

Annual Report of the Auditor General

2023



SWEDISH NATIONAL
AUDIT OFFICE



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Annual Report of the Auditor General 2023

The most important findings from performance audit and financial audit are to be compiled in an annual report under Section 12 of the Act on Audit of State Activities etc. The Auditor General hereby submits the 2023 Annual Report as a report to the Riksdag, pursuant to Chapter 9, Article 18 of the Riksdag Act.

Auditor General Helena Lindberg took the decision in this matter. Controller Emelie Lilliefeldt presented the report. Deputy Auditor General Claudia Gardberg Morner, Deputy Head of Department Lena Björck and Audit Director Alexandra Popovic participated in the final processing.

Helena Lindberg

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1 Introduction

The Swedish National Audit Office (Swedish NAO) is an authority under the Riksdag tasked with auditing the central government commitment. The Swedish NAO audits activities of the Government, public agencies, state-owned enterprises and foundations. We conduct our audits through performance audit and financial audit.

Within performance audit the Swedish NAO audits the economy, efficiency and effectiveness of central government activities. The audits are based on an analysis of inefficiencies in the implementation and results of central government activities. The analysis is based on indications of problems of economy, efficiency and effectiveness in central government commitments. The audits carried out during the year include findings, conclusions and recommendations that can contribute to increased efficiency in central government. Since the previous Annual Report we have published 29 performance audit reports.¹

In financial audit the Swedish NAO audits agencies' annual reports to assess whether the accounts are reliable and the accounting records true and fair as well as whether the administration by the management complies with laws and rules. The audit focuses on the risk of material misstatement in the annual report and concludes with the Swedish NAO issuing an auditor's report. If there are material misstatements in the annual report, we issue a modified auditor's report. We can also emphasise particularly important disclosures by presenting information in the auditor's report. For the 2022 financial year, the Swedish NAO audited 221 annual reports and issued 13 modified auditor's reports.²

The Annual Report of the Auditor General summarises the most important audit findings over the past year. To clarify the link to the Swedish NAO's audit plans, we present the most important findings within performance audit and financial audit on the basis of risks that have indicated the main focus of the audit. This concerns risks of deficiencies in

- central government finances
- governance, follow-up and reporting
- organisation, responsibility and coordination.

¹ Annex 1 contains a list of the performance audit reports published since the Annual Report of the Auditor General 2022.

² Annex 2 contains a list of the agencies or other organisations that have received an auditor's report with a modified opinion or with information.

Each section presents the main findings based on an introduction and a number of headings in order to provide an overview and coherent picture of the audit. We may also present findings that are limited to a specific area or based on an individual audit.

In this year's report we highlight the Government has altered its method for calculating the structural balance, that is, the indicator for monitoring the surplus target, without showing the change or its consequences. Other significant findings include material deficiencies in decision support material for a majority of the largest reforms in the years 2000–2017, and the fact that train delays have not decreased in number despite the introduction of several policy instruments.

Furthermore, we draw attention to the fact that government agencies have reported rental expenses incorrectly, since they have not classified the rental agreements as financial leasing, and that there are still no rules for handling and reporting Sweden's commitments in multilateral debt relief initiatives. We also highlight that there is a risk that Swedish central government administration does not take full advantage of the benefits of digitalisation when producing annual reports.

2 Central government finances

The effectiveness of fiscal policy and the application of the fiscal policy framework as well as the quality of reference data for planning and decision-making are the focus of our audit in terms of risk of deficiencies in central government finances. Fair presentation in the annual reports is important to ensure correct decision support data for the Government and the Riksdag.

2.1 Performance audit findings

The Government's reporting in the fiscal policy bills in 2022 is lacking in several respects and lacks transparency. The Government has not reported its altered method for calculating the structural balance nor the consequences of the changed method. In its audit of the application of the fiscal policy framework, the Swedish NAO has found that the structural balance and the fiscal space amounts to SEK 55 billion less than what it could have been if the previous method was applied. The Government's expert agencies, the National Institute of Economic Research and the National Financial Management Authority continue to adhere to the previous accepted method. It was already difficult to understand the difference between the different assessments, and the changed method introduces another dimension that makes it difficult to compare the Government's forecast with that of other assessors, or with the Government's assessments in previous years.

The majority of the largest reforms in terms of amounts introduced in Sweden in the years 2000–2017 are based on decision support data containing shortcomings. This includes descriptions of expenses, which societal problems are to be remedied, which objectives and effects are being pursued and which consequences are expected. Many large reforms are also not followed up afterwards. The decision material support needs to be developed to promote efficient and transparent decisions, which is particularly important for large reforms that cost a lot of money.

2.1.1 The Government should report when it alters accepted methods so that results are significantly affected

There are several important aspects of fiscal policy that are unclear in the fiscal policy bills in 2022, according to the Swedish NAO's audit.³ The Government's reporting is lacking in several respects and lacks transparency. The method for calculating the structural balance (the indicator for monitoring the surplus target) has been significantly altered, and neither the change nor the consequences were presented.

³ The fiscal policy framework – application by the Government in 2022 (RiR 2023:3)

Using the new method, the structural balance is SEK 55 billion less than it would have been with the previous, accepted method. The assessment of the fiscal space is also affected by the change. Under the current method, it appears that the fiscal space is more narrow and the budget therefore appears to be less tight compared to the previous calculation method.

Under the previously used, accepted method that other forecasters also continue to use, the 2023 Budget Bill would clearly exceed the surplus target. This means that the fiscal space for 2023 would be significantly greater than the outcome with the Government's new calculation method.

The current economically uncertain situation with a high inflation rate and incipient recession also means that the importance of the interaction between fiscal and monetary policy is growing. In addition to the assessment of the fiscal space, the outcome of the structural balance could also affect the Riksbank's assessments. This could involve questions such as how the repo rate should be adjusted, which has consequences for many borrowers as well as for the economy as a whole.

The conclusion of the Swedish NAO is that the proposed fiscal policy has not been reported in accordance with the framework. The Government's adherence to the fiscal policy framework is a prerequisite for a long-term sustainable and transparent fiscal policy, which is ultimately crucial for balanced economic development. The recommendation of the Swedish NAO to the Government is therefore to report fiscal policy clearly in accordance with the regulatory framework.

The Swedish NAO has also in previous years highlighted the lack of transparency in reporting of the fiscal space and net lending.⁴ However, the Swedish NAO considers that the shortcomings brought to light this year are more material, given that the altered method has considerably affected the reported result of key decision support material.

2.1.2 Decision support data needs to be developed to support effective and transparent decisions

The majority of the largest reforms introduced in Sweden in the years 2000–2017 are based on decision support data containing material shortcomings.⁵ This includes descriptions of expenses, which societal problems are to be remedied, which objectives and effects are being pursued and what the consequences will be.

⁴ See for example The fiscal policy framework – application by the Government in 2021 (RiR 2021:31).

⁵ On shaky ground – decision support ahead of major reforms (RiR 2022:15).

Only five out of the 25 largest reforms in terms of amounts satisfy the basic quality requirements in the decision support data.

The Government has sometimes given priority to the rapid introduction of reforms over producing thorough decision support data. The Swedish NAO assesses that it would be better to ensure, as far as possible, that the basis for decisions precedes the decision and that effects and goals as well as costs of the reforms are reported clearly, and preferably quantitatively, in the government bills where the reform proposals are presented. This would increase the prospects of taking well-informed decisions and effectively and transparently give priority to reforms and resources. Good foresight on the part of the Government is required to avoid that the Riksdag needs to take a position on a reform without thorough decision support data.

There are also shortcomings in follow up. In practice, there is thus a lack of knowledge about how well the initiatives are performing for several of the largest reforms in Sweden. Only 11 out of the 25 audited reforms has been followed up on behalf of the Government. In addition, other actors - mainly the Swedish NAO - have audited eight further reforms. This means that six of the largest reforms in terms of amounts have not been followed up.

Evaluating major reforms in relation to their set objectives is necessary in order to assess whether the State uses its resources appropriately or whether changes are needed to achieve the intended objectives and effects.

3 Governance, follow-up and reporting

Audit in this area mainly concerns effectiveness, transparency and adaptability in central government. The audit also focuses on agency governance via regulations, appropriation directions, instructions, and other government decisions. Deficiencies in this area may lead to misstatements in annual reports.

3.1 Performance audit findings

Control needs to improve in several areas to prevent crime, fraud and misstatements that affect the State and undermine confidence in the State. This applies to areas such as pharmaceutical trade, contributions to adult education associations and migration policy. Government agencies' difficulties in compiling and sharing information in order for cooperation and functions such as control to work effectively are important findings this year, as in previous years.

Designing policy instruments to function effectively is a fundamental requirement for State measures to have the intended effect. To reduce train delays, for example, the State needs to develop effective policy instruments that provide the right incentives. The policy instruments available in this area – delay charges and right of recourse – do not give the actors sufficient incentives to reduce the causes of delays.

3.1.1 Control needs to improve in several areas to prevent crime, fraud and misstatements that affect the State and confidence in the State

Control and follow up are lacking at all levels of management in terms of State contributions to study associations' adult education activities.⁶ The Swedish National Council of Adult Education and the ten adult education associations have been granted a great deal of trust to manage and control the almost SEK 2 billion per year covered by government grants. However, the control system does not capture misstatements effectively enough.

At the same time, incentives for adult education associations to report errors are weak, as this could lead to them receiving reduced government grants. In a significant proportion of the payments that we audited, adult education associations issued cost compensation without sufficient documentation. Instead, adult education associations rely on verbal agreements. There are also indications that contributions have been used for private consumption, general operational support for associations or subsidies to commercial activities. The Swedish National Council of Adult Education must follow up every year whether the adult

⁶ Government grants to adult education associations – control and follow-up (RiR 2022:20).

education associations have carried out their controls to prevent or detect and correct inaccuracies. However, the Swedish NAO's audit shows that the National Council's follow up is not designed to ensure this. For control to be strengthened, the Government needs to ensure that the Swedish National Council of Adult Education submits relevant information.

The system of changing tracks in the migration process also has shortcomings in terms of controls and follow up, according to the Swedish NAO's audit.⁷ Changing tracks from asylum to labour immigration can be exploited for the purpose of entering the Swedish labour market. All those who change tracks do not meet the requirements for a work permit and the Swedish Migration Agency's procedures and controls are lacking in several respects. The possibility to change track was introduced in connection with the labour immigration reform in 2008, which would make it easier to recruit labour from third countries.

Despite the Government's increased focus on controls, the system of changing tracks has not been followed up. This means there is a risk that sham employment and misuse go undetected, that vulnerable people are exploited by unscrupulous employers, for example through wage dumping, and that people who do not meet the criteria for changing tracks can still be granted residence and work permits. The number of applications for changing tracks has been increasing in recent years. In total, just over 20,000 people have applied for a track change, of whom about 40 per cent have had their application granted.

On the whole, it functions well when administrative agencies and courts appoint public counsel in migration cases, check their suitability and manage their remuneration.⁸ However, there are exceptions that may result in people being assigned public counsel who lack sufficient legal competence or are unsuitable for the assignment for other reasons, according to the Swedish NAO's audit.

This is because public counsel who are clearly unsuitable are still appointed in some cases and paid by the State.⁹ The fact that unsuitable counsel can continue to be appointed is, in part, because it is unclear which information about misconduct the administrative agencies and courts are permitted to compile and share with each other. Information about circumstances that led to a decision not to appoint a counsel therefore risks getting stuck with individual employees at each agency.

⁷ Changing tracks in the migration process – controls and follow-up (RiR 2022:21).

⁸ Suitable counsel with fair compensation – handling public counsel in migration cases (RiR 2022:14).

⁹ For example, the Swedish Migration Agency excluded five public counsel from further appointments in 2018 because they had been convicted of serious crime or had been expelled from the Swedish Bar Association. Despite this, they were able to continue working as public counsel during the years 2019–2021 and were paid by public means on more than 40 occasions.

Central government supervision of trade in medicinal products should protect human health and life and ensure that pharmaceutical subsidies are used correctly. However, the Government has not regulated the system for supervising pharmacies and wholesale trade of medicinal products to allow supervisory authorities¹⁰ to carry out effective supervision, as shown by the Swedish NAO's audit.¹¹

The most important reason why supervision is not effective is that the supervisory authorities are not allowed to share important information with each other. Parts of the supervision also lack sufficient sanctioning possibilities. For example, the Medical Products Agency lacks the ability to levy financial penalties when supervising pharmacies and wholesalers. It is also difficult for the Medical Products Agency to prevent a pharmacy that closes from being transferred to a "front man" for the original owner. Other important findings include that the possibility to levy financial penalties is also unavailable in parts of the Dental and Pharmaceutical Benefits Agency's supervision. It is difficult for the Health and Care Inspectorate to close down a pharmacy in practice, although it is formally possible.

The Medical Products Agency has closed down some pharmacies, but none of the supervisory agencies can guarantee that unscrupulous pharmacy operators or pharmacy employees do not remain and deliberately break the rules in the market. None of the supervisory agencies systematically follow up whether their supervision has led to a decrease in shortcomings in the problem areas that each agency has identified.

To make supervision more efficient it is necessary that the supervisory agencies be given better access to information in the eHealth Agency's registers, a better basis for sharing information with each other and expanded sanction options. A new regulation is also needed to prevent pharmacies from overcharging for special dietary foods and medicinal products that are not covered by the pharmaceutical reimbursement system but are subsidised by the State or by the regions.

Ultimately, if the shortcomings are not addressed, the consequence is compromised patient safety and unnecessarily large central government and regions expenditure when pharmaceutical benefits and other pharmaceutical subsidies are misused.

¹⁰ The Medical Products Agency, the Health and Care Inspectorate, and the Dental and Pharmaceutical Benefits Agency.

¹¹ Central government supervision of pharmacies and wholesale trade in medicinal products (RiR 2022:11).

Other performance audits during the year also highlighted questions of central government control that needs to be developed.¹²

The possibilities for government agencies to share information with each other affects the efficiency of central government in many areas. We also drew attention to this in last year's report, and several of this year's performance audits exhibit similar challenges.¹³

¹² The Swedish Consumer Agency's supervision of marketing and contract terms (RiR 2022:13),
The Swedish Transport Agency's supervision – governance and priorities (RiR 2022:24).

¹³ The Swedish Consumer Agency's supervision of marketing and contract terms (RiR 2022:13),
The Swedish Transport Agency's supervision – governance and priorities (RiR 2022:24).

3.1.2 Central government needs to develop efficient policy instruments that provide the right incentives to counteract train delays

Based on EU regulation, the Government introduced delay charges in 2012 and right of recourse in 2018 as policy instruments to counteract train delays. The Swedish NAO's audit shows that despite this action, the overall number of delays has not declined, and that this is in part due to deficiencies in the design of the policy instruments.¹⁴ Neither the delays caused by deficiencies on the part of the railway undertakings nor those caused by operations management or infrastructure have declined.

A delay charge is a charge that a party, for example an infrastructure administrator, who causes a delay pays to a second party, for example a railway undertaking. However, delay charges are designed as more advantageous for railway undertakings than for the Swedish Transport Administration. This design has meant that the Swedish Transport Administration pays more, even though they cause fewer delays. This is in part because the Swedish Transport Administration pays for all its delays, while railway undertakings do not pay for their "consequential delays".

The right of recourse means that a railway undertaking can request compensation for their and their clients' additional costs when an infrastructure administrator causes a delay. However, freight operators are only compensated for a minor share of the costs in the event of a delay. At the same time, this system involves a lot of manual processing, which in some cases makes it economically unattractive for railway undertakings to apply for compensation. There is also a lack of effective incentive structures in the Swedish Transport Administration, since the costs of the delays are not charged to the areas of operation responsible for the shortcomings.

To reduce train delays, the Government and the Swedish Transport Administration need to review their systems and ensure that the actors are given sufficient incentives to reduce the disturbances that cause delays.

The problem of policy instruments that do not function efficiently has also been noted in the audit of the school voucher system¹⁵ (see Section 4.1.4).

¹⁴ Delay charges and right of recourse – central government measures to counteract train delays (RiR 2022:27).

¹⁵ The school voucher system – efficiency and consequences (RiR 2022:17).

3.2 Financial audit findings

Clear financial management guarantees a thorough follow-up of how central government funds are used and contributes to transparency in the reporting. This year, the Swedish NAO has noted that there are deficiencies in the reporting of rental expenses and that agencies have exceeded their powers. Furthermore, we note that there are still ambiguities concerning what is meant by full cost coverage within activities financed by fees and how Sweden's commitments in multilateral debt relief initiatives should be managed.

The consequences of these findings collectively contribute to a lack of transparency and reporting regarding the value of assets and liabilities. In addition, this also contributes to unclear management of activities financed by fees. In the long term, this may lead to deficiencies in efficiency and economy in the central government commitment.

3.2.1 Government agencies exceed their authorisation frameworks

The Riksdag gives the Government order authorisations for each concerned appropriation. Based on the Riksdag's decision, the Government thereby delegates the right to make commitments for longer periods than one year to the government agencies through appropriation directions or other Government decisions. The decisions show the size of the commitments in the form of authorisation frameworks that the agency can make in total and for how many years into the future. The purpose of the frameworks is for the Government to be able to follow up all commitments and ensure that the government agencies do not exceed the order authorisations bestowed on them by the Riksdag. This is why it is important that the government agencies and the Government ensure that reporting to the Riksdag is correct.

