

# ANNUAL REPORT OF THE AUDITORS GENERAL 2010



RIKSREVISIONEN  
The Swedish National Audit Office

ISBN 978-91-7086-227-4

RiR 2010:12

Graphic design: AD&D Advertising AB

Photo: Linus Hallgren, all pictures except page 32 (Fotolia)

Printed by: Östertälje Tryckeri

For the Government

Date: 1 June 2010

Ref. No.: 30-2010-0295

# Annual Report of the Auditors General 2010

Under Section 12 of the Act on the Audit of Government Activities (SFS 2002:1022), the most important observations made in performance and financial audits are to be gathered in an annual report. Our annual report for 2010 is hereby submitted to the Government. It is submitted at the same time to the Board of *Riksrevisionen* (the Swedish National Audit Office, SNAO).

This year's report takes as its starting points some of the reforms that have been carried out in central-government operations and certain changes that have taken place in the outside world over the past few years. The first chapter of the report deals with the impact of the new requirements that the Government has imposed on government agencies as regards their internal control and their reporting. We then present the overall conclusions from our most recent audits of the restructuring of public administration, the Government's sale and management of state-owned enterprises and changes in the labour-market field.

In the final section of the report we present the findings from our audits of the Government's reporting on the commitments and risks of the central-government sector, an issue that has gained in importance against the background of the ongoing financial crisis.

Auditors General *Eva Lindström*, *Claes Norgren* and *Jan Landahl* have had the right of decision regarding this report. Audit Director *Ann-Mari Skorpén* has been in charge of making presentations. Chief Operating Officer *Anette Wik* and Assistant Chief Operating Officer *Inge Danielsson* have participated in the finalisation of the report.

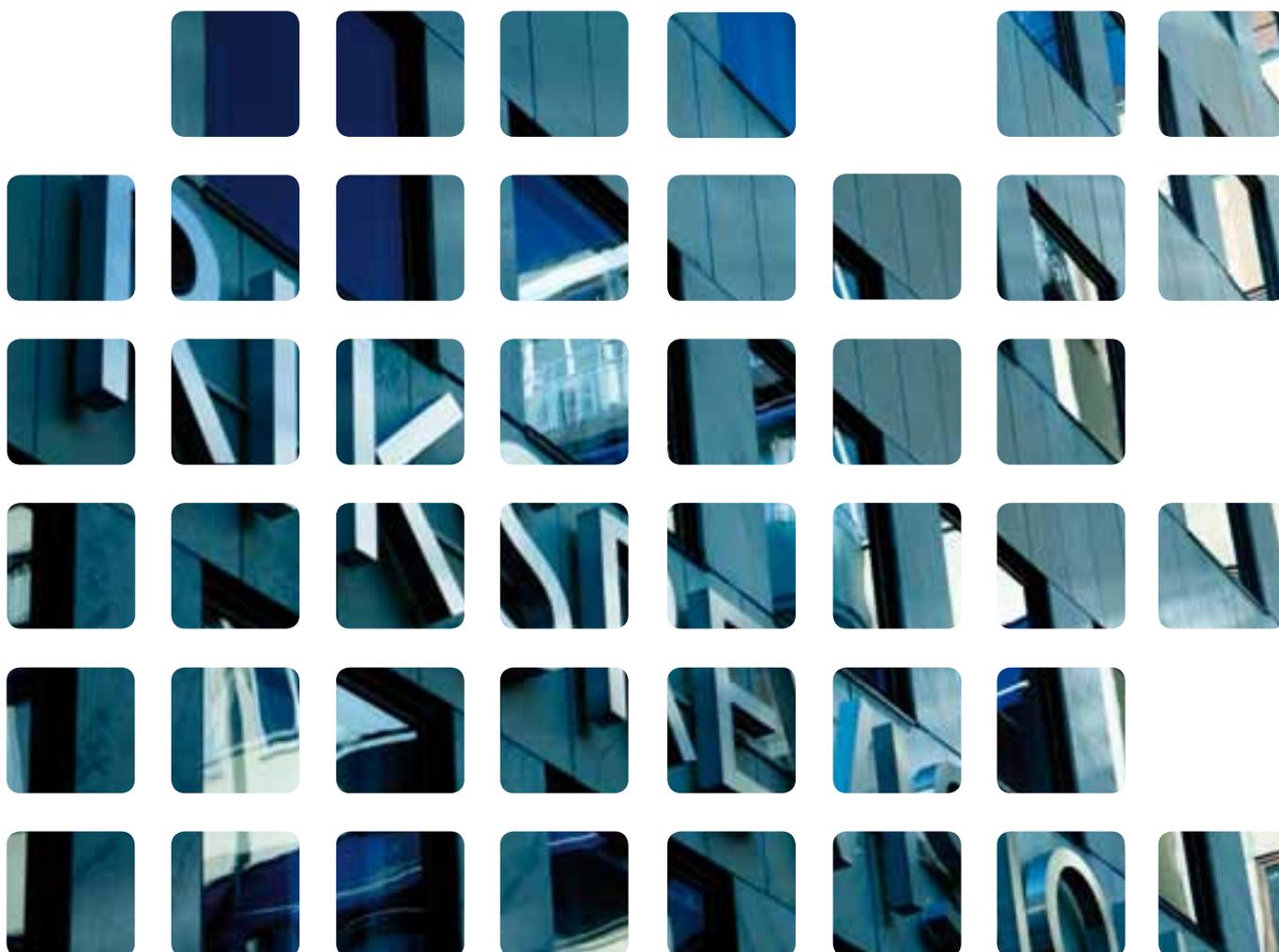
Eva Lindström

Claes Norgren

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*Riksrevisionen* (the Swedish National Audit Office, SNAO) is an agency reporting to the Riksdag (parliament) whose task is to scrutinise the operations of the central-government sector. The law requires that the most important observations made in performance and financial audits should be gathered in an annual report. The annual report, which is submitted to the Government and the Riksdag, aims to provide information about material findings from the SNAO's audits during the past year in a timely and integrated manner. Audit findings are summarised in thematic chapters. The aim is to draw general conclusions and provide a broader perspective on the SNAO's audit findings than can be done in individual audits.

The report builds on the audit findings made by the SNAO's financial-audit and performance-audit branches. Financial audits examine whether the annual financial reports of government agencies give a true and fair view. Audits of annual financial reports are presented in auditor's reports. If an audit shows that an annual financial report contains material misstatements, a 'modified' auditor's report containing a qualified or adverse opinion is submitted. Material misstatements and any other material observations are also presented in an audit report. Performance audits examine the commitments of the central-government sector, their implementation and their outcomes. Audit findings are presented in performance-audit reports. For both audit branches, the choice of focus is based on two criteria: risk and materiality.

The annexes of this annual report provide brief summaries of all audit reports and performance-audit reports completed during the year.



# Comments of the Auditors General

Our annual report is an opportunity for us to draw attention to important trends and tendencies in central-government operations and to other developments in society. In this year's report we have placed our focus on a few important reforms and events in the outside world that have been of decisive importance both to central-government operations and to developments in society over the past few years. The reforms include structural changes in central-government administration, the Government's sale of some state-owned enterprises and changes in the field of labour-market policy. The past few years has also been marked by the financial crisis and the subsequent recession.

Experiences from the crisis and the observations made in our audits show that some of the commitments and risks associated with the operations of the central-government sector are not adequately described in reporting to the Riksdag (parliament) even though they may come to exert a material impact on the finances of the central government.

## **NEW CONTROL AND REPORTING REQUIREMENTS FOR AGENCIES**

The fundamental aim of the SNAO's audits is to ensure that government agencies report reliably on their finances and operations. This report therefore starts by presenting the impact of the changes to the ways in which the Government exercises financial and administrative direction over agencies. These changes have entailed stricter requirements on agencies' internal control. Performance-reporting requirements have also changed: while the Government's appropriation directions used to determine what agencies' performance reporting would look like to a large extent, agencies are now much freer to choose what to report. We conclude that many agencies have found it hard to adapt to the new requirements. We also note that the character of the appropriation directions differ between ministries in that some now specify almost no reporting requirements while others retain many of them.

Overall, however, we find that the agencies handle their reporting well and that they have proceeded further in their work on internal control than they had in 2008.

## **RESTRUCTURING OF CENTRAL-GOVERNMENT ADMINISTRATION**

In recent years, a number of agencies have been either merged, wound up or relocated. A frequent aim has been to ensure more efficient and uniform case-handling at the agencies concerned.

Our audits show that while the merger of former ‘group agencies’ (typically with a central coordinating ‘headquarters’ and regional ‘subsidiaries’) into single national agencies has created the conditions necessary to attain this objective, it has not yet actually been attained. We conclude that it takes a long time to restructure operations and that the Government and the agencies have often underestimated the associated difficulties. For example, it still remains difficult, five years after the mergers into single national agencies, to find any results that unambiguously show improvements in the uniformity and efficiency of case-handling at the agencies concerned. The audits also indicate that a restructuring in and of itself is rarely sufficient to achieve the objectives set; there is also a need for explicit direction and control.

#### **THE GOVERNMENT’S SALE AND MANAGEMENT OF STATE-OWNED ENTERPRISES**

The Government has sold several state-owned enterprises in the past few years. The SNAO has audited most of those sales transactions. Our overall assessment is that the Government and the Government Offices (ministries) were not adequately prepared at the initial stage but that the sale processes have progressively improved.

The SNAO has also carried out audits of the Government’s management of the state-owned enterprises for several years now. In previous annual reports we pointed to a need for more explicit direction of those enterprises. In this year’s report we conclude that several of the previously identified shortcomings in direction remain. The Government needs to clarify both the specific objectives relating to benefits to society and the financial targets. There is also a need for clearer prioritisation of the various objectives. A lack of clarity entails that conflicts may arise between societal missions and financial targets. In such cases, enterprises have a tendency to give priority to their financial targets. We also wish to emphasise the importance of ensuring that the measures taken to exercise direction over state-owned enterprises are documented in a better way than at present, so as to facilitate insight into key processes and chains of events.

#### **CHANGES IN THE FIELD OF LABOUR-MARKET POLICY**

In recent years, the Government has made a series of changes in the field of labour-market policy in order to increase the labour supply and raise employment. Many labour-market programmes have been discontinued while new ones have been introduced. The Public Employment Service has been given more explicit duties to match vacancies to job-seekers, and a larger proportion of the resources of labour-market policy is now targeted at those farthest from the labour market. A new feature of labour-market policy is the introduction of ‘supplementary actors’, who mainly offer coaching services to job-seekers. Changes have also been made to unemployment and health insurance as well as to the tax system. One important reform in this respect is the earned-income tax credit, which aims to strengthen incentives to work.

Administrative changes have also been made. Since 1 January 2008 the Public Employment Service has been a single national agency whose aim is to enhance the uniformity and efficiency of operations by means of more explicit management and control.

The SNAO has carried out 13 audits in the field of labour-market policy since 2007. The audits have focused on issues of direction and control, implementation, evaluation and the Government's reporting on the effects of labour-market policy. In addition to this, the SNAO has also examined the employment effects of certain labour-market programmes and actions. Our overall assessment is that the Government could exercise its direction more explicitly and that there is scope for better implementation in certain areas. We also see a need for more evaluation of the impact of actions and programmes of labour-market policy to create a better basis for direction and change in the labour-market field.

A strong recession entails that the Government and the Public Employment Service will face problems adjusting the actions and programmes of labour-market policy to the rapidly changing needs of the labour market. Even so, our conclusions have general applicability in the sense that policy must be directed, implemented, evaluated and reported on regardless of the state of market.

#### **RISKS ASSOCIATED WITH CENTRAL-GOVERNMENT COMMITMENTS**

For several years now, the SNAO has attached great importance to scrutinising the Government's reporting on central-government finances. The financial crisis and its aftermath have added to the importance of this audit focus. Pursuing a fiscal policy that creates stability and inspires confidence has proved to be a decisive factor in the countries that – like Sweden – have come relatively unscathed through the financial crisis. One key-issue in this context is the transparency and completeness of the Government's reporting on the financial commitments of the central-government sector. The Riksdag cannot exercise parliamentary control unless the Government's reporting is correct, comprehensible and complete.

The SNAO's audits show that the Government's reporting on the finances of the central-government and public sector has progressively improved and developed. Even so, there exist certain risks in the operations of the central-government sector that are not adequately addressed in reporting and monitoring even though they may come to exert a material impact on the finances of the central government. One example is the extensive guarantees issued by the central government to export companies and financial institutions during the financial crisis. If those guarantees had to be honoured, the resulting burden on central-government finances could be heavy. In some cases, the rules are unclear on how such commitments and risks are to be reported. In other cases, there may be a need to develop the risk-assessment methods.

The SNAO each year audits the annual financial reports of all central-government agencies to assess whether they give a true and fair view. The overall finding this year is that the agencies' annual financial reports are of good quality. The majority of the annual financial reports audited give a true and fair view. The number of qualified or adverse opinions is small and similar to the numbers seen in recent years. However, the audits do show that several agencies have had some problems adapting to changes in the rules on financial administration. In 2009, such problems were seen mainly in relation to the new requirements as regards performance reporting in annual financial reports but also in relation to agencies' ongoing work to develop their internal-control processes.

## New control and reporting requirements for agencies

**One of the SNAO's main tasks is to audit the annual financial reports of all central-government agencies each year to assess whether their financial and operational reporting to the Government gives a true and fair view. The audit of annual financial reports also includes assessing whether top management at each agency have complied with the applicable regulations and decisions in their administrative work.**

The Act on the Audit of Government Activities (SFS 2002:1022) stipulates that such audits are to be performed in accordance with 'good auditing practice', meaning that the SNAO must comply with good practice in the private sector and with international standards. Since good auditing practice is in constant development, the orientation of the SNAO's audits is also permanently changing and being adapted to international auditing standards.

Such adaptation is both necessary and important since it forces the SNAO to develop its audit methodology so that it stays at the leading edge. The actions taken in recent years to adapt to new international auditing standards do not entail any major changes for the Riksdag and the Government, except that auditors now need to ask them more questions.

In recent years the Government has introduced new requirements on agencies' performance and appropriation reporting. It has also imposed stricter requirements on agencies' internal control. In the context of this year's audits, the SNAO has identified a number of 'risk and improvement areas' linked to those changes.

### **AGENCIES' ANNUAL FINANCIAL REPORTS ARE OF GOOD QUALITY**

In its audit of annual financial reports for 2009, the SNAO has submitted auditor's reports for 249 central-government agencies. Twelve of the annual financial reports were deemed to contain material misstatements, causing a qualified or adverse opinion to be included in the auditor's report. This number is in line with the past few years. Of all





agencies audited, material misstatements are thus to be found only in the annual financial reports of a few. The SNAO will normally not include a qualified or adverse opinion if an annual financial report describes the relevant misstatements or shortcomings in a true and fair way. The small number of qualified or adverse opinions can be seen as an indicator that the quality of the agencies' reporting is generally good. It can also be seen as a result of the SNAO's aim to ensure that misstatements are discovered and pointed out before they can affect the annual financial report.

If an agency has received a qualified or adverse opinion or the SNAO has made any other material observations, this is dealt with in an audit report which is sent to top management of the agency with a copy to the ministry concerned. The audit report will set out the reasons for the criticism and also often propose remedial action. The audits of annual financial reports for 2009 have resulted in 117 audit reports, addressed to 90 agencies. This is an increase on last year. The main reason is a change, described below, to rules on performance reporting by agencies.

Annex 1 contains summaries of all audit reports from this year's audits.

## **NEW PERFORMANCE-REPORTING REQUIREMENTS**

Agencies' annual financial reports consists of two parts: financial reporting and performance reporting. Ahead of the 2009 budget year, the Government modified the requirements imposed on performance reporting. Agencies must now account for and comment on the results of their operations above all against the background of the duties set out in their official instructions. An additional basis for reporting should be the Government's appropriation directions for them or any other relevant decisions. The main component of an agency's performance report should be an account of how its operational

performances have developed in terms of volumes and expenditures.

This change entails that the Government now lets agencies choose what to report back on to a larger extent than before. Regardless of how an agency chooses to report on its operational performance, however, the general principle that annual financial reports should give a true and fair view continues to apply.

One prerequisite for this change to have an impact is that the Government must reduce the number of objectives and duties set out in its appropriation directions to agencies. However, this year's audits show that the new requirements have not yet had their full impact on the direction exercised by the Government. Appropriation directions differ across ministries. Some now specify almost no reporting requirements while others retain many such requirements.

There is also variation among agencies. Many have a great deal of work to do before they will meet the new performance-reporting requirements. In 66 cases we have reported on various types of shortcomings linked to the new reporting requirements. In half of them, the problem is that the performances chosen do not reflect the operations of the agency well enough.

Most agencies have managed to report volume data for the performances they have chosen. However, one-third of the audit reports mention shortcomings in the reporting of expenditures for the performances chosen. One reason for this is that many agencies realised too late what the new rules entail and did not have time to readjust their internal systems to obtain information about expenditures at the level of performances.

For so many agencies to receive audit reports for the same type of shortcoming is an unusual occurrence. It indicates that complying with the new performance-reporting requirements has been difficult. For two of the agencies, the shortcomings

were so material that the SNAO included a qualified or adverse opinion in its auditor's report. They are the Office of the Equality Ombudsman and the National Maritime Museums. The Office has not succeeded in adequately defining its duties and performances on the basis of its instructions and the relevant legislation. The Museums have reported a material part of their operations using volume measures that are not relevant and are difficult to understand without supplementary information.

