



Summary and recommendations

One of the responsibilities of the Swedish Transport Administration is for research and innovation in the field of transport. The agency has about SEK 520 million at its disposal annually for this purpose. In autumn 2017 the Swedish NAO's annual audit drew attention to deficiencies in a specific project that had received research grants after consultation between the Swedish Transport Administration and the Swedish Maritime Administration. In all the Swedish Maritime Administration paid out SEK 44 million to the project in 2013–2016.

The financing of the project has ceased and the auditors' reports for the Swedish Maritime Administration and the Swedish Transport Administration were not affected, since they focus on the agencies' respective annual reports, where the amounts in question in that context are small. The deficiencies in the individual case were, however, so extensive that the Swedish NAO considered it justified to conduct a performance audit of the general management of research and innovation support in the field of transport.

The purpose of the audit was to examine the Swedish Transport Administration's risk assessments and established procedures for processing research grants. The overall

question is whether the Swedish Transport Administration ensures good management of the appropriations at its disposal for research and innovation and whether internal control of the research and innovation operations is satisfactory. The audit focuses on research and innovation support from the perspective of financial administration and does not address the benefit of the research that has received support. The following audit questions were examined:

1. Is the Swedish Transport Administration's risk analysis for research and innovation activities appropriate?
2. Are the Swedish Transport Administration's established procedures for processing research and innovation support appropriate?
3. Is the Swedish Transport Administration's internal control satisfactory for processing support to individual research projects?

Audit findings

The Swedish Transport Administration attaches great importance to ensuring that the research and innovation support provided by the agency is relevant and justified by the agency's main remit. The Swedish NAO's audit shows, however, that the agency's internal control has not been given priority to the corresponding extent, as regards risk analysis and procedures for research and innovation activities as well as in processing research grants. The conclusion highlights the previous findings of the financial audit concerning assurance and control in several agencies that have a research supporting role, as well as the recommendation by the auditors general to the Government in the 2017 annual report concerning a general review and reinforcement of the control system for grants to research, development and innovation.

There is no risk analysis of research and innovation activities

The audit shows that the Swedish Transport Administration has not carried out a risk analysis specifically for research and innovation activities or made regular follow ups in compliance with the requirements of the Ordinance on Internal Control (2007:603). The agency's internal regulations on risk management are not applied in the research and innovation activities. The Swedish NAO wishes at the same time to emphasise that the financial audit has regularly made the assessment that the Swedish Transport Administration's overall internal control process is satisfactory and that the requirements of the Ordinance on Internal Control are met.

Weak financial administration procedures for processing research and innovation support

The audit shows that there is an overall process for the preparation and decision-making on research and innovation support. A procedure for portfolio management describes the process and how the procedures for processing research and innovation support should be designed. Information about projects on which decisions about support are based is gathered in a project specification. The Swedish NAO's audit shows, however, that policy documents are weak as regards assessment and follow-up of financial administration procedures for processing individual research and innovation projects, such as assessment of budget and cost levels. The policy documents are not considered to regulate sufficiently clearly how risks should be assessed and managed. The lack of clear guidelines increases the risk that the processing will be inconsistent and that important aspects will not be taken into account.

Deficiencies in processing of research and innovation support

Apart from risk analysis and established processing procedures the Swedish NAO has audited decision support data, agreements and follow-ups for a sample of research projects that have received research and innovation support from the Swedish Transport Administration. The sample refers to 15 projects started and 15 projects completed since 1 January 2017. The audit shows that there are several deficiencies in how the projects have been dealt with. These mainly refer to the follow-up of whether grants paid out comply with agreed conditions. All 15 completed projects audited lack any documented assessment of compliance with conditions for research and innovation support and no final financial reports have been submitted by the projects concerned. Despite this the Swedish Transport Administration has made final payments to the projects. In addition, in most of the audited projects, invoicing has been carried out in accordance with a payment plan and not on the basis of accrued expenses. In other words, there is no documented material for accrued expenses in the majority of the research projects audited.

The Swedish NAO has also highlighted two projects where it may be questioned whether the support is compatible with the conditions of the Swedish Transport Administration's research appropriation, since the projects have in part had other purposes than research and innovation.

Overall assessment

Overall, the Swedish NAO considers that the Swedish Transport Administration lacks several of the procedures that should be in place for the purpose of ensuring good management of the appropriations at the disposal of the agency for research and innovation support. The Swedish Transport Administration has communicated to the Swedish NAO that a need has been identified to strengthen the financial administration procedures and has started that work, for example by reviewing the formulation of agreements, templates for project applications and project plans as well as the case management system. To support this work, the Swedish NAO makes a number of recommendations to the Swedish Transport Administration. The work of developing and applying financial administration procedures in itself entails costs. Consequently, when establishing any control measures their cost should be set in relation to the identified risk.

Recommendations

Risk analysis

The Swedish NAO recommends that the Swedish Transport Administration strengthens its risk analysis within the research and innovation activities. Risk analyses should be prepared and followed up in accordance with the provisions of the Ordinance on Internal Control and the internal guidelines of the Swedish Transport Administration. Risks linked to the application of funds and fraud should be analysed.

Guidelines for processing of research and innovation support

The Swedish Transport Administration should draw up clear guidelines for the internal processing of research and innovation support based on a financial administration perspective. The preparation of the guidelines should be based on a risk analysis. The procedures should be adapted to the identified risks, which may vary between different types of grant and recipient.

Preparation for decisions on allocation

- The Swedish Transport Administration should review and clarify how risks are analysed and managed at project level.

- The Swedish Transport Administration should require that grant applications contain a detailed budget and that cost levels such as hourly rates for the grant recipient's own staff are specified.

Signed agreements

- The Swedish Transport Administration should review and clarify the form of remuneration in signed agreements.
- The Swedish Transport Administration should specify in agreements what a final report should contain in accordance with the Swedish Transport Administration's general provisions.

Follow-up

- The Swedish Transport Administration should require final reports in accordance with the requirements in the agency's general provisions and also require that the final reports contain a financial report.
- The Swedish Transport Administration should impose requirements as to the information invoices should contain to enable follow-up of compliance with agreed conditions. The payments should never be made before an agreement has been signed with the recipient of the support.
- Based on a risk assessment, the Swedish Transport Administration should review how the agency works with audit as a monitoring method when processing research and innovation support.
- The Swedish Transport Administration should ensure that the activities financed with the agency's research appropriation are in compliance with the appropriation conditions.