnvera Plc, Finavia Plc and Kuntien takauskeskus to government units are consolidated. Guarantees provided by municipalities, joint

municipal authorities and the Åland Government to government units are not consolidated, because of lack of data.

7.1.1.2 *Treatment of guarantees called*

Recording in public accounts

In state bookkeeping guarantees called are recorded as expenditure. The non-government units Finnvera Plc and Finavia Plc apply the same recording.

Municipalities and joint municipal authorities record guarantees called as expenditure. Usually they are recorded as “other operational expenses” on profit and loss account. If the losses relate to unusual and one-time guarantees, they can be recorded as “extraordinary expenses”, but the extraordinariness is guided to be interpreted very strictly.

Recording in national accounts

Central government

Payments relating to guarantees called are generally treated as capital transfers (D.99) from central government to the relevant sector. These include a transfer from state to Finnvera Plc, which is intended for covering Finnvera’s guarantee losses. Another non-government unit Finavia Plc hasn’t had guarantee losses so far. Concerning student loans, guarantees called are treated as the acquisition of loan assets.

Local government

If municipalities and joint municipal authorities have recorded “other operating expenses”, the cash calls are intermediate consumption (P.2) in national accounts. This is because “other operating expenses” is coded in our data management system as intermediate consumption and there is no detailed data available that would enable the separation of guarantee related transactions from the item.

If municipalities and joint municipal authorities have recorded “extraordinary expenses”, the transaction has to be treated individually, because the item isn’t used as such. However, recording guarantee losses as “extraordinary expenses” is very rare.

Our aim is to improve the source data on municipal guarantees in the near future. Statistics Finland is planning to establish a questionnaire to municipalities regarding several EDP related issues, including guarantees.

7.1.1.3 *Treatment of repayments related to guarantees called*

Recording in public accounts

In state bookkeeping repayments are recorded as revenue. The non-government units Finnvera Plc and Finavia Plc apply the same recording. An exception are the repayments related to student loan guarantees, which are recorded as disposal of loan assets.

Also municipalities and joint municipal authorities record repayments as revenue, as “other operating income” on profit and loss account.

Recording in national accounts

Central government

Generally, repayments related to guarantees called are treated as capital transfers from the relevant sector to central government. Concerning student loan guarantees, repayments are treated as disposal of loan assets.

Local government

Repayments are recorded as market output (P.11). This is because “other operating income” is coded in our data management system as market output and there is no detailed data available that would enable the separation of guarantee related transactions from the item.

7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any

Generally, write-offs are treated as capital transfers.

7.1.1.5 Data sources

On central government guarantees, available is aggregated data by the type of guarantee (e.g. student loan guarantees). On local government guarantees, available is stock data only. See chapter 7.1.1.1.

Flows related to guarantees are included in the working balance.

7.1.2 Guarantees on assets

We have described all the treatments for guarantees under “guarantees on borrowing”.

7.1.2.1 New guarantees provided

Recording in public accounts

Recording in national accounts

7.1.2.2 Treatment of guarantees called

Recording in public accounts

Recording in national accounts

Specific government transactions - Guarantees, debt assumptions

7.1.2.3 *Treatment of repayments related to guarantees called*

Recording in public accounts

Recording in national accounts

7.1.2.4 *Treatment of write-offs*

7.1.2.5 *Data sources*

7.1.3. Standardized Guarantees

Standardised guarantees are related to student loans guaranteed by central government.

The student financial aid system in Finland includes government guarantee for student loans. The loans themselves are granted by banks, and no other security besides the government guarantee is needed.

The total amount of guarantee calls is obtained directly from Social Security Institution Kela. The transactions of the provisions are derived from estimated annual increases and actual reductions are obtained from Kela's book-keeping accounts.

7.2. Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA2010 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA2010 Manual on government deficit and debt.

7.2.1 New lending

Loans granted by general government

Central government (S.1311):

ARAVA (state-subsidized) mortgage loans:

Arava loans have been granted for rental and right-of-occupancy housing communities and private individuals for the construction, acquisition and renovation of apartments. New loans will no longer be granted. Nowadays,

government support for housing is channelled via interest subsidies and guarantees.

Interest subsidy loans for private individuals and for corporations and public bodies:

Valtiokonttori (the State Treasury of Finland) administers interest subsidies granted by various authorities. Interest subsidies from government funds are paid to private citizens and communities alike.

