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Annual Report of the Auditor General 2021

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 2021 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. Audit director Peter Johansson was responsible for the presentation of the report. Deputy Auditor General Claudia Gardberg Morner, Deputy Head of Department Lena Björck, Head of Unit Ulrika Meyer, Investigator at the Auditor General's Office Hans Folkesson and Audit Director Sara Monaco 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. The Swedish NAO conducts its audits through performance audit and financial audit. Within performance audit the Swedish NAO audits the economy, efficiency and effectiveness of central government activities. 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 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, the most important findings within performance audit and financial audit are reported on the basis of risks that have indicated the main focus of the audit. This concerns the risk of deficiencies in:

- central government finances
- governance, follow-up and reporting
- organisation, responsibility and coordination
- central government responsibility for and internal need for skills supply

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.

The Annual Report of the Auditor General draws attention to the need for the Government to develop its fiscal policy reporting, for example to better explain how to return to the surplus target after the large expenditure increases decided to counter the adverse effects of the COVID-19 pandemic.

The Swedish NAO has also observed shortcomings in the quality of the documentation produced by the Government and its agencies for the implementation of various measures. We have also seen that there is insufficient monitoring and evaluation of activities. Evaluating central government activities and making use of knowledge is important to develop the activities and to adapt them to changing circumstances.

We also see shortcomings in the agencies' internal control where authorisation reports remain a problem area. In order for the Riksdag and the Government to be able to assess future fiscal space, the agencies' annual reports need to contain accurate and complete information on authorisations.

Other observations point to shortcomings in the commercial soundness of the sale of activities, insufficient control of awarded organisation grants and accumulated deficits in fee-based activities.

As in the past, this year's review shows that there may be some problems when responsibilities are shared between agencies, and when the division of work and responsibilities is unclear. It may be that one agency takes a decision on support, while one or more other agencies are responsible for the payments themselves. It may also involve unclear responsibilities and poor exchange of information and coordination between agencies, which in turn lead to inefficiencies.

Finally, this year's findings show that the Government's efforts to address skills shortages in shortage occupations need to be adapted to the activities concerned to be effective. Our review also shows that several central government activities face challenges with their skills supply. The central government initiatives there need to be designed to be more long-term and effective.

2 The most important performance audit findings

Performance 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 reflect that analysis and include findings, conclusions and recommendations that can contribute to increased efficiency in central government. Since the previous Annual Report we have published 24 performance audit reports.¹

The main findings include that the Government should improve the reporting of fiscal policy. Central government effectiveness and efficiency could also be increased if the Government and agencies produced and used higher quality documentation for various initiatives. Follow-up and evaluation of activities should also be used to develop central government activities and adapt them to new circumstances.

The effectiveness and efficiency of central government initiatives often depend on how implementation is organised, that responsibility is clearly allocated and that efforts are coordinated. Our main findings over the past year show how unclear responsibilities and lack of exchange of information between agencies can lead to inefficiencies.

2.1 Central government finances

The Government needs to further develop its fiscal policy reporting. There are material shortcomings in the reporting and the Government needs to describe more clearly how to return to the surplus target after the large expenditure increases made to counteract the negative effects of the COVID-19 pandemic. This is necessary in order to comply with the Budget Act and other parts of the fiscal policy framework aiming at a sustainable and transparent fiscal policy.

The Government should present fiscal policy more clearly

The Swedish NAO has audited the fiscal policy bills in 2020. In the audit the Swedish NAO has compared the Government's reporting in fiscal policy bills with the fiscal policy framework. The fiscal policy framework has broad parliamentary support and is to ensure long-term sustainable and transparent fiscal policy. The audit shows that the level of the expenditure ceiling, up to the current pandemic, has been set mainly in accordance with the fiscal policy framework. To counter the deep recession caused by the COVID-19 pandemic, the Government is pursuing an expansionary fiscal policy with a sharp increase in expenditure. The expansionary fiscal policy makes it particularly important that the Government does not deviate from the fiscal policy framework. In order to comply with the Budget Act, the Government then needs to report on how the return to the surplus target is to be achieved.

¹ See Annex 1.

We have found that the sharp increases in expenditure ceilings in 2021 and 2022 proposed by the Government in the 2021 Budget Bill are not in line with the fiscal policy framework. In order to comply with the framework, the levels of the expenditure ceiling must be at a lower level. The Swedish NAO fears that the expenditure ceiling has been adjusted in a way that may lead to a weakening of budgetary discipline in the future. Therefore, we have recommended that the Government return to the Riksdag with new levels of expenditure ceilings.²

The Swedish NAO has seen that the Government's calculations of certain future tax revenues risk being overestimated. The background to the audit by the Swedish NAO is that central government revenues from energy and carbon taxes tend in the future to decline in relation to GDP as a result of active environmental and climate policies, both nationally and at EU level. With current tax regulations, this will lead to reduced revenues from energy and carbon taxes. The Government's forecast tax revenues from the areas in question risk giving the Riksdag an incorrect picture of the sustainability of public finances. Consequently, the Swedish NAO has recommended that the Government develop the method for calculating long-term tax revenues so that it identifies developments in the climate and energy area.³

2.2 Governance, follow-up and reporting

Findings in the Swedish NAO's audits show that many operations mainly function as intended. However, there is potential to develop and streamline the work of the Government and the agencies in some respects.

Our audits show that there is scope to develop and streamline the Government's and agencies' work in different parts of the chain — from analysis and design of measures, to governance, follow-up, control and reporting of central government initiatives. The Government and several agencies need to follow up activities better, evaluate whether they are effective and use the knowledge to develop them. This is particularly important when societal developments entail a need for change and adaptation to new circumstances, such as during the current pandemic.

In order to prevent inefficient operations and unforeseen cost increases, decisions on central government initiatives, as well as their planning and implementation, need to be based on high quality reference data. Our audit shows that it is particularly important when the State procures other providers in order not to risk extensive cost deviations.

In an international perspective, the Swedish administration still enjoys a high level of public confidence. In order to avoid damaging public confidence in the Swedish administration, the Government and audited agencies need to develop controls, documentation and training to counteract conflicts of interest, fraud, errors and cheating.

² The fiscal policy framework – application by the Government in 2020 (RiR 2020:29).

³ Future tax revenues and changed energy use (RiR 2020:25).

Activities need to be followed up, evaluated and developed

Several of the Swedish NAO's audits provide examples of the need for the Government and agencies to improve their work on follow-up and evaluation. It is a question of following up and evaluating the effectiveness of the initiatives. This knowledge then needs to be used to develop initiatives and activities. These are observations that have been made in audits of several different central government initiatives.⁴

One example is the central government commitment to ensure veterinary services, where our audit shows that the governance of the Government and the Swedish Board of Agriculture has major shortcomings and that the Board of Agriculture does not ensure competition on similar terms. The deficiencies entail a risk that veterinary services will become deficient in some parts of the country, but since the Board of Agriculture does not actively follow up on this, there is no information on the situation.⁵

In the audit of the "The Elderly Care Initiative", we found that there were shortcomings in how experiences of the initiative were dealt with. The Elderly Care Initiative ran between 2010 and 2014 and included targeted central government grants totalling SEK 4.3 billion. As a central part of the initiative the Government decided that quality registers would be introduced in municipally funded health and social care of the elderly. The audit shows that while the quality registers contributed to significant improvements in quality and efficiency, the improvement work came to a halt after the initiative. The positive effects have thus not been passed on to all patients, which has made it difficult to maintain equality of care for the entire population. The Government should have had a plan for how the National Board of Health and Welfare should manage the results of the initiative in the long term. The Swedish NAO also considers that the State should take on a leading role in improving medical records systems in order to reduce administration and provide better conditions for equal care.⁶

In our audit of the special payroll tax for older people, we concluded that the Government's poor accounting makes it difficult to determine whether the tax reduction has indeed helped achieve the purpose — an increase in employment among older people. Our audit indicates that older people work more today than before, even without targeted tax relief. The results should be interpreted with caution, but suggest that the effects have probably been small or non-existent. The finding should be seen in the light of the fact that the reduced payroll tax for older people means SEK 33 billion in lost tax revenues during the period 2007–2019. From 2020 onwards, tax expenditure is expected to be to SEK 7 billion per year. In order to assess the employment impact of changing rules, the Swedish NAO Office therefore recommended that the Government

⁴ Efficiency at Swedish Prison and Probation Service prisons (RiR 2020:16); Industrial policy outcome evaluations— poor reliability (RiR 2020:30); Sida's guarantee operations – central government's work on guarantees in Swedish development cooperation (RiR 2020:21); Incentives detrimental to growth in the local income equalisation system? (RiR 2020:11).