#### **STRICTER INTERNAL-CONTROL REQUIREMENTS**

In 2008 the Government issued an Ordinance entailing another important change in administrative and financial control at agencies. Under the new Internal Control Ordinance (SFS 2007:603), agencies must meet stricter requirements for internal control and establish a special process to ensure that it is reasonably certain that they will fulfil their administrative responsibilities under the Government Agencies Ordinance (SFS 2007:515). The notion of 'administrative responsibility' means that top management are responsible for ensuring that operations are conducted efficiently, that they are reliably accounted for and that the agency's management of central-government funds is sound. The new Internal Control Ordinance applies to all agencies that have an internal-audit function. There were 61 such agencies in 2009.

In 2008, the SNAO examined agencies' work to establish the internal-control process required under the Ordinance, finding large variation among agencies. Audit reports pointing out shortcomings in the application of the Ordinance were addressed to 25 agencies. It was therefore a natural choice to continue scrutinising the agencies' work to develop their internal control.

This year's audits show that work to enhance internal control is continuing at the agencies and that a majority of them have progressed further

than they had in 2008. This is also reflected by the fact that the number of audit reports indicating shortcomings in work on internal control has fallen to eight – three of them addressed to agencies that began applying the Ordinance only in 2009. The observations reported this year are similar to those pointed out by the SNAO for 2008: incomplete risk analysis, shortcomings in the handling and follow-up of control measures, and inadequate documentation. However, no agency received a qualified or adverse opinion because of such shortcomings this year.

#### **CHARGING AGAINST APPROPRIATIONS IS TO BE DONE ON AN ACCRUAL BASIS**

Starting in 2009, an amendment to the Appropriations Ordinance (SFS 1996:1189) entails that administrative costs are to be charged against appropriations on an accrual basis. In practice, the new rules apply to the agencies' administrative appropriations, given that transfer payments continue to be charged on a non-accrual basis. The difference compared with the earlier non-accrual accounting is clearest for transactions taking place near the end of a year. Previously, expenditures that occurred just before the end of a year would be charged against the relevant appropriation when the invoice for, say, the service was received, which would often be after the turn of the year. Under the new Ordinance, charging against the appropriation is to be made for the same year that the expenditure relates to. One example that illustrates this new way of charging concerns decisions to award a partial pension to an employee. Before, the costs of the partial pension would be charged against appropriations on a yearly basis as the pension was paid out, but under the new rules the entire expenditure for the partial pension will be charged to the year in which the decision is made.

The move to accrual-basis charging against appropriations will not alter the long-term need for funds, but the time of charging will change for

parts of the appropriations. This change in the timing of charging against appropriations will lead to a transitional effect for agencies due in part to the fact that until 2008 they have had certain expenditures which have not been charged against appropriations. This transitional effect is covered by a special appropriation under Expenditure Area 26 of the Central Government Budget which the agencies are to repay over a period of no more than five years through reduced appropriations.

In 2009, the SNAO has examined how well agencies have adjusted to accrual-based charging against appropriations. The audits have focused on how agencies have calculated the amount of the actual transitional effect, whether they have established the new accounts necessary and whether they have booked the transitional effect correctly. As part of the final audit of annual financial reports, we also checked that agencies had correctly booked, and correctly charged against appropriations, any changes in holiday-pay liabilities and other provisions. The audits show that the vast majority of agencies have adjusted well to accrual-based charging against appropriations, with no undesired consequences arising in their financial reporting. In conjunction with the move to accrual-based charging against appropriations, discrepancies in the items 'Settlement with central government' and 'Change in capital brought forward' were discovered for several agencies. It proved possible to ascertain the reasons for many of those differences, which the agencies subsequently adjusted during the course of the year after contacting the National Financial Management Authority. The remaining differences have not been deemed to involve any material amounts.

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**This chapter is based on the following:**

*Audit reports for the 2009 budget year.*

*Summaries of them are to be found in Annex 1 of the present report.*



Organisational change is often a natural and necessary part of the development of efficient public administration capable of ensuring equality before the law. The SNAO's audits of the mergers of 'group agencies' into single national agencies show that this reform has created the conditions necessary to increase uniformity and efficiency but that this objective has not yet been fully attained. Several audits show that organisational change in and of itself is seldom a sufficient tool to attain the objectives aimed for. To achieve the objectives, there is also a need for explicit direction and control.

## Restructuring of central-government administration

**Central-government administration has undergone major change and restructuring in recent years. Several 'group agencies' have been transformed into single national agencies, including the Social Insurance Agency, the Tax Agency and the Prosecution Authority. Other agencies, such as the National Institute for Working Life and the Integration Board, have been wound up. One key purpose of these extensive restructuring operations was to bring about more uniform case-handling and more efficient administration.**

New policy priorities and assessments due to changes in the outside world have also had a substantial influence on public administration. The 2001 defence-policy review entailed a restructuring of the Armed Forces from a defence against invasion into a mission-based defence force. This led to the disbandment of a large number of units. The restructuring of the Armed Forces, in turn, had consequences for other agencies. Several agencies, such as the Consumer Agency and the National Institute of Public Health, were relocated from Stockholm to regions where military units had been disbanded, to compensate those regions for the loss of jobs.

As part of its 'Efficient Administration' audit strategy, the SNAO has examined a number of agency windings-up, relocations and mergers to ascertain whether the objectives of those restructuring operations have been achieved. We consider that the areas we have audited offer lessons to be learnt

ahead of future restructuring in central-government administration.

The organisation of central-government administration represents an important tool of administrative policy at the Government's disposal. Organisational change is often a natural and necessary part of the development of efficient public administration capable of ensuring equality before the law. However, the audits show that such change takes time to carry out and that in many cases the Government had underestimated the difficulties associated with the actual restructuring process for the agencies audited. The reform to create single national agencies has created better conditions for uniformity and efficiency, but that objective has yet to be fully attained. In addition, the audits show that restructuring in and of itself is seldom a sufficient tool to attain the objectives aimed for. To achieve the objective of greater uniformity, there is also a need for explicit direction and control.





Further, the audits point to a need to support agencies undergoing major organisational change. The Government recently announced, in its Administrative Policy Bill (No 2009/10:75), that it has initiated a review of the support available for the implementation of organisational change.

**THE AIM OF THE MERGERS HAS NOT YET BEEN ACHIEVED**

Since 2004, eight out of ten ‘group agencies’ (typically consisting of a central coordinating ‘headquarters’ and regional ‘subsidiaries’) have been merged into single national agencies. The reasons given for these mergers by both the Riksdag and the Government include that a single national agency will provide stronger guarantees that cases will be handled uniformly so as to ensure equality

before the law. Several of the merged agencies conduct operations affecting many citizens and receive appropriations representing a significant proportion of the Central Government Budget. It is therefore important to ensure that the efficiency of those operations remains at least as high as it was before the merger; preferably, their efficiency should increase. Given the limited knowledge that exists about the effects of the mergers, the SNAO has carried out an audit (RiR 2010:3) to ascertain whether the objective of increased uniformity has been achieved at three of the merged agencies: the Social Insurance Agency, the Tax Agency and the Prosecution Authority.

The general finding from that audit is that uniformity has not yet unequivocally increased in the types of cases scrutinised by the SNAO. At the same

time, the audit shows that the mergers have created better conditions for increased uniformity.

#### **Some reduction of variation in throughput times**

One important aim of the reform to create single national agencies was to reduce variation in throughput times between regions and local offices. The SNAO's audit shows that only the Social Insurance Agency has succeeded in systematically reducing variation in throughput times. 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 the frequency of prosecutorial action or throughput times. All case types examined represent important elements of the operations of the three agencies.

#### **Conditions for uniformity have improved**

Even though no systematic reductions in throughput times can be seen as yet at the three agencies audited, their mergers have improved conditions for more uniform handling of cases. The abolition of inter-agency boundaries has made it easier to reallocate resources and cases among the various local offices nationwide. The audit also shows that all three agencies have taken measures to increase uniformity. They have all prioritised the development of national guidelines and manuals to support case-handling. At the Tax Agency and the Social Insurance Agency, large parts of operations have also been concentrated in fewer local offices to be handled by fewer case officers, so as to increase uniformity.

#### **The difficulties associated with the reform were underestimated**

Both the Government and the agencies concerned have expressed strong confidence that the mergers will lead to greater uniformity in the operations of the agencies. However, the SNAO's audit indicates

that both the Government and the agencies have underestimated the difficulties involved in achieving greater uniformity in case-handling and decision-making through this type of reforms. The reform has led to an increased focus on control of legal issues and case-handling processes, but case officers have found it difficult to assimilate the growing amount of information from headquarters telling them how to perform their work. The audit also indicates that there are fewer natural opportunities for case officers to share experiences in the new organisation than there were in the previous – regional – one. In addition, all agencies audited lack tools to systematically monitor uniformity in their application of the law and their handling of cases. Further, the Government has not obtained sufficient knowledge of how the reform has affected the level of uniformity in case-handling, making it difficult to exercise performance-based direction over the agencies with a view to increasing uniformity.

#### **INADEQUATE BASIS FOR DECISIONS TO REORGANISE**

When several regions lost military units as a result of the 2004 defence-policy review, the Riksdag decided that the central-government jobs disappearing from those regions would be replaced by relocating governmental agencies or parts of agencies from Stockholm. In all, 2,700 jobs were to be relocated in this way. Two major agencies, the Consumer Agency and the National Institute of Public Health, were relocated in their entirety – to Karlstad and Östersund, respectively. The SNAO has carried out an audit of the effects of these two relocations (RiR 2009:30).

That audit shows that the regions were fully compensated for their loss of jobs through the relocation, meaning that the objective of the reorganisation was achieved in that respect. However, it is not clear from the Government's decision to relocate the agencies in question why



they specifically were chosen, even though the Commission of Inquiry into Localisation whose work preceded that decision had been instructed to take special account of how the agencies could contribute to the development of the labour market or why they were suitable for relocation for other reasons. What is more, it was never investigated whether there were other ways to compensate the regions. The SNAO's audit also finds that the Government has not initiated any follow-up to determine whether the aim of the relocation was achieved.

The SNAO's audit of five agency windings-up (RiR 2008:18) found, among other things, that the preparatory work ahead of the decisions to wind up the agencies had been incomplete. As regards the National Institute for Working Life, the Animal Protection Agency and the Integration Board, no analyses of problems and impacts had been performed and no formal consultation with stakeholders had taken place when the proposals to wind them up were presented. One purpose of winding up the agencies was to increase the efficiency of central-government administration, but the supporting documentation underpinning the decisions contained no analysis of how the windings-up could contribute to achieving that purpose.

### A LENGTHY READJUSTMENT PHASE

The SNAO's audits show that the various agencies had different conditions under which to carry out their regular operations during the actual restructuring phase. Among the agencies wound up, the Integration Board continued its regular operations up until its final day while the operations of the National Institute for Working Life could be phased out. For all agencies wound up, some or all of their operations were transferred to other agencies. The conditions under which the agencies had to handle being wound up were affected by the lateness of the decisions as regards who would be taking over operations. This made it more difficult to plan for the

transfer of operations and to design offers for staff to move to the successor agencies.

For the Consumer Agency and the National Institute of Public Health, which were relocated in their entirety, the Government's starting point was that their operations would be carried out during the relocation process with no changes in volumes or quality. There was little likelihood that this would be possible in practice, considering that staff turnover in the years after the relocation decision was very high and that the agencies were given no additional resources to help them manage their relocation.

Opportunities for the Consumer Agency and the National Institute of Public Health to maintain their operational volume were affected even in the years after the relocation. In fact, they did not recover until four or five years afterwards, which was later than the Government had expected. Two important reasons were problems with the transfer of skills and a lack of specialist staff in the first few years. A further reason was that the Government did not provide top management of the agencies with adequate conditions enabling them to handle the relocation with no impact on production. The total cost of each job moved, according to the SNAO's estimate, was SEK 1.1 million, which is 53 per cent more than the cost estimated by the Commission of Inquiry into Localisation.

The audits show that there is a need for support and guidance to help agencies that are being restructured. Such support will increase the likelihood that reorganisations will be efficient and will prevent mistakes from being repeated.

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#### ***This chapter is based on the following:***

*The winding-up of government agencies* (RiR 2008:18)  
*Relocation of government agencies* (RiR 2009:30)  
*Many into one: fusions of government agencies* (RiR 2010:3)

In recent years the central-government has reduced its ownership of companies by selling a number of state-owned enterprises. The SNAO has monitored those sales to assess whether they were implemented in a satisfactory manner. Its audits show that, while there have been shortcomings, the Government and the Government Offices have developed the process to sell companies. The SNAO has also audited the Government's management of state-owned enterprises for several years now. Those audits have shown that this management is capable of development, for instance through more explicit definition of the state-owned enterprises' missions in society and their financial targets. A lack of clarity on those counts may give rise to conflicts between societal missions and financial targets; when that happens, the enterprises tend to let the financial targets take precedence.

## Sale and management of state-owned enterprises

**The Swedish central government (i.e. the state) owns 53 enterprises, making it one of the country's largest business owners. Of those enterprises, 39 are fully-owned by the central government while 14 are part-owned by it. Several are among the largest in the country. They represent a value of more than SEK 500 billion and employ about 170,000 people. This means that the state-owned enterprises play an important part in the Swedish economy.**

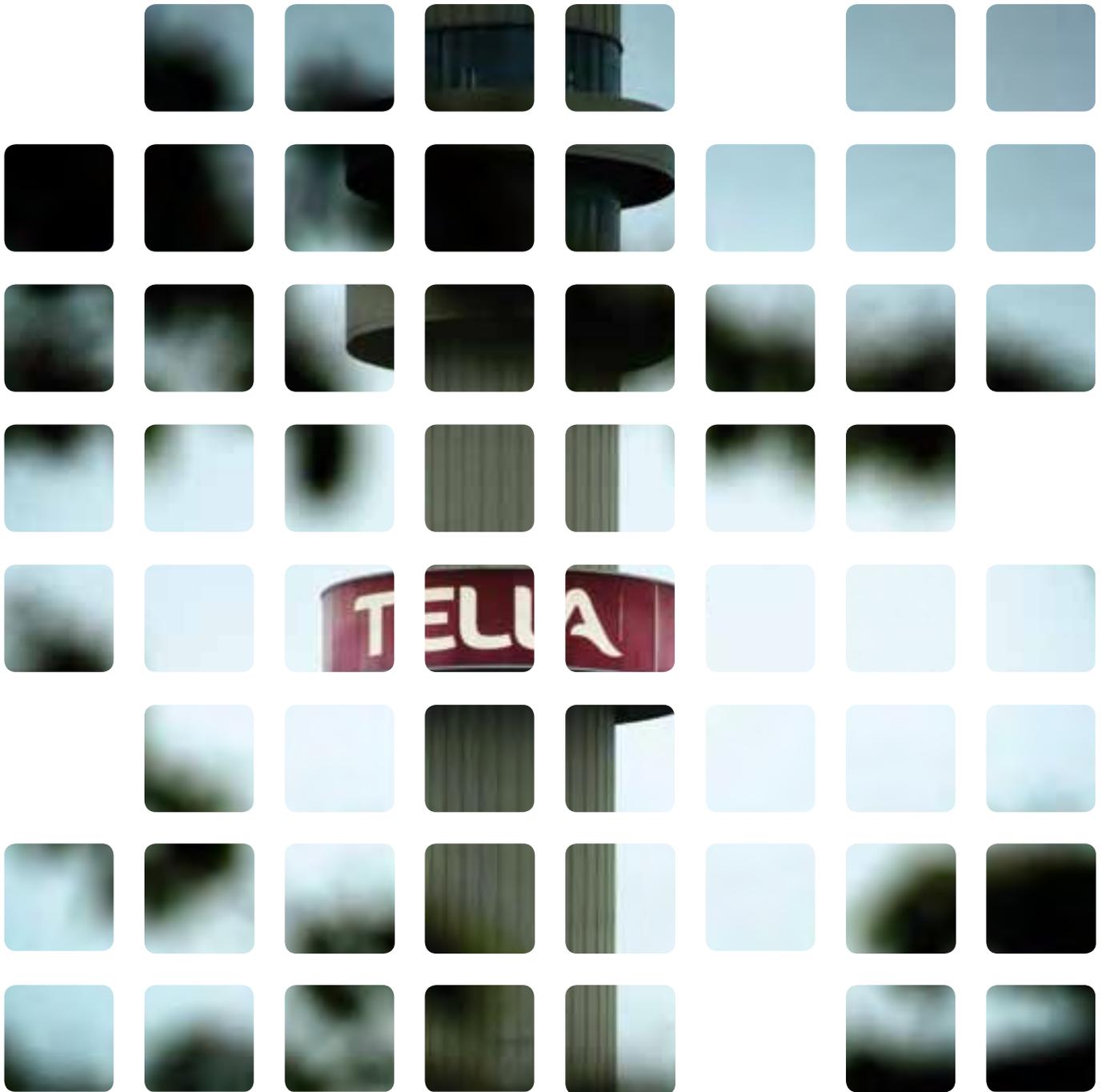
The state-owned enterprises operate in a wide range of fields such as energy, opera, property, forestry and financial advice. They can be divided into two groups.

Those in the first group operate under fully commercial conditions in markets with unrestricted competition. The main requirements imposed on those enterprises concern market-level returns, and those requirements are also the evaluation criteria used. Examples include Posten, a postal-services company, and Sveaskog, a forestry company.

The second group consists of companies that protect particular societal interests. They operate in markets with special restrictions. Some lack competition in whole or in part, while others are fully exposed to competition. For such enterprises, special objectives are set. The main evaluation criteria used concern the benefits to society created

by the enterprises. Examples include Samhall, a provider of employment for people with disabilities, and Almi Företagspartner, a promoter of business development and innovation. Companies in the first group may also, to a varying extent, have special objectives relating to missions in society. Exercising direction over the state-owned enterprises and managing the central government's interests as their owner is the duty of the Government.