Two separate subsidy interest systems exist for private citizens – the ASP savings and loan scheme and the interest subsidy for mortgages for owner-occupied homes. The interest subsidy for mortgages for owner-occupied homes can be granted for low energy building.

Interest subsidy loans granted to institutions are primarily aimed at supporting the housing, and they are interest subsidies granted to housing companies by ARA (the Housing Finance and Development Centre of Finland). Furthermore, interest subsidies are granted for projects whose interest subsidy has been approved by other authorities, for example water management, security stockpiling, and development aid projects.

Product development loans:

Tekes (Finnish Funding Agency for Technology and Innovation) provides grants and loans to companies for research and development projects. The aim is to foster the development of internationally competitive products, production methods and services. Research and development can be funded through grants and loans or a combination of the two.

Source: State Treasury

Other lending:

Makera (Development Fund of Agriculture and Forestry): The fund is under the supervision of the Ministry of Agriculture and Forestry. The purpose of the Development Fund of Agriculture and Forestry is to secure the financing of investments in agriculture and other economic activities in rural areas and to promote activities targeted at developing these. The aid may be granted as interest-rate subsidies on the state loans or as subsidies.

Central government's loans to Suomen Vientiluotto (Finnish Export Credit). Suomen Vientiluotto provides export credits for private companies.

EFSF lending and other intergovernmental lending in the context of the financial crisis are recorded as loans provided by the general government of Finland according to the rules of Eurostat and data provided by Eurostat and State Treasury.

Local government (S.1313):

Finnish municipalities grant loans mainly to joint municipal authorities, quasi-corporations, corporations controlled by them and to central government guaranteed housing companies.

Employment pension schemes (S.13141):

Employment pension institutions provide loans to enterprises in two ways:

- 1) in the context of a pension contribution credit scheme to client enterprises
- 2) as investment loans to all enterprises

Pension contribution credit scheme

All employer enterprises contributing to the system have the right to borrow back the funded part of their pension contributions. About 40 percent of the employer's contributions are funded. Loans can be granted when the funded amount exceeds EUR 10.000, as the minimum amount to be granted is EUR 10.000. Maturity of these loans is 1 to 10 years. Interest on the loans consists of a TEL-reference rate plus a margin. TEL-reference rates are based on euro bond yields and they are calculated for maturities from 1 to 10 years by a private insurance company Garantia Ltd. In order to get a loan enterprises either have to provide a mortgage as collateral or acquire a guarantee/credit insurance. The margin depends on the method of amortization and the collateral/guarantee provided. In recent years credit losses from these loans have been very small.

Investment loans

Employment pension institutions provide also investment loans to enterprises. Those are available for all enterprises, not only to clients. Borrowers go through a risk-assessment and a collateral is required for the loans. TEL-reference rates, inter-bank rates or fixed rates are used as a basis for interest.

Data on investment loans is based on Outstanding Credit Stock Statistics and Quarterly investment survey of pension institutions.

The major share of loans were granted using the TEL pension contribution credit scheme, which means that employer companies can borrow back their pension contributions from institutions, but only by fulfilling strict criteria described above.

7.2.2 Debt cancellations

Source data for debt cancellations are available for the central government level and on accrual basis. Interest accrued is not included in the debt cancellation. Debt cancellation or write-off can only be done after it has been reliably established that debtor lack of means for repayment or there is other similar cause. Even after the decision is made the relevant offices have to monitor continuously the debtor's financial position for the possible repayment. The debt cancellations are based on the orders of the ministry of finance. In the central government all debt cancellations are recorded as capital transfers (D.99) and in financial accounts in F.4 (loans).

The state bookkeeping system includes special accounts for the debt cancellation, which is the source for recording the capital transfer in national accounts. The statisticians do not make the decision for debt cancellation and from source data we have the possibility to see recorded debt cancellations by the government agency and, sometimes, by the budget account.

Foreign claims, governed by the Paris club agreements are nearly insignificant in Finland.

7.2.3 Repayments of claims

Repayments of claims are recorded as a financial transaction in F.4.

Receipts from previously cancelled claims are recorded as revenue. The information is received from public accounts and from Valtiokonttori (State Treasury). Income is recorded on the state bookkeeping system at the account called “other operating income” and on the budget account, which makes sure that income will end up at the financial statement of the accounting year. We record repayments in kind as expenditure.

7.2.4 Debt write-offs

See section 7.2.2.

7.2.5 Sale of claims

We are not aware of government sale of claims during last ten years.

