



RIKSREVISIONEN
The Swedish National Audit Office

RiR 2010:3 Summary

Many into one: fusions of government agencies

Summary

The express reason given by the Riksdag (Swedish parliament), the Government and individual government agencies for a number of 'single-agency reforms' – where several regional government agencies and a national coordinating agency or similar were fused into a single national agency – was that such a single agency would provide stronger guarantees of uniformity and equal treatment of citizens in case-handling and decision-making. The need for uniformity at the national level has been emphasised by both the Government and the Riksdag in connection with the reforms. A clearer structure, with designated top management and explicit chains of responsibility, is considered both to facilitate the uniform exercise of authority and to increase organisational flexibility.

Have the fusions led to greater uniformity?

In its audit, *Riksrevisionen* (the Swedish National Audit Office, SNAO) chose to focus mainly on whether the aim of greater uniformity in agency operations has been achieved. The audit of the single-agency reforms indicates that for individual citizens, it still matters where in Sweden or by whom a matter is examined. No unequivocal increase in uniformity can be seen in the types of cases examined by the SNAO at the Social Insurance Agency, the Tax Agency and the Prosecution Authority¹.

It should be added that the case types examined for all three agencies represent key aspects of their respective operations and that it is very important from a citizen's perspective that the extent of variation in those case types should be reduced.

Conditions for uniformity have improved

The fusions have made it easier to reallocate resources and cases among local offices through the abolition of the former boundaries between agencies, which constituted a legal obstacle.

The Social Insurance Agency, the Prosecution Authority and the Tax Agency have all taken measures to increase uniformity. Since the respective fusions, all three agencies have prioritised work to draw up national

¹ These post-fusion agencies' predecessors were: the National Social Insurance Board and 21 regional social-insurance offices; the National Tax Board and 10 regional tax authorities; and the Office of the Prosecutor-General and 6 regional public prosecution offices.

guidelines and manuals in order to support case-handling by their case officers/prosecutors and thus increase uniformity.

The Tax Agency and the Social Insurance Agency have also concentrated large parts of their operations in specific locations in order to improve conditions for uniformity. They hope that uniformity in case-handling will increase now that fewer case officers at fewer local offices deal with any given type of case.

Variation in throughput times has decreased at the Social Insurance Agency and only partially at the Tax Agency

One important aim of the fusions was to reduce variation in throughput times across different parts of Sweden. The SNAO's audit shows that only the Social Insurance Agency has succeeded in systematically reducing throughput-time variation since its fusion.

As regards the Tax Agency, it is difficult to distinguish any systematic improvement in throughput-time variation. Similarly, no systematic improvement in variation can be seen at the Prosecution Authority as regards either prosecutions or throughput times.

Differences in case-handling point to shortcomings in uniformity

The exercise of authority covers the process from determining what investigative measures are required to obtain adequate supporting documentation, to deciding how the applicable rules are to be interpreted and applied. The SNAO carried out its own study of case files, focusing on the part of the exercise of authority which is constituted by the case-handling process; this is the part where achieving uniformity should be easiest. We found that variation in case-handling between local offices and regions has not fallen to any significant extent. In fact, variation actually increased in one or two cases. While it is true that change is hard to bring about, the desired effects of the fusions should be clearly visible more than five years afterwards.

Why has uniformity not increased?

Representatives of the Government and the agencies expressed strong confidence that the organisational fusions would lead to greater uniformity. However, the SNAO's audit indicates that both the Government and the agencies underestimated the difficulties involved in achieving greater uniformity in case-handling and decision-making through this type of reform.

Case officers have difficulty assimilating the growing amount of information telling them how to perform their work

For all agencies, the reforms have led to an increased focus on direction and governance as regards legal issues and case-handling processes. However, it is clear from interviews at all agencies that case officers have found it difficult to assimilate the growing amount of information from head office telling them how to perform their work. Lack of time and difficulty finding the relevant documents are among the reasons given. At head-office level, there

has been limited monitoring of how this growing amount of information has been received and acted upon by case officers.

Less focus on the sharing of experiences

Several of the decisions to be made by case officers involve room for interpretation. The SNAO's audit shows that the way in which the head offices have controlled the case-handling process and directed the application of the law has reduced the number of naturally occurring opportunities to share experiences at the level of regions and local offices. Further, the audit also shows that the head offices have not taken any action to ensure that the need to share experiences will be met in the new organisation. The disappearance of the regional level seems to have prevented local offices from sharing experiences and discussing their practices in various case types.

Opportunities to reallocate resources/cases have increased, but they have not been fully used

Since the fusions, the agencies enjoy better opportunities to even out the workload across their entire organisation, which should make them better able to achieve the objective of reducing variation in case-handling. However, the SNAO's audit shows that the agencies lack a clear overview of day-to-day needs for resource reallocation.

Inadequate monitoring of how the law is applied and how cases are handled within the agencies

The agencies do not measure their operations in such a way that trends for uniformity in case-handling and decision-making can be followed over time. All of them lack tools to systematically monitor uniformity in their application of the law and their handling of cases. One problem associated with the new organisational structure, where there are fewer units, is that variation may become hidden in the statistics. Previously existing variation between local offices can now be hidden within the larger units. This may be interpreted to mean that variation has disappeared. The agencies need to monitor variation in their case-handling and decision-making to comply with the requirement, laid down in Section 3 of the Government Agencies Ordinance (SFS 2007:15), that their operations should be conducted efficiently and in accordance with the applicable legal provisions. To sum up, the agencies lack the information they would need to make decisions with a view to controlling and changing their operations in an appropriate manner.

The Government has not monitored the impact on uniformity

The audit also shows that the Government has not obtained sufficient knowledge about the impact that the reforms have exerted on uniformity in case-handling. Given the explicit aim to increase uniformity in the agencies' operations, the SNAO considers that the Government should have seen to it that such monitoring and reporting by the agencies took place. The absence of monitoring also entails that the Government lacks the information it would

need to exercise performance-based direction over the agencies with a view to increasing uniformity.

Cost and productivity trends at the agencies

For the Prosecution Authority, it was an explicit aim that its administrative costs should fall as a result of the fusion. Estimates of administrative costs in 2008 and 2004 show a reduction of about 2 per cent.

As regards the Tax Agency, there was also an express aim to make more efficient use of existing resources. While it was not possible in the present audit to investigate trends for overhead costs at the Tax Agency, an evaluation performed by the Tax Agency itself shows that it has almost halved its costs of financial and payroll administration since the fusion.

Negative effects of the fusions

The agencies' efforts to attain uniformity and make their organisations more efficient create new challenges for them. In its audit of single-agency reforms, the SNAO found indications that new problems have arisen in conjunction with the fusions that created the Social Insurance Agency, the Tax Agency and the Prosecution Authority.

The concentration of case types in specific locations entails that some case officers no longer handle cases that are geographically linked to the town where they work. At the Tax Agency, this has made case officers feel that they are no longer able to exploit their knowledge of local problems when scrutinising tax returns. The choices made by the Social Insurance Agency and the Tax Agency to concentrate large parts of their operations have helped create greater specialisation but also reduced the flexibility and increased the vulnerability of their organisations. Opportunities to transfer cases between officers decrease as the number of officers who have the knowledge required to handle individual case types becomes smaller.

Recommendations

The SNAO recommends that the agencies concerned should:

- develop an instrument for the systematic monitoring of variation in their exercise of authority (regardless of organisational structure);
- create opportunities for internal discussions on practices in the application of the law, so as to enable a more extensive consensus to form;
- ensure that the day-to-day needs for resource reallocation within the entire agency are met, so that the workload can be distributed more evenly.

The SNAO recommends that the Government should:

- instruct the agencies to monitor variation in their case-handling and require the agencies to report back to it;
- evaluate and monitor whether the fusions to create single agencies have achieved their aims;
- adapt, against the background of the information that will emerge from such monitoring, the performance-based direction it exercises on an ongoing basis over the agencies.