In recent years, the Swedish NAO has reported that the agencies should strengthen internal governance and control of authorisations. We have often submitted both modified auditor's reports and audit reports as a result of our findings. For 2022, we have submitted seven modified auditor's reports on reporting of authorisation frameworks. The government agencies have entered economic commitments that either span beyond the final year of the framework or exceed the allotted economic framework.

We have submitted modified auditor's reports concerning exceeded authorisation frameworks for several years, although not in 2021. This year, we therefore note a deterioration.

The Swedish NAO considers that it is very important that government agencies have a firm control of which commitments they enter into in relation to given frameworks. Ongoing follow-ups throughout the year enable a dialogue with the Government in cases when there is a need for extended frameworks. Likewise, it is important that the Government maintains an ongoing dialogue with the government agencies about the need for frameworks.

3.2.2 Agencies have reported rental expenses incorrectly as the rental agreements were not classified as financial leasing

Government agencies sign rental agreements for premises that they use for their operations. In cases where the rental agreements extend for more than ten years, the agency must obtain consent from the Government. The cost of rent is usually reported directly in the income statement.

In this year's audit, the Swedish NAO has noted that three agencies whose rental agreement is designed as a financial leasing agreement in which the government agency is the lessee. A financial leasing agreement is a leasing agreement in which the financial risks and benefits associated with the ownership of an object are essentially transferred from the lessor to the lessee. Ownership may, but need not, ultimately pass to the lessee. In cases where a rental agreement is classified as a financial lease, the acquisition value must be reported as a fixed asset in the balance sheet. In addition, financing must be made with loans and thereby also fit within the loan framework. Agencies must obtain the Government's consent to enter into a lease-purchase agreement in the form of a financial leasing agreement for real property.

The audit shows that the three agencies concerned that are lessees have neither reported the acquisition value in the balance sheet nor taken loans. Agencies must also obtain the Government's consent in cases where the lease includes real property. None of these cases have led to modifications in the auditor's report since the amounts were not considered to be material in each individual case. However, the incorrect accounting has been reporting in audit reports to the three government agencies.

The Swedish NAO notes that in all three cases, it is a matter of special properties, that is, properties that are adapted to very specific needs in various activities. The rental market for these types of premises and properties is limited. The Swedish NAO sees increased risks of more agencies entering into rental agreements that are financial leasing, since there is a need for special facilities in many operations in the State.

The Swedish NAO finds that it is important that the agencies have a sound control and insight into

- the type of agreement they are entering into
- the consequences it will have on reporting
- what permissions they need from the Government.

3.2.3 Ambiguities in the management of fee-financed activities whose financial goal is full cost coverage

Many agencies finance parts of their activities with fees. A fee is usually defined as a compensation that is to fully or partly cover the State's costs for a direct service in return. Rules for fees can be found for example in the Fees Ordinance (1992:191).

An agency's right to charge fees shall normally be governed by an ordinance. In appropriation directions or an instruction, the Government can specify financial targets for the fee-based activities, for example by deciding that full cost coverage should apply. Full cost coverage means that the fees should be calculated so that they cover all the costs of the activity. The Government can also determine the size of fees in an ordinance.

The Swedish NAO's audits show that there are ambiguities in the Government's governance of fee-financed activities and requirements on full cost coverage. The lack of clarity concerns

- when full cost coverage is to apply
- how losses are to be financed.

Section 5 of the Fees Ordinance states that the basic rule is that agencies are to calculate fees based on full cost coverage unless the Government has provided otherwise. The Swedish NAO considers that there is a lack of clarity regarding whether the requirement of full cost coverage should also apply if the Government has decided the fees. This ambiguity can give rise to surpluses or deficits in fee-based activities. The Swedish NAO notes that there are agencies that have accumulated surpluses or deficits in fee-based activities where the Government has determined the size of the fee. The Swedish NAO has drawn attention to this lack of clarity in previous annual reports and considers that the Government should take measures to clarify the requirements. Moreover, sometimes the economic objectives of official activities are also contained in the agency's appropriation directions and instructions. The Swedish NAO notes that the appropriation directions also contain ambiguities on whether full cost coverage applies.

The requirement of full cost coverage means there is an income every year. This income can be a surplus or a deficit but must be balanced within a few years, under the requirements in the Fees Ordinance. This means that the agency may need to take measures to bring the income into balance. The Swedish NAO's audits show that some agencies use appropriations to finance the deficit that arises every year. This is reflected in the relevant agencies' appropriation directions. The assessment of the Swedish NAO is that this means deviating from the economic goal of full cost coverage. The incentives to design effective fee-financed activities diminish as administration is required to keep separate accounts for the various parts in the annual report.

3.2.4 Rules still lacking for managing and reporting Sweden's commitments in multilateral debt relief initiatives

Since its 2018 Annual Report, the Swedish NAO has pointed out that there are no clear rules on how Sweden's commitments in multilateral debt relief initiatives are to be managed and reported. These findings still remain.

Many poor countries have debts with multilateral organisations such as the World Bank and the International Monetary Fund. There are international initiatives in the form of various programmes for debt relief for these debts. Sweden has commitments to finance this type of debt relief. Sida reports the commitments in its annual report on behalf of the Government. They are long-term and are classified as binding and non-binding commitments. Sweden and the international organisations adapt their agreed payment plans at regular intervals so that the binding component of the commitment always fits within the order authorisation for the relevant appropriation. The non-binding part is reported in the body text of Sida's annual report and not in the authorisation report.

The Swedish NAO notes that the financing of the debt relief initiatives likely is not the type of commitments that the Appropriations Ordinance is intended to regulate and urges the Government to clarify how the debt relief initiatives are to be handled and reported.

3.2.5 There is a risk that Swedish central government administration does not make use of digitalisation benefits when preparing annual reports

Digitising processes for preparing an annual report forms an important part of streamlining financial administration and preventing errors. Currently, all government agencies submit their annual report in the form of a PDF file. To do that, the agencies have to copy texts and images between various types of documents to create the files.

The Swedish NAO notes that there are risks involved in manual handling of agencies' annual reports. For example, we have noted in our audits that notes are sometimes missing, pages have been accidentally omitted, and more. This is a type of error that often occurs and that results in a modified auditor's report. However, this year, the Swedish NAO has not submitted any modifications due to this type of deficiency.

The Swedish NAO assesses that digitalisation of the annual reports will reduce the risk of misstatement, while also improving effectiveness in terms of both preparation and audit of the annual reports. In addition, it would streamline work to produce the Central Government Annual Report.

4 Organisation, responsibility and coordination

The effectiveness of central government initiatives and the quality of the audited organisations' annual reports hinge on how implementation is organised. It is an important task for the Swedish NAO to examine whether the organisation, division of responsibilities and coordination in central government are designed to promote a high level of effectiveness.

4.1 Performance audit findings

Coordination between various subject areas needs to improve for central government initiatives to be effective. This applies in particular to questions that materially affect development in several areas at the same time, such as energy and industrial policy.

Coordination is also important in other subject areas and within government agencies for the operations to function effectively and as intended. Despite major increases in appropriations, more employees, and a comprehensive reorganisation, the Police Authority's organisation of work is not effective. This means that volume crime is not investigated effectively and that the special events measure is not implemented based on knowledge of when it is effective against serious crime.

In several cases, central government does not promote the equality across the country or between units as intended. Audits particularly on schools show that the Government needs to review or adjust the regulatory framework.

4.1.1 Coordination between various subject areas needs to improve for central government initiatives to be effective

The Swedish NAO's audit shows that central government initiatives need to be better coordinated to increase benefits and counteract negative side effects. The lower tax on electricity for data centres is an example where coordination between central government initiatives is lacking.¹⁶ The reduction is a tax policy measure with an industrial policy focus, which is also significant in terms of energy policy. The reduction was introduced to contribute to the industrial policy objective of "strengthening Swedish competitiveness and creating prospects for more jobs in more and expanding companies." In other words, the objectives of the initiative were limited to the industrial policy area, and there were shortcomings in the coordination, in particular related to the energy policy objectives. Our audit shows that the Government did not take into account the energy policy objectives,

¹⁶ Central government initiatives to stimulate investments in data centres (RiR 2022:18).

although it was a well-known fact that data centres are major energy consumers and would subject the electricity system to significant strain.

One reason for this was that the decision support material was too poor, which meant that neither the companies' nor society's needs were dealt with. For example, the support was not conditioned with requirements of energy efficiency or management of waste heat from the data centres. Nor have any efforts been made to take advantage of the flexibility that data centres could bring to the energy system. Data centre companies stated that they can increase the pace of work on energy efficiency and that it would have mattered if the State had linked the reduction of the energy tax with environmental and energy issues. However, potential data centre investors were not informed of the energy policy objectives nor how they could contribute.

The reduction of the energy tax could have worked more effectively if the Government had prepared the measure and coordinated between different social objectives. The reduction would also have been evaluated in retrospect, against the background of the substantial tax loss and Sweden's major challenges in the energy area.

Until 2021, the reduction has so far led to a tax loss of just over SEK 1.3 billion, but that amount may increase since companies can request a reduction within three years after the consumption of energy. A total of 80 companies have benefited from the reduction. This can be compared to 235 companies expected according to the Government's forecast. The reduction has largely gone to a few large companies, which was not the intention. The Government has decided that the reduction of the energy tax for data centres will be discontinued from 1 July 2023.

Deficiencies in coordination and collaboration are also highlighted in several of this year's audits.¹⁷

4.1.2 The police need to organise their work more efficiently

The clearance rate of volume crime has dropped, despite major increases in appropriations to the police, more employees, and a comprehensive reorganisation. This is mostly due to a large influx of both volume crime and other, more serious crime. It can also be explained by the fact that the Police Authority's organisation and resource allocation does not lead to efficient management of volume crime.¹⁸

¹⁷ Central government efforts to secure protective equipment – crisis management at considerable cost (RiR 2022:10).

¹⁸ Police management of volume crime – an activity whose capabilities need to be strengthened (RiR 2023:2).

Volume crime accounts for more than 80 per cent of all reported crime. It involves theft, criminal damage, fraud, assault, and more. Many volume crimes inflict serious injury on those who are subjected to it. It also leads to financial losses for all those who are affected. It is thus urgent for the police to combat volume crime efficiently. The Swedish NAO considers that the situation is grave.

The operational level of the Police Authority has an extensive workload, with the result that many crimes are dismissed, even though there are prospects to investigate them. In practice, this means that the Police Authority is unable to comply with the provisions of the Swedish Code of Judicial Procedure¹⁹ on preliminary investigations.

The audit shows that, despite the problems, there are opportunities within the organisation to increase capacity. It is primarily about the fact that there are many police officers and civilian employees who are competent in dealing with volume crime and want to do a good job, but who are currently hindered by a withdrawal of resources and competence, mainly from the local police district investigation groups. The new rapid procedure known as ‘faster prosecution’ is also an opportunity to increase capacity for solving volume crime. Urgency requirements and simplified procedures for issues such as service of process enforces more efficient handling. The opportunities are important to build on in order to create more efficient management of volume crime.

The local police districts become vulnerable when they have to lend resources for special events, such as in the case of serious crime.²⁰ In the initial hours or days after a serious crime has been committed, in some cases there may be a need to lead the efforts through a special event. However, for drawn-out special events, it is not an effective form of management for combating serious crime. The Swedish NAO considers that in such cases, special events do more harm than good.

To ensure that resources are used efficiently, it is important that the Swedish Police Authority makes well-balanced judgements, although it is not currently possible to measure whether special events targeting serious crime are effective. The police have not ensured that necessary documentation is available concerning the total number of special events, the number of special events targeting serious crime, or the total additional cost for these. In addition, there no information in the Police Authority’s administrative system about how long the special events lasted, how many full-time equivalents were involved and from which parts of the authority resources were mobilised. Moreover, it is not possible either to

¹⁹ Chapter 23 of the Swedish Code of Judicial Procedure.

²⁰ Putting out fires – the work of the Swedish Police Authority on special events targeting serious crime (RiR 2023:5).

determine which police actions or investigative measures have been performed within the bounds of the special event.

The lack of traceability makes it more difficult to ensure sound management of public funds. According to the Police Authority, this is partly because the police regions do not always record additional costs for special events, and due to deficiencies in the Swedish Police Authority's systems.

4.1.3 In several cases, central government initiatives do not promote equality across the country or between units

Our audit shows that the regulations for school vouchers entail a number of undesirable consequences.²¹ The 'education of equal value' principle means that compensation is also to be determined for independent schools on the same grounds as for municipal schools. If costs increase for municipal schools, the size of the school voucher is then increased for all school authorities, regardless of whether or not costs have also increased for the independent schools. At the same time, municipalities are obliged to offer a place to all pupils who want or need to attend a municipal school, while independent schools can refuse pupils beyond the maximum number it wants to accept.

Municipalities must always be prepared to receive additional pupils on short notice. Therefore, they cannot decide in advance on the exact size of their school activities and must continuously adapt to the existing student base. All in all, the municipalities' larger responsibility means that municipal compulsory schools often have a smaller or larger number of students in the classes than would be most beneficial from an economic or educational perspective, which reduces the equivalence between different schools.

When a pupil leaves a school, their school voucher accompanies them, while a large proportion of the costs remain with the school. This makes it difficult for some schools, both municipal and independent schools, to plan their activities. Compulsory schools with an uncertain student base are more likely to employ staff on fixed-term contracts, employ less experienced staff, or adapt the scope of work for some support staff. This, in turn, risks leading to poorer continuity and stability for pupils in need of support.

In practice, the school voucher regulations lead to reduced equity. Therefore, the Swedish NAO's recommendations to the Government include ensuring the introduction of a nationally determined standard rate to compensate independent school authorities.

²¹ The school voucher system – efficiency and consequences (RiR 2022:17).

Even with regard to school grading, the Swedish NAO's audit has shown that central government efforts have had little impact on equity. The amendment to the Education Act that involves taking particular account of the results of national tests in grading as well as the Swedish Schools Inspectorate's inspection and quality control have so far not had the desired effect. Major discrepancies between grades and national test results remain. This is why the Swedish NAO assesses that the Government needs to take further measures to achieve more equitable grading.²²

The Swedish NAO has also published other audits during the year that highlight questions concerning equality.²³

²² Central government initiatives for equitable grading – the discrepancy between grades and national test results (RiR 2022:22).

²³ More haste, less speed – the government service offices under new management (RiR 2022:28) and Central government efforts to adapt the built environment to climate change (RiR 2022:29).

Annex 1. Published performance audits

Since the Annual Report of the Auditors General for 2022 the following performance audit reports have been published.

Riksdag Committee on the Labour Market

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Riksdag Committee on Civil Affairs

The Swedish Consumer Agency's supervision of marketing and contract terms (RiR 2022:13)

Central government efforts to adapt the built environment to climate change (RiR 2022:29)

Riksdag Committee on Finance

On shaky ground – decision support ahead of major reforms (RiR 2022:15)

The Government's input to the Riksdag during the pandemic – additional amending budgets in 2020 and 2021 (RiR 2022:16)

Environmental sustainability in central government procurement – on the right track but a long way to go (RiR 2022:25)

Harassment, threats and violence – preventive measures and response at government agencies (RiR 2022:26)

The fiscal policy framework – application by the Government in 2022 (RiR 2023:3)

Riksdag Committee on Defence

Expansion without priority – human resources provision of squad leaders, soldiers and sailors in continuous service (RiR 2022:19)

Riksdag Committee on Justice

Police management of volume crime – an activity whose capabilities need to be strengthened (RiR 2023:2)

Putting out fires – the work of the Swedish Police Authority on special events targeting serious crime (RiR 2023:5)

Riksdag Committee on the Constitution

More haste, less speed – the government service offices under new management (RiR 2022:28)

Riksdag Committee on Cultural Affairs

Operation Save the Industry – State emergency support to sport and culture during the COVID-19 pandemic (RiR 2022:7)

Government grants to adult education associations – control and follow-up (RiR 2022:20)

Riksdag Committee on Environment and Agriculture

Central government efforts to combat invasive non-indigenous species (2022:12)

Riksdag Committee on Industry and Trade

The Government's regional development policy – a weak basis for effective cohesive government action (RiR 2022:8)

Central government initiatives to stimulate investments in data centres (RiR 2022:18)

Establishment of government agencies outside of Stockholm – small regional contributions without jeopardised efficiency in the long term (RiR 2023:1)

Riksdag Committee on Taxation

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Riksdag Committee on Social Insurance

Suitable counsel with fair compensation – handling public counsel in migration cases (RiR 2022:14)

Changing tracks in the migration process – controls and follow-up (RiR 2022:21)

Riksdag Committee on Health and Welfare

Central government efforts to secure protective equipment – crisis management at considerable cost (RiR 2022:10)

Central government supervision of pharmacies and wholesale trade in medicinal products (RiR 2022:11)

Mandatory reporting – central government efforts to prevent healthcare-related injuries and mistreatment in health and social care for the elderly (RiR 2023:4)

Riksdag Committee on Transport and Communications

The Swedish Transport Agency's supervision – governance and priorities (RiR 2022:24)

Delay charges and right of recourse – central government measures to counteract train delays (RiR 2022:27)

Digital services for individuals – major development opportunities for government agencies (RiR 2023:6)

Riksdag Committee on Education

The school voucher system – efficiency and consequences (RiR 2022:17)

Central government initiatives for equitable grading – the discrepancy between grades and national test results (RiR 2022:22)

The National Agency for Education statistical remit – information, follow-up and evaluation (RiR 2022:23)

Riksdag Committee on Foreign Affairs

Who, how and why – Sida's choice of partners and aid modalities (RiR 2022:9)

Annex 2. Modifications and information in auditor's reports for 2022

The Swedish NAO has so far issued auditor's reports for 221 agencies and other organisations for the 2022 financial year. The Swedish NAO has issued modified auditor's reports for 13 agencies. All our modifications were through a qualified opinion on one or more statements. Two auditor's reports contain annually recurring information about our audit.

The Swedish NAO's financial audit reviews the annual accounts of government agencies, in accordance with generally accepted auditing standards. Generally accepted auditing standards for public sector audit are determined by the Auditor General and primarily entail the application by the Swedish NAO of international standards for supreme audit institutions (ISSAIs) that apply to financial audit. Financial audit assesses whether the annual report and underlying documentation are reliable and whether the accounts give a true and fair view. By true and fair we mean that the annual report as a whole provides a true and fair view and that the component parts have been prepared in accordance with the financial framework. The assignment also includes assessing whether the administration by the management complies with relevant provisions and special decisions.

There are no international standards for audit of agencies' performance reporting that stipulate how the audit is to be conducted. The same applies for the audit of whether the management's administration follows relevant provisions and special decisions. Instead, we follow the Swedish NAO's internal policy documents. These describe how we are to audit the performance report and the management's assessment of whether internal control is satisfactory as well as management administration.

Misstatements and deficiencies identified by the Swedish NAO during the audit must be communicated to the agency as soon as possible. The agency will then have the opportunity to take action before the annual report is drawn up. The work of financial audit is thereby also preventive and can help to reduce the risk of material misstatement in the annual report.

The Swedish NAO expresses five opinions in the auditor's report concerning

- the annual report being prepared in accordance with the applicable regulatory framework
- the annual report giving a true and fair view of the financial results, financing and financial position as at 31 December
- the performance report being consistent with the annual report in other respects and supporting a true and fair view in the annual report as a whole

- the use of appropriations and revenue by the agency in accordance with the purposes approved by the Riksdag and in accordance with relevant provisions
- nothing having emerged to indicate that the management has not complied with the Ordinance on Internal Control (2007:603).

We make the last statement of opinion only for the agencies governed by the Ordinance on Internal Control.

For Sveriges Riksbank and Stiftelsen Riksbankens Jubileumsfond we also state an opinion on discharge from liability. To this end, we apply the relevant parts of FAR's (Institute for the accountancy profession) recommendations on audit issues (RevR 209 Förvaltningsrevision).

Auditor's reports that deviate from the standard format are called auditor's reports with a modified opinion. Modification can be made by means of a qualified opinion, an adverse opinion or a disclaimer of opinion.

- A qualified opinion is used when the Swedish NAO concludes that there are material misstatements but that these do not have a pervasive effect on the annual report. A qualified opinion is also used if the Swedish NAO has not been able to obtain sufficient appropriate audit evidence but considers that the possible misstatements are not pervasive.
- An adverse opinion is used if the Swedish NAO concludes that there are material and pervasive misstatements and that consequently the annual report does not give a true and fair view.
- The Swedish NAO issues a disclaimer of opinion if it is not possible to obtain sufficient appropriate audit evidence and the Swedish NAO assesses that possible effects of undetected misstatements may be both material and pervasive. The Swedish NAO may also refrain from expressing its opinion if the agency has not prepared the annual report in accordance with a financial reporting framework. If there are no standards for how the financial statements should be prepared the Swedish NAO has no criteria on which to base an audit.

The Swedish NAO may also emphasise particularly important information in the annual report or that is necessary to understand the work of the Swedish NAO. We do this by providing information in the auditor's report. This information does not, however, entail a modified auditor's report.

Modified opinions in the form of a disclaimer of opinion

The Swedish NAO has not issued any disclaimers of opinion for 2022.

Modified opinions in the form of an adverse opinion

The Swedish NAO has not issued any adverse opinions for 2022.

Modified opinions in the form of a qualified opinion

Qualified opinions referring to one or more of the following opinions in the auditor's report

In the opinion of the Swedish National Audit office the agency has, in all material respects

- prepared the annual report in accordance with the Ordinance concerning the Annual Reports and Budget Documentation (2000:605), instructions, appropriation directions and other decisions for the authority
- presented a true and fair view of the agency's financial performance, financing and financial position as at 31 December 2022
- submitted a performance report and other information which is consistent with and supports a true and fair view in the annual report as a whole.

Institute for Human Rights

In its annual report, page 37, the Institute for Human Rights has underreported the taxable compensation and other benefits to the substitute directors by SEK 655,000. The correct taxable compensation and other benefits to the substitute directors amounts to SEK 1,775,000 in total. The recognised remuneration and other benefits have thereby not been reported in accordance with Chapter 7, Section 2 of the Annual Reports and Budget Documentation Ordinance (2000:605).

Swedish Arts Grants Committee

The Swedish Arts Grants Committee underreported outstanding commitments in its reporting of order authorisations for expenditure area 17, appropriation 5:2, appropriation item 1 Public display and grants to visual arts and design artists. Commitments that have not been reported amount to SEK 12,600,000. This is not consistent with Chapter 6, Section 1 of the Annual Reports and Budget Documentation Ordinance (2000:605).

Agency for Family Law and Parenthood Support

The Agency for Family Law and Parenthood Support has not reported back on its continued work on gender mainstreaming, which is a requirement in its appropriation directions for fiscal year 2022. Essential parts of the annual report lack assessments and analyses of the agency's performance and its development. All in all, the Swedish NAO assesses that the annual report has not been prepared

in accordance with Chapter 3, Section 1 of the Annual Reports and Budget Documentation Ordinance (2000:605).

Nationalmuseum

The Nationalmuseum has not reported back on a plan to, over time, maintain financial balance in the fee-based activity Sale of goods in its annual report, which is a requirement in its appropriation directions for fiscal year 2022. The absence of this plan is not consistent with Chapter 3, Section 1 of the Annual Reports and Budget Documentation Ordinance (2000:605).

The Sami Parliament

The Sami Parliament reports the staff's sick leave in 2022 with a percentage that is too low on page 54 of the annual report. The actual sick leave at the authority is more than twice as high as stated in the annual report. The reported sick leave is thereby not consistent with Chapter 7, Section 3 of the Annual Reports and Budget Documentation Ordinance (2000:605).

Qualified opinions referring to the following statement in the annual report

In the opinion of the Swedish National Audit Office, based on our audit of the annual report, in all material respects the agency has used appropriations and revenues in accordance with the purposes approved by the Riksdag and in accordance with relevant provisions.

Swedish Public Employment Service

The Swedish Public Employment Service has exceeded the order authorisation framework for expenditure area 14, appropriation 1:4, appropriation item 1 Wage subsidies, etc. The authorisation framework is SEK 14,000,000 thousand, while outstanding commitments amount to SEK 14,926,000 thousand. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223).

Swedish National Board of Housing, Building and Planning

The Swedish National Board of Housing, Building and Planning has entered into commitments extending after the final year in the order authorisation for:

- expenditure area 9, appropriation 4:5, appropriation item 7 Investment support in housing for elderly people the regular housing market
- expenditure area 9, appropriation 4:5, appropriation item 10 Investment support for the elderly
- expenditure area 18, appropriation 1:8, appropriation item 3 Investment support for arranging rental and student housing

This is not consistent with Section 17 of the Appropriations Ordinance (2011:223). Commitments after the final year 2025 amount to SEK 295,990,000 in total.

Swedish Armed Forces

The Swedish Armed Forces have entered into commitments amounting to SEK 1,909 million for allocated authorisations in expenditure area 6, appropriation 1:3, appropriation item 2 Acquisition of equipment and facilities. Commitments are not included in the authorisation report for the appropriation. The authority has exceeded the authorisation framework for the appropriation by SEK 129 million. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223).

Swedish Environmental Protection Agency

The Swedish Environmental Protection Agency has entered into commitments extending after the final year in the order authorisation for expenditure area 20, appropriation 1:5, appropriation item 1 Environmental research. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223). Commitments after the final year 2025 amount to SEK 8,641,000.

Psychological Defence Agency

The Psychological Defence Agency has exceeded the order authorisation framework for expenditure area 6, appropriation 2:4, appropriation item 3 Emergency preparedness. The authorisation framework is SEK 30,000,000, while outstanding commitments amount to SEK 34,020,000. In addition, the agency has entered into commitments extending after the final year in the order authorisation for the same appropriation. Commitments after the final year 2026 amount to SEK 2,200,000. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223).

The Swedish Centre for Architecture and Design

In its annual report, the Swedish Centre for Architecture and Design has a deviation of 122 per cent between its loan from the National Debt Office and the value of its fixed assets. The recognised value of the fixed assets amounted to SEK 5,800,000, while the loan from the National Debt Office amounted to SEK 2,610,000. This deviation is not consistent with Chapter 2, Section 2 of the Appropriations Ordinance (2011:210).

National Heritage Board

Without having an order authorisation for 2022, the National Heritage Board decided to pay out grants from appropriations under expenditure area 17, appropriation 1:4 Research and development measures in the area of culture, appropriation item 10 National Heritage Board by SEK 18,646,000. The agency has thus exceeded its authority by entering into financial commitments that require

future appropriations. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223).

Swedish Agency for Economic and Regional Growth

The Swedish Agency for Economic and Regional Growth has exceeded its order authorisation framework for expenditure area 19, appropriation 1:3, appropriation item 2 European Regional Development Fund for the period 2014–2020. The authorisation framework is SEK 1,700,000,000, while outstanding commitments amount to SEK 1,702,088,000. The overrun is not presented in the annual report.

Information in the auditor's report

Other matter paragraph

Swedish Pensions Agency

The Swedish Pensions Agency receives the same information every year:

Section 12 of the performance report includes, in accordance with the appropriation directions for the agency, an account of the financial position and development of the income-based pension. Apart from information from the agency's financial statements, the section contains information from other actors and forecast data. Data from other actors and forecasts have not been audited by the Swedish National Audit Office.

Central Government Annual Report

The Central Government Annual Report receives the same information every year – the auditor's report has not yet been submitted.

The Swedish NAO is an agency under the Riksdag tasked with auditing central government agencies and activities. We conduct both financial audit and performance audit. Within performance audit, we audit the economy, efficiency and effectiveness of central government activities. In financial audit, we audit agencies' annual reports to assess whether the accounts are reliable and the accounting records true and fair as well as whether the administration by the management complies with laws and rules.

The Swedish NAO has a strong mandate and is an essential part of the Riksdag parliamentary control that contributes to improvement and democratic transparency. Through our constitutionally protected independent status we audit how central government funds are used, report any deficiencies and propose measures to remedy them. The Annual Report of the Auditor General is submitted to the Riksdag every spring and summarises the most important audit findings over the past year.

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