7.3. Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA2010 paragraphs 20.197-20.203 and clarified in the Chapter III.2 on Capital injections of the ESA2010 Manual on government deficit and debt. These chapters devote considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD III.2.3.2.2.

Information about capital injections comes to our knowledge through government’s financial statements and financial statements of Solidium Ltd. The announcements of Valtioneuvoston kanslian omistajaohjausosasto (Government Ownership Steering Department of Prime Minister’s Office) and state’s holding company, Solidium Ltd, are also followed.

On the central government level, we do have knowledge about capital injections in kind on a case-by-case basis. Capital injection test is applied by Statistics Finland annually. Data sources for the test are government’s financial statements and financial statements of the public corporations. The test is applied to all cases. Injections to quasi-corporations are recorded similarly with the injections to regular corporations owned by the government.

Currently there are some gaps to be filled in the local government data sources. The existing sources do not allow comprehensive and detailed enough analysis or measurement of some specific transactions between municipalities and their public

corporations. Of most concern are those related to equity injections. Based on our experience and evidence available, the issue does not seem to be very significant from the point of core EDP figures, but it is clear that further work should be done in these areas in order to reach very high accuracy. There are currently plans to improve data sources of local government.

7.4. Dividends

The accounting rules are set out in ESA2010 paragraphs 20.205-20.207. It is recalled, that the ESA2010 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA2010, paragraph 4.55. Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

For the central government, main data sources for the dividends are the state bookkeeping data and the financial data of the Solidium Ltd. For the local government, the main data source is the statistics called “Finances and activities of municipalities and joint municipal authorities” compiled by the Statistics Finland.

Super dividend test is applied by Statistics Finland annually. Main data sources for the test are the state bookkeeping data, the financial reports of government-owned corporations and financial statement of central government (available for October EDP notification). The super dividend test is applied to all dividends paid to central government. Especially large distributions (above 0,01 % of GDP) are checked carefully. The used profit definition is the operating profit excluding possible exceptional income from sale of assets.

On the local government level dividends are checked on large companies that are known to pay large distributions. Quasi-corporations controlled by local government are currently difficult to cover in their entirety. As mentioned in the chapter about capital injections, there are currently shortcomings in the local government data sources. This is not currently considered a cause for large discrepancies as the dividends that municipalities receive are not usually large and dividends of the largest quasi-corporations are checked.

The government has not received interim dividends recently.

7.5. Privatization

The accounting rules are set out in ESA2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization

can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters V.3 and chapters V.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter V.3.1 of the ESA2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set- up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity be considered as taking place on behalf of the government?

There is no separate unit involved especially in privatization. The Government Ownership Steering Department of Prime Minister`s Office is responsible of the management of the companies owned by the state. Parliament decides in which companies state may relinquish its sole ownership or the control of the company. The government manages the ownership according to these boundaries given by the parliament.

Privatization income of central government is included in the working balance and it is neutralized in the row "Equities, sales" in the table 2A. The recording of transactions in F.5 due to privatization is usually done on a cash basis.

Sale of shares and privatization cannot be separated on local government level.

7.6. Public Private Partnerships

The term "Public-Private Partnerships" (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific "dedicated assets", such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA2010 paragraphs 20.276-20.282 and clarified in the Chapter VI.4 of the ESA2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner`s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk

assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

Public-Private Partnerships exist both at the level of central government and local government, but their number hasn't been significant. There has been a few government and municipal PPPs. As for central government, the information on PPPs can be attained from budget authorities and/or State Treasury. As for local government PPPs, there is no direct source to identify these projects. However, significant projects are identified in co-operation with experts of Association of Finnish municipalities. Many times projects that are called PPPs by municipalities, turn out to be not PPPs as described in MGDD. Instead, they are often “normal” long term contracts or combined financial lease (property lease) and service contracts.

There is no specific body that deals with PPPs in Finland.

After a project has been identified, Statistics Finland requests a copy of the original contracts between the partners involved, and they have always been provided to us. Based on these contracts, Statistics Finland does the evaluation of risks relating to PPPs. The separation between PPPs and operative lease is also done based on the evaluation of the contracts.

We are not aware of government guarantees to private partner.

7.7. Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA2010 paragraph 20.133 specifies the treatment of so called of market swaps: “*Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.*”

7.7.1 Types of derivatives used

In the state debt management, the following instruments are used: interest rates swaps, cross-currency swaps, FOREX swaps, FRAs, bond futures and money market futures.

Employment pension institutions use a variety of derivatives (option-, swap- and other forward rate agreement -type) for hedging and other purposes in their investment portfolios.

Biggest municipalities also use derivatives occasionally.

7.7.2 Data sources

The State Treasury provides specific reports of the derivatives operations. The data for swaps is accrual, EDP-debt is valued as after swaps.

The quarterly report on investments of employment pension institutions provides data on the value of derivative contracts (stocks). However, it does not provide comprehensive data on derivative transactions. For calculating transactions BoP statistics can be used, as cross-border contracts dominate derivative activities.

The data situation for local government derivatives is non-satisfactory.

7.7.3 Recording

The source data available is on accrual basis and the government EDP-debt is valued after the swaps. There hasn't been so far any off-market swaps. Flows are recorded on a net basis, under liability side in national accounts.

7.8. Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

There is no system of toll or vignettes in Finland.

7.9. Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA2010 MGDD part VI, chapter VI.5 is dealing with the statistical recording of the emission trading allowances.

The first auctions took place in 2012 and those allowances could be surrendered for the first time in 2014, which is the first year for recording a tax revenue in national accounts. In the financial accounts, the sales of emission permits are recorded on S.1311's other accounts payable. Tax revenue is calculated using data from Energy Authority (Energiavirasto) and the formula given in the MGDD manual.

7.10. Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part VI, chapter VI.2 is dealing with sale and lease back operations

Central government (S.1311)

In central government, no sale and leaseback operations have been recorded as government borrowing.

Local government (S.1313)

It is likely that local government has been involved with sale and leaseback operations over the last decade. Unfortunately, the basic source dates of local government don't provide such information that would allow to separate these operations from ordinary sales of assets, or categorize them by the purchaser (public/private operator). In cases where the purchaser unit is created on purpose by government, and its main activity is to provide services to government, the unit is classified in government sector.

7.11. Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part V, chapter V.5 and the Eurostat decision of 25 June 2007, "[Securitisation operations undertaken by general government](#)" are dealing with securitisation operations.

There has not been any securitisation operation since 2001, and operation carried out in 2001 was recorded according to the old rules, because the 2007 decision stated: "The rule changes are applicable to all operations concluded after 1 January 2007. All past and future flows relating to securitisation operations undertaken between 2003 and 2006 should continue to be evaluated under the 2002 framework."

7.12. UMTS licenses

The sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus, sale proceeds have a positive effect on B.9 in the year when the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

The ESA2010 MGDD part VI, chapter VI.1 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

There was a mobile phone spectrum auction in year 2013. The sale proceeds are recorded as revenue in "NP Acquisitions less disposals of non-produced assets", in 2013.

7.13. Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes, may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses can not be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

The Bank of Finland pays distributions to central government annually. These are recorded as “D.421 Dividends” in national accounts. Capital gains are not included in the profit concept, when evaluating these dividends.

7.14. Lump sum pension payments

ESA2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA2010 MGDD and debt Part III.6 Impact on government accounts of transfer of pension obligations.

No lump sum pension payments have occurred.

7.15. Pension schemes

Definition of pensions

The following pension benefit categories are included:

Earnings-related pension scheme:

- *old-age pension
- *disability pension
- *part-time pension
- *survivors' pension
- *rehabilitation benefits
- *farmers' early retirement aid

National Pension scheme:

- *old-age pension
- *disability pension
- *survivors' pension
- *rehabilitation benefits

Classification of pension schemes in Finland

The schemes in Finland may be found in the following table (key to columns below):

Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

	<i>Scheme name</i>	<i>Coverage</i>	<i>Scheme</i>		
1	<i>The National Pension Scheme</i>	<i>1–4</i>	<i>A</i>		
	<i>Statutory earnings-related scheme: private sector employees (Employees Pensions Act (TyEL),</i>				
2	<i>Seafarer's Pension Act (MEL))</i>	<i>1–5</i>	<i>A</i>		
	<i>Statutory earnings-related scheme: local government employees (Local Government</i>				
3	<i>Pensions Act (KuEL))</i>	<i>1–5</i>	<i>A</i>		
	<i>Statutory earnings-related scheme: central government employees (State Employees' Pensions</i>				
4	<i>Act (VaEL))</i>	<i>1–5</i>	<i>A</i>		
	<i>Statutory earnings-related scheme: employees of the Finnish Evangelical-Lutheran Church (KiEL)</i>				
5		<i>1–5</i>	<i>A</i>		
	<i>Statutory earnings-related scheme for the self-employed (Self-Employed Persons' Pensions Act</i>				
6	<i>(YEL))</i>	<i>1–5</i>	<i>A</i>		
	<i>Statutory earnings related pension shemes for farmers (Farmers' Pension act (MYEL), Act on Farmers' Early Retirement Aid (LUTUL), the</i>				
7	<i>Change of Generations Pension Act (PsVL))</i>	<i>1–6</i>	<i>A</i>		
	<i>A scheme for the employees of The Social Insurance</i>				
8	<i>Institution</i>	<i>1–5</i>	<i>A</i>		
	<i>A scheme for the local government employees of the regional government of Åland</i>				
9		<i>1–5</i>	<i>A</i>		
	<i>A scheme for the employees of the Bank of Finland</i>				
10		<i>1–5</i>	<i>C</i>		
	<i>Non-statutory schemes operated by pension funds and pension foundations (A-schemes)</i>			<i>B</i>	
11					
	<i>Non-statutory schemes operated by life-insurance companies</i>			<i>B</i>	
12					

Key for "Coverage":

- 1) old-age pension
- 2) disability pension
- 3) survivors' pension
- 4) rehabilitation benefits
- 5) part-time pension
- 6) farmers' early retirement aid

Key for "Scheme":

- A. social security schemes;
- B. private funded schemes administered by insurance companies or autonomous pension funds;
- C. private funded schemes operated by employers, which maintain special reserves (segregated from other reserves)
- D. private unfunded schemes operated by employers (without special reserves).
- E. social assistance;
- F. other insurance.

Classification of social insurance pension schemes

Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

The National Pension Scheme covers and guarantees a minimum income for all residents of Finland, including non-employed and regardless of contributions. Therefore even those who have not been available for work (i.e. do not count as unemployed) are protected by the scheme.

The statutory earnings-related pension scheme covers all gainfully employed persons. It constitutes of several schemes governed by earnings-related pension acts. The schemes, both private and public, are closely related by laws and regulations. The contributions and benefits are nearly the same between the pension acts and all pension providers are jointly and severally liable for pension payments in the system. The system as a whole can be considered as a collective social security system. The employment pension providers are collectively responsible for commitments made by each institution by pooling. If the employer had not paid the contributions according the contract made, the system collectively assures the pension payments. Or if an employment pension institution fails e.g. in its asset management and goes bankrupt, the whole system is responsible for that institution's pension commitments. In addition, the state pays a part of private sector pension expenditure, i.e. part of the farmers', seafarers' and self-employed people's earnings-related pensions.

This uniformity of a collective social security system is also reflected in the 'principle of last pension institution': when an application for pension is left to the institute which has received the latest contributions, it will pay the benefits accrued during the whole working period and for the whole time the pensions will be paid. The other institutions that may have received contributions, yearly reimburse their part of benefits to the paying institution. This 'clearing' is managed by Eläketurvakeskus/ETK (Finnish Centre for Pension). This system covers both private (incl. self-employed) and public sector.

The earnings-related pension scheme is linked to the National Pension system, with the amount of national pension depending on the size of the earnings-related pension benefits. Increases in the earnings-related pension reduce the national pension. If the earnings-related pension is above a defined level, the national pension is not paid at all. This applies to both private and public earnings-related pensions. The National Pension scheme covers the national pension insurance intended to secure the basic livelihood of pensioners whose other pension income is small or non-existent. Kela (Social Insurance Institution) is responsible for the national pension insurance. National pension schemes' receipts consist of contributions paid by employers and of transfers from the state budget.

There are no voluntary pension schemes classified as social security schemes. However, there is one social security scheme in which participation is voluntary: the Finnish unemployment funds. It is important to note that the unemployment pensions that are part of the statutory employment pension scheme as stated before are not paid from these funds.

Units supporting pension schemes and borderline cases

The most notable institutional unit supporting pension schemes is Finnish Centre for Pensions. In its website, it describes itself as a "statutory co-operation body, expert and producer of joint services for the development and implementation of the earnings-

Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

related pension provision.” Another supporting institution is Työeläkevakuuttajat TELARy (Finnish Pensions Alliance), which is an employer organisation/lobbyist.

There are no borderline cases for pension funds. For social insurance schemes in general the statutory accident insurance scheme could be seen as a borderline case. It is managed by non-life insurance companies and cannot be separated into independent units. Therefore it is classified as other insurance in insurance corporations sector.