In recent years the central government has reduced its shareholdings in TeliaSonera, a telecoms company, and sold three enterprises in their entirety: Vasakronan, a property company; Vin & Sprit, a producer and distributor of alcoholic beverages; and OMX, a provider of financial services. Except in the case of OMX, the SNAO has monitored those sales to assess whether they were implemented in



a satisfactory manner. Our overall finding is that the Government and the Government Offices have progressively developed the process to dispose of companies. Among other things, they have corrected shortcomings by setting more explicit objectives for sales and improving the follow up of the sale process. Even so, there is still scope for the Government to improve the implementation of any additional sales by developing follow up and by gathering and exploiting experiences from its own and others' sales.

Compared with other central-government activities, the operations of the state-owned enterprises are less transparent. For this reason, the SNAO has devoted resources over several years to scrutinising the Government's management of the central-government sector's shareholdings as well as the state-owned enterprises' fulfilment of their official duties. The SNAO finds that there remain general and recurrent shortcomings in the Government's management of those shareholdings. The Government could develop the direction it exercises by more clearly defining the societal missions and financial targets of the enterprises as well as by clarifying, when needed, what relative priority the enterprises are to assign to them. A lack of clarity may give rise to conflicts between societal missions and financial targets; when that happens, the enterprises tend to let the financial targets take precedence. Clear targets and missions are also important to enable the state-owned enterprises to discharge their duties in line with the Riksdag's decisions and intentions.

#### **SALE OF STATE-OWNED ENTERPRISES**

In December 2006 the Government announced its intention to reduce the central-government sector's ownership of companies. To begin with, shareholdings in Nordea (a bank), OMX, SBAB (a credit institution), TeliaSonera, Vin & Sprit and Civitas Holding (then-owner of Vasakronan) were to be reduced. The reason given by the Government was

that those companies operate in fully commercial markets characterised by free access and free competition. The revenues from the sales were to be used to pay off the central-government debt, and the sales were to be accounted for in future Budget Bills.

So far the Government has sold the equivalent of 8 per cent of the shares in TeliaSonera and its entire shareholdings in Vin & Sprit, Civitas Holding and OMX. These four sales have yielded about SEK 116 billion and USD 460.5 million. The SNAO has scrutinised the first three sales. One of our aims was to draw conclusions about the entire process, from the preparatory work to the result of the sale.

#### **The sale process has improved**

The audits carried out show that the sale process has improved progressively in several respects and that several of the shortcomings highlighted by the SNAO in its early audits have been put right.

#### *Commissioning skills have developed*

In the audit of the sale of 8 per cent of the shares in TeliaSonera (RiR 2008:12), the SNAO found that the Government Offices lacked adequate commissioning skills. However, the audits of the sales of Vin & Sprit and Vasakronan (RiR 2009:9, RiR 2010:2) show that the skills available at the Government Offices have been strengthened through the recruitment of several individuals with experience from the sale of large companies. Advisors and other stakeholders involved in the most recent sale processes characterised the Government Offices as well-prepared, reliable and tactical, adding that they took well-balanced risks in relation to the sales.

#### *The objectives have become clearer*

In the TeliaSonera audit, the SNAO found that the objective set for the sale was unclear and did not guide the sale process. The objectives set for the sales of Vin & Sprit and Vasakronan, on the other hand, were clearly worded, relevant and prioritised.



The documentation of the sales and the reporting to the Riksdag have also improved progressively.

*Follow-up has improved*

No follow-up of implementation was carried out after the sale of the shareholding in TeliaSonera. The audits of the sales of Vin & Sprit and Vasakronan, by contrast, show that the Government Offices carried out follow-ups of those sales. However, those follow-ups should have been performed sooner after the conclusion of the sales to ensure that no important

information was lost. What is more, the Government Offices' follow-up of any future sales should focus even more on identifying opportunities to further improve the sale process.

*The Government should make use of experiences*

In all its audits of company sales, the SNAO has recommended that, ahead of any future sales, the Government should analyse its own experience and that of others as regards how a sale should be implemented to ensure the highest possible selling price and the best possible conditions in other respects. Any such analysis should take account of the specific company, the market situation and the owners' intentions. No such analysis has yet been performed.



## THE GOVERNMENT'S MANAGEMENT OF STATE-OWNED ENTERPRISES

The SNAO has pointed out in several audits that there is scope for improvement of the direction that the Government exercises over the state-owned enterprises. The Government is sometimes overly passive and has not always ensured that the missions and financial targets of the enterprises are up to date and clearly worded. Large part of the Government's work to manage state-owned enterprises is inadequately documented, making it more difficult to gain insight into it.

### **The missions and financial targets need to be reviewed**

The SNAO's audits show that the various missions, targets and other objectives set for a state-owned enterprise sometimes come into conflict with each other. In such cases the enterprises need to assign relative priority to their financial targets and their other objectives and missions, but the Government does not always make it clear to them how they are to go about this task. For some of the enterprises operating under market conditions, the Government

has clarified the requirement for them to conduct their operations on commercial grounds. Even so, however, in cases where an enterprise has special missions it is often unclear how much those missions may cost and how the enterprise should weigh its various targets and missions against each other.

In its audit of Sveaskog AB (RiR 2010:8), the SNAO found that the company had been given special missions in the environmental and other fields but that it was unclear to what extent those missions were allowed to affect the company's attainment of its financial targets, given that those targets corresponded to the financial demands made of other companies in the forestry sector. One of Sveaskog's missions is to be a role model in the environmental field, but the Government has not specified what this means. The SNAO also found that there was a conflict between the owner's requirement for operations to be conducted on commercial grounds and a requirement to sell parts of the company's operations; and also a conflict between the company's mission to be an independent player striving to increase competition and the requirement for commercial grounds.

The audit of Swedfund International AB (RiR 2009:4) showed that the wording of the mission of this enterprise, which makes venture-capital investments in developing countries, could be made clearer in several respects. This is true in particular of how the company is to weigh potential profitability against potential development effects when choosing projects to invest in. It further emerged from the audit that the return target had not been adjusted since it was first set in 2002, even though it had been attained by a wide margin over the past five years. In addition, it turned out that the contracts governing the company's capital management had not been renegotiated in about 15 years despite large changes in the financial market.

### **A lack of documentation makes it more difficult to gain insight**

Contacts between owner and enterprise should normally take place through the chairman of the board of the company. For a majority of the state-owned enterprises, the Government appoints officials working at the Government Offices to be board members. In some cases, the same individual acts both as owner-manager and as board member. It may then be unclear in what capacity and according to what instructions such an official is acting. The exchange of information and the reporting routes between the owner and the enterprise may also become unclear. A further potential effect is insufficient documentation of that information exchange. Indeed, the SNAO notes that the files kept at the Government Offices on individual state-owned enterprises often contain very little documentation. This makes it more difficult to track the measures taken by the central government as owner, limiting opportunities to understand after the fact how certain key chains of events unfolded. In turn, this affects the possibility of holding those responsible to account.

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### ***This chapter is based on the following:***

*The Government's preparation of its proposal in relation to the sale of six companies (RiR 2007:8)*

*The Government's sale of 8 per cent of the shares in TeliaSonera (RiR 2008:12)*

*Swedfund International AB and its societal mission (RiR 2009:4)*

*The Government's sale of Vin & Sprit AB (RiR 2009:9)*

*The Government's sale of Vasakronan (RiR 2010:2)*

*The state-owned forestry company Sveaskog AB and its duties (RiR 2010:8)*

As part of its audit strategy entitled 'Central Government and the Labour Market', the SNAO has carried out 13 audits since mid-2007. The audits of changes in the labour-market field show that the relevant objectives and rules can be made clearer and that conditions for implementing measures and programmes can improve. They also show that reporting can improve and that there is a need for more impact evaluation and stronger evidence in connection with the introduction or abolition of programmes.

## Changes in the labour-market field

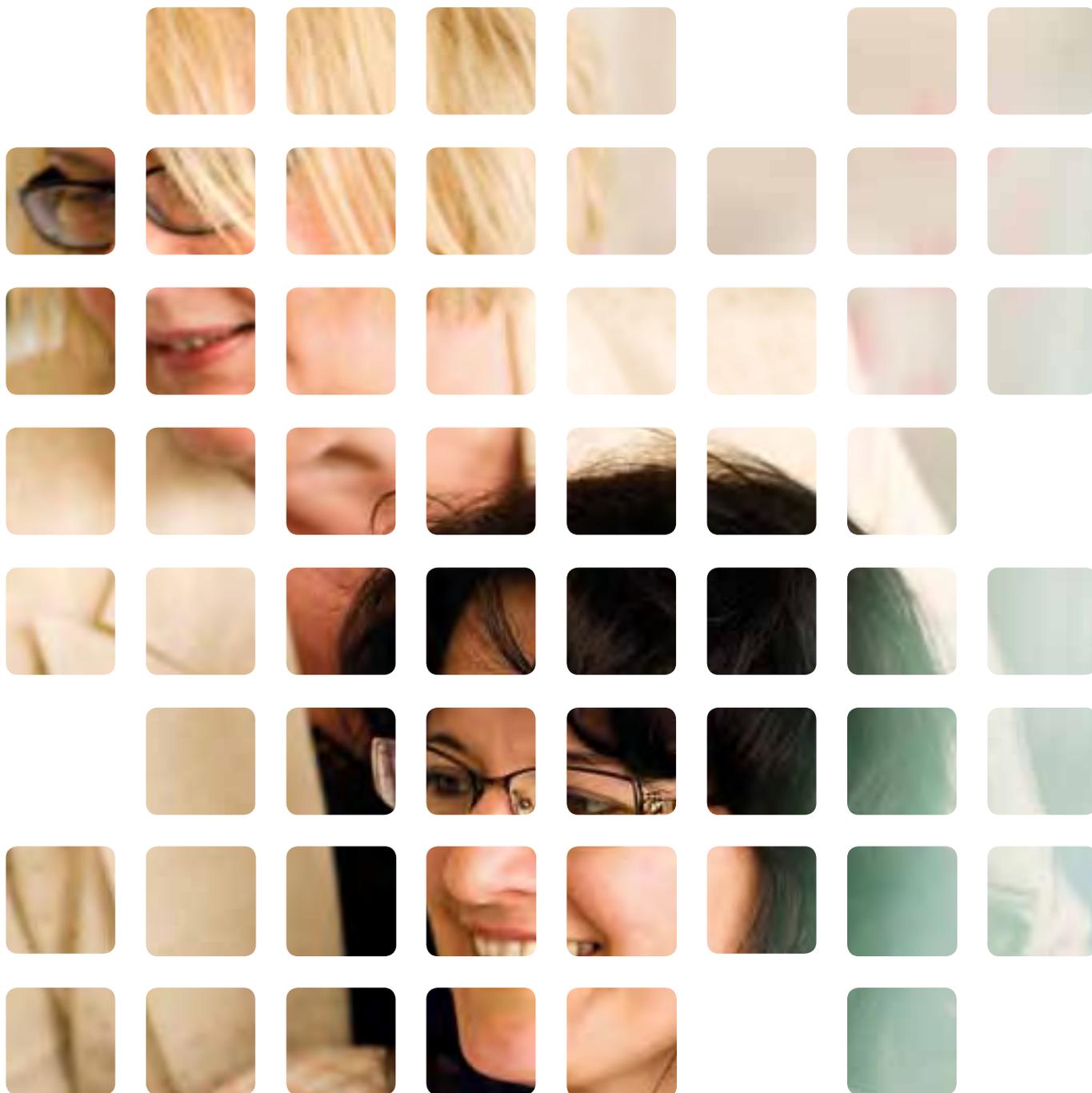
**In recent years, the Government has made major changes in the labour-market field to increase the labour supply and raise employment. As a result, a large number of labour-market programmes have been discontinued while others have been introduced. The Public Employment Service (PES) has been given more explicit duties to match vacancies to job-seekers, and a larger proportion of the resources of labour-market policy are now targeted at those farthest from the labour market. In addition, 'supplementary actors' have been assigned a role in labour-market policy, mainly to assist job-seekers with coaching services.**

Changes aiming to increase the labour supply have also been carried out in unemployment and health insurance and in the tax system. One important reform in this respect is the earned-income tax credit, which aims to strengthen incentives to work by making it more profitable. The Government has also carried out major organisational changes. Since 1 January 2008 the PES has been a single national agency whose aim is to enhance the uniformity and efficiency of operations as well as equality before the law by means of more explicit management and control. The Government and the Riksdag have also introduced stricter requirements that new programmes should be evidence-based. For example, the Government states in the Budget Bill for 2010 that it is important to know what measures can be assumed to be best able to solve the problems in the labour market.

In the past few years, the labour market has been struck by a powerful recession with strongly falling production and rising unemployment. Employment

has fallen markedly since 2007, and in 2009 the unemployment rate rose from 6.1 to 8.4 per cent of the labour force. These developments have had a tangible impact on labour-market policy. There have been major increases in both spending and volumes as regards labour-market programmes. There has also been increased spending in favour of the short-time unemployed. In 2010, spending on labour-market policy is expected to be almost SEK 88 billion, compared with SEK 54 billion in 2007. Participation in labour-market programmes and actions is expected to rise from just under 2 per cent to about 4 per cent of the labour force over the same period.

As part of its audit strategy entitled 'Central Government and the Labour Market', the SNAO has carried out 13 audits since mid-2007. The main focus of those audits has been actions for which the PES is responsible, but actions taken in the tax system have also been examined. The audits have focused on issues of direction and control, implementation, evaluation and the Government's reporting on the



effects of labour-market policy. In addition to this, the SNAO has also examined the employment effects of certain labour-market programmes and actions.

A strong recession entails that the Government and the PES will face problems adjusting the actions and programmes of labour-market policy to the rapidly changing needs of the labour market. Even so, the SNAO's conclusions from its audits have general applicability in the sense that policy must be directed, implemented, evaluated and reported on regardless of where you are in the business cycle.

To sum up, the audits show that the relevant objectives and rules can be made clearer and that conditions for implementing actions and programmes could be better. They also show that reporting can improve and that there is a need for more impact evaluation and stronger evidence in connection with the introduction or abolition of programmes.

### **THE OBJECTIVES AND RULES CAN BE MADE CLEARER**

The Government's objective for labour-market policy is that the efforts made should contribute to a well-functioning labour market so as to help people escape from exclusion and achieve a sustainably high level of employment (Government Bill 2009/10:1). It is clear from the Budget Bill for 2007 (No 2006/07:1) that labour-market policy should contribute, among other things, to ensuring that people can move as soon as possible from unemployment to a job in the regular labour market.

In order for the overall aim of labour-market policy to be achieved, it is important that the policy objectives and the targets and rules governing the individual labour-market programmes and actions should be clearly defined. If the objectives and targets are unclear, it may be difficult to direct actions towards job-seekers in such a way that they achieve the intended effect. This also entails a risk that important decisions will be left to individual

employment officers. Well-defined objectives and targets are also a prerequisite for labour-market policy to be capable of evaluation and for the Riksdag to obtain complete information.

One of the Government's key objectives is to increase employment sustainably by reducing exclusion from the labour market (Government Bill 2009/10:100). However, the SNAO's audit of exclusion and employment policy (RiR 2008:26) showed that the concept of 'exclusion' was not well defined. The objective had also not been broken down into interim objectives or operationalised in any other way. According to the Government, quantitative targets may lead employment policy wrong (Government Bill 2009/10:1).

The SNAO's audit of the Work Practice labour-market programme (RiR 2010:5) showed that the Riksdag, the Government, the PES and individual employment officers all mentioned additional aims of the programme beyond the objective of ensuring that job-seekers find non-subsidised jobs in the regular labour market. The additional aims mentioned depended on the point of the business cycle, the individual characteristics and situation of participants, and other factors.

Ordinances and regulations should also be clearly worded to ensure that they lead to the direction and control intended. Points of unclarity may weaken the programmes' effects on, for example, employment. The SNAO's audit of the Job and Development Guarantee programme (RiR 2009:22) showed that there are points of unclarity in the Ordinance governing the programme as regards how long programme measures should last and what the employment involved should consist in. Another example is the Ordinance on special efforts for people with disabilities reducing their capacity for work. The SNAO's audit (RiR 2007:24) showed that the ordinance does not sufficiently emphasise that the wage subsidy for disabled people to employers who take on such people is a temporary form of

support; this may contribute to making grant periods unnecessarily long. The SNAO's subsequent follow-up to that audit shows that the PES has taken action in the form of supervisory support and training to improve the implementation of the rules governing such top-up grants.

### IMPLEMENTATION CAN IMPROVE

Some of the audits show that the introduction of certain actions has been problematic. The SNAO analysed the PES's procurement of supplementary actors over the first two years in the framework of its audit of the Job and Development Guarantee programme (RiR 2009:22), identifying several problems in the PES's payment model and contract design.

The payment model contains no incentives for supplementary actors to increase their efforts for individual participants or to minimise time to employment. When a participant obtains a job, the supplementary actor receives the same amount of compensation per participant regardless of how long it took for him or her to find a job. What is more, since a fairly large part of the compensation is paid during the first stage of the payment model, incentives to minimise time to employment for participants are weak. The audit also showed that the contracts do not allow sufficient sanctions to be taken against actors that fail to supply good-quality services.

There have also been problems in the introduction of the earned-income tax credit. The SNAO's audit (RiR 2009:20) showed that familiarity with the earned-income tax credit was low at the time of the audit and, moreover, lowest in the groups where the tax credit could be expected to have the greatest impact. Since the purpose of the earned-income tax credit is to increase incentives to work, the lack of information about the reform may cause it to fail to achieve its full potential.

The SNAO's audit of the Job and Development



Guarantee programme (RiR 2009:22) showed that the PES found it difficult to arrange job placements and to allocate participants to workplaces within the programme. Those problems were largely due to two circumstances: PES employment officers had difficulty finding time for contacts with employers, and the number of programme participants had grown larger than planned.

### A NEED FOR BETTER EVALUATIONS

The SNAO's audits show that the changes made by the Government have not always been supported by evidence indicating that they were likely to lead to positive effects. The audit of the Work Practice programme (RiR 2010:5) shows that the Government's spending on that programme did not build on any empirical basis or any estimates showing that it would yield better employment effects than other labour-market programmes. The SNAO's own evaluation shows that this programme actually yielded poorer employment effects in terms of regular permanent full-time employment than other programmes.

It emerged from the audit of the Start-up Grants programme (RiR 2008:24) that the extent of that programme had been strongly reduced in recent years. At the same time, both the audit and other studies showed that this programme has positive employment effects.

The SNAO's audits also show that the Government has not initiated any impact evaluations of several



key labour-market programmes. In many cases, those programmes have also not been evaluated by any other bodies.

The lack of evaluations and of empirical evidence at the time of introduction or termination of labour-market programmes may entail a risk that those programmes will not be adapted to the labour-market problems that they are intended to deal with. There is a risk that the employment effects will not be those intended and that the cost to the central government of each job created will be high.

In recent years, the Riksdag and the Government have increased their requirements for evidence. In the Budget Bill for 2010, the Government states that it is important to know what actions can be assumed to solve problems in the best possible way and that there is a need for information about whether the actions taken are successful or whether the orientation of policy needs to be reinforced or modified. When there are strong fluctuations in the business cycle, the Government and the PES must rapidly adjust the programmes to the economic situation. It is therefore crucial that evaluation should take place on an ongoing basis and be an integral part of planning when labour-market programmes are being introduced or terminated.

#### **REPORTING CAN BE MADE CLEARER**

The effects of labour-market policy can be uncertain and difficult to quantify. It is therefore important that the Government should inform the Riksdag of the assumptions justifying its introduction of new programmes and underpinning its assessment of the impact that labour-market policy has exerted on employment and unemployment. However, the SNAO's review of the Budget Bills for 2007 and 2008 as well as the 2007 Spring Fiscal Policy Bill (RiR 2008:4) shows that the Government's reporting on assumptions relating to the effects of labour-market policy is very brief indeed. The analyses presented do not contain any explicit assumptions about,

for example, displacement effects or distortion of competition. There are also no explanations of how estimates have been arrived at, showing how the labour supply is affected by changes in salary levels or how taxes affect the demand for and supply of labour. It is thus difficult to understand what is the basis of the Government's assumptions about labour-market policy. What is more, no documentation of the methods and models used to generate forecasts has been presented.

The SNAO's follow-up to that audit shows that the above-mentioned shortcomings remain (SNAO Follow-Up Report 2010).

The SNAO's audit of direction and control in labour-market policy (RiR 2010:1) largely confirms these findings.

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#### ***This chapter is based on the following:***

*This chapter is based on the following:*

*Exclusion from the labour market: Disabled people with a reduced capacity for work (RiR 2007:24)*

*The Government's presentation of the expected effects of labour-market policy (RiR 2008:4)*

*Swedish for immigrants: An activity without known impacts (RiR 2008:13)*

*Lower social-security contributions: For whom and at what cost? (RiR 2008:16)*

*Start-up Grants (RiR 2008:24)*

*Social exclusion and employment policy: The Government's reporting (RiR 2008:26)*

*Protected jobs at Samhall: More rehabilitation for the money (RiR 2008:28)*

*The earned-income tax credit (RiR 2009:20)*

*The Job and Development Guarantee programme: A guarantee of a job? (RiR 2009:22)*

*Direction and control in labour-market policy:*

*Targets, balanced scorecards and resource-allocation models (RiR 2010:1)*

*Work Practice (RiR 2010:5)*

*The Public Employment Service's work to promote contacts with employers (RiR 2010:6)*

The SNAO's audits show that the Government's reporting on the finances of the central-government sector has progressively improved and developed. However, there exist certain risks in the operations of the central-government sector that are not adequately addressed in reporting and monitoring even though they may exert a material impact on the finances of the central government. There may also be a need to broaden the perspective to include issues relating to the long-term sustainability of the tax and welfare systems. One risk factor is increasing international mobility, which reduces the scope for variation between countries in tax rates and tax rules alike. Another risk factor is the increasing demand for tax-financed health and other care services that will follow from the demographic developments set to take place over the next few decades, with a growing proportion of older people.

## Risks associated with the financial commitments of the central-government sector

**Confidence in public finances is crucial to the stability of the national economy. Uncertainty about future needs to raise taxes and cut spending may lead to increased precautionary saving and reduce the propensity to invest and consume. The financial crisis and its consequences show how important it is to pursue a fiscal policy that creates stability and inspires confidence. One important component of such a policy is to make sure that the Riksdag and the citizens have access to correct, comprehensible and complete information about the finances and financial commitments of the central-government sector.**

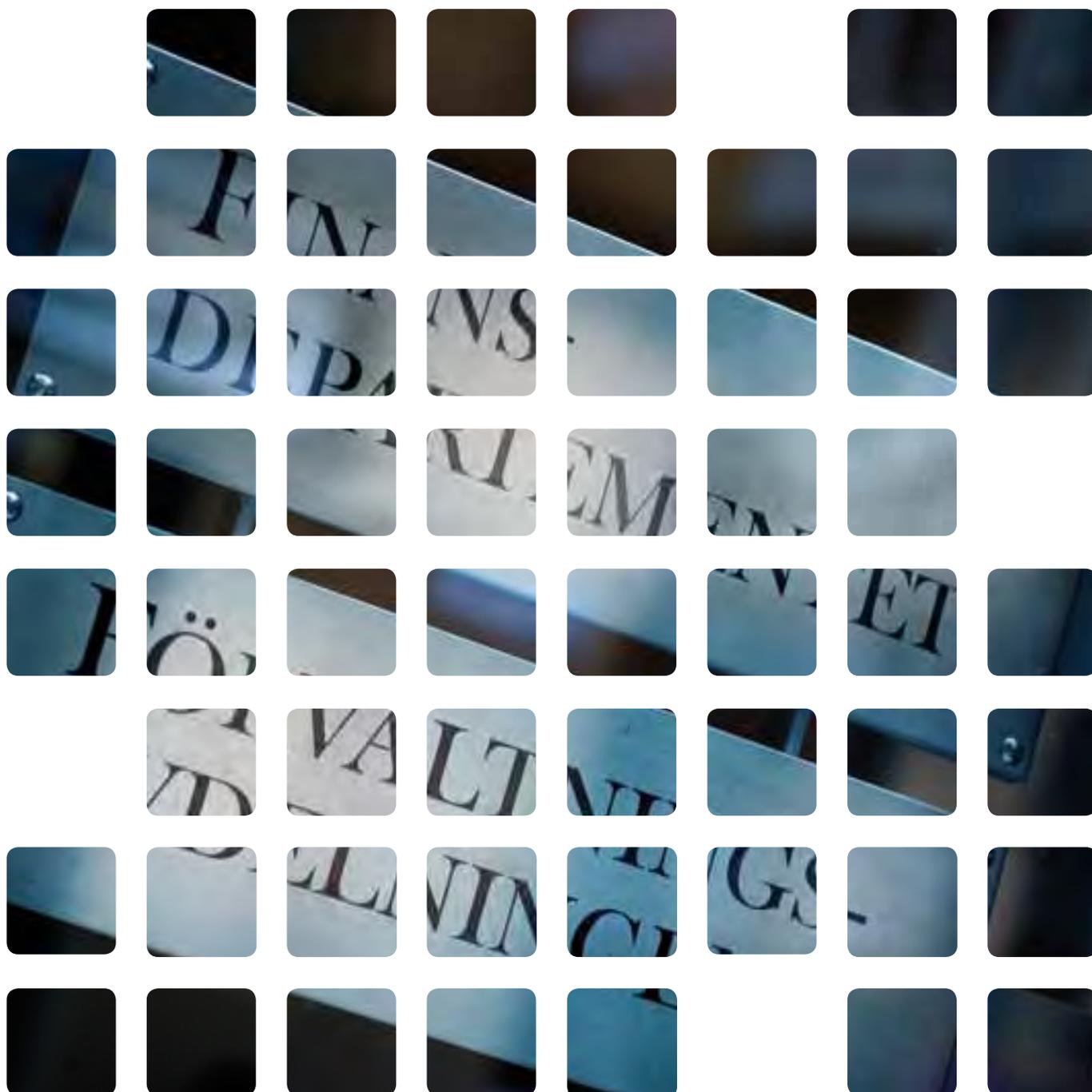
The Government reports to the Riksdag on the finances of the central-government sector through several channels. The key documents are the Spring Fiscal Policy Bill, the Budget Bill and the Central Government Annual financial Report. The two Bills present the Government's fiscal policy and its consequences for the Central Government Budget and the public finances. The Central Government Annual financial Report focuses on accounting for financial outcome.

The Government's reporting on the finances of the central-government and general government sectors has progressively developed and improved. However, experiences from the financial crisis as well as the observations made in our audits in recent years show that some of the commitments and liabilities

associated with the operations of the central-government sector are not adequately addressed in reporting to the Riksdag even though they may exert a material impact on the finances of the central government. In certain cases, the rules are unclear on how such commitments are to be reported and on when additional information is to be provided. In other cases, there may be a need to develop the risk-assessment methods. There may also be a need to broaden the risk perspective to include issues relating to the long-term sustainability of the tax and welfare systems.

### **RISKS AND COMMITMENTS OF THE CENTRAL GOVERNMENT**

The central-government sector's financial



commitments are extensive. According to the National Accounts, central-government expenditure in 2009 corresponded to 27 per cent of the Gross Domestic Product (GDP). The central-government debt amounted to about 38 per cent of GDP. The size of the central government's commitments entails that its finances, and thus ultimately citizens' finances, are exposed to various types of risk. However, the central government's financial commitments and risk exposure significantly exceed what can be seen from official statistics and reports.

One way of structuring the analysis and reporting of central-government risks is illustrated in the table below.

**Central-government commitments and risks**

	Direct	Contingent
<b>Explicit</b>	Borrowing/liabilities Current revenues and expenditures	Credit guarantees Insurance commitments
<b>Implicit</b>	Commitments of welfare policy	Natural disasters and major accidents Crises in the national economy

Source: *Fiscal Exposures: Implications for Debt Management and the Role for SAIs*. INTOSAI, Public Debt Committee, February 2003.

The table defines central-government commitments along two dimensions. One of them breaks down the commitments into those that are explicitly laid down in legislation and those that are implicit – those that citizens, with more or less justification, expect central government to honour. The other dimension distinguishes direct commitments, those that affect central-government finances on an ongoing basis every year, from contingent commitments, which are triggered only if certain events take place. The table also contains examples of types of factors or events that may give rise to the various types of central-government risk exposure. Most of the requirements laid down in the Central Government Budget Act (SFS 1996:1059) as regards the central-government sector's annual financial reporting and as regards the

statistics relating to central-government finances to be included in the National Accounts refer to direct and explicit commitments.

It is not always self-evident where a given commitment should be placed in the simple classification represented by the table. What is perfectly clear, though, is that financial reporting only in line with the requirements of generally accepted accounting principles will not capture the total risk exposure of the central-government sector. Examples illustrating this emerged in the audit of the central government's guarantees during the financial crisis, where we concluded that the central government took great risks by issuing extensive guarantees to exporters and financial institutions. Another example is the discussions about the Vattenfall power company's commitments in Germany and the appropriate way to account for them.

There is often a need for extensive additional information besides regular reporting to provide a true and fair view of the quality of central-government finances. A central-government statement of financial position (balance sheet) that appears to be strong may hide risks both in the form of assets that may be impossible to sell and in the form of far-reaching commitments in the welfare sector that may undermine central-government finances in the longer term. However, there may also be non-reported assets, such as deferred tax on savings in private pension plans and on capital gains from the sale of private homes.

The fact that implicit or contingent risks to the central government may be difficult to value and quantify must not prevent them from being analysed, assessed and reported. Such information can provide a basis for measures to reduce the financial risks to the central government through better preparedness and less risk-taking in the private sector. This may relate to the handling of environmentally hazardous goods, to the safety and security of nuclear power plants or to risk-taking in the financial sector.

But it may also relate to citizens' expectations of ever-increasing consumption of tax-financed welfare services. It is important to ensure that the information provided by the Government about the risks associated with the commitments of the central-government sector, explicit as well as implicit, is made broader and deeper so that it is clear what the potential consequences are for central-government finances. The following sections shed light on a number of such risks and commitments where the SNAO has pointed out the need for more developed reporting.

#### **INCOMPLETE REPORTING ON CENTRAL-GOVERNMENT GUARANTEES**

The autumn of 2008 was characterised by turmoil in the international financial markets. To stabilise the supply of credit, central banks and governments across the world took radical action. In Sweden, the Riksbank (central bank) lowered its policy rate in line with the rest of the world and also increased its lending to banks during the autumn by just over SEK 450 billion. The Government and the Riksdag decided to increase the bank-deposit guarantee from SEK 250,000 to SEK 500,000 (or EUR 50,000), and a guarantee facility amounting to SEK 1,500 billion was decided for banks' borrowing in the market. To support the export industry, the guarantees made available to AB Svensk Exportkredit (a state-owned enterprise involved in the provision of export credit) and the Swedish Export Credits Guarantee Board were expanded.

The overall framework of central-government guarantees to the private sector amounted to just over SEK 3,000 billion, which almost equals Sweden's entire GDP. Of this framework, only half was actually taken up. However, no guarantee commitments have had to be honoured as yet.

Through these guarantees, the central government technically assumed large risks from the private sector, above all from the financial industry. If these



guarantees ever have to be honoured, the burden on central-government finances may be heavy. This means that there is a particularly urgent need for transparency in reporting and monitoring. The fact that the decisions to grant the guarantees had to be made under strong time pressure and on an inadequate basis increases the need for explicit accounting and ambitious reporting back to the Riksdag. The SNAO's audit of the guarantees decided by the central government to alleviate the impact of the financial crisis (RiR 2009:26) showed that the Government had thus far not submitted any overall reporting to the Riksdag. Only in December 2009 was the National Debt Office instructed to submit a proposal on how overall assessment and reporting of the risks inherent in those guarantees should be structured. Such risk assessment should be a recurrent element of the Government's reporting to the Riksdag, particularly when there have been major changes in the overall risk situation. The SNAO also found that the existence of implicit guarantees for the financial market – deemed by the National Debt Office to exist even before the crisis erupted – was not addressed in the Government's reporting.

### **REPORTING OF EMISSION RIGHTS HAS IMPROVED**

In an audit of emission rights (also known as carbon credits or Kyoto units), the SNAO found that Sweden will have a significant surplus during the period until 2012 (RiR 2009:21). The estimated value of the surplus emission rights is SEK 7–8 billion. How Sweden chooses to handle that surplus – i.e. whether it is to be sold, cancelled or saved – will influence the achievement of its national climate objective. The audit showed that there was a lack of information about the holdings of emission rights in the Government's and the agencies' reporting. The Government had also not put the issue of how Sweden should handle its future surplus of emission rights before the Riksdag. The SNAO recommended that the Government should add an informational note about Sweden's holdings and surplus of emission rights in the Central Government Annual financial Report. The Government acted on this recommendation in the Annual financial Report for 2009.

### **THE TAX SYSTEM IS UNDER GROWING STRAIN**

The Swedish welfare model presupposes a level of taxation which is high from an international perspective. Two fundamental prerequisites for a sustainable tax system with high taxes are simple and robust tax rules, and an efficient tax-collection system. Tax rates and enforcement must be seen as fair and legitimate by citizens, or else there is a risk that the tax bases will be undermined by tax evasion and fraud. One risk factor is the increasing international mobility of capital, labour and goods, which reduces the scope for variation between countries in tax rates and tax rules alike. There is an increasing need for international cooperation in tax collection and enforcement. Another risk factor is the increasing demand for tax-financed health-care and other care services that will follow from

the demographic developments over the next few decades, with a growing proportion of older people.

### **A reshaping of the tax system?**

Uniformity of taxation was a key principle in the radical reform of the tax system implemented in 1990/1991. To the widest extent possible, income of the same category was to be equally taxed.

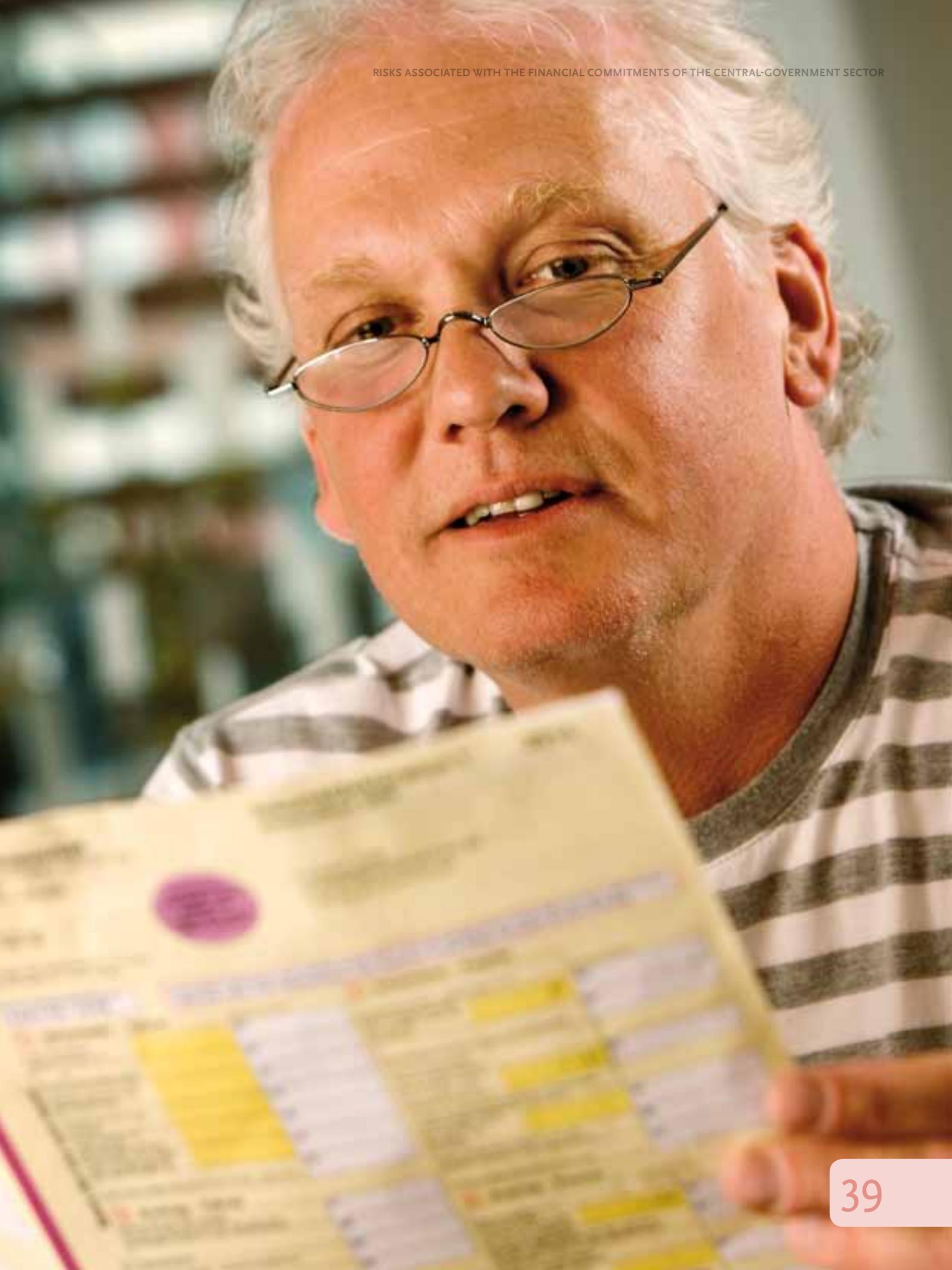
This was to contribute to transparency, simplicity and predictability of taxation, which were seen as important prerequisites for an efficient, stable and sustainable tax system.

In an audit of the development of the tax system (RiR 2010:11), the SNAO found numerous deviations from the principle of uniform taxation that guided the tax reform. Today, the tax system therefore once again comes across as fairly complex, with a large number of special rules, reductions and exemptions. Deviations from uniformity have in several cases been justified by reference to labour-market policy or the need to stimulate specific industries, but reasons relating to the impact on the distribution of income have also been put forward. Among the rule changes examined by the SNAO, adaptation to international rules is explicitly mentioned as a reason only in a few cases.

A systematic reshaping of the tax system towards more differentiated taxes is a radical modification of tax policy. There is a risk of growing delimitation problems and thus of increasing costs of enforcement and collection. Differentiated taxes increase the risk that special-interest groups will influence the tax system, which may in turn lead to growing problems of legitimacy. There is also a risk that tax enforcement will become more difficult.

### **A need for efficient international tax enforcement**

Even though most of the deviations from the principle of uniform taxation were not made because of a need to adapt to international rules,



internationalisation and taxpayers' mobility across national borders entail a challenge to the tax administration. This is true not least of international tax enforcement. Differences between countries' tax and collection systems entail an increased risk of tax avoidance and fraud. The Swedish Tax Agency estimates that the internationally linked loss of tax revenues amounts to about SEK 46 billion per year. This corresponds to about one-third of the total loss of tax revenues.

A key element of international tax enforcement is cooperation and the exchange of information between tax authorities in different countries. By making efficient use of domestic income statements (wage and tax statements), the Tax Agency has been able to keep its loss of tax revenues at a relatively low level in many areas. Now that transactions increasingly take place across borders, it is important to ensure that the Tax Agency's systems and working methods are adapted so that they can handle the corresponding information from other countries.

The SNAO's audit of international tax enforcement (RiR 2009:24) showed that there are major shortcomings in the Tax Agency's handling of its information exchange with other countries. Even though the Tax Agency is aware of what needs to be done, it has so far been too slow in adapting to new working methods. The inefficiency of the information exchange may lead to serious consequences for the Tax Agency's ability to maintain the preventive effect of the information exchange and thus for its ability to secure tax revenues.

#### **Tax deferrals entail risks**

As is clear from an SNAO audit of the deferral of capital-gains tax on home sales and the deferral of tax on private individuals' pension savings (RiR 2009:3), there is a risk to the finances of the central-government sector in that it often takes a long time before such deferred taxes are eventually paid. This risk increases not least because of the recently

introduced opportunities for Swedish citizens to make tax deductions for pension savings in funds within the European Economic Area and to defer capital-gains tax if they buy a new home. This is not an insignificant problem. Deferrals today amount to SEK 600 billion–700 billion, corresponding to tax revenues of about SEK 200 billion.

In its audit of tax deferrals, the SNAO among other things highlighted the lack of information about the size of deferrals. It is therefore positive that the Government has now, in the Central Government Annual financial Report for 2009, supplemented its reporting with a section about deferred taxes and an estimate of the corresponding taxable amounts. However, there is scope to develop reporting on the risks associated with the securing of tax assets associated with deferrals. Such reporting could also help the Government determine what measures would be suitable to secure such tax assets.

#### **SUSTAINABILITY REPORTING IS HARD TO INTERPRET**

One overall objective of fiscal policy is to ensure the long-term sustainability of public finances. The risks inherent in weak central-government finances and a large central-government debt became obvious when the Swedish economy was struck by a crisis in the early 1990s. Current developments in a number of EU member states show once again that there may be very severe consequences if financial markets begin to lose confidence in countries' ability to handle their central-government finances.

At the same time, there are also more long-term risks to the stability of central-government finances in the form of demographic trends leading to an increasing proportion of older people. Citizens' expectations of further improvements to the quality of tax-financed welfare services will place an ever-heavier strain on central-government finances. The Government reports extensively on the likely long-term future of the public finances in its fiscal-policy

bills. Indeed, such reporting is a compulsory element of the convergence programmes to be submitted to the EU each year.

In several performance-audit reports on the Government's application of the framework of fiscal policy, we have been critical of the Government's presentation of the long-term sustainability of the public finances. Among other things, the Government's sustainability estimates presuppose surpluses in public finances above and beyond the surplus target as well as a very strong build-up of the central-government sector's financial assets over several decades. It cannot be seen from the Government's presentation how this would happen. It is thus not possible to understand how the long-term analyses of the sustainability of the public finances influence the Government's design of fiscal policy.

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***This chapter is based on the following:***

*Tax deferral: The Government's presentation of deferral of capital-gains tax on home sales and deductions for pension savings (RiR 2009:3)*

*Application of the framework of fiscal policy:*

*The Government's presentation in the 2009 Spring Fiscal Policy Bill (RiR 2009:14)*

*Application of the framework of fiscal policy:*

*The Government's presentation in the Budget Bill for 2010 (RiR 2009:17)*

*What are Sweden's emission rights worth?*

*(RiR 2009:21)*

*International tax enforcement (RiR 2009:24)*

*State guarantees in the financial crisis (RiR 2009:26)*

*Uniform taxation? (RiR 2010:11)*



## Annex 1 Audits of annual financial reports for 2009

The SNAO's financial-audit branch examines whether government agencies' accounts are reliable, whether their accounting records give a true and fair view and whether they comply with applicable regulations. Audits of agencies' annual financial reports normally also cover administration by top agency management, to ascertain whether the applicable regulations and special decisions have been complied with. Audits of annual financial reports are presented in *auditor's reports*. If the SNAO has found material misstatements or shortcomings in an annual financial report, this is indicated by means of a qualified or adverse opinion in the auditor's report. If an agency has received a qualified or adverse opinion or the SNAO has made any other material observations, this is addressed in an *audit report* which is sent to top management of the agency with a copy to the ministry concerned. This year's audits of agencies' annual financial reports resulted in 117 audit reports, addressed to 90 agencies. Below is a summary of the main observations from those audit reports. If the auditor's report on an agency was 'modified', i.e. contained a qualified or adverse opinion, this is explicitly stated. The audit reports are listed according to the ministries to which the agencies report. Three pieces of legislation are referred to particularly often in this year's audit reports, which is why their full names and their Swedish Code of Statutes numbers are given only here:

Annual financial Reports and Budget Documentation Ordinance (SFS 2000:605) = 'Annual Reports Ordinance'; Internal Control Ordinance (SFS 2007:603): 'Internal Control Ordinance'; Public Procurement Act (SFS 2007:1091) = 'Public Procurement Act'.

### MINISTRY OF AGRICULTURE

#### Board of Agriculture (Ref. No. 32-2009-0596)

The Board of Agriculture does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

The Board should develop its efforts to comply with the requirements of the Internal Control Ordinance, particularly as regards risk analysis. The Board's risk analysis lacks a description of risks in the annual financial-report process. Sufficiently extensive risk descriptions are also lacking for other processes which are crucial to the Board's operations. What is more, the Board's risk analysis does not address material parts of the risk that it will fail to comply with the applicable rules and the risk that the general public's confidence in it will decrease.

The SNAO has repeatedly expressed its views about issues relating to control and financial deficits at the Water Unit, which operates in a market with private players. The measures taken have not, in the SNAO's opinion, had sufficient effects.

#### Board of Fisheries (Ref. No. 32-2009-0591)

The annual financial report of the Board of Fisheries contains a number of errors which are probably due to inadequate quality assurance of the annual financial report. Among other things, data presented in different sections of the annual financial rapport do not agree with each other. The Board also does not fully meet the requirements of the Internal Control Ordinance since it has not transparently documented its control measures and follow-up.

The Board does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual financial Reports Ordinance since expenditures per performance chosen are not presented correctly in the performance report. There are also shortcomings in the presentation of revenues and expenditures in accordance with the Board's own breakdown.

**National Food Administration  
(Ref. No. 32-2009-0593)**

The National Food Administration does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**National Veterinary Institute (Ref. No. 32-2009-0597)**

The National Veterinary Institute does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Sami Parliament (Ref. No. 32-2009-0954)**

The Sami Parliament has exceeded both the credit facility and the authorisation framework associated with Central Government Budget Appropriation 1:28 'Promotion of reindeer-keeping'. This exceedance is accounted for in the annual financial report in a way which gives a true and fair view, which is why a standard (non-modified) auditor's report has been drawn up. However, the SNAO considers that the exceedances having arisen show there to be a need to make significant improvements to internal control at the Sami Parliament. There is also a need to strengthen internal control in the handling of matters linked to the above-mentioned appropriation.

Performance reporting by the Sami Parliament should improve as regards the breakdown of

expenditures across performances, reporting of compliance with objectives, separate reporting of grant and fee revenues, and analyses of changes in the statistical data presented in the performance report.

**University of Agricultural Sciences  
(Ref. No. 32-2009-0598)**

The measures taken at top-management level by the University of Agricultural Sciences as regards information security are not deemed to be sufficient. Several important components that should be present in a management system for information security are missing. The existing information-security policy needs to be reviewed. More explicit links between risk analysis and control measures and their follow-up should be aimed for.

The University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual financial Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**MINISTRY OF CULTURE**

**Living History Forum (Ref. No. 32-2009-0702)**

The Living History Forum does not fully meet the requirements of the Public Procurement Act since purchases have been made without a tender procedure for amounts above the applicable threshold and since deviations are made from contracts awarded to suppliers. The SNAO also noted that bids and other documents were not kept in such a way that they were easy to find.

**National Heritage Board (Ref. No. 32-2009-0707)**

The annual financial report of the National Heritage Board does not give a true and fair view since its appropriation report indicates appropriation savings of SEK 6 million, which should have been SEK 12 million. (*Modified auditor's report*)

The Board does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since there is scope for improving its work to identify relevant performances and since comparative figures should have been presented for the past two years. The analysis of results included in the performance report could also be developed. Additionally, there is scope for improving reporting to the Government in line with the requirements it imposes in its appropriation directions for the Board.

The financial sections of the annual financial report could also improve. For example, certain fee revenues have been incorrectly charged against appropriations, and there are shortcomings in accounting for transfer payments.

#### **National Maritime Museums**

**(Ref. No. 32-2009-0711)**

The National Maritime Museums have not drawn up a performance report in accordance with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance. The annual financial report thus does not give a true and fair view. A significant part of the operations is reported on using volume data relating to performance types that are not relevant as a basis for decisions and that are difficult to understand without supplementary information. Rather, the various volume items can be said to constitute partial performances for which volume data should have been given separately since adding them up is not relevant.

*(Modified auditor's report)*

#### **MINISTRY OF DEFENCE**

##### **Accident Investigation Board**

**(Ref. No. 32-2009-0561)**

The Accident Investigation Board should review the use of key ratios in its annual financial report so as to ensure that those ratios truly and fairly describe

whether operations are carried out efficiently and with sound financial management. Further, quality assurance of performance reporting should be strengthened to ensure that any errors are discovered and corrected.

#### **Armed Forces (Ref. No. 32-2009-0559)**

There are shortcomings in the annual financial report of the Armed Forces. Specifically, there is a need for better valuation of defence and emergency stocks, there are shortcomings in current invoicing, there are unexplained discrepancies in the item 'Change in capital brought forward', and there are shortcomings in accounting for holiday-pay liabilities. The Armed Forces should also further improve its analysis and documented quality assurance as regards its financial reporting, and it should ensure compliance with its internal rules on performance reporting.

The Armed Forces should analyse and decide how a satisfactory level of control over invoicing and accounting can be attained in a cost-effective manner when its new financial system is taken into operation. Further, the Armed Forces should decide how responsibility for verifying that payroll management is correct should be distributed, and it should consider developing its description of the accounting principles applicable to the reporting of expenditures and costs relating to international operations.

The Armed Forces' annual financial report has shortcomings that appear to be due to inadequate communication between different parts of its organisation. For example, various sections of its annual financial-report document are not compatible with each other, the presentation and analysis of values and changes are insufficient and the accounting principles need to be developed, including as regards provisions, the valuation of defence and emergency stocks and loan-financing. Further, the reconciliation and documentation procedures for its accounting need to be developed.

Reporting of performances can be developed, as can reporting of expenditures and revenues for various product groups, which should be in line with the financial sections. The Armed Forces must also show that its operations have been conducted in an efficient manner and with sound financial management. To do this, there is a need for relevant financial ratios and indicators. The Armed Forces should also improve internal control as regards personnel-related expenditures. There is a need to develop the settlement of business with the National Government Employee Pensions Board and the Defence Materiel Administration, and also a need to develop the principles used when making provisions.

**Civil Contingencies Agency (Ref. No. 32-2009-0204)**

The Civil Contingencies Agency needs to take action to comply fully with the requirements of the Internal Control Ordinance. For example, an integrated description of all risks to which the Agency is exposed should be elaborated, the control measures decided should be followed up, and the internal-control process should be documented. Further, the SNAO finds that there have been shortcomings of transparency and communication in the application of the Ordinance.

The Agency does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report. There are also shortcomings in reporting – under Chapter 3, Section 2, of that Ordinance – of operations for which fees are charged. The financial sections of the annual financial report contained a number of misstatements that indicate shortcomings in the quality assurance of the annual financial report. There are also shortcomings in the procedures for taking inventory of emergency stocks kept by municipalities and county administrative boards.

**Coast Guard (Ref. No. 32-2009-0560)**

The Coast Guard does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report. What is more, revenues are not presented according to a breakdown per operational area. Further, contract-based operations are not presented separately as required under the Ordinance. The documentation of the data included in the performance report should improve. In addition, inventory accounting should be improved so as to ensure a good level of internal control.

**Defence Materiel Administration (Ref. No. 32-2009-0557)**

The Defence Materiel Administration lacks documented follow-up to prove that it carries out procurement in accordance with the Public Procurement Act. The Administration also has shortcomings in maintenance contracts relating to equipment which is owned by the central government but handled by the supplier. Specifically, there are no contractual terms authorising the agency accounting for those assets to request a certificate of inventory. There is also scope for the Administration to improve its control of commission agents or brokers engaged for the sale of surplus equipment by requesting internal-control certificates from the companies concerned or their auditors. The records of patent rights, rights of use and royalties are not up to date or entirely missing.

The Administration does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since performances have not been identified to a sufficient extent. What is more, expenditures per performance chosen are not presented in the performance report. The settlements carried out between the Administration and the Armed Forces should include liabilities and claims

on an accrual basis, since those items involve large amounts. There are also shortcomings in handling and inventory-taking as regards fixed assets. Among other things, older computers are not included in the inventories.

**Defence Research Agency  
(Ref. No. 32-2009-0562)**

The Defence Research Agency does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report. What is more, total operational revenues and expenditures have not been allocated according to the breakdown chosen by the Agency.

**National Defence Radio Establishment  
(Ref. No. 32-2009-0558)**

The National Defence Radio Establishment does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report. The Establishment's performance reporting should also improve in a number of other respects: the documentation of the basis for performance reporting should improve, all expenditures should be allocated to international activities, and reporting to show whether operations have been carried out with sound financial management should improve.

**MINISTRY OF EDUCATION AND RESEARCH  
Blekinge Institute of Technology  
(Ref. No. 32-2009-0637)**

The measures taken at top-management level by Blekinge Institute of Technology as regards information security are not deemed to be sufficient. What is more, those measures have not been fully communicated and implemented in the

organisation. The existing IT-security policy needs to be supplemented. Furthermore, nobody has been given explicit responsibility for work on information security, and there has been no risk analysis and no information classification. There is also a lack of documented control measures and follow-up thereof when it comes to information security.

The Institute does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Dalarna University (Ref. No. 32-2009-0624)**

Dalarna University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Gotland University (Ref. No. 32-2009-0625)**

Gotland University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Halmstad University (Ref. No. 32-2009-0639)**

The measures taken at top-management level by Halmstad University as regards information security are not deemed to be sufficient. What is more, those measures have not been fully communicated and implemented in the organisation. The existing IT-security policy needs to be supplemented. Further, nobody has been given explicit responsibility for work on information security, and there has been no risk analysis and no information classification. There is also a lack of documented control measures and follow-up thereof when it comes to information security.

The University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**International Programme Office for Education and Training (Ref. No. 32-2009-0664)**

The International Programme Office for Education and Training should contact the European Commission to reach an agreement on how differences due to currency exchange rates are to be dealt with. The Office does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Karlstad University (Ref. No. 32-2009-0634)**

Karlstad University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Karolinska Institutet (Ref. No. 32-2009-0635)**

There are shortcomings in internal control of the procurement process at the Karolinska Institutet. The SNAO considers that the introduction of a new purchasing system, starting in 2011, will create better conditions for complying with the Public Procurement Act. There are also shortcomings in the registration of contracts relating to projects and project funds.

The Karolinska Institutet does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Konstfack (University College of Arts, Crafts and Design) (Ref. No. 32-2009-0652)**

Konstfack does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Kristianstad University College (Ref. No. 32-2009-0642)**

Kristianstad University College needs to make improvements in a range of fields to ensure that its management system for information security meets the established standards. The University College lacks an information-security framework, it has no person explicitly in charge of work on information security, and it has not carried out either risk analysis or information classification. There is also a lack of documented control measures and follow-up thereof when it comes to information security.

The University College does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Linköping University (Ref. No. 32-2009-0643)**

Owing to shortcomings in procedures, the figures for revenues from appropriations, accrued receivables and the result of operations reported in Linköping University's interim report were about SEK 7 million too high.

The measures taken at top-management level by the University as regards information security are not deemed to be sufficient. What is more, those measures have not been fully communicated and implemented in the organisation. The existing IT-security policy needs to be supplemented to comply fully with the requirements laid down in the relevant rules. Further, risk analysis and information

classification have not been carried out at the overall level. There is also a lack of documented control measures and follow-up thereof when it comes to information security.

The University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Luleå University of Technology  
(Ref. No. 32-2009-0626)**

Luleå University of Technology does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Lund University (Ref. No. 32-2009-0644)**

There are shortcomings in top management's control and follow-up of information security at Lund University. These shortcomings have existed for several years. Improvements need to be made in a range of fields to ensure that the management system for information security meets the established standards. There are points of unclarity as regards responsibility, control and follow-up of information security. What is more, risk analysis and information classification have not been carried out. There is also a lack of documented control measures and follow-up thereof when it comes to information security. In order for the University board to have a relevant and reliable basis for its assessment of internal control, the work done on management systems for information security needs to be integrated with the work done to comply with the Internal Control Ordinance.

The University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures

per performance chosen are not presented in the performance report.

**Mälardalen University (Ref. No. 32-2009-0657)**

Mälardalen University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Malmö University (Ref. No. 32-2009-0645)**

Malmö University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Mid Sweden University (Ref. No. 32-2009-0627)**

Mid Sweden University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**National Academy of Mime and Acting  
(Ref. No. 32-2009-0659)**

The National Academy of Mime and Acting does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**National Agency for Special Needs Education and Schools (Ref. No. 32-2009-0678)**

To fully meet the requirements of the Internal Control Ordinance, the National Agency for Special Needs Education and Schools should put in place procedures to improve both work processes and documentation in relation to that Ordinance.

**National Defence College (Ref. No. 32-2009-0623)**

The annual financial report of the National Defence College does not give a true and fair view. The shortcomings identified by the SNAO include the following: the total change in capital is reported as SEK 56 million, but the College has no clear picture of how this change in capital has arisen; as regards operations for which fees are charged, different results are reported in different sections of the annual financial report; a cancellation of SEK 27 million has not been paid to the National Debt Office.

*(Modified auditor's report)*

**Örebro University (Ref. No. 32-2009-0636)**

Örebro University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Royal College of Music (Ref. No. 32-2009-0655)**

The Royal College of Music does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Royal Institute of Technology (Ref. No. 32-2009-0656)**

The Royal Institute of Technology does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Royal University College of Fine Arts (Ref. No. 32-2009-0653)**

The annual financial report of the Royal University College of Fine Arts has not been signed by all board members. It is thus not complete.

*(Modified auditor's report)*

The University College does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**School of Sport and Health Sciences (Ref. No. 32-2009-0649)**

The School of Sport and Health Sciences does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Södertörn University (Ref. No. 32-2009-0629)**

Södertörn University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Stockholm University (Ref. No. 32-2009-0628)**

Stockholm University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Umeå University (Ref. No. 32-2009-0630)**

Umeå University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**University College of Film, Radio, Television and Theatre (Ref. No. 32-2009-0648)**

The University College of Film, Radio, Television and Theatre does not fully comply with the requirements laid down in Chapter 3, Section 1, of

the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**University College of Opera (Ref. No. 32-2009-0658)**

The University College of Opera does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**University of Borås (Ref. No. 32-2009-0638)**

The measures taken at top-management level by the University of Borås as regards information security are not deemed to be sufficient. The existing IT-security policy needs to be supplemented. What is more, nobody has been given explicit responsibility for work on information security, and there has been no risk analysis and no information classification. There is also a lack of documented control measures and follow-up thereof when it comes to information security.

The University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**University of Dance (Ref. No. 32-2009-0647)**

The University of Dance does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**University of Gävle (Ref. No. 32-2009-0650)**

The University of Gävle does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**University of Gothenburg**

**(Ref. No. 32-2009-0632)**

The University of Gothenburg does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

Internal control in the payroll process is at a level which is equivalent to that found for closely related operations. The system provides some support for internal control. Even so, there are observations requiring urgent remedial action. For example, payroll officers are authorised to perform all critical steps of the payroll process, are able to manage their own basic data and are entitled to approve their own and others' payroll transactions. What is more, managers are not automatically informed when changes are made to basic data.

**University of Kalmar (Ref. No. 32-2009-0640)**

The University of Kalmar does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**University of Skövde (Ref. No. 32-2009-0641)**

The measures taken at top-management level by the University of Skövde as regards information security are not deemed to be sufficient. What is more, those measures have not been fully communicated and implemented in the organisation. The existing IT-security policy needs to be supplemented to comply fully with the requirements laid down in the relevant rules. Further, risk analysis and information classification have not been carried out. There is also a lack of documented control measures and follow-up thereof when it comes to information security.

The University does not fully comply with the requirements laid down in Chapter 3, Section 1, of

the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**University West (Ref. No. 32-2009-0633)**

University West does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Uppsala University (Ref. No. 32-2009-0631)**

The annual report of Uppsala University has not been signed by all board members. It is thus not complete. *(Modified auditor's report)*

The University should draft owner's directives for its holding company. Those directives should contain, among other things, the applicable sections of the central government's ownership policy, reporting requirements applicable to annual reports, rules on the types of assignments that the holding company may accept and the Government's guidelines on employment terms for senior officials. What is more, internal control in the relationship with the holding company should be strengthened through contracts and guidelines that clarify and formalise the basis for economic relations.

The University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Växjö University (Ref. No. 32-2009-0646)**

The measures taken at top-management level by Växjö University as regards information security are not deemed to be sufficient. The University lacks a framework for the control and follow-up of information security. There is also no person who is explicitly responsible for work on information

security, and risk analysis and information classification have not been carried out at the overall level. Further, there is a lack of documented control measures and follow-up thereof when it comes to information security. The University does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**MINISTRY OF EMPLOYMENT**

**Institute for Labour Market Policy Evaluation (Ref. No. 32-2009-0684)**

The Institute for Labour Market Policy Evaluation (IFAU) made commitments in 2009 to pay grants in 2010 for which there is no basis either in the Appropriations Ordinance (SFS 1996:1189) or in any specific Government decision. The grants decided amount to SEK 3.3 million, which can be covered by appropriation savings, but they represent 36 per cent of the appropriation, which means that they are not permissible under Section 20a of the Ordinance.

**Swedish European Social Fund Council (Ref. No. 32-2009-0686)**

The Swedish European Social Fund Council does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures for all performances chosen are not presented in the performance report.

**Unemployment Insurance Board (Ref. No. 32-2009-0683)**

The Unemployment Insurance Board does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since the performances chosen reflect operational results poorly. For the performances chosen, expenditures must also be reported.

**Winding-up Authority for the Administrative Development Agency (Ref. No. 32-2009-1246)**

The expenditures for premises reported by the Winding-up Authority for the Administrative Development Agency in its annual report are too low. The misstatement amounts to SEK 1.1 million, which makes it a material misstatement. The annual report is therefore deemed not to give a true and fair view.  
(*Modified auditor's report*)

**MINISTRY OF ENTERPRISE, ENERGY AND COMMUNICATIONS**

**Agency for Economic and Regional Growth (Ref. No. 32-2009-0722)**

The audit relates to an annual report for January–March 2009. That annual report has not been drawn up fully in compliance with the requirements of the Annual Reports Ordinance since it lacks a formal statement on internal control. There are also shortcomings in the reporting of winding-up expenditures.

**Energy Agency (Ref. No. 32-2009-0726)**

The Energy Agency has failed to report assets relating to cash and short-term investments amounting to SEK 391 million. The annual report thus does not give a true and fair view.  
(*Modified auditor's report*)

**Energy Markets Inspectorate (Ref. No. 32-2009-0717)**

The result reported by the Energy Markets Inspectorate for its fee-funded operations is too low. An accumulated surplus of SEK 0.5 million is reported as a deficit of SEK 0.5 million. The annual report is therefore deemed not to give a true and fair view. The reason for this misstatement is that revenues from natural-gas charges have not been correctly allocated to accounting periods and thus reported for the wrong years.  
(*Modified auditor's report*)

The Inspectorate does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report. There are also shortcomings in the presentation of revenues and expenditures according to the Inspectorate's own breakdown.

**National Space Board (Ref. No. 32-2009-0725)**

The National Space Board's reporting of its authorisations is deemed not to give a true and fair view since it lacks information about the year-end value of authorisations made in foreign currencies. The difference in value represents a considerable amount. The SNAO considers that the provision of supplementary information about this would have been crucial to ensure that the annual report gave a true and fair view.

(*Modified auditor's report*)

**Transport Agency (Ref. No. 32-2009-0205)**

The Transport Agency has not fully complied with the requirements laid down in the Internal Control Ordinance since the risk analysis performed does not have a uniform structure for all operations and since the assessment of risks is not uniform. No control measures have been identified as yet, and nor has any follow-up of control measures been carried out. Further, adequate governance documents are lacking for certain departments and functions.

**MINISTRY OF THE ENVIRONMENT**

**Chemicals Agency (Ref. No. 32-2009-0583)**

The Chemicals Agency does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual Reports Ordinance since the performances chosen do not clearly correspond to the tasks laid down in the Government's instructions for the Agency. What is more, reporting should refer to the current year and the past two years.

Further, revenues have not been broken down into appropriation and other revenues in the Agency's own breakdown of revenues and expenditures.

The item 'Work in progress' is presented on a net basis in the statement of financial position (balance sheet), which is contrary to Chapter 2 of the Annual Reports Ordinance.

#### **Environmental Protection Agency (Ref. No. 32-2009-0586)**

Without the Government's express permission, the Environmental Protection Agency charged administrative expenditures against its directed appropriations. The Agency also allowed county administrative boards (CABs) to use 5 per cent of directed appropriations intermediated by the Agency for administrative expenditures. This was also done without the Government's permission.

The procedures to allocate resources for the management of protected areas and monitor the use of such resources have shortcomings. Specifically, there is no documented follow-up of CABs' reporting and it has not been noticed that more than 5 per cent of the resources have been used for administrative expenditures. There are also shortcomings in supervision of protected areas. This supervision, which is carried out by CABs, has not been adequately monitored by the Agency.

The Agency does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual Reports Ordinance since performances have not been identified to a sufficient extent. There are also shortcomings in the presentation of revenues and expenditures according to the Agency's own breakdown, and not all fee-funded operations are separately accounted for.

#### **Lantmäteriet (Swedish Mapping, Cadastral and Land Registration Authority) (Ref. No. 32-2009-0585)**

Lantmäteriet has not fully complied with the requirements of the Internal Control Ordinance since there remain shortcomings in the work done and in documentation. Further work to strengthen internal control in line with that Ordinance should be given priority. There are also shortcomings in internal control as regards the registration of stamp duty and handling charges, as well as shortcomings in quality assurance of financial reporting.

#### **National Board of Housing, Building and Planning (Ref. No. 32-2009-0581)**

The National Board of Housing, Building and Planning lacks transparent rules and guidance specifying what expenditures may be financed from directed appropriations and what expenditures must be financed from the administrative appropriation. The Board should also decide modalities for its supervision of county administrative boards' handling of grants and set aside adequate resources for that purpose. Further, the Board should strive to ensure that an authorisation framework is put in place for Central Government Budget Appropriation 24:1 'Special measures to promote gender equality'.

The Board's implementation of the Internal Control Ordinance has a number of shortcomings: the risk analysis must improve to provide an accessible and transparent basis for decisions, control measures should be decided, and the follow-up efforts (though some follow-up has been carried out) can improve.

The Board does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since volume data per performance chosen are not presented in the performance report.

There are minor shortcomings in the Board's accounting for appropriations, indicating inadequate quality assurance of the information concerned. The

Board should also improve its internal control as regards committed appropriations by ensuring that all commitments made meet the requirements laid down for the appropriation in question.

**Swedish Geotechnical Institute  
(Ref. No. 32-2009-0588)**

The Swedish Geotechnical Institute does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report. The documentation of data included in the performance report can improve.

The Institute has identified a difference of about SEK 1.1 million for the item 'Settlement with central government' which cannot be further investigated. The Institute should contact the National Financial Management Authority to clarify how that difference is to be handled. Expenditures of about SEK 1.3 million that refer to 2010 have been incorrectly reported for 2009.

**Swedish Meteorological and Hydrological Institute  
(Ref. No. 32-2009-0587)**

The Swedish Meteorological and Hydrological Institute does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual Reports Ordinance since performances have not been identified to a sufficient extent. There are also shortcomings in the presentation of revenues and expenditures according to the Institute's own breakdown, and not all fee-funded operations have been separately accounted for.

**MINISTRY OF FINANCE**

**Agency for Government Employers  
(Ref. No. 32-2009-0516)**

The Agency for Government Employers does not fully comply with the requirements laid down in Chapter

3, Section 1, of the Annual Reports Ordinance since volume data and expenditures are not presented in the performance report to a sufficient extent.

**Dalarna County Administrative Board  
(Ref. No. 32-2009-0526)**

Like in previous years, the Dalarna County Administrative Board exhibits quality-assurance shortcomings in relation to the preparation of the annual report. These shortcomings have led, among other things, to an incorrect booking of an exceedance of an appropriation, to a discrepancy in the item 'Change in capital carried forward' which has not yet been fully explained, and to an error in the item 'Settlement with central government'.

**Finansinspektionen (Swedish Financial Supervisory Authority) (Ref. No. 32-2009-0517)**

Finansinspektionen does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since performances have not been identified to a sufficient extent. What is more, volume and expenditure data for the performances chosen must be presented in the performance report.

**Legal, Financial and Administrative Services Agency  
(Ref. No. 32-2009-0520)**

There are shortcomings in internal control of procurement at the Legal, Financial and Administrative Services Agency. Specifically, certain internal governance documents have not been updated and formally adopted, and the status of the existing governance documents is unclear.

The Agency also exhibits shortcomings in its handling of fee revenues relating to its procurement operations. The Agency is aware of these shortcomings.

There are also shortcomings in internal control of financial and payroll administration. For example,

there are no established manuals or descriptions of procedures, and reconciliations have not been documented. What is more, there are shortcomings in the management of access rights in the 'Agresso' financial system.

**National Institute of Economic Research  
(Ref. No. 32-2009-0509)**

The National Institute of Economic Research does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

**Statistics Sweden (Ref. No. 32-2009-0514)**

Statistics Sweden has had shortcomings for several years in control and monitoring of its IT environment for statistics production. The measures decided have not been implemented and followed up to a sufficient extent, which is why the shortcomings largely remain. These shortcomings entail that there is still an increased risk of errors in the consumer-price index.  
*(Modified auditor's report)*

What is more, Statistics Sweden has not made adequate preparations for its application, starting in 2010, of the Internal Control Ordinance.

**MINISTRY FOR FOREIGN AFFAIRS**

**Folke Bernadotte Academy (Ref. No. 32-2009-0567)**

The Folke Bernadotte Academy does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual Reports Ordinance since the presentation in the performance report of volume data and expenditures per performance chosen is inadequate. No comparative figures for previous years are given in the performance report. There are also shortcomings in the allocation of revenues among the operational areas chosen. The documentation of the data in the performance report should also improve.

**Swedish International Development Cooperation Agency (Ref. No. 32-2009-0577)**

In its audit of handling and follow-up by the Swedish International Development Cooperation Agency (Sida) of budget support to Mali, the SNAO observed shortcomings similar to those found in previous years' audits of budget support. In the SNAO's opinion, this means that Sida's actions to remedy the problems linked to budget support have not been sufficient. Sida has not operationalised the Swedish Government's guidelines for budget support. There is thus no specification of the criteria to be used in Sida's assessment of the five fundamental prerequisites for budget support that the Government has identified. The SNAO considers that it will therefore largely be up to individual case officers to form an opinion of how the prerequisites for budget support are to be assessed. There is thus a risk that budget support will not be used for the intended purposes. Moreover, Sida has not adequately investigated and followed up the results of the audit in Mali. Sida has an insufficient basis for measuring and following up developments in Mali, meaning that the follow-up findings are uncertain.

There remain material shortcomings in Sida's chosen method of using audits and investigations as a control method in its aid provision. Sida does not carry out adequate assessments of the risks associated with individual contributions, does not always adapt the orientation of audits in the light of the risk analyses performed, and does not take action to an adequate extent when errors and shortcomings have been identified at aid recipients. Further, the handling of audits as a control method exhibits shortcomings as regards the provision of budget support and other forms of programme support.

Sida's budgeting and monitoring procedures for its administrative appropriation have exhibited material shortcomings in 2009. As a result, its administrative expenditures have been too high and Sida has

had to apply for an extended appropriation credit facility. The SNAO finds that the above-mentioned shortcomings follow from the fact that Sida does not have a satisfactory system of internal control. The shortcomings have been satisfactorily described in the annual report. Priority should be given to efforts to strengthen internal control and to the development of work in accordance with the Internal Control Ordinance.

#### **MINISTRY OF HEALTH AND SOCIAL AFFAIRS**

##### **Agency for Disability Policy Coordination (Ref. No. 32-2009-0495)**

The Agency for Disability Policy Coordination does not fully comply with the requirements laid down in Chapter 3, Sections 1–2, of the Annual Reports Ordinance. For example, it is not clear from the annual report which performances are deemed by the Agency to be the most important ones in the light of the Government's instructions for it and other Government decisions. For the performances, there is a lack of adequate reporting of outcomes in terms of expenditures and volumes. In its performance report, the Agency has not made any clear breakdown governing the allocation of its revenues and expenditures.

##### **Dental and Pharmaceutical Benefits Agency (Ref. No. 32-2009-0493)**

The Dental and Pharmaceutical Benefits Agency does not fully comply with the requirements of the Annual Reports Ordinance since consultants' invoices amounting to SEK 2.8 million have not been allocated to the appropriate accounting periods and charged against the appropriation for the correct year. What is more, expenditures for performances are not presented in the performance report.

##### **Medical Responsibility Board (Ref. No. 32-2009-0492)**

The Medical Responsibility Board lacks central coordination as regards the preparation, establishment and updating of policies and guidelines that govern operations. Further, the Board's rules of procedure have not been updated to take account of changes to operational conditions. There is also no plan of activities, and certain policies are lacking.

##### **National Board of Health and Welfare (Ref. No. 32-2009-0498)**

The National Board of Health and Welfare states in its annual report that there is a risk that medical drugs in emergency stocks may be overvalued. Emergency stocks should be valued on the basis of the shelf life of the drugs. Further, the performance report does not fully comply with the requirements laid down in the Annual Reports Ordinance since there is no clear link with the tasks specified in the Government's instructions for the Board. There is also no presentation of expenditures for performances in the performance report.

The SNAO recommends that the Board should contact the Ministry of Health and Social Affairs again to bring about a more straightforward financing model. For example, the administrative appropriation should be used only for the Board's own administration and not for the disbursement of grants.

##### **National Institute of Public Health (Ref. No. 32-2009-0500)**

The National Institute of Public Health does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

## **MINISTRY OF INTEGRATION AND GENDER EQUALITY**

### **Market Court (Ref. No. 32-2009-0735)**

The Market Court does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since its allocation of expenditures to cases/matters does not give a correct view of its performance.

### **National Board for Youth Affairs (Ref. No. 32-2009-0736)**

The National Board for Youth Affairs does not fully comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance since expenditures per performance chosen are not presented in the performance report.

### **Office of the Equality Ombudsman (Ref. No. 32-2009-0732)**

The Office of the Equality Ombudsman has not defined its tasks and performances in a transparent manner on the basis of the official instructions and legislation governing it. Nor has the Office's performance reporting been transparently linked to tasks laid down in its instructions or in legislation. This applies above all to its reporting of expenditures for performances.

The SNAO considers that, taken together, the reporting of operational performance is not transparent and does not give a true and fair view. The annual report is therefore deemed not to comply with the requirements laid down in Chapter 3, Section 1, of the Annual Reports Ordinance and thus does not give a true and fair view.  
*(Modified auditor's report)*

### **Winding-up Authority for the Anti-Discrimination Ombudsmen (Ref. No. 32-2009-0731)**

After the submission of the annual report, a correction dated 26 October 2009 was received. The

SNAO finds that the annual report including this corrigendum gives a true and fair view. However, the annual report as corrected is not compatible with the accounting records underlying it. No audit report has been drawn up.

*(Modified auditor's report)*

## **MINISTRY OF JUSTICE**

### **Migration Board (Ref. No. 32-2009-0616)**

There are shortcomings in the Migration Board's procurement process as regards monitoring of contractual relationships, overview of financial transactions linked to procurements, coordination procedures and staff resources. The Procurement Unit should have the authority and tools it needs to assume responsibility for the coordination and monitoring of the procurement process so as to ensure effective control.

### **National Courts Administration (Ref. No. 32-2009-0611)**

The Judges Committee, whose main task is to make proposals to the Government in matters relating to appointment to positions as judges and as presidents of regional rent and tenancy tribunals, has a large number of regular members who belong to a certain network. There is thus a risk that confidence in the impartiality of the handling of matters may be undermined.

### **Swedish Police (Ref. No. 32-2009-0452)**

The Police has shortcomings in several areas, including quality assurance of performance reporting, accounting for fines and fees, and work on internal control. Quality assurance of the statistical data and IT systems used in its performance reporting should take place on an ongoing basis. Accounting for fines should improve in both performance and financial reporting. The work carried out regarding internal control should be more explicitly oriented towards

risks that may entail that operational objectives are not achieved or that duties are not discharged. Integration between work on internal control and the operational plan should improve.

#### **AGENCIES REPORTING TO THE RIKSDAG**

##### **Riksbank (central bank) (Ref. No. 32-2009-0552)**

The Riksbank should continue its work to document its internal-control process and its control activities. It should also put in place a formalised procedure for quality assurance of the statistics supplied by Statistics Sweden in accordance with the Riksbank's instructions. Finally, the Riksbank should more clearly document the assessments underpinning its decisions so as to increase the transparency of its decision-making process.

#### **NORDIC INSTITUTIONS**

##### **Nordic Genetic Resource Centre (NordGen)**

##### **(Ref. No. 32-2009-0575)**

The Nordic Genetic Resource Centre should strengthen the procedures for the preparation and internal quality assurance of its annual report. The annual report as first submitted contained errors: certain costs had not been assigned to the relevant accounting periods, and certain valuations were incorrect. A new annual report dated 23 April 2010 has subsequently been received. There also remains an advance which has not been settled; this has been the case for several years and was pointed out by the SNAO in previous years as well.

##### **Nordic School of Public Health**

##### **(Ref. No. 32-2009-0573)**

The Nordic School of Public Health (NHV) has a relationship with a non-profit association. Among other things, the School pays subsidies and fees as well as 20 per cent of the salary of an employee who used to work at the School. This arrangement can be seen as a way to circumvent the rule that employment must not last longer than eight years.

## Annex 2 Performance-audit reports published since the Annual Report of the Auditors General 2009

Performance audits examine circumstances relating to the Central Government Budget, the conduct and results of central-government operations and the commitments of the central government. Such audits are to promote a development whereby the central government, having regard to the general public interest, obtains the best possible return on its efforts. The audits are published in *performance-audit reports*. Since publication of the Annual Report for 2009, the SNAO has published 34 such reports. Below are brief summaries of them.

### **The Government's sale of V&S Vin & Sprit AB (RiR 2009:9)**

The state-owned enterprise Vin & Sprit, a producer and distributor of alcoholic beverages, was sold in 2008. The sale took place in two separate processes. Vin & Sprit except its shares in Beam was sold through auction for SEK 55 billion. The Beam shares were sold in a process involving Vin & Sprit's former partner Fortune for SEK 2.8 billion. The SNAO's audit of the sale shows that the auction was well planned and well implemented, yielded a good financial outcome and was in line with best practices in the area. Compared with the previous sale of shares in TeliaSonera, a telecoms company, the sale of Vin & Sprit except the Beam shares represents an improvement. The administrative handling of the separation of the Beam shares from Vin & Sprit was efficient. It proved impossible to reach a negotiated settlement regarding the selling price of the shares, meaning that, as required under a shareholders'

agreement, an independent valuer determined the selling price. The sale resulted in a capital loss. The SNAO's conclusion from its audit is that the Government gave an incomplete description of the sale of Vin & Sprit in the Budget Bill. The capital loss from the sale of the Beam shares and the effects of the sale on the central-government debt were not reported to the Riksdag. The SNAO further considers that the Government's management of the wholly state-owned enterprises needs to improve ahead of any future sales.

### **Psychiatric services and the effectiveness of central-government support (RiR 2009:10)**

Psychiatric services are mainly the responsibility of county councils, but the central government has on several occasions provided financial support. This audit examines the effectiveness of such support as well as the background to the shortage of qualified psychiatrists. It shows that, while presented as large, the central-government subsidies have in practice been small compared with the county councils' own spending. Nor have those subsidies affected the allocation of resources within county councils; indeed, it is difficult to trace the results of the subsidies. The conclusion drawn is that central-government subsidies of the types examined cannot solve the problems facing the psychiatric services. Instead, the Government should support the psychiatric services by means of long-term actions that fall within the central-government sector's remit and do not weaken county councils' responsibility.

The audit also shows that psychiatry is given limited space in medical training and that there is a need to clarify who is responsible for the training of psychiatrists. Under the present system, it is difficult both for the central government and for the county councils to influence the supply of psychiatrists.

**The Swedish Armed Forces' personnel provision, focusing on the provision of officers (RiR 2009:11)**

For more than a decade now, the Swedish Armed Forces has been undergoing restructuring from a defence against invasion to a mission-based defence force. This has entailed changes in the Armed Forces' personnel needs, in terms of both volumes and skills. This audit focuses on how the Armed Forces uses its personnel, i.e. on the efficiency of the processes affecting personnel use. The SNAO finds that the Armed Forces' personnel provision has not been adapted to its new focus, since there are imbalances in the age and rank structure. Further, the Armed Forces does not at present have the personnel that will be necessary to ensure its production in the long term and maintain its operational capability. Taken together, these shortcomings have negatively affected efficiency within the Armed Forces and pose a threat to its capability.

**Handling of young offenders: A drawn-out process (RiR 2009:12)**

The existing objectives as regards young offenders include that they should be handled with particular urgency, that the clearance rate should increase and that the rate of reoffending should decrease. However, this audit shows that the police, prosecutors and courts do not live up to the urgency requirements applicable to the handling of young offenders but often fail to respect deadlines for the completion of cases. It also shows that it should be possible to solve more cases of juvenile crime if more

investigative actions were taken. The report highlights the bottlenecks of the process and the areas where there is scope for improvement, identifying possible causes of the shortcomings. The SNAO considers that better use can be made of the existing resources, above all by means of further development of procedures and working methods as well as the coordination of key tasks. The Government and top management of the agencies concerned have not ensured that those dealing with juvenile-crime cases have adequate working conditions in terms of explicit objectives, requirements and priorities. There is also a lack of functional follow-up and monitoring. The audit additionally identifies quality shortcomings in the interventions made by municipal social-welfare services; this influences conditions for the work of the other agencies involved.

**Readjustment requirements under unemployment insurance (RiR 2009:13)**

The purposes of unemployment insurance are to provide financial compensation during periods of unemployment and to help create a well-functioning labour market, among other things by supporting a good level of both occupational and geographical mobility. In this audit, the SNAO examined whether the Government and the labour-market agencies ensure compliance with the 'readjustment' requirement of unemployment insurance under which beneficiaries must be ready to accept other types of jobs and jobs in other towns. It found that the Government's objective for job-seekers to apply for all suitable jobs at an early stage has not been achieved. This may unnecessarily prolong many people's period of unemployment. There are several reasons why the requirements are enforced only to a limited extent. The duties of the Public Employment Service (PES) involve weighing partly contradictory objectives against each other. The rules are difficult to apply, and important information is often lacking

from the individual action plans drawn up for job-seekers. It is therefore difficult to use the action plans to support and demand readjustment. The SNAO considers that the PES should improve the quality of the action plans. They should contain specific readjustment requirements and be possible to use for verification purposes. The regulations issued by the Unemployment Insurance Board relating to the concept of 'suitable jobs' should make it clear how occupational and geographical search areas are to be delimited.

**Application of the framework of fiscal policy:  
The Government's presentation in the 2009  
Spring Fiscal Policy Bill (RiR 2009:14)**

The framework of fiscal policy consists, among other things, of quantified targets and restrictions such as the surplus target, the expenditure ceiling and the local-government balance requirement. This framework is crucial to ensuring the long-term sustainability of fiscal policy. In this audit, the SNAO examined the Government's application of the framework of fiscal policy in the 2009 Spring Fiscal Policy Bill. The audit shows that the Government's monitoring of compliance with the objectives of budgetary policy remains inadequate. The indicators used by the Government to monitor compliance with the surplus target simultaneously show the target being both undershot and overshot. Those indicators therefore offer only very limited guidance as regards the appropriate orientation of fiscal policy. Shifts of spending to earlier financial years increase the margin relative to the expenditure ceiling for 2010 by SEK 10 billion, reducing the strictness of the ceiling in relation to the surplus target. Information about compliance with the balance requirement for municipalities and county councils is spread across several sections of the Bill. The meaning of the forecast presented, which involves large deficits in the local-government sector, is difficult to interpret.

The SNAO emphasises that transparent reporting on the objectives of budgetary policy is particularly important at times when the public finances are under pressure.

**Sida's support for capacity development in the  
public administration of partner countries  
(RiR 2009:15)**

Weak and undeveloped institutions in the public administration of developing countries are a fundamental obstacle to development and poverty reduction. Supporting the development of central-government administration in countries receiving aid from Sweden is therefore a central task for Sida (the Swedish International Development Cooperation Agency). This audit focuses on how Sida handles support for capacity development and how the Government exercises direction over that support. The starting points of the audit are the commitments of the Paris Declaration to promote more efficient aid and the internationally accepted principles for capacity-development support drawn up by the OECD's Development Assistance Committee (OECD/DAC). The SNAO finds that it is not possible to assess, on the basis of Sida's proposals, whether its support for capacity development goes to the right projects or whether its contributions help build the capacity of central-government administration in a long-term perspective. The assessments are incomplete in several respects. Among other things, it is often not clear to what extent the partner country wishes to receive support, and the contributions lack monitorable objectives. There are also shortcomings in Sida's institutional learning. Further, the SNAO notes that the Government's cooperation strategies and other governance documents do not give Sida sufficient guidance on several areas that are essential for Sida's implementation of capacity-development contributions. In addition, the SNAO considers that there is a conflict between the ways in which

Swedish central-government agencies are engaged in development cooperation and the Paris Declaration's commitment to untied aid.

**Maintenance of hard-surfaced roads (RiR 2009:16)**

The central government each year spends SEK 3 billion on the maintenance of hard-surface roads. One prerequisite for the effective control of maintenance efforts is that the documentation used to assess maintenance needs and costs is reliable and adequate. Otherwise there is a risk that resources will be misallocated and that needs will be either underestimated or overestimated. In this audit, the SNAO examined whether the Road Administration's maintenance of the network of roads owned by the central government is based on reliable and adequate documentation enabling effective action to ensure compliance with the objectives laid down by the Riksdag. The SNAO finds that the Administration lacks adequate and reliable documentation to control the maintenance of the road network. As a result, road maintenance risks being governed, in part, by chance rather than by needs. This makes it difficult to tell whether the maintenance objectives have been achieved and whether they could have been achieved at a lower cost.

**Application of the fiscal policy framework:  
The Government's presentation in the budget bill for 2010 (RiR 2009:17)**

This report contains an audit of the Government's application of the framework of fiscal policy in the Budget Bill for 2010. It highlights a number of weaknesses and shortcomings in the Government's presentation of the Budget Bill. The long-term picture of the development of the public finances presented by the Government shows that Sweden's present fiscal policy is not sustainable even though the estimates point to large surpluses until the end of the present century. The Government does not

comment on the ramifications of this for the future levels of the surplus target. The indicators used to monitor compliance with the surplus target remain inadequate and simultaneously show the target being both undershot and overshot. The proposal for a new expenditure ceiling for 2012 is not well-founded, and there is a lack of clear links with the surplus target and the desired level of taxation. Additional room is created under the ceiling decided for 2010 because spending is shifted to earlier financial years for accounting purposes. This may undermine confidence in the expenditure ceiling. The SNAO also considers that the Government should continue improving its presentation of financial developments in the local-government sector and clarify conditions for complying with the requirements for sound financial management and balanced budgets laid down in the Local Government Act (SFS 1991:900).

**IT investments across borders (RiR 2009:18)**

The duties of central-government administration are to provide good services to citizens and businesses, and to carry out its operations as efficiently as possible. This makes cooperation between agencies important, not least when they are to make joint investments in modern information technology (IT). This audit focuses on why urgently needed joint IT investments do not materialise and on what this leads to. One reason is that agencies assign lower priority, on a variety of grounds, to their part in collaboration with other public entities. Another is that relevant legislation does not, as the agencies interpret it, allow IT investments. Taken together, this entails that the central government does not conduct its operations at full capacity.

**e-ID: An underused resource (RiR 2009:19)**

'e-ID' is an electronic identity document for private individuals. People can use their e-ID to prove their identity, thus gaining secure online access to services

and information from government agencies and businesses. For example, the e-ID can be used when filing tax returns, reporting absence from work to care for a child or taking care of banking matters. The SNAO has examined whether the e-ID system guarantees equality before the law, whether it is accessible, cost-effective and technology-neutral, and whether the Government and the agencies responsible have acted in accordance with the Riksdag's intentions in the field. The SNAO's overall finding is that the e-ID system has had a positive effect on the development of e-government. Even so, there are a number of minor shortcomings in relation to equality before the law, accessibility, cost-effectiveness and technology neutrality. However, the proposals presented by the e-Government Delegation will help eliminate several of the shortcomings identified in the audit. The Delegation's proposals may give the Government and the agencies better conditions to bring about the direction, control and monitoring required to comply with the Riksdag's wishes for better equality before the law, ease of use and technology neutrality.

#### **The earned-income tax credit (RiR 2009:20)**

In recent years, the Government has progressively implemented an earned-income tax credit. The overall question in this audit is whether this tax credit is capable of increasing the labour supply both in general and in groups with a weak position in the labour market. The SNAO also examined the quality of the estimates on which the Government based the reform. The audit shows that the Government's basis for the earned-income tax credit has improved and is now transparent and of good quality. The SNAO's own estimates of the impact that the tax credit can be expected to exert on the labour supply are in line with the Government's ones; the reform has the potential to increase the labour supply in the long term. In addition, the reform has the potential to increase the

labour supply from groups with a weak position in the labour market. However, the SNAO's audit shows that the general public is not particularly aware of the earned-income tax credit. Since few people know about the reform, the SNAO considers that there is a risk that it may not achieve its full potential.

#### **What are Sweden's emission rights worth?**

##### **Handling and reporting of Sweden's Kyoto units (RiR 2009:21)**

This audit focuses on how the Government and the government agencies responsible have reported on and handled Sweden's national holdings and future surplus of emission rights (also known as carbon credits or Kyoto units). The audit shows that the surplus of emission rights relative to Sweden's commitment under the Kyoto Protocol is expected to be just over 14 million tonnes of CO<sub>2</sub> equivalent per year. This is more than the annual emissions from private cars in Sweden. The handling of the future surplus of emission rights will determine whether one of Sweden's national environmental-quality objectives, entitled 'Reduced Climate Impact', will be attainable. The SNAO's overall finding is that there is insufficient transparency in the reporting of Sweden's total holdings and future surplus of emission rights. There is also a shortage of information about how the handling of that surplus will affect compliance with the national climate objective. The lack of a decision on the handling of the future surplus is part of the reason why the agencies and ministries concerned differ in their views on how Sweden's national climate objective is to be achieved. The SNAO also notes that the Riksdag has not been given the opportunity to take a position on the appropriate use of the significant financial value that the future surplus of emission rights represents.

**The Job and Development Guarantee programme:  
A guarantee of a job? (RiR 2009:22)**

The Job and Development Guarantee (JDG) programme was introduced in 2007 and is today the largest labour-market programme in Sweden. The SNAO's audit focuses on how the programme is designed and directed as well as on how it is monitored and evaluated by the Public Employment Service (PES) and the Government. The audit shows that there are shortcomings in the direction exercised by the Government and in the PES's handling and monitoring of the JDG programme. Evaluating the programme is not a priority to the Government. Nor is the programme adapted to large participant volumes. Job-matching services bought from 'supplementary actors' (non-governmental job agencies) have not helped enhance the efficiency of the programme. The SNAO recommends that the Government should exercise better direction over the JDG programme. The PES, for its part, should improve its monitoring of the programme so as to be better able to determine priorities in job-matching operations and offer participants programme interventions that are suited to their individual needs.

**County plans for regional transport infrastructure  
(RiR 2009:23)**

The Government has entrusted 21 county planners (inter-municipal cooperation bodies, regional boards and county administrative boards) with the task of allocating funds to measures of particular regional and local importance. The provisional financial framework for the counties' planning amounts to a total of SEK 33 billion. The SNAO examined the draft county plans submitted to the Government in November 2009. The audit shows that the counties failed in a few important respects to comply with the requirements laid down in the Government's directives. This relates above all to the requirements to present overall impact assessments and to give

explicit reasons for the prioritisation of the measures proposed. These shortcomings make it difficult to tell whether the choice of measures is the most efficient and effective one as well as the most socially, economically and ecologically sustainable one. Similar shortcomings have been pointed out by the SNAO in previous planning rounds.

**International tax enforcement:**

**The Swedish Tax Agency's information exchange with other countries (RiR 2009:24)**

Internationalisation makes the tax bases increasingly mobile, entailing a risk of tax avoidance, evasion and fraud. The difference between the amount of tax that would be charged if all taxpayers accounted for their operations and transactions in a correct way and the amount of tax actually assessed is often referred to as the 'tax error'. The Swedish Tax Agency estimates that the tax error in the international field is SEK 46 billion. Cooperation and information exchange with other countries can fill voids where the Agency lacks income statements (wage and tax statements) and help reduce the tax error. To manage growing volumes of information exchange, however, there is a need for systematic and efficient handling, both of the income statements received by Sweden and of those sent by Sweden to other countries. The SNAO's audit of the Agency's information exchange with other countries points to a series of shortcomings. This has had a negative impact on the Agency's ability to manage its growing information exchange with other countries. The inefficiency of the information exchange may lead to serious consequences for the Agency's ability to maintain the preventive effect of the information exchange and thus for its ability to secure tax revenues.

**Resource control in undergraduate higher education  
(RiR 2009:25)**

In this audit, the SNAO examined whether there

are processes to ensure efficient resource control of undergraduate education at the University of Gothenburg, Karlstad University and Umeå University. The audit shows that these three universities' knowledge of expenditures and resource use needs to develop. Better knowledge is required to ensure top university managements' ability to allocate resources efficiently. It would also make top managements better able to provide an educational offer which is in line with the overall strategies of the respective university. In its audit, the SNAO also examined revenues, expenditures and instructional inputs for nine study programmes. Its findings highlight large differences between subjects and between universities. The SNAO's investigation is an example of a method to compile information about how much education students obtain for their money. The SNAO recommends that the universities should strengthen their resource control by developing their accounting and monitoring of expenditures.

#### **State guarantees in the financial crisis (RiR 2009:26)**

In the autumn of 2008, the Riksdag decided – using an extraordinary preparation and decision-making process – to make available very extensive central-government guarantees in order to mitigate the effects of the sudden financial crisis. Those guarantees, relating to deposits with banks and borrowing by exporters, amount to over SEK 3,000 billion. The SNAO's audit focused on the terms of the guarantees, on the basis for assessing the financial risk to the central government and taxpayers, and on reporting to the Riksdag. The SNAO finds that the terms and the fees charged for the bank and deposit guarantee and in the field of export credit help keep down the cost to the central government of the guarantees and improve prospects for recovery. By contrast, the SNAO considers that the Government did not produce an adequate basis for assessing the risk that the central government will incur additional

guarantee-related costs in the future. The SNAO also considers that the Government has not reported to the Riksdag in an integrated and transparent manner.

#### **Work of the Swedish Prison and Probation Service to prevent reoffending: Sentence planning and pre-release cooperation (RiR 2009:27)**

The Prison and Probation Service (PPS) uses sentence planning to schedule measures intended to reduce the risk that prisoners will reoffend after their release. The SNAO's audit shows that the PPS does not meet the requirements imposed on sentence planning. Among other things, there are shortcomings in quality, documentation and follow-up. The SNAO finds that top management have not exercised sufficiently explicit control and have not ensured good conditions for staff to perform their duties. To prevent clients from reoffending, there is a need for efficient cooperation between the PPS and the other government agencies concerned. The audit shows that pre-release cooperation does not offer prisoners the same opportunities to receive support in all parts of Sweden and that there is a lack of cooperation structures. The SNAO finds that the Government has not imposed explicit requirements to cooperate on the other agencies, causing cooperation activities to develop differently in different places. These shortcomings may entail that clients do not receive the right intervention at the right time, and that the interventions made in prison will not be supplemented by the necessary post-release support.

#### **Employability of university students: Efforts made by the Government and individual universities (RiR 2009:28)**

The Higher Education Act (SFS 1992:1434) requires universities (including university colleges) to cooperate with the surrounding community and to provide information about their activities. One

requirement imposed on all higher education is that it should develop students' preparedness to deal with changes in the world of work. One important starting point for this audit was the Bologna Process, where one of three overall objectives relates to student employability. The SNAO's audit of the efforts made by the Government, the National Agency for Higher Education and individual universities to promote employability shows that there is a great deal of variation between programmes in the extent to which students are given opportunities to establish contacts in the world of work during the course of their studies. The audit also shows that the universities' follow-up of their efforts to promote student employability is undeveloped and that the labour-market information they provide to prospective students is inadequate.

**International students in higher education:  
Admission to Swedish universities and processing  
of applications for student residence permits  
(RiR 2009:29)**

In recent years, interest from international students in studying in Sweden has increased strongly. This is in line with the objective for Swedish universities to engage actively in internationalisation efforts. However, the large number of applicants has placed a heavy strain on the admission process and the process to examine applications for student residence permits. There have also been indications that student residence permits are used for purposes other than studies. This performance-audit report deals with risks associated with the admission of international students from third countries and the examination of applications for student residence permits. It shows that university admission and the granting of student residence permits are two separate processes, with only a very limited extent of cooperation and information exchange between the government agencies concerned. The SNAO

considers that the Government should clarify the agencies' duties to investigate, follow up and verify student residence permits. In addition, the SNAO considers that the agencies concerned could improve their cooperation to make the handling of matters more efficient and reduce risks that residence permits will be incorrectly used.

**Relocation of government agencies  
(RiR 2009:30)**

The SNAO examined the effects of the relocations of government agencies that were carried out to compensate regions for the disbandment of military units as a result of the 2004 defence-policy review. The Consumer Agency was moved to Karlstad and the National Institute of Public Health to Östersund. The SNAO's audit shows that both regions were fully compensated for their job losses by means of the relocations. While it is true that the number of jobs added in each region was smaller than the number lost through disbandment of military units, the new jobs were enough to compensate the regions because of the positive impact they exerted on municipal finances and private consumption. The agencies that were relocated have now – several years later – attained their previous operational volume, but the cost has been high, especially if the loss of production sustained during their establishment in their new towns is taken into account.

**Supervision of municipal chief guardians:  
A follow-up audit (RiR 2009:31)**

This performance-audit report presents a follow-up audit to the SNAO's previous audit of county administrative boards' (CABs') supervision of municipal chief guardians (RiR 2006:5). Since the 2006 audit, the Government has taken several initiatives to strengthen the CABs' supervision. However, the SNAO's follow-up audit shows that the Government's actions have not sufficiently

considered and addressed the need for stronger monitoring as regards equal treatment and equality before the law for individuals. Compared with the 2006 audit, the resources available for supervision by CABs have increased. At the same time, the audit shows not only that the actions taken have not been sufficient but also that the problems are not primarily a matter of resources. Further, the audit identifies several pressures on chief guardians. The number of difficult cases is rising and the existing system is under challenge. The SNAO proposes that the Government, in the longer term, should investigate whether the present organisation of the chief-guardian system is appropriate. The SNAO also proposes that the CABs should consider using common assessment criteria in their scrutiny of case files.

**Direction and control in the field of labour-market policy: Targets, balanced scorecards and resource allocation models (RiR 2010:1)**

The SNAO's audit of direction and control in labour-market policy shows, among other things, that there is only a limited extent of impact evaluation when the Government assesses the results of the operations of the Public Employment Service (PES). What is more, the Government's assessments are based to a low degree on explicit specifications of the objectives drawn up by the Government. It further emerges from the audit that the PES's balanced scorecards – a tool for management by results – have several weaknesses. For example, there is no measure that directly and exclusively reflects the results of the PES's matching service. The allocation models used by the PES also have shortcomings. There is a risk that appropriation funds will not be allocated in accordance with the purposes determined by the PES.

**The Swedish Government's sale of the Vasakronan property company (RiR 2010:2)**

The Government decided in 2008 to sell the central-government sector's shares in Civitas Holding, a company which owned all of the shares in the Vasakronan property firm. The shares were sold to AP Fastigheter for SEK 41.1 billion, including the buyer's take-over of net liabilities and other commitments amounting to SEK 16.5 billion.

The SNAO's audit shows that the sale of Vasakronan was implemented in accordance with the applicable legislation, the relevant Riksdag decisions and – in several respects – best practices, i.e. the methods considered by the market to be the most effective for achieving the highest price and the best terms in other respects in the sale of a state-owned property firm. However, the audit shows that the preparatory phase – such as establishing a project team early on; analysing the company, its market and the intended process; and hiring advisors – could have been carried out in a more efficient manner. There were delays in the joint preparation at the Government Offices (ministries collectively) of matters relating to the removal from Vasakronan of certain culturally important properties. The audit also shows that the Government's reporting to the Riksdag in the Budget Bill gives a good description of the sale.

**Many into one: Fusions of government agencies (RiR 2010:3)**

The Social Insurance Agency, the Tax Agency and the Prosecution Authority are the result of mergers where former group agencies (typically consisting of a central board and a number of regional agencies) were transformed into single national agencies in 2004 and 2005. The aim of these mergers was to bring about greater uniformity in case-handling at those agencies. However, the SNAO's audit of the reform shows that no unequivocal increase

in uniformity can be seen in the types of cases examined at the three agencies. There is still variation among local offices in how cases are handled. Reorganisation into a single agency thus does not appear to be a guarantee of more uniform decision-making. However, the reform has created better conditions for legal control and resource allocation within agencies. It also appears to have reduced variation in throughput times at the Social Insurance Agency.

**Classification of courses at universities (RiR 2010:4)**

Universities' classification of their courses is crucial in determining the allocation of central-government resources to undergraduate education. The SNAO's audit shows that universities classify courses differently and according to different principles, and that they have tended over time to classify courses as belonging to educational areas where the standard amount of funding is relatively large. The audit also shows that the Government has not given universities sufficient guidance on how to classify courses and that the monitoring of universities' classification of courses carried out by the National Agency for Higher Education has not been appropriate. In the SNAO's opinion, the Government and the Agency have both contributed to a situation where universities classify courses differently and may thus receive different amounts of funding for equivalent courses.

**Work Practice (RiR 2010:5)**

In 2009 the Government initiated heavy spending on the Work Practice programme as part of its efforts to mitigate the impact of the financial crisis and the subsequent recession on the labour market. In this audit, the SNAO evaluated the employment effects of the programme and the supporting documentation produced by the Government to justify spending on it. The audit shows that the employment effects of

Work Practice are fairly good in terms of part-time and hourly employment as well as various types of protected employment. However, the programme has yielded fewer instances of regular full-time permanent employment than other labour-market programmes. What is more, there are no previous studies indicating that the employment effects of Work Practice should be better than those of other programmes, and the Government has not presented any such information.

**The Public Employment Service's work to promote contacts with employers (RiR 2010:6)**

The principal task of the Public Employment Service (PES) is to contribute to high-quality matching by bringing employers and job-seekers together. One important element of matching are contacts with employers. In this audit, the SNAO examined the PES's work to promote contacts with employers. The conclusion drawn is that the PES's contacts with employers have developed positively in several respects. One in three employers uses the PES to recruit staff. However, there is a risk that a shortage of time will lead to the PES's contacts with employers being crowded out by other tasks that are more explicitly regulated. It is further clear from the audit that the Government does not require the PES to report on its contacts with employers, which makes it difficult to monitor developments. The SNAO also finds that the PES could develop parts of its work to promote contacts with employers.

**Cancelled main hearings in criminal cases (RiR 2010:7)**

That main hearings in criminal cases are often cancelled is a problem that has been known to exist for many years. Difficulty serving summons and failure to appear by those summoned are two main reasons why courts of first instance decide to cancel hearings. The cancellation of hearings leads

to inefficiencies, a lack of equality before the law and high costs. The SNAO has therefore examined the problem of the cancellation of main hearings and tried to determine why shortcomings arise. The audit covers the three metropolitan areas of Stockholm, Gothenburg and Malmö. The SNAO finds that the actions taken so far have yielded limited results. The SNAO's overall conclusion is therefore that the Government, the courts and the other agencies of the legal system could reduce the extent of the problem through better management, cooperation and a results-oriented approach. Efficient handling of 'everyday crimes' (less complex or serious cases where the preliminary investigation is led by the police rather than by prosecutors) is crucial in the reduction of the number of cancelled hearings. At the same time, however, the current legislation places a limit on the extent to which the problem can be addressed. There may therefore be a need to review that legislation to consider whether courts could be given greater powers to hand down sentences when the defendant fails to appear at the hearing.

#### **The state-owned forestry company Sveaskog AