



Swedish National Audit Office

Audit Plan

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SWEDISH NATIONAL
AUDIT OFFICE

Swedish National Audit Office Annual Audit Plan 2021/22

Contents

1	Introduction	4
2	Premises for audit operations	5
2.1	Remit and mandate of performance audit	5
2.2	Remit and mandate of financial audit	7
3	Audits in the coming year	10
3.1	Risk of deficiencies in public finances	10
3.2	Risk of deficiencies in governance, follow-up and reporting	14
3.3	Risk of deficiencies in organisation, responsibility and coordination	22
	Annex 1. Ongoing performance audits	25

1 Introduction

The Swedish National Audit Office (Swedish NAO) is part of parliamentary control and is tasked with auditing central government activities. The Swedish NAO conducts audits through financial audit and performance audit.

The Swedish NAO is led by the Auditor General. The Auditor General decides independently, taking into account legal provisions, what is to be audited, how the audit is to be conducted and on the conclusions of the audit.¹ The decision of the Auditor General on the main focus of the audit is reported in an audit plan.²

This audit plan presents the main focus of the audit for 2021/2022, as well as a description of the premises for the audit based on the tasks and mandate of the Swedish NAO. The purpose is to provide an overall picture of ongoing and planned audits in financial audit and performance audit.

The Riksdag Council for the Swedish National Audit Office follows the audit operations and the Auditor General reports regularly to the Council on such matters as adherence to the audit plan.³

The Swedish NAO works on the basis of a risk model and has identified three main risks in central government, which reflect the audit focus in both fields of operation. These concern risks of deficiencies in

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

These main risks also recur in the annual reports of the Auditor General, in support of the follow-up of the Swedish NAO's annual audit plans.

The risk model promotes a more unified focus of audit work and provides good conditions for integrated and motivated reports of the audit in various time perspectives, as regards both performance audit and financial audit.

¹ Chapter 13, Articles 7-9 of the Instrument of Government (1974:152).

² Section 4 of the Act containing Instructions for the Swedish National Audit Office (2002:1023).

³ Sections 11-12 of the Act containing Instructions for the Swedish National Audit Office (2002:1023).

2 Premises for audit operations

In this chapter we describe the premises for our audit in performance audit and financial audit based on the legal provisions etc.

2.1 Remit and mandate of performance audit

The remit of performance audit is to audit the implementation and results of the activities conducted by the State.⁴ As part of parliamentary control, performance audits must provide guidance on how central government initiatives can be improved to give greater benefit in relation to input of resources.

Performance audit must primarily focus on circumstances related to the national budget and the implementation and results of central government activities and commitments in other respects, but may also relate to the work of central government generally. As part of the remit to conduct performance audits, the Swedish NAO may, under certain conditions, also audit activities conducted in the form of a limited liability company or a foundation. The Swedish NAO may also audit the use of public funds received “as support for a particular activity, provided there exists a duty of accountability to the State for the funds, or special provisions or conditions have been issued concerning how the funds may be used.” The performance audit mandate also covers audit of the processing of unemployment benefit by the unemployment insurance funds.⁵

2.1.1 Implementation of the audit

Performance audit must focus on “promoting development, whereby the State, having regard to the general public interest, receives an effective return on its investments”. The audit must therefore mainly focus on economy, efficiency and effectiveness.⁶ Implementation, focus and choice of audits are also based on the international standards that have been developed by the member countries of the International Organisation of Supreme Audit Institutions (INTOSAI), including criteria for the choice of areas to audit.⁷

The selection of audits is guided by risks of inefficiency and ineffectiveness in areas of central government activities that are of great importance for the central government budget from a principled or quantitative perspective. The audit is thus problem-oriented and the selection of what is to be audited is based on committee-specific and more overall analyses based on problems of economic or principled

⁴ Section 4 of the Act on Audit of State Activities etc. (2002:1022).

⁵ Section 2, 4-7 and Section 4 of the Act on Audit of State Activities etc. (2002:1022, quote from Section 2, 6.

⁶ Section 4 of the Act on Audit of State Activities etc. (2002:1022, quote from the same section.)

⁷ International Standards of Supreme Audit Institutions, ISSAI 3000, Performance Audit Standard. INTOSAI is the global umbrella organisation for Supreme Audit Institutions, of which Sweden is a member.

importance. Apart from relevance and materiality, value added, feasibility and timing govern the choice of what is to be audited.⁸

One main task of performance audit is to provide added value for the Riksdag. This means that we, on the basis of our mandate, should take a broader audit perspective than other actors are able to. Broad-based audits of material societal issues therefore have priority. Performance audits may cover one or more activities. A question may be audited throughout the entire governance chain of divisions of responsibility in central government and ultimately how business and citizens are affected. Independent and broad audits where the responsibility for various parts of implementation are presented can promote increased effectiveness and ultimately provide a basis for accountability for the Riksdag.

Audit of several agencies, which through various initiatives are to contribute to achievement of objectives (effectiveness) within a larger area, such as integration, is another example of broad-based audit. In some cases this may refer to activities that are not always particularly extensive in individual agencies, but whose overall performance is highly significant, such as procurement. When conflicting objectives within and between different policy areas are part of the audit, decision-makers may also obtain support for well-informed trade-offs between different objectives.

In the audit plan we give an account both of ongoing and planned audits as well as more preliminary subjects for future audits. There are also other future audits that are not described in the audit plan. The Swedish NAO always has the preparedness and flexibility to reorder its priorities and audit issues that are currently most material, regardless of whether they have been mentioned in the annual audit plan. The questions that will actually be audited will be determined on a current basis by the Auditor General. All the Swedish NAO's ongoing audits are presented in Annex 1.

2.1.2 Reporting of the audit

Audit findings must be reported in a performance audit report that is submitted to the Riksdag.⁹ The Riksdag passes them on to the Government for a statement on the report before it is dealt with by the Riksdag.

The Swedish NAO's reports are quality assured internally and externally. For example, draft reports are subject to factual examination by those most closely affected by the audit.

⁸ See for example Committee Report 2009/10:KU17, p. 25–28; Committee Report 2010/11:KU2, p. 11–12 and ISSAI 3000.

⁹ Sections 4 and 9 of the Act on Audit of State Activities etc. (2002:1022).

The Swedish NAO generally includes recommendations in its performance audit reports. They aim to promote effectiveness in the activities audited. The Swedish NAO can also issue recommendations with suggestions as to how the intended outcome can be achieved with alternative initiatives.¹⁰ The recommendations are directed at the actors covered by the audit mandate, but the audits may also include descriptions and analyses that reach beyond central government activities.

The most important findings of performance audit are collected in the Annual Report of the Auditor general, which is submitted to the Riksdag.¹¹ In addition, the Swedish NAO reports on measures taken in response to performance audit reports in an annual follow-up report.

2.2 Remit and mandate of financial audit

The Swedish National Audit Office is to audit public sector annual reports through financial audit. The audit is intended to assess whether the accounts and the underlying documentation are reliable and the accounting records true and fair, and whether the administration by the management complies with relevant provisions and special decisions.¹²

The audit covers 226 annual reports, the majority of which apply to administrative agencies under the Government.

2.2.1 Implementation of the audit

Financial audit is conducted in accordance with generally accepted auditing standards.¹³ 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 (ISSAI) for financial audit. Financial audit of performance reporting and other information in the annual reports complies with the Swedish NAO's internal policy documents, since there are no standards in these areas.

This means that the audit is based on the risk of material misstatement in the respective annual report. This also means that the Swedish NAO focuses the audit on items or information in the annual report where there is a high risk of misstatement, but also that the Swedish NAO audits less risky areas if they involve material amounts.

¹⁰ Section 4 of the Act on Audit of State Activities etc. (2002:1022).

¹¹ Section 12 of the Act on Audit of State Activities etc. (2002:1022).

¹² Section 5 of the Act on Audit of State Activities etc. (2002:1022).

¹³ Section 5 of the Act on Audit of State Activities etc. (2002:1022).

If there are no changes in the agencies' activities between the years, the audit focus is often the same over time. In cases where the agencies are given new assignments or if there are external changes that affect the agencies, new risks may arise and previous risks disappear.

Every year financial audit carries out a risk analysis and a materiality assessment of every agency. The purpose is to assess audit needs during the year and the most effective audit methods. A higher risk of material misstatement leads to more extensive audit.

Since the audit is based on the risk of material misstatement, the audit normally focuses on major or complicated items in the annual reports, often where there are material payment flows.

Important parts of the risk assessment are analysis of the Government's governance of the agency, the agency's internal control environment and the processes that are material for the agency's financial reporting in its annual report. The state of the agency's internal control can also affect the choice of audit method.

In the course of the audit, the Swedish NAO examines the agency's internal control activities and financial flows through various audit procedures. The audit is ongoing throughout the year.

In the audit plan we present areas where we consider that there is often a high risk of material misstatement and where the audit is then more extensive. However, a large proportion of financial audit resources are used to audit areas that have a lower level of risk, but which constitute material amounts. Examples of such areas are the agencies' operating costs and personnel costs, which are often assessed to have a low risk of material misstatement.

2.2.2 Reporting of the audit

The audit concludes with the Swedish NAO issuing an auditor's report per agency to the Government or the Riksdag.¹⁴ If there are material misstatements in the annual report the Swedish NAO issues a 'modified auditor's report'. A modified auditor's report is often supplemented by an audit report that describes the misstatement. The reports are sent to the agencies' management, with a copy to the Government.

¹⁴ Sections 5 and 10 of the Act on Audit of State Activities etc. (2002:1022).

The Swedish NAO also issues audit reports when there are significant deficiencies in internal control, even if the deficiencies have not led to material misstatements in the annual report. In the audit report we describe the deficiency and explain its possible effects. In the audit reports the Swedish NAO also gives recommendations to the agencies to take various measures to rectify the deficiencies. The Swedish NAO follows up the agencies' measures.

Financial audit always reports findings and recommendations orally to the agencies, in addition to the written reporting. The most important financial audit findings are collected in the annual report of the Auditor General, which is submitted to the Riksdag.¹⁵

¹⁵ Section 12 of the Act on Audit of State Activities etc. (2002:1022).

3 Audits in the coming year

In this chapter we describe ongoing and planned performance audits and financial audits. The description is based on the three main central government risks that we identified through our risk model and presented at the beginning. The fact that Sweden is still in a pandemic crisis is one of the things we have taken into account in the analysis on which the audit measures presented in this annual audit plan are based. The assessment by the Swedish NAO is that the main risks remain and that in some respects may have increased, in light of the central government measures taken in connection with the crisis.

3.1 Risk of deficiencies in public finances

In the 2000s, central government and public finances have generally developed in a more controlled way than in the early 1990s, especially compared with other EU countries. However, the current pandemic, with the continued major need for public health initiatives and financial support of various kinds, implies considerable challenges also in the future. Underlying, more long-term trends, such as the growing proportion of older people in the population, also affect both the revenue side and the expenditure side of the central government budget. It is important that central government resources are used effectively and that fiscal policy at the same time supports long-term sustainable financial development. The Swedish NAO continually monitors and reviews these questions, since they are fundamental for financing central government initiatives and activities in both the short and long term.

Most central government revenues consist of taxes levied via the agencies' collection processes. In a few annual reports considerable amounts are reported for the State. The agencies' collection processes are often automated and subject to continual technological development and digitalisation. It is of utmost importance that the reporting is true and fair, when the information is used by the Riksdag and the Government to make decisions that affect public finances.

3.1.1 Performance audit

Future performance audits in the area of public finances are mainly focused on transparency in the budget process, the application of the fiscal policy framework and the quality of reference data for planning and decision-making.

Risk of ineffectiveness and lack of transparency in the budget process and application of the fiscal policy framework

It is important to audit whether measures to combat the effects of the ongoing pandemic are effective and how the major expenditure increases will be dealt with in the long term. The State's additional costs in 2020 and 2021 to counter the effects of the ongoing pandemic amount to nearly SEK 400 billion per year, which corresponds to one sixth of the total tax revenues. Short-term layoffs, elimination of employer's social security contributions and reorientation support are examples of measures that have been put in place to counter the economic consequences of the pandemic.

The fiscal policy framework is a tool to help ensure long-term sustainable and transparent fiscal policy. Transparency, efficiency and adaptability in relation to long-term challenges are important issues to audit regularly. Not least in the current pandemic, many actors have an incentive to focus on a more short-term perspective. Longer-term structural changes such as population composition and urbanisation also need to be addressed, while dealing with more pressing issues. A major focus on rapid action with a shorter time horizon even risks counteracting efficiency in relation to longer-term goals. In addition to fiscal policy objectives, this may also apply to other long-term societal objectives, such as climate.

The Swedish NAO has regularly audited the application of the fiscal policy framework in the fiscal policy bills submitted by the Government to the Riksdag. One of these audits is in progress in autumn 2021 and it is also planned to conduct such audits in the future.

For several years public finances have been good enough for it not to be considered necessary to use the expenditure ceiling operatively as a direct policy instrument for expenditure development. However, the large central government budget deficits that appear to be following in the wake of the pandemic may increase the need in future to again use the expenditure ceiling in practice in fiscal policy. A related issue that may be considered for audit is the Government's fiscal readiness for a possible deep recession.

In smaller municipalities with a high support ratio, the need for central government grants to maintain welfare may be high. The Swedish NAO is now auditing whether the Government allocates central government funds to the municipalities effectively through targeted central government grants. We also audit the municipal property tax. In the future, for example, central government grants to the municipal sector during the pandemic may be audited.

The increase in life expectancy in Sweden is not compensated by the same rate of increase in the retirement age. This leads to increases in expenditure, for example for basic protection for pensioners. The intention of the reformed pension system

was precisely to stimulate gainful employment at older ages. At the same time, the ability to work is also influenced by factors outside the State's basic protection for pensioners, such as labour market and tax policies. Consequently, it is important to audit whether measures for a long working life are effective. A key condition for long-term sustainability of public finances is the creation of incentives for people in the later part of working life to work. Measures to motivate older people to work longer are issues that we continue to follow for possible future audit.

Risk of insufficient quality in reference data for planning and decision-making

Good quality reference data for planning and decision-making from the Government and its agencies is important to be able to make well-informed decisions. If the quality and transparency of the reference data is deficient, there is a risk that the Riksdag and the Government will make fiscal policy decisions based on misleading data. Our risk analysis and previous audits show that shortcomings in statistics, cost estimates, forecasts and impact assessments in many cases lead to inefficiencies, higher costs and significantly increased expenditure.

During the pandemic, the Government has tried in various ways to sustain output and employment through several fiscal measures targeting households and businesses. New rapid measures in themselves risk not being designed and implemented effectively. Of course, the reference data for such decisions cannot be expected to be of the same quality as in a more normal situation, but they still need to help ensure that the measures are as effective as possible.

The Swedish NAO is now auditing the Government's handling of amending budgets during the pandemic and whether the decisions have been taken on the basis of reasonable decision-making data, given the prevailing circumstances. Key audit areas in the future may include the effectiveness of the fiscal measures taken to address the pandemic, the management of the dismantling of various measures and efforts to ensure the orderly functioning of public finances in the longer term.

Underlying, longer-term structural changes, such as an ageing population, also pose major challenges to public finances. Each year employers and self-employed persons pay social security contributions corresponding to SEK 600 billion. Forecasting activities and reporting of social security contributions are issues that we continue to follow. Insurability of social security contributions may also be subject to audit. Avoiding unforeseen cost increases as far as possible is important for transparency and stability in public finances. This is also important for the democratic process, since alternative decisions might have won a majority if the final costs of an initiative had been known from the outset. In previous audits the Swedish NAO has found that the final costs of various infrastructure projects is

often significantly higher than in the decision-making data. Costs increase both during planning and in the procurement process. Various central government reforms are also often significantly more expensive than planned. For this reason we are now also auditing cost estimates and impact assessments underlying the reforms implemented.

Official statistics provide an important basis for decisions in public finances and many other areas of society. The reliability of the statistics is important for assessing societal developments and designing central government initiatives so that they are accurate and effective. The quality of official statistics is now at risk as a result of an increase in non-response in many surveys. Future audits can focus on the Government's and Statistics Sweden's work to deal with the problem of non-response in the official statistics.

In addition to reliable statistics, analyses and other reference data need to be presented transparently in order to provide a credible basis for decisions. Robust and clearly reported reference data facilitate the choice of effective policy options. In turn, they also enable control and transparency of costs, impacts and side effects. Such reference data also provide referral bodies with better prospects of making qualified comments and allow those affected by the proposals to prepare themselves. In areas where the ambition is to redirect society in the long term and break development trends, for example based on climate objectives, transparent reporting of different policy options is particularly important. Electricity supply and transport are examples of areas where today's infrastructure investments play an important role in terms of both costs and effectiveness in the very long term. The reference data for planning and decision-making in these areas may therefore continue to be subject to audit.

3.1.2 Financial audit

Financial audit will audit the large tax collection flows and asset management at the Riksbank.

Risks linked to tax collection

For about ten agencies, the Swedish NAO considers that the risk of misstatement linked to the collection of taxes and public law fees is high. These include the Swedish Enforcement Authority, the Swedish Tax Agency and the Swedish Transport Agency. Tax collection often involves large case volumes and extensive financial flows in complex IT systems. This entails risks and financial audit focuses on ensuring that the collection revenues are correct in the annual reports.

For public law fees there are also risks associated with the occurrence of large surpluses or deficits in operations where government policy is that no profit/loss

should arise. This applies for example to the Swedish Radiation Safety Authority's fees for nuclear and non-nuclear activities.

The central government annual report uses a special method to calculate how much tax revenue is attributable to a certain budget year. As the method is based on estimates and manual work, the Swedish NAO sees a risk of the accounting not being true and fair.

Risks linked to the Riksbank's asset management

The Riksbank manages a large amount of assets. Consequently, financial audit focuses in particular on how the Riksbank ensures that accounting, valuation and financing of the assets is fair. In 2020-2021 the Riksbank also increased its risk-taking when taking a number of measures as a result of the corona pandemic. These include, for example, the purchase of interest-bearing papers and increased lending. Asset management affects the Bank's entire balance sheet and income statement and will be included in the Swedish NAO's audit.

3.2 Risk of deficiencies in governance, follow-up and reporting

When societal development entails the need for adaptation to new conditions it poses challenges for governance. These may include underlying development trends such as digitalisation and robotisation, or more unexpected events such as the current pandemic. Inefficiencies can occur when needs change rapidly and activities must be scaled up or down in a short period of time. The design of different measures may no longer be effective and the regulatory framework may need to be adjusted. In order to also achieve efficiency collectively, at a more global level, it is important that the objectives are clear and that conflicting objectives are factored in and managed. Following up activities, evaluating whether they are effective and using the knowledge to develop them can in the long term contribute to increased efficiency.

The annual reports are part of the reporting of the central government commitment. They present the financial outcome and results of the agencies' activities each year. For agencies under the Government the financial information is consolidated in the central government annual report. It is important that the information contained in the annual reports is true and fair, as it forms the basis for decisions by the Government and the Riksdag.

3.2.1 Performance audit

Future performance audit focus mainly on adaptability, supervision and control, as well as the risk of unclear objectives and low achievement of objectives (effectiveness).

Risk of poor adaptability

One risk is that preparedness for necessary adaptation to new events and circumstances is insufficient. These may be changes in refugee flows that affect the Migration Agency's efforts or major investments in defence in the light of the changed external environment. Ongoing audits related to such changed circumstances concern the Swedish Armed Forces' recruitment of soldiers and sailors, the effectiveness of migration courts and central government efforts to secure protective equipment during the pandemic. It may also be relevant to audit the national infectious disease control system.

In the future, further questions on adaptation to new circumstances may be considered for audit. The proper functioning of labour market policy during the restructuring of the Swedish Public Employment Service is an issue that we follow. Other examples are whether central government measures to influence labour supply in different occupations are effective and whether central government initiatives to ensure that skills are utilised are effective.

The effectiveness of social insurance as the labour market changes is a further example. Issues related to challenges in the relationship between central and local government may also be considered for audit in the future. This could, for example, concern agency governance during the pandemic or adaptation to a changing climate.

The expansion of the number of educational places and the number of students in universities and other higher education also need to be followed. Another issue is the design and planning of higher education. Since it takes 12-15 years to train a specialist doctor, it can be difficult to quickly correct a shortage. As a result of the problems of skills provision in the healthcare sector, central government has stepped up efforts to review education programmes, such as for doctors and nurses. Special efforts have also been made to improve the working environment and increase staffing in the sector. The effectiveness of such measures may be subject to future audit.

There is a risk of increasing criminality against public systems, incorrect payments or favouring of unscrupulous companies if there are large increases in volume or when new support is introduced, as now during the pandemic. This means that control systems and processing procedures are put to the test. One important area we follow, including in the context of digitalisation, is the work of law enforcement agencies. As crime has also become digital, the police and other authorities need to follow and meet the challenge with the right resources and working methods. This requires, among other things, IT-related competence at the forefront. Lack of resources and knowledge can hinder effective law enforcement on the internet.

Increased digitalisation, automation and robotisation within all parts of society may continue to affect the focus and need for audit. The ongoing process of digitalisation within the State aims at creating benefits through new or changed ways of working using digital technologies. There are significant efficiency gains for the administration if it can take advantage of the opportunities offered by digitalisation. This includes adapting working methods to the potential of digital solutions. The Swedish NAO follows IT development within central government and our audits have shown that digitalisation is failing in several areas.¹⁶ Not least cyber security issues have become increasingly important. For the internal efficiency of agencies, it is important to have internal IT work that supports and contributes to developing operations. Practical and legal opportunities to share information, lack of commissioner and procurement skills in the labour market and high consultancy costs complicate the picture.

Audits of issues related to information society policy and other digitalisation issues are also planned in the future. Many of our audits also include IT issues as an important part, although the main audit question is different.

Risk of ineffective oversight and control

Public oversight and control must contribute to upholding fundamental values of society, such as equality before the law, objectivity and impartiality. Citizens should be assured that their interests are being safeguarded. Oversight and control issues also relate to the quality of public sector activities and in some areas may be crucial to matters affecting life, health and the environment, major societal costs or mismanagement. Deficiencies in oversight can also mean that important objectives are not achieved or that confidence is damaged. It is therefore important to continue to audit whether oversight in key areas of society is effective and also adapted to new challenges faced by society and citizens. Previous audits have shown that in many cases the State's oversight and control have significant deficiencies, while new problem areas are continually arising. The various central government mechanisms of oversight and control should be effective so that errors are detected and rectified. Audits focus on such things as oversight activities in the area of migration. These include, for example, checks on costs and the suitability of public counsel in migration matters, as well as checks on labour immigration cases. The risk of incorrect payments in the compensation scheme for employers for high sick pay costs before and during the pandemic is another relevant area for audit.

¹⁶ Annual Report of the Auditor General 2021.

During the pandemic the importance of culture and sport to citizens has become more apparent than usual. The financial support provided by central government is important for culture and sport. Large parts of this support are not distributed directly, but through the agency of both agencies and other actors. It is important that their activities are also supervised and followed up. The matter was addressed in the previous audit plan and is now being audited. In addition, we audit the State's oversight of retail pharmacies and trade in medical products, the Swedish Social Insurance Agency's control function in the sick leave process, the monitoring and follow-up of support to study associations and the Swedish Consumer Agency's supervision.

Oversight and control are carried out in a number of areas and will continue to be subject to new audit measures. The country's foundations have a total of over SEK 165 billion at their disposal and the Swedish NAO is following the problems of repeated errors that the county administrative boards' oversight has drawn attention to. Oversight of state foundations may therefore be relevant for future audit. Other issues that the Swedish NAO follows for possible future audits are central government efforts to combat fraud and crime in the area of assistance allowance, the Swedish Agency for Non-Proliferation and Export Controls (ISP) and the Swedish Public Employment Service's verification of the identity of jobseekers.

Risk of unclear objectives and low effectiveness

Clear objectives and governance, coordination and striking a balance between different objectives are important in order to achieve effective and well-balanced central government initiatives in both the short and long term. The public commitment is often complex, with several actors with different objectives and roles. Conflicting objectives between different activities or parts of activities are common. The objectives may be unclear or conflict with each other. This may lead to inefficiencies and low effectiveness if it is not clear to the agencies what they should achieve. Different interpretations of the objectives risk leading to a low level of effectiveness and mismanagement at a more overall level. We have drawn attention to such problems in the past in several areas.

Conflicting objectives and objectives that are unclear, too numerous or inconsistent may put measures at risk of being ineffective. We are now auditing central government initiatives in regional development policy. They affect a wide range of areas that are difficult to manage consistently and effectively. Ahead of possible future audit measures, we also follow other areas where similar risks may arise. Audits may thus be relevant in areas such as central government management of climate-related risks in construction, and the management of waste when switching to new technologies in the transition to a low-carbon society. Other areas may include financial regulation that affects the conditions for

achieving housing policy goals, state-owned enterprises that work to strengthen vulnerable groups in society while being subject to yield requirements, or the strategic management of international aid.

An urgent issue to audit in the future is teleworking in central government and its effectiveness compared to work in the office. As a result of the pandemic, many agencies have had to adapt working arrangements to enable employees to work from home, to the extent it has been possible. There is an expectation that teleworking as a form of work may continue even after the pandemic.

Non-achievement of objectives can have many causes. It may be that the measures put in place by the State are not effective in themselves, but some challenges may also be difficult to influence directly using central government initiatives. External trends in Sweden or the world and dependence on other actors can affect the ability to achieve objectives. Ongoing audits with such a focus refer to central government initiatives to attract investments in data halls and the effectiveness of central government real property formation.

Central government continually takes steps to safeguard our society and provide security. In the future, it may be appropriate to audit the work of the police on, for example, temporary operations, investigating volume crimes or investigating personal security work. Other issues worthy of audit may relate to measures against domestic violence.

3.2.2 Financial audit

Financial audit will audit transfers, authorisation to place orders, fee-based and multi-funded activities, material non-current assets and large liabilities such as the central government debt and pension provision.

Risks linked to transfers

For some thirty agencies, the Swedish NAO considers that there is a high risk of misstatement in the annual report linked to transfers. These include large agencies such as the Swedish Public Employment Service, the Social Insurance Agency and Sida, but also county administrative boards and cultural agencies. The reason that there are often risks associated with transfers is that:

- there are extensive or complex regulations that govern grants
- there are major IT dependencies in the handling and payment processes
- substantial amounts are paid out.

The financial audit examines both the agency's compliance with current rules governing the use of appropriations, and whether the funds are presented fairly. This often means that we audit the agencies' procedures for both deciding on and following up the benefits. At the Swedish Agency for Economic and Regional Growth we have identified a specific risk linked to accounting for recovery of benefits paid out.

Several agencies have been instructed to pay new types of benefits during the COVID-19 pandemic. In some cases this represents increased risks of error. This applies, among other things, to the Swedish Arts Grants Committee, where the conditions for benefits differ from other cultural support, which in turn requires different competence at the agency. Another example is the reorientation support for trading partnerships that is new from 2021 and that has required rapid implementation by the National Board of Housing, Building and Planning, which handles the support. We therefore consider that the risk of errors is initially high.

Risks linked to order authorisations

Several agencies have authorisation to place orders linked to their appropriations, which means that they have the right to enter into commitments that entail expenditure in future budget years. This primarily applies to appropriations for transfers and infrastructure investments.

For about ten agencies, the Swedish NAO considers that there is a high risk of misstatement linked to order authorisations. This involves both the risk of agencies exceeding their authorisation frameworks and the risk of accounting errors. The risks are due, among other things, to the large amounts involved, while manual management of the commitments is common. Another reason is ambiguities in the Government's management of order authorisations, which leads to ambiguities among agencies, which in turn can lead to errors. For the Swedish Transport Administration it is a matter of a large number of different commitments and difficult assessments that the agency needs to make in the calculation of the commitments.

The Swedish NAO's audit has shown that shared responsibility between agencies increases the risk of exceeding the authorisation frameworks. One example of shared responsibility can be found in the annual report of the Legal, Financial and Administrative Services Agency, where the agency must report commitments undertaken by the Government Offices.

Risks linked to fee-based activities

Many agencies finance parts of their activities with fees. The economic objective for fee-based activities is full cost coverage, unless otherwise decided by the Riksdag or the Government. This means that agencies are to calculate fees so that in the long term the revenues cover all costs. For several agencies, the Swedish NAO considers that there is a risk that the agencies will not achieve full cost coverage for the activities in the long term, which means that large surpluses or deficits may arise. In some cases this is due to lack of clarity in the governance of the agencies.

There are also other risks within fee-based activities that may lead to material misstatements in the annual report. For example, this may be a matter of how the agency allocates its costs or a complicated model for calculating the fees. Some agencies also have several different types of fees or manual steps in the processing of the fees, which can also increase the risk of error.

Risks linked to multi-funded activities – appropriations, grants and fees

It is also common for agencies' activities to be financed via several sources of funding, i.e. appropriations, grants and fees. It is also common for appropriations to have financial conditions that may be both extensive and unclear. These include, for example, temporary appropriations that the agencies may use for special purposes or the possibility of financing administrative costs with targeted appropriations. An agency with multi-funded activities or funding with financial conditions needs to have clear procedures to ensure that appropriations and other revenue are properly used and finance the right costs.

For some thirty agencies the Swedish NAO considers that there is a high risk of misstatements in the annual report that are linked to the agencies having mixed funding or extensive or unclear conditions appropriation conditions. For these, the Swedish NAO audits whether the agencies use and report appropriations and other revenue correctly.

Some agencies are in a tight financial situation in 2021 and there is therefore a higher risk of exceeding their administration appropriations. This applies for example to the Swedish Economic Crime Authority and the Swedish Prison and Probation Service.

Risks linked to recognition of non-current assets

Some agencies acquire and manage non-current assets for large amounts, for example the Swedish Transport Administration and the Swedish Armed Forces. These mainly refer to real property, infrastructure and contingency assets. For these agencies the Swedish NAO considers that there are risks linked to the valuation of assets and recognition of ongoing investments. For some agencies

there are also risks linked to procurement of the assets. In the area of defence, there are specific risks linked to the handover of equipment from the Defence Materiel Administration to the Swedish Armed Forces as well as the assets held by the State in the defence industry. Financial audit focuses on the risks that are relevant to the respective agency.

Risks linked to recognition of liabilities and loans

Some agencies report and manage large debts. These include for example central government debt reported by the Swedish National Debt Office and pension liabilities reported by the Swedish Pensions Agency and the National Government Employee Pensions Board. Central government debt management involves many transactions and a number of financial instruments, which increases the risk. Moreover, central government debt increased during the COVID-19 pandemic as a result of the Government's crisis package.

For pension liabilities there are complex accounting rules to be taken into account because they are recognised in the form of actuarial provisions. The same applies to the guarantees issued by the State through the National Board of Housing, Building and Planning, the Swedish Export Credit Agency, the Swedish National Debt Office and Sida. Insurance accounting often involves large elements of estimates and advanced calculations that take place in complex IT systems. The risk of misstatements in the annual report is therefore often high for agencies with this type of activity. In addition, the National Board of Housing, Building and Planning has drawn up a new model for calculating guarantee fees for credit guarantees, which was applied for the first time in the 2021 annual report.

The Swedish Board for Study Support reports liabilities and receivables linked to student loans that constitute large amounts. Here the Swedish NAO assesses that there are risks related to valuation and therefore focuses its audit on these.

Some agencies, such as the Swedish Transport Administration, report liabilities for remediation of contaminated land. The reporting is often subject to multiple uncertainties and is largely based on estimates. This increases the risk of misstatements and the Swedish NAO audits the agencies' valuation of these commitments if they constitute material amounts.

Risks linked to complex accounting rules

As mentioned above, insurance accounting is complex and often involves a higher risk of misstatements in the annual report. Insurance accounting affects several different parts of the annual report and is included in the audit. Another area with complex regulatory frameworks is the management of EU funds that takes place among others at the Council of the European Social Fund in Sweden (ESF

Council). This accounting also affects several parts of the annual report and is therefore included in the Swedish NAO's audit of the agencies.

During the COVID-19 pandemic the Public Health Agency of Sweden expanded its activities to include testing, tracing, outbreak management and vaccine management. This involves large amounts and complex accounting transactions that materially affect many items in the annual report. Therefore, we consider that the risks of material misstatement in the 2021 annual report are particularly high as a result.

3.3 Risk of deficiencies in organisation, responsibility and coordination

There are many central government areas of responsibility where several actors are involved in implementation, creating a need for coordination and interaction. Weak governance of interaction and coordination, for example if responsibilities are unclear, can lead to inefficiency. The greater the number of actors responsible for different parts of an activity, the greater the need for interaction and coordination in order for it to function effectively. An important issue is also the tasks and obligations the State imposes on municipalities and regions. The Swedish NAO also follows organisational changes that may affect effectiveness and efficiency, such as changes in the State's transparency and influence over activities when markets are reregulated.

3.3.1 Performance audit

Future performance audits focus mainly on coordination and interaction, as well as on outsourcing and procurement.

Risk of deficient coordination and interaction

The need for coordination may exist both at overall societal level and to solve more specific, citizen-related issues. The Swedish NAO follows developments in the major social security systems in the form of unemployment insurance and social insurance. There is a risk that the positive effects of one measure in one system will be cancelled out by negative effects in another.

Issues requiring action by several actors often entail a great need for interaction and coordination. Interactions in central government are usually between agencies, but municipalities, stakeholder organisations, international organisations and companies can also be important actors. Such interaction may have advantages, but also poses certain challenges in terms of transparency, division of responsibility and various actors' incentives. In some areas, there is a shared responsibility between central government and business, where liability issues may be unclear.

The integration of newcomers to Sweden is important. Segregation can lead to exclusion, social problems and lack of legitimacy for migration policy initiatives, which may ultimately increase costs to society. A large number of agencies and other actors must interact in various ways for good integration. The activities of the agencies immediately responsible and how they are coordinated are important for the outcome of migration policy and as such are also of interest to us to audit. The Swedish NAO is auditing whether the Act on the Reception of Certain Newly Arrived Immigrants for Settlement has lived up to intentions. We are also auditing whether the intentions of the reform on changing tracks from asylum to labour immigration are being achieved. In the future, the implementation and application of the Convention on the Rights of the Child may be relevant for audit, which may also include the handling of certain integration-related issues. The Swedish Public Employment Service's introduction system may also be considered for audit, as well as the efforts made in recent years to enable job seekers to start education programmes.

Central government governance needs to achieve a certain degree of equivalence of public services regardless of where citizens live. One difficulty in the area of education is to reconcile the national educational offer of higher education institutions with the needs of municipalities for different occupational groups with higher education. The supply of staff in health and social care, for example, is also impacted by the attractiveness of these occupations. In turn, attractiveness is influenced by working conditions, working environment and skills development opportunities, which is mainly the responsibility of municipal authorities and other actors. One area where equivalence is important is school education. The Swedish NAO is now auditing central government initiatives for equivalent grading, the National Agency for Education's assignment to provide statistics on compulsory and upper secondary schools as well as the school voucher system.

Risk of deficiencies in outsourcing and procurement

Over time, private services are increasing, while public agencies are declining in terms of the proportion of employees, partly as a result of outsourcing and privatisation. One specific situation leading to challenges is when central government outsources activities to another provider.

This is usually done for the sake of efficiency, but it is important for the agency responsible to ensure that the provider complies with the regulatory requirements applicable to public sector activities. Outsourcing can lead to difficult trade-offs, for example when dealing with security-sensitive activities. It is therefore important that such activities be appropriately protected.

Procurement questions are often important when activities are outsourced. The Swedish NAO has in many cases seen risks of inefficiencies in the procurement area, where the procurement procedure itself is an important part of governance. Goods and services are often procured for large amounts and in total public purchases subject to procurement amount to more than SEK 700 billion per year.

The largest area of public procurement in Sweden is civil engineering works. The Swedish Transport Administration is the second largest public purchaser, after Region Stockholm. A challenge here may be that the commissioner has a lower level of knowledge than the contractor about the activities being procured. The risk is then that the lowest bid is not the one that actually gives the lowest final cost. Other risks include non-operation or delay as a result of appeals. In order for procurement to work effectively, contracts need to be followed up, which risks being overlooked as it requires resources and specific skills. There is a shortage of procurement skills in the labour market, which poses a particular challenge for the public sector.

The major importance of procurement issues for the State and other public activities may also give rise to audits in the future. The Swedish NAO is now auditing whether central government agencies work effectively to achieve environmentally sustainable public procurement.

Annex 1. Ongoing performance audits

Ongoing performance audits are presented below as at 1 October 2021. The estimated publication date is given in brackets. Both title and year of publication are subject to change.

Audits relating to one Riksdag Committee

Riksdag Committee on the Labour Market

Audit of the state wage guarantee (2022)

Riksdag Committee on Civil Affairs

Effectiveness of central government real property formation (2022)

Supervision by the Swedish Consumer Agency (2022)

Riksdag Committee on Finance

Central government and local government economy (2021)

The fiscal policy framework – application by the Government (2021)

Cost estimates and impact assessments underlying reforms implemented (2022)

Price and wage recalculation of administration appropriations (2022)

Environmentally responsible procurement (2022)

The Government's processing of amending budgets in the pandemic (2022)

Riksdag Committee on Defence

The Swedish Armed Forces' recruitment of soldiers and sailors (2022)

Riksdag Committee on Justice

Internet-related sexual abuse of children – great challenges for police and prosecutors (2021)

The work of the Swedish Economic Crime Authority against organised and serious economic crime (2021)

Handling of compensation to legal counsel etc. (2021)

Riksdag Committee on the Constitution

No ongoing audits

Riksdag Committee on Cultural Affairs

Central government pandemic support to sports and culture (2022)

Controls and follow-up of central government support to study associations (2022)

Riksdag Committee on Environment and Agriculture

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

Riksdag Committee on Industry and Trade

Central government initiatives in regional development policy (2022)

Central government initiatives to attract investment in data halls (2022)

Riksdag Committee on Taxation

No ongoing audits

Riksdag Committee on Social Insurance

The Swedish Social Insurance Agency's control function in the sicklisting process (2021)

The effectiveness of the migration courts (2022)

The system for handling public counsel in migration cases (2022)

Riksdag Committee on Health and Welfare

Central government suicide prevention - effective interaction? (2021)

Central government efforts to secure protective equipment during the corona pandemic (2022)

Central government supervision of retail pharmacies and trade in medicinal products (2022)

Central government efforts to cut waiting times in healthcare (2022)

Riksdag Committee on Transport and Communications

No ongoing audits

Riksdag Committee on Education

Central government initiatives for equitable grading (2022)

The National Agency for Education's assignment to provide statistics on compulsory and upper secondary schools (2022)

Does the school voucher system function as intended for school authorities and their pupils? (2022)

Riksdag Committee on Foreign Affairs

Swedish aid through multilateral organisations (2021)

Sida's selection of cooperation partners and aid modalities (2022)

Audits relating to several Riksdag Committees

The Riksdag Committee on the Labour Market and the Riksdag Committee on Social Insurance

Audit on whether the Act on the Reception of Certain Newly Arrived Immigrants for Settlement has lived up to intentions (2021)

The system of changing tracks from asylum to labour immigration (2022)

The Riksdag Committee on Finance and the Riksdag Committee on the Labour Market

Agencies' measures to prevent and deal with harassment of central government employees (2022)

Riksdag Committee on Finance and Riksdag Committee on Industry and Trade

The Government's relocation of agencies – effectively implemented and appropriate in the long term? (2022)

Riksdag Committee on Social Insurance and Riksdag Committee on Education

Activity compensation for prolonged schooling (2022)

Riksdag Committee on Culture, Riksdag Committee on the Labour market and the Riksdag Committee on Health and Welfare

Central government grants to non-profit organisations focusing on social issues (2022)



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