⁵ The State's responsibility for veterinary services – the Swedish Board of Agriculture's governance and implementation (RiR 2021: 4).

⁶ The Elderly Care Initiative – effectiveness of central government investment in quality registers in elderly care (RiR 2020:19).

develop better decision-making data in the form of, among other things, specific follow-up and evaluation of the abolition of the special payroll tax for older people in 2019.⁷

The transport subsidy was introduced in 1971 and is one of three major budget items in the Regional development expenditure area of the central government budget. Annually, approximately SEK 350–450 million is paid out in transport subsidies to companies in the four northernmost counties. The subsidy is intended to compensate for cost disadvantages and to encourage an increase in value added for the companies' products.

Our audit shows that it is unclear to what extent the transport subsidy contributes to the objective of regional development and how it affects the climate. Over time, the majority of payments have reached roughly the same companies. In addition, a large part of the payments have long been made for transport of goods with relatively low levels of value added, such as sawn and planed timber products. There is also much evidence that the subsidy has had only a limited impact on the level of value added and business development in the regions. On the basis of the climate target decided by the Riksdag, the Government should also assess the climate impact of the transport subsidy in order to be able to take a position on whether and how the climate impact of the subsidy can be reduced. The benefits of the transport subsidy need to be weighed against its impact on climate emissions. Not least given that marginal costs of reducing climate emissions are expected to increase when cheap measures are not sufficient.⁸

A further example concerns targeted government grants. Although the Riksdag and the Government want to reduce the use of targeted government grants, there are about thirty government grants that aim in various ways to support socio-economically vulnerable areas.

The Swedish NAO has audited targeted government grants to counteract problems in vulnerable housing areas. One finding is that government grants would need to be designed so that they can be of more use, for example in schools and social services. The audit shows that grants aimed at recruiting and retaining staff in the areas have been the least successful. It has been difficult to recruit staff to the areas and staff turnover was high.

At an overall level, government grants clearly target existing needs. In order for them to have a better and longer-term effect locally, the Government needs to consider alternative solutions, such as multi-annual government grants. Decisions need to be preceded by an analysis of how the support should be designed in order to make a difference where intended. Government grants are currently designed in different ways and by different ministries responsible, and there are no guidelines or guidance on how they should be co-designed to contribute effectively.⁹

⁷ Special payroll tax for older people – reporting and effects (RiR 2020:24).

⁸ The transport subsidy – inadequate documentation and unclear achievement of objectives (RiR 2021:2).

⁹ Targeted government grants for socio-economically vulnerable areas (RiR 2020:14).

The Swedish NAO has made similar observations on the design in other previous audits of targeted government grants.¹⁰ The fact that support is targeted at major needs in urgent societal issues and, taken together, involves major resources, underlines the value of achieving greater efficiency.

The quality of the documentation needs to be improved during procurement

This year, as in the past, we have observed significant shortcomings in follow-up and cost estimates, despite the fact that the costs involve billions. Follow-up needs to be effective also when the State procures other providers.

Basic maintenance contracts for railways are an example. Our audit of the Swedish Transport Administration's work on railway maintenance shows, among other things, that the costs increased by an average of 74 per cent between the tender and the final payment in the contracts we have audited.¹¹ The audit, the same as our previous audit of road maintenance, shows that speculative pricing may be one of the reasons why the final bill is often much more expensive than estimated.¹²

It is of course difficult to estimate maintenance costs, but there are systematic differences in cost deviations between, for example, different regions, different contractors and different ways of designing contracts. The differences point to the need to improve the Swedish Transport Administration's knowledge of the plant and follow-up of maintenance. The Administration therefore needs to develop the ability to estimate maintenance needs in the future in order to be able to design better maintenance contracts and enable the State to receive more maintenance for the money. Improved IT systems are needed to link information on purchased volumes, past costs, inspection results and the state of the railway plant to analyse the future maintenance needs. The information would then have to be linked to the maintenance costs. The contractor's commitment could then be described more clearly and accurately in the contracts. The risk of cost increases resulting from speculative tenders could be minimised and procurement could contribute more to efficient maintenance in the long term.¹³

Follow-up of suppliers to the Swedish Public Employment Service also needs to be improved, according to our audit. The largest service offered by the Employment Service to jobseekers is Support and Matching. In 2019, approximately 56,000 people participated in these activities and nearly SEK 800 million was paid out to the suppliers of the service. Jobseekers themselves choose the service provider. One observation is that there were weaknesses in how the service was followed up. The Employment Service registered, documented and investigated any complaints against suppliers to varying degrees. It is therefore not guaranteed that any deficiencies will be remedied. To ensure that the service procured is of high quality, the Employment Service needs to

¹⁰ For example, Financial support for renovation and energy efficiency – a focused initiative in certain housing areas (RiR 2019:25) and Financial support to municipalities for increased housing construction (RiR 2019:20).

¹¹ Operation and maintenance of railways – extensive cost deviations (RiR 2020:17).

¹² Operation and maintenance of public roads – considerably more expensive than agreed (RiR 2019:24).

¹³ Operation and maintenance of railways – extensive cost deviations (RiR 2020:17).

monitor and follow up suppliers more systematically. Complaints from participants to employment officers are an important way of obtaining information about supplier deficiencies, and the information should then be used to improve the system¹⁴.

The Government and agencies need to do more to maintain confidence in Swedish public administration

The Swedish NAO has audited whether central government agencies' automated decision-making is effective, efficient and legally certain. Central government agencies started to automate decision-making already in the 1970s, and in 2019 13 government agencies made 121 million automated decisions in relation to individuals and businesses. The large scale underlines the importance of the proper functioning of controls.

Our conclusion is that automation of decision-making processes has led to reduced costs for agencies and shorter waiting times for individuals, while improving legal certainty, in terms of more equal treatment and predictability. However, the audit shows that there are shortcomings in ensuring that the automated decisions are correct and that errors and fraud are followed up. The agencies have put too much focus on keeping costs low and too little on control. This can have major consequences for individuals and businesses and risks reducing confidence in public administration. According to the Swedish NAO, the Swedish Social Insurance Agency, the Swedish Tax Agency and the Swedish Transport Agency should follow up their automated decisions to ensure that they are correct. The agencies also need to improve the management of cases with a high risk of fraud and errors.¹⁵

Furthermore, confidence in Finansinspektionen (Swedish Financial Supervisory Authority) was a key reason for auditing its work to counter conflicts of interest within the agency. Finansinspektionen has extensive exchange of staff with the financial sector. This risks undermining confidence in the authority's ability to independently issue rules, grant licences and supervise the financial industry.

The audit shows that Finansinspektionen has the most important tools in place in the form of rules, guidelines and work processes, but that more needs to be done to maintain confidence. Training and information efforts need to be increased, and Finansinspektionen needs to make it easier for staff to interpret the rules on conflicts of interest and to develop control and follow-up of the effectiveness of rules and initiatives. Reporting and decisions on conflicts of interest also need to be documented to a greater extent to increase transparency. This is important given that every third manager and half of the case officers come from the financial sector and about as many go there when they leave the authority. There is therefore a risk of employees promoting their own interests or of being so formed by the sector's values that they find it difficult to be impartial in their exercise of public authority.¹⁶

¹⁴ Support and matching – a free choice system for jobseekers (RiR 2020:13).

¹⁵ Automated decision-making in public administration – effective and efficient, but inadequate control and follow-up (RiR 2020:22).

¹⁶ Finansinspektionen's work to combat conflicts of interest (RiR 2020:18).

A final example concerns the Swedish NAO's audit of whether the Police Authority's work with vulnerable areas is appropriate. In vulnerable areas, insecurity and crime are significantly higher than in the rest of the country and confidence in the State, and ultimately its legitimacy, may be affected.

Despite a sharp increase in appropriations and government assignments, staffing within the Police Authority remains a difficult challenge, not least in vulnerable areas. A third of the local police districts that have vulnerable areas have not achieved the target of having at least one community police officer per 5,000 inhabitants working long-term with protected contact, crime prevention and security-building activities. The Police Authority has allocated one third of the resources in recent years to local police districts with vulnerable areas. However, the Police Authority does not follow up on the allocation of resources, and therefore cannot show the proportion of resources that have actually benefited vulnerable areas. The Police Authority needs to ensure that resources actually go to the vulnerable areas, so that the police are able to conduct long-term and adapted work in these areas as decided.¹⁷

2.3 Organisation, responsibility and coordination

The effectiveness and efficiency of central government initiatives often depend on how implementation is organised, how responsibility is allocated and efforts are coordinated. Our main findings over the past year show that shared responsibilities and poor exchange of information between agencies can lead to inefficiencies. It is a matter of shortcomings in how agencies utilise the potential of digitalisation and about unclear divisions of responsibility. For coordination to work effectively, it is important that the division of responsibilities between agencies is clear. We have also seen examples of how, in some cases, developments in society may mean that regulations need to be reviewed and adapted to new circumstances.

Shared responsibilities between agencies can lead to inefficiencies

There may be reasons for agencies to share responsibility for the planning, implementation and follow-up of an activity. However, in some cases, where several agencies are involved in decisions and payments within the same appropriation item in the central government budget, responsibilities become unclear and result in unnecessarily many transfers of appropriations between agencies.

The Swedish NAO has audited several types of central government support where responsibility for the appropriation item in the central government budget is divided in such a way that one agency decides to grant the support while one or more other agencies handle the payments. The background to our decision to move on to audit shared responsibility between agencies is that it has been recognised as an indication of problems, including in the Swedish NAO's financial audit. It may be difficult to assess how much of an appropriation item has actually been spent when the agency in charge of the appropriation does not pay out the support directly to the final recipient, but rather sends funds to another government agency which in turn makes the payment.

¹⁷ The right measure in the right place – police work in vulnerable areas (RiR 2020:20).

This means that the authorisation framework is sometimes exceeded and has led to modified auditor's reports within financial audit.¹⁸

Despite problem indications, the audit shows that the division of responsibilities between agencies can be well-balanced and effective in the context. However, there are also cases where simplifications should be made, mainly by reducing the number of government agencies involved. One example is investment support for solar cells, where the Swedish Energy Agency, the National Board of Housing, Building and Planning and the county administrative boards are involved. Another example is the Government Offices' decision on payments within international development cooperation, where the Legal, Financial and Administrative Services Agency and Sida carry out the payments in parallel.¹⁹

We saw a further example of the fact that unclear division of responsibility may lead to inefficiencies in the audit of labour exploitation, which is an increasing social problem. It is mainly foreign labour that is exploited and this involves working for unreasonably low wages, having very long working days, being in a dangerous work environment or having poor accommodation. In addition to the people affected, exploitation also risks distorting competition so that companies offering good working conditions are eliminated. One problem is that the existing regulatory framework does not provide good protection against exploitation. For example, it is not forbidden for an employer to charge for an employment contract, reclaim wages from an employee or to allow employees to live in poor conditions. It demonstrates the need for the State to review and adapt the regulatory framework to provide adequate protection against the abuses that may lead to labour exploitation.

Our audit shows that the Government's responsibility to counter the problem has failed in terms of organisation and coordination. The Government has not given the agencies a mandate or clear instructions to counter labour exploitation and central government initiatives have shortcomings in all respects. Agencies' inspections rarely lead to help for vulnerable workers. The police meet potential victims of labour exploitation when they check work permits, but seldom pass on cases for investigation into human trafficking. Several agencies carry out joint crackdowns against crime in working life, but do not check the employees' work situation. The Swedish NAO therefore recommends that the Government take a holistic approach to combat labour exploitation and give one agency the overall responsibility to coordinate the work.²⁰

Agencies need to be better at utilising the potential of digitalisation to interact and work effectively

Digitalisation affects all of society and issues concerning digitalisation, automation and robotisation will be central to public administration in the foreseeable future. Our findings in this area this year, as in previous years, often concern such matters as

¹⁸ See also Chapter 3.

¹⁹ State support with shared responsibility between agencies – Effectiveness and simplifications (RiR 2020:23).

²⁰ Government initiatives to combat labour exploitation – regulations, inspections, information and support to victims (RiR 2020:27).

agencies' capacity to share information, as well as the problems of obsolescent IT systems. The shortcomings often cause loss of efficiency.

Cooperation between agencies is made more difficult if there is uncertainty as to what information can be shared between them. For example, the uncertainty limits the cooperation between police and social services, which would need better support to be sure of what applies. The possibility for the police and social services to share information is an important element in crime prevention work, among other things to try to stop the new recruitment to criminal gangs.²¹

Digital administrative support needs to be improved for EU-controlled agricultural subsidies, as our previous audit has also shown.²² The shortcomings result, among other things, in adverse effects on the recipients of delayed payments. For other support, such as for the remediation of contaminated land, there is no IT-based administrative support at all. Many parts of the processing are currently done manually, which is time consuming and can lead to the processing not being sufficiently uniform. These problems are reinforced when it is one agency that develops the administrative support and another agency in practice is to process the cases.²³

Another audit shows that the measures taken by the Government to ensure a good balance between administration and core activities are not sufficient. The resources that have been released through the streamlining of administrative tasks are used for more and better support activities rather than to increase resources in the core activities. The Government needs to investigate whether the digitalisation of the agencies' administrative activities can be facilitated through increased coordination or improved legal conditions.²⁴

2.4 Central government responsibility for and internal need for skills supply

Training a sufficient number of people is necessary for efficient skills supply. Shortages in supply can lead to imbalances in the labour market affecting both public services, businesses and citizens. Central government has a responsibility to provide quality education. However, findings in our audit reports show that the Government's direction towards an expansion of higher education has not been effective in the absence of a sufficient number of eligible applicants. The internal governance of higher education institutions has also proved to be an obstacle to developing the quality of subject teacher education.

²¹ The right measure in the right place – police work in vulnerable areas (RiR 2020:20).

²² State support with shared responsibility between agencies – Effectiveness and simplifications (RiR 2020:23); The Rural Development Program 2014–2020 – design and implementation (RiR 2018:26).

²³ State support with shared responsibility between agencies – Effectiveness and simplifications (RiR 2020:23).

²⁴ Administration in central government agencies – changes in progress (RiR 2021:3).

The Government's efforts to supply skills need to be adapted to the activities concerned

There is a great shortage of labour in several occupational groups that are vital to society. The Government has tried to mitigate this shortage by instructing universities and other higher education institutions (HEIs) to increase the volumes of some education programmes for shortage occupations, especially medical training programmes, teacher and preschool teacher education and engineering programmes. However, assignments to HEIs have not contributed effectively to increasing the number of graduates in these shortage occupations. Not even half of the expansion targets set have been achieved.

The expansion assignments themselves are well motivated based on current labour shortages. However, the Government has not designed the assignments on the basis of the ability of HEIs to carry them out. The HEIs have not had enough time to plan and implement the expansion assignments, which have usually been given after the students applied for programmes and the HEIs had completed their staff planning. Far too low application levels and difficulties in organising enough places for practice-based training have also limited the expansion. The Government has not made any comprehensive follow-up or analysis of the initiatives and thus not either informed the Riksdag of the outcome of the expansion assignments. Our audit shows that the expansion of higher education in shortage occupations can be relevant and effective if there are many eligible applicants who are not admitted to the programmes. However, when there are not enough eligible applicants, the efforts should rather focus on raising the student completion rate and thus the number of graduates.²⁵

Shortcomings in higher education institutions' management of teacher education counteract quality improvements

School education is one of the areas at risk of failing to fulfil its remit unless skills supply is improved. Programmes for the education of teachers at the upper levels of compulsory school and upper secondary schools have long been criticised for their poor quality. Against this background we have examined whether governance at Gävle University College, Linnaeus University and Stockholm University provides subject teacher programmes and supplementary teacher education with good conditions for development. Subject teacher programmes are difficult to govern, since higher education institutions have many different tasks and many interests have to be taken into account. What benefits subject teacher education does not always benefit other parts of the higher education institution, and vice versa. How higher education institutions choose to handle this is of great importance to the standard of the programme. The Swedish NAO's audit shows that improved governance with clearer division of responsibilities and better coordination can help to counter quality deficiencies.²⁶

²⁵ Specific government assignments to universities and other higher education institutions – the Government's governance through design and follow-up (RiR 2021:1).

²⁶ Governance of programmes for subject teachers – an audit of Gävle University College, Linnaeus University and Stockholm University (RiR 2020:15).

3 The most important financial audit findings

The Swedish NAO's financial audit focuses on the risk of material misstatement in annual reports of the agencies and other organisations that the Swedish NAO audits. For the financial year 2020, the Swedish NAO audited 226 annual reports and submitted ten modified auditor's reports, which is the same number as for 2019. Most of the modifications relate to a lack of compliance by the agencies with ordinances governing appropriations and revenue. Two modifications concern errors in the presentation of results.²⁷

The most important findings concern shortcomings in the agencies' internal control where authorisation reports²⁸ remain a problem area. Authorisations to make commitments for future payments of appropriations amount to significant amounts for the State. In order for the Riksdag and the Government to be able to assess future fiscal space, the agencies' annual reports need to contain accurate and complete information. The Swedish NAO considers that there are a number of reasons why authorisations continue to create problems in the agencies' accounts:

- deficiencies in agencies' internal control
- deficiencies in the regulatory framework for what is a commitment
- deficiencies in the Government's governance of agencies.

Other findings point to shortcomings in the commercial soundness of the sale of operations, insufficient control of organisation grants paid and accumulated deficits in fee-based activities. As before, this year's audit shows that there are risks with shared responsibilities between agencies.

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.²⁹ In the following text, we elaborate on several of the modifications, together with important findings from our audit reports.³⁰

3.1 Governance, follow-up and reporting

Several of this year's findings relate to a lack of quality in authorisation reports; these concern shortcomings in the agencies' internal control, in the regulatory framework

²⁷ When there are material misstatements in the annual report the Swedish NAO issues a modified auditor's report.

²⁸ An agency needs an order authorisation to be able to enter into binding commitments that utilise future appropriations in accordance with the Appropriations Ordinance (2011:223). The Government issues such authorisations to agencies through the annual appropriation directions and a large number of agencies have a framework for authorisations in their appropriation directions. The Government, in turn, is governed by the authorisation frameworks decided by the Riksdag. The agencies must record commitments they have entered into under the authorisation as part of the appropriations accounting in the annual report.

²⁹ When there is particularly important information in the annual report that we wish to emphasise or that is necessary to understand the work of the Swedish NAO we can present information in the auditor's report.

³⁰ The Swedish NAO also issues audit reports when there are significant deficiencies in internal control. The deficiencies may have led to material misstatements in the annual report, but need not have done so. Where we refer to audit reports below, there may also be additional information in the audit file.

and in the Government's governance of agencies. Examples of this are that several agencies have exceeded the authorisation framework by having entered into commitments for periods after the final year of the order authorisation indicated by the Government in the respective agency's appropriation directions. Nor is it sufficiently clear in the Appropriations Ordinance and related regulations what constitutes a commitment that requires authorisation.

The Swedish NAO notes that there is a need for several different measures in order to improve the quality of reporting of authorisations. Such measures should include:

- clarification of the definition of what constitutes a commitment that the agencies must report in relation to an authorisation framework
- clarification of how agencies are to report intra-governmental commitments
- the Government's strengthening of requirements concerning agencies' internal control for authorisation reporting
- the Government Offices' improvement of the quality assurance of appropriation directions
- the creation of an accounting standard for long-term commitments between the Swedish state and international organisations.

Another finding concerns a sale which does not meet the requirements of commercial soundness in the State. As a result, it is not possible to assess whether the sale was below market value.

Despite the requirements for full cost coverage, several agencies have accumulated deficits in fee-based activities that are material, our audit shows. As a result, three agencies have received modified auditor's reports. The Swedish NAO considers that it is important that the agencies comply with the requirements for full cost coverage, or that the Government decides on other financing of the activities, so that unfunded deficits in central government activities do not occur.

Findings also show that agencies are deficient in the control of grants awarded to civil society organisations, and in the control of assets in the defence industry.

Deficiencies in agencies' internal control of order authorisations

The Swedish NAO has for a number of years pointed out that the agencies should strengthen internal control of order authorisations. Findings in this year's audit show that there are still deficiencies in controls at several agencies.³¹ The reporting is important because it shows the size of commitments made by government agencies on the basis of the framework decided by the Riksdag. On 31 December 2020, total outstanding commitments amounted to SEK 437.4 billion and the total authorisation framework was SEK 520.3 billion.

³¹ The authorisation report is subject to the same internal control requirements as ordinary accounting transactions, and the agency must keep a record on a current basis of the commitments and fulfilments the agency enters into based on an order authorisation under provisions in the Appropriations Ordinance. On the other hand, commitments are not covered by the obligation to keep accounting records laid down in the Bookkeeping Ordinance (2000:606), since decisions on grants do not qualify as a financial transaction.

All five agencies that have received a modified auditor's report for 2020 for exceeding authorisation frameworks have entered into commitments for periods after the final year of the order authorisation as specified by the Government in the appropriation directions.³² The agencies are the Swedish Board of Student Finance (CSN), the Swedish Geotechnical Institute, the National Board of Housing, Building and Planning and the County Administrative Board of Blekinge County, see Annex 2.

For a sixth agency, the Swedish Transport Administration, the Swedish NAO discovered material misstatements in the authorisation reporting when we audited a draft annual report. The agency managed to correct the misstatements before taking a decision on the annual report, but the Swedish NAO again notes that there are measures that the Transport Administration must take to strengthen internal control and quality assurance of the annual report.³³ The Swedish Transport Administration has a significant proportion of the State's total outstanding commitments, and errors in their calculation can have a significant impact on the central government annual report.

One of the reasons why agencies have problems in creating good internal control for authorisations is that they often lack IT systems to support their management. For several agencies, there are major manual processing elements, which increases the risk of errors. The use of system support can provide better control. Another reason is that it is often different parts of the organisations that are responsible for decisions and payments and for reporting commitments. The knowledge of the organisations dealing with commitments needs to be improved as well as the follow-up in relation to authorisation frameworks. The sharing of responsibilities between two or more agencies also contributes to difficulties in obtaining proper control of the commitments made.

Unclear rules about what commitments require authorisation from the Government

The rules about what constitutes a commitment requiring authorisation from the Government are not sufficiently clear. The regulations for the Appropriations Ordinance state that a commitment is a binding agreement or pledge which leads to future expenditure to be financed by appropriations. A pledge concerning a grant is binding if a document has been handed over to the beneficiary or if other circumstances show that the pledge is intended to be known. There is no more detailed description of what such circumstances could be, which means that it is unclear when a commitment arises. This, in turn, poses difficulties for the agencies to report commitments correctly.

Another observation made by the Swedish NAO is that it is unclear whether the Swedish Transport Administration's intra-governmental commitments should be included in the authorisation reporting.³⁴ The Transport Administration finances certain infrastructure assets with loans in the Swedish National Debt Office and allocates appropriations to pay interest and amortisation on the loans. The Swedish

³² For 2019 and 2018, we issued three and seven modifications respectively due to shortcomings in the management of future commitments.

³³ Audit report — Swedish Transport Administration's Annual Report 2020, ref. no. 3.1.2-2020-0599.

³⁴ Audit report — Swedish Transport Administration's Annual Report 2020, ref. no. 3.1.2-2020-0599.

Transport Administration has changed its accounting policy in 2020 for the Congestion Tax Stockholm appropriation³⁵. They no longer report the loans in the National Debt Office as outstanding commitments in the authorisation report. Nor does the Transport Administration record the loans as outstanding commitments³⁶ for the Congestion Tax Gothenburg appropriation.³⁷ However, commitments for interest on the loans are still included in the authorisation report. For two other appropriations, Interest and repayment of loans for roads and Interest and repayment of loans for railways, the Transport Administration still reports outstanding commitments for both loans and interest.³⁸

The Government has not clarified in the appropriation directions or in any other decision whether the loans are to be included in the Swedish Transport Administration's authorisation report. If the Transport Administration had reported outstanding commitments for loans on the congestion tax allocations, it would have exceeded the authorisation frameworks for both appropriations in the appropriation directions. Unclear rules have allowed the Swedish Transport Administration both to change its accounting policies and to apply different policies for different appropriations.

The National Financial Management Authority has assessed that the Swedish Transport Administration's reporting of outstanding commitments for loans and interest go beyond the provisions of the Budget Act.³⁹ However, the Financial Management Authority considers that there are good reasons for including the commitments in the authorisation reporting, since the Transport Administration will have to finance repayments and interest with future appropriations. At the same time, the Financial Management Authority notes that it may be appropriate to have separate accounts in order to clarify the proportion of outstanding commitments in the authorisation framework that relate to intra-governmental commitments.

The Swedish NAO considers that the Government's governance is unclear and that clearer rules are needed regarding intra-governmental commitments and whether they should be included in the authorisation reporting. Unclear rules allow authorities to adapt accounting policies in order to remain within authorisation frameworks. This may lead to the agencies committing more future appropriations than the Riksdag intended.

Finally, we can note that there are still no clear rules for managing Sweden's commitments in multilateral debt relief initiatives. Sida reports these commitments in its annual report on behalf of the Government. They are long-term and are divided into binding and non-binding commitments.⁴⁰ Sweden and the international organisations

³⁵ Expenditure area 22, appropriation 1:11 Congestion tax Stockholm.

³⁶ Expenditure area 22, appropriation 1:14 Congestion tax Gothenburg.

³⁷ The Swedish Transport Administration raised loans for the first time in 2020 for the congestion tax in Gothenburg.

³⁸ Expenditure area 22, appropriation 1:1, appropriation item 7.1 Interest and repayment of loans for roads and Expenditure area 22, appropriation 1:1, appropriations item 7.2 Interest and repayment of loans for railways.

³⁹ Interim report Financial management of the Swedish Transport Administration (ESV 2020:57).

⁴⁰ The commitments extend to 2044 and 2054.

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. It is difficult to apply the provisions of the Appropriations Ordinance to the commitments that the debt relief initiative involves, as the Appropriations Ordinance regulates how agencies may pledge appropriations, not the Government. The Swedish NAO notes that the financing of debt relief is unlikely to be the type of commitments that the Appropriations Ordinance is intended to regulate.⁴¹

Contradictory agency governance complicates authorisation reporting

The Government is sometimes unclear in its governance. The Swedish NAO has noted that there are discrepancies between the governance in appropriation directions on the one hand, and in the ordinances governing agencies' payment of support, on the other. This applies, for example, to support for energy efficiency and renovation of multi-dwelling buildings where responsibility is shared between the National Board of Housing, Building and Planning and the County Administrative Boards. The county administrative boards take decisions on grants under the Ordinance on Support for Renovation and Energy Efficiency in certain housing areas (2016:837). Under the Ordinance it is possible for the county administrative boards to take decisions going beyond the final year of the National Board of Housing, Building and Planning's authorisation framework in accordance with the appropriation directions.⁴²

Another example is the Swedish Board of Student Finance (CSN), which grants driving licence loans in accordance with the Ordinance on Driving Licence Loans (2018:1118). The Ordinance allows CSN to extend the period of validity of the loans beyond the final year of the appropriation's authorisation framework in CSN's appropriation directions.⁴³

The Swedish NAO has also observed that wording in government decisions is sometimes formulated in such a way that it is not clear that there is a commitment requiring authorisation reporting. One example is a commitment by the State to Business Sweden of SEK 122 million.⁴⁴ By simply instructing the Legal, Financial and Administrative Services Agency to pay SEK 22 million in 2020, the Government considered that an order authorisation is not needed for the appropriation. The Swedish NAO does not share this view, but considers that there is a central government commitment of an additional SEK 20 million per year for the next five years.

The National Financial Management Authority has replied to a question from the Legal, Financial and Administrative Services Agency that they consider that the State has a commitment, but that the decision does not show that it is the Legal, Financial and Administrative Services Agency that has the payment responsibility for 2021–2025. The commitment is therefore not disclosed in the annual report of any agency.

⁴¹ Swedish International Development Cooperation Agency (Sida) Audit Report — Annual Report 2017, ref. no. 3.1.2-2017-0638.

⁴² Auditor's report for the National Board of Housing, Building and Planning 2020, ref. no. 3.1.2-2020-0492.

⁴³ Auditor's report for the Swedish Board of Student Finance 2020, ref. no. 3.1.2-2020-0631.

⁴⁴ Government Decision N2019/03242/JL.

Shortcomings in commercial soundness of the sale of operations

The Swedish Meteorological and Hydrological Institute (SMHI) discontinued and sold the international part of its maritime business area in 2020. The sale does not meet the commercial soundness requirements laid down in Section 7 of the Ordinance on Transfer of Central Government Movable Property (1996:1191). The meaning of commercial soundness when selling state property is made clear for example in the legislative history of the Budget Act (2011:203).⁴⁵ Agencies must ensure that:

- the price will be as advantageous as possible for the State
- no sales will be made below market value
- no extraneous considerations will be made.

The Government must ensure that the sale of state property is made in accordance with the Budget Act. The Government has therefore adopted the Ordinance on Transfer of Central Government Movable Property, which applies to agencies under the Government.

SMHI has not carried out an external valuation of the assets in the business area, nor has it offered the business area for general sale. SMHI also allowed the buyer, the former head of the business area, to contact customers before the sale was completed. As a result, it is not possible to assess whether the sale was below market value. SMHI has not been able to demonstrate that the transaction was advantageous to the State.⁴⁶

Deficit in fee-based activities

The Swedish Civil Contingencies Agency, Nationalmuseum and the National Archives have received modified audit reports. The reasons are that they have significant accumulated deficits in fee-based activities without the possibility of self-remedying the deficits for a foreseeable period of time.⁴⁷

For the Civil Contingencies Agency and Nationalmuseum, the COVID-19 pandemic has contributed to increasing deficits in 2020, and this is the first year they have received modifications due to deficits. The National Archives received the corresponding modification also in 2019.

⁴⁵ Govt. Bill 1995/96:220 Central Government Budget Act, legislative history. Section 29 and Sections 10.2 and 10.4.

⁴⁶ Auditor's report for Sweden's Meteorological and Hydrological Institute 2020 and Audit Report — Sweden's Meteorological and Hydrological Institute Annual Report 2020, both under ref. no. 3.1.2-2020-0549.

⁴⁷ The Swedish NAO usually modifies the auditor's report due to deficits in fee-based activities when the following circumstances exist: 1) the activities must be carried out with full cost coverage; 2) the deficits are significant; 3) the deficits have existed for several years; 4) we consider that the agency cannot bring its finances into balance in the foreseeable future.

Fee- based activities

Many agencies finance parts of their activities with fees. The fees must be calculated in such a way that they cover the costs of the activity, in accordance with Section 5 of the Fees Ordinance (1992:191). This means that the fees must be calculated in such a way that the revenue over one or a few years covers the costs of the activity. It is therefore permissible for a limited period of time for fee-based activities to be in deficit. It is the task of the agencies to calculate the fees so that they cover the costs of the activity. The agencies are not in a position to cover deficits by means of appropriations, for example, without the consent of the Government.

For several years, the Civil Contingencies Agency has accumulated a deficit in its contract training programmes. The reasons for the deficit are several, including a too low occupancy rate for the Agency's residential activities in relation to the activities' dimensioning and fixed costs. In 2020, residential activities were suspended for most of the spring due to the COVID-19 pandemic, and the deficit increased substantially. The Civil Contingencies Agency has submitted a formal request to the Government to cover the accumulated deficit with appropriations at the same time as they are planning to increase the fees from 2022 onwards in order to balance the finances. According to the 2021 appropriation directions, full cost coverage remains in place and the Civil Contingencies Agency has not received appropriations to cover the accumulated deficit.⁴⁸

Nationalmuseum may charge fees for the sale of goods in the museum's shops. There is an accumulated deficit in these operations of several years because the museum was closed for renovation in 2013–2018. In 2020, the COVID-19 pandemic contributed to an increase in the deficit as the museum has been closed for much of the year. Nationalmuseum has reduced the shops' costs by accounting for their activities in a different way in the 2020 annual report. Among other things, costs for premises and staff have been recorded in the part of the operations that is appropriations-funded.

The measures taken by Nationalmuseum are not in line with the Fees Ordinance, which requires agencies to consult the National Financial Management Authority if they intend to significantly change a fee. Under the National Financial Management Authority's regulations and general advice, significant changes mean, for example, changes in the calculation of costs to be covered by fees. In addition, Nationalmuseum has not documented the measures in such a way that we can determine whether the costs of the shop operations are more correct. The Swedish NAO's assessment is that the measures are not in accordance with the requirement for full cost coverage and that Nationalmuseum to some extent reports costs of shop operations in 2020 that are too low. Nationalmuseum has made a formal request to the Government and asked to finance half of the accumulated deficit with appropriations. The Government granted the request on 24 March 2021.⁴⁹

⁴⁸ The auditor's report for the Swedish Civil Contingencies Agency 2020, ref. no. 3.1.2-2020-0467.

⁴⁹ Auditor's report for the Nationalmuseum 2020 and Audit Report — Nationalmuseum's Annual Report 2020, both with ref. no. 3.1.2-2020-0622.

The National Archives have a deficit in the Digitalisation Services. The agency received a modified auditor's report for the corresponding deficit also in 2019. At the end of 2020, the National Archives submitted a request to the Ministry of Culture to receive appropriations to cover the deficit, or to postpone the treatment of the deficit indefinitely. The National Archives have not taken any other measures or established a plan to reduce the accumulated deficit.⁵⁰

The National Archives need to strengthen their financial follow-up

2020 is the second year in a row that the National Archives have received two modifications in its auditor's report. Both modifications are a consequence of shortcomings in the agency's fee-based activities. One of the modifications is described above and is due to a significant accumulated deficit in a fee-based activity that the National Archives cannot resolve. The second modification concerns fee-financed activities that do not require full cost coverage. The National Archives lack procedures for ongoing follow-up of these activities, which in 2020 has led to uncertainty in

- the proportion of the costs of the activities that the fees will cover
- the amount of appropriations that the agency needs to use to cover the deficit in the fee-financed activities
- forecasts of the agency's 2020 appropriation expenditure.

After the end of the year, it became apparent that the fees from the activities covered a smaller part of their costs than the National Archives estimated in 2020. As a result, the National Archives have had to use more appropriations to cover the deficit in these activities than shown by the agency's forecasts for 2020. As a result, the National Archives have exceeded the appropriation credit.⁵¹

It is unusual for an agency to receive two modifications in the auditor's report two years in a row. It is important that the National Archives take measures to improve financial follow-up and deal with the accumulated deficit.⁵²

Shortcomings in the processing and control of organisation grants

The Swedish Agency for Youth and Civil Society paid approximately SEK 1 billion in organisation grants in 2016–2020, of which SEK 290 million has been paid in 2020. The Swedish NAO considers that the Agency for Youth and Civil Society has several shortcomings in its processing and follow-up of the grants. The Agency should therefore strengthen the controls for organisation grants in order to avoid over-payment of grants or awarding grants to organisations that do not fulfil the conditions laid down in the grant regulations.⁵³

⁵⁰ Auditor's report for the National Archives 2020 and Audit Report — National Archives Annual Report 2020, both with ref. no. 3.1.2-2020-0606.

⁵¹ Auditor's report for the National Archives 2020 and Audit Report — National Archives Annual Report 2020, both with ref. no. 3.1.2-2020-0606.

⁵² The modifications in the 2019 auditor's report were due to the fact that the National Archives had exceeded its interest account credit and a significant accumulated deficit in a fee-based activity (this modification remains in 2020).

⁵³ Audit report — Shortcomings in the Swedish Agency for Youth and Civil Society's processing of organisation grants, ref. no. 3.1.2-2020-0517.

The size of organisation grants depends on the number of members and the number of member associations specified by the organisations in their grant applications. Part of the documentation used by the Agency for Youth and Civil Society in the assessment of grant applications is information in the audit reports of the organisations' auditors, which must include the number of members.⁵⁴ However, the number of members specified by the organisations' auditors in the audit report is not necessarily eligible for grants.⁵⁵ Consequently, the number of members may differ between what the auditor states in the audit report and what the organisation states in the application.

Often the organisations' auditors are lay auditors. The Agency for Youth and Civil Society does not impose any independence requirements on the lay auditors, which may mean that the auditor may have a vested interest in the organisation and the size of the organisation grant. Nor does the Agency specify any knowledge requirements for the lay auditors, which may mean that the auditor does not have sufficient knowledge of economics, accounting and auditing.

Overall, the Swedish NAO considers that the audit reports provide limited assurance and that the Agency for Youth and Civil Society should carry out further checks on the number of eligible members and member associations.

The Swedish NAO has also observed that the Agency for Youth and Civil Society does not achieve an acceptable level of control of the grants in a number of cases. For example, for an application, the Agency has chosen to request additional material for 8 out of 863 member associations that belong to the organisation. None of the 8 member associations fulfilled the eligibility criteria for grants. Nevertheless, the Agency did not carry out any checks on the other member associations, but paid an organisation grant of SEK 9.4 million based on the existence of 855 eligible member associations.

The Agency for Youth and Civil Society states that they have the opportunity to access further documentation from the organisations and to carry out supplementary checks to verify information provided by the organisations, in addition to the checks already carried out by the Agency. However, the Agency does not carry out such additional checks. The Swedish NAO considers that supplementary controls would have a preventive effect against grant fraud and provide increased assurance that the beneficiary organisations and their member associations meet the conditions laid down in the grant regulations.

Insufficient control of central government assets in the defence industry

Through the Swedish Defence Materiel Administration and the Swedish Armed Forces, the State owns and finances production facilities within the defence industry. These are called Defence Ownership in Industry and represent substantial amounts. Defence

⁵⁴ The grant regulations set out the information in grant applications that an auditor must review and certify in the audit reports for the respective organisation grants. The Agency for Youth and Civil Society has developed templates for the auditor to use. Among other things, the auditor must report the number of members and member associations according to the criteria set out in the template, and how the auditor has arrived at the respective numbers.

⁵⁵ This is the case if the member belongs to a member association that does not meet the requirements of the grant regulations. On the other hand, in the grant application, the organisation must indicate the number of eligible members in accordance with the conditions laid down in the grant regulations.

Ownership in Industry arises when the defence industry needs different types of facilities to be able to manufacture equipment ordered by the State through the Defence Materiel Administration and which the Defence Materiel Administration delivers to the Swedish Armed Forces. The Swedish NAO considers that there is uncertainty in the value of the facilities. Nor are they recorded as own facilities in the fixed assets register.

The Swedish NAO considers it important that central government has control over its assets and how industry uses them. Further, the Swedish NAO considers that Defence Ownership in Industry should be reported separately in the Defence Materiel Administration's fixed assets register and be subject to the same procedures for inventory and control as other assets. Regular inventory of an agency's facilities is important to ensure the existence and condition of the facilities.⁵⁶

3.2 Organisation, responsibility and coordination

Financial audit has previously indicated that there are risks associated with shared responsibilities between agencies. As shown in Chapter 2, performance audit has audited central government support where one agency takes a decision to grant the support while one or more other agencies are responsible for the actual payments. One of this year's modified auditor's reports is a consequence of a different type of shared responsibility between agencies.

Shared responsibility with unclear division of duties and responsibilities led to a modified auditor's report

Finansinspektionen (the Swedish Financial Supervisory Authority) has received a modified auditor's report because the Swedish War Insurance Committee⁵⁷ has exceeded an appropriation at the disposal of Finansinspektionen.⁵⁸

Finansinspektionen must carry out administrative and executive tasks for the Swedish War Insurance Committee, in accordance with Section 11 of the Ordinance with instructions for Finansinspektionen (2009:93). However, there are no detailed provisions or instructions on the division of duties between agencies. Since the War Insurance Committee is subject to the Government Agencies Ordinance, it is the management of the War Insurance Committee that is responsible for compliance with the requirements of Section 3 of the Government Agencies Ordinance. This means that the management is responsible to the Government to conduct the activities efficiently and effectively in accordance with applicable law and to report these activities reliably and fairly. While the Swedish War Insurance Committee is responsible for ensuring that the accounts are reliable and comply with applicable law, Finansinspektionen is responsible for compliance with the Appropriations Ordinance, as the appropriation is

⁵⁶ Audit Report — Defence Materials Administration's Annual Report 2020, ref. no. 3.1.2-2020-0462.

⁵⁷ The War Insurance Committee is an administrative agency under the Government that is subject to the Government Agencies Ordinance (2007:515), but is exempt from the Annual Reports and Budget Documentation Ordinance (2000:605). This means that the Committee does not prepare its own annual report. Instead, the Swedish War Insurance Committee is included as part of Finansinspektionen's annual report and is financed with an appropriation that falls under Finansinspektionen's appropriation.

⁵⁸ An appropriation is only available in the amount allocated, plus any savings and credit, in accordance with Section 6 of the Appropriations Ordinance.

at their disposal. The modified audit report shows that Finansinspektionen has exceeded the appropriation, but that it is the War Insurance Committee that has full responsibility for its activities.⁵⁹

The amount exceeding the appropriation is small — SEK 24,000. However, the Swedish NAO considers that the finding as such is important in principle because it highlights problems that may arise when the Government chooses to share responsibility between agencies, without further regulating the division of duties. There are at least 16 other agencies which, in the same way as the Swedish War Insurance Committee, are independent agencies responsible under the Government Agencies Ordinance and which are financed by appropriations, but which are exempt from preparing annual reports.

The Swedish NAO understands the ambition to reduce administration by allocating the appropriation to another agency for these smaller but independent agencies. However, we consider that there is reason to review the possibilities of regulating the division of duties and responsibilities so that it becomes clear what responsibilities each agency has under the Government Agencies Ordinance.

⁵⁹ Auditor's report for Finansinspektionen 2020, ref. no. 3.1.2-2020-0422.

Annex 1. Published performance audits

Since the Annual Report of the Auditor General for 2020 the following performance audit reports have been published in the period April to March 2021.

Riksdag Committee on the Labour Market

Support and matching – a free choice system for jobseekers (RiR 2020:13)

Government initiatives to combat labour exploitation – regulations, inspections, information and support to victims (RiR 2020:27)

Riksdag Committee on Civil Affairs

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Riksdag Committee on Finance

Incentives detrimental to growth in the local income equalisation system? (RiR 2020:11)

Targeted government grants for socio-economically vulnerable areas (RiR 2020:14)

Finansinspektionen's work to combat conflicts of interest (RiR 2020:18)

State support with shared responsibility between agencies – possible simplifications and improvements (RiR 2020:23)

Future tax revenues and changed energy use (RiR 2020:25).

The expenditure ceiling – different roles in different times (RiR 2020:28)

The fiscal policy framework – application by the Government in 2020 (RiR 2020:29)

Administration in central government agencies – changes in progress (RiR 2021:3)

Riksdag Committee on Defence

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Riksdag Committee on Justice

Efficiency at Swedish Prison and Probation Service prisons (RiR 2020:16)

The right measure in the right place – police work in vulnerable areas (RiR 2020:20)

Riksdag Committee on the Constitution

Automated decision-making in public administration – effective and efficient, but inadequate control and follow-up (RiR 2020:22)

Maintaining confidence – the Swedish Broadcasting Commission's review of public service companies (RiR 2020:26)

Riksdag Committee on Cultural Affairs

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Riksdag Committee on Environment and Agriculture

The State's responsibility for veterinary services – the Swedish Board of Agriculture's governance and implementation (RiR 2021: 4)

Riksdag Committee on Industry and Trade

Industrial policy outcome evaluations – poor reliability (RiR 2020:30)

The transport subsidy – inadequate documentation and unclear achievement of objectives (RiR 2021:2)

Riksdag Committee on Taxation

Special payroll tax for older people – reporting and effects (RiR 2020:24)

Riksdag Committee on Social Insurance

The route to work after refused sickness benefit (RiR 2020:12)

Riksdag Committee on Health and Welfare

The Elderly Care Initiative – effectiveness of central government investment in quality registers in elderly care (RiR 2020:19)

Riksdag Committee on Transport and Communications

Operation and maintenance of railways – extensive cost deviations (RiR 2020:17)

Riksdag Committee on Education

Governance of programmes for subject teachers – an audit of Gävle University College, Linnaeus University and Stockholm University (RiR 2020:15)

Specific government assignments to universities and other higher education institutions – the Government's governance through design and follow-up (RiR 2021:1)

Riksdag Committee on Foreign Affairs

Sida's guarantee operations – central government's work with guarantees in Swedish development cooperation (RiR 2020:21)

Annex 2. Modifications and information in auditor's reports for 2020

The Swedish NAO has issued auditor's reports for 226 agencies and other organisations for the 2020 financial year. The Swedish NAO has issued modified auditor's reports for ten agencies. All our modifications were through a qualified opinion on one or more statements. Two agencies or other organisations have received information in the auditor's report.

The Swedish NAO's financial audit reviews the annual accounts of government agencies⁶⁰, 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 ISSAIs (International Standards for Supreme Audit Institutions), which 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.⁶¹

There are no international standards for audit of agencies' performance reporting that stipulate how the audit is to be conducted. 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.

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

⁶⁰ Sections 3 and 5 of the Act on Audit of State Activities etc. (2002:1022) state that the Swedish National Audit Office shall audit the annual accounts of the State, the Government Offices and (with the exception of the Swedish Pensions Agency) the agencies under the Government. In addition, the Swedish NAO is to audit the annual accounts of the Riksdag Administration, the Parliamentary Ombudsmen, the Riksbank (Swedish central bank) and Stiftelsen Riksbankens Jubileumsfond (Bank of Sweden Tercentenary Foundation), the Royal Palace Administration and the Royal Djurgården Administration.

⁶¹ This applies with the exception of the audit of the Central Government Annual Report, the Government Offices, the Royal Palace Administration and the Royal Djurgården Administration. In those cases no assessment is to be made of whether the administration by the management complies with relevant provisions and special decisions.

- 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.
- We make the last statement of opinion only for the agencies governed by the Ordinance on Internal Control (2007:603).

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

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:

Different types of modifications due to material misstatement in the annual report

- **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 2020.

Modified opinions in the form of an adverse opinion

The Swedish NAO has not issued any adverse opinions for 2020.

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 Annual Reports and Budget Documentation Ordinance (2000:605), instructions, appropriation directions and other decisions for the agency
- presented a true and fair view of the agency's financial performance, financing and financial position as at 31 December 2020
- 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.

Swedish Agency for Health and Care Services Analysis

In its annual report the agency does not report any breakdown of its total income and expenses. This is not consistent with Chapter 3, Section 2 of the Annual Reports and Budget Documentation Ordinance (2000:605).

Swedish Centre for Architecture and Design

In its annual report the agency does not report any breakdown of its total income and expenses. This is not consistent with Chapter 3, Section 2 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 National Board of Housing, Building and Planning

The National Board of Housing, Building and Planning has entered into commitments extending after the final year in the order authorisation for expenditure area 18, appropriation 1:7, appropriation item 1 Energy efficiency and renovation of multi-dwelling buildings. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223). Commitments after the final year 2021 amount to SEK 35,467,000. (See page 121 of the annual report).

Swedish Board of Student Finance

The Swedish Board of Student Finance has entered into commitments extending after the final year in the order authorisation for expenditure area 22, appropriation 1:13, appropriation item 1 Loans for driving licences. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223). Commitments after the final year 2022 amount to SEK 70,000. (This is shown in note 30 on page 102 of the annual report).

Finansinspektionen (Swedish Financial Supervisory Authority)

Finansinspektionen (the Swedish Financial Supervisory Authority) has exceeded the appropriation credit for expenditure area 2 appropriation 1:1, appropriation item 3

Swedish War Insurance Committee by SEK 24,000. This overrun means that the agency did not comply with Section 6 of the Appropriations Ordinance (2011:223). (The overrun is shown on page 82 of the annual report). The Swedish War Insurance Committee has full responsibility for its activities in accordance with the Government Agencies Ordinance (2007:515), but it is the agency that has been allocated the appropriation that is responsible for compliance with the Appropriations Ordinance.

Blekinge County Administrative Board

Blekinge county administrative board entered into new commitments in 2020 for expenditure area 19, appropriation 1:1, appropriation item 9 Regional growth measures. According to the appropriation directions, the appropriation and authorisation framework may only be used for payments in respect of financial commitments made in 2019 and previous years. The county administrative board's new commitments are not consistent with Sections 10 and 17 of the Appropriations Ordinance (2011:223). The commitments in 2020 amount to SEK 1,049,000 of which SEK 400,000 has been paid out during the year.

The Swedish Civil Contingencies Agency

The Swedish Civil Contingencies Agency has for several years accumulated an increasing deficit for the fee area Contract education, board and lodging etc. The accumulated deficit amounts to SEK 22,267,000 as at December 31, 2020. It is not consistent with the financial objective for Contract education, board and lodging etc., which under Section 5 of the Fees Ordinance (1992:191) must be calculated so that the fees fully cover the costs of the activity.

Nationalmuseum

Nationalmuseum has accumulated an increasing deficit over several years for the fee area Sale of goods. The accumulated deficit amounts to SEK 6,479,000 as at 31 December 2020. It is not consistent with the financial objective for Sale of goods, which under Section 5 of the Fees Ordinance (1992:191) must be calculated so that the fees fully cover the costs of the activity.

The National Archives

The National Archives have exceeded the appropriation credit for expenditure area 17 appropriation 6:1, appropriation item 1 The National Archives by SEK 1,417,000. This overrun means that the agency did not comply with Section 6 of the Appropriations Ordinance (2011:223). The overrun is presented in the annual report.

The National Archives have accumulated an increasing deficit over several years for the fee area Digitalisation services. The accumulated deficit amounts to SEK 25,134,000 as at 31 December 2020. It is not consistent with the financial objective for Digitalisation services, which under Section 5 of the Fees Ordinance (1992:191) must be calculated so that the fees fully cover the costs of the activity.

Swedish Geotechnical Institute

The Swedish Geotechnical Institute has entered into commitments extending beyond the final year of the order authorisation for expenditure area 20, appropriation 1:4, appropriation item 4 Remediation and restoration of contaminated sites. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223). Commitments after the final year 2023 amount to SEK 1,694,000. (This is shown on page 54 of the annual report).

Swedish Meteorological and Hydrological Institute

The Swedish Meteorological and Hydrological Institute discontinued its global maritime operations in 2020. In connection with the close-down the agency sold assets. The sale was not carried out in accordance with the commercial soundness requirements laid down in Section 7 of the Ordinance on Transfer of Central Government Movable Property (1996:1191).

Swedish Institute

The Swedish Institute has entered into commitments extending after the final year in the order authorisation for expenditure area 7, appropriation 1:1, appropriation item 11.7 Skills supply through higher education. This is not consistent with Section 17 of the Appropriations Ordinance (2011:223). Commitments after the final year 2022 amount to SEK 210,000. These commitments are not specified in the authorisation report in the annual report.

Information in the auditor's report

Information referring to the following opinion 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 Annual Reports and Budget Documentation Ordinance (2000:605), instructions, appropriation directions and other decisions for the agency
- presented a true and fair view of the agency's financial performance, financing and financial position as at 31 December 2020
- 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.

Swedish Pensions Agency

Other matter paragraph

Section 4.12 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 NAO.

Information referring to the following opinion in the auditor's report:

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

- prepared the financial components of the Central Government Annual Report (Chapter 3) in accordance with Chapter 10, Sections 5-10 of the Budget Act
- provided information in addition to the financial components in accordance with Chapter 10, Sections 5-10 of the Budget Act, which is consistent with the financial components of the annual report.

Central Government Annual Report

Other matter paragraph

The Annual Report was prepared in accordance with the requirements of the Budget Act (2011:203). The Budget Act provides greater freedom for the Government to decide what should be included in the annual report and the accounting policies that are to be applied other than other frameworks, such as the Annual Reports and Budget Documentation Ordinance (2000:605). Selected accounting policies are shown in Chapter 3.

The Swedish NAO is an authority under the Riksdag tasked with auditing central government agencies and activities. Through our 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.

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. 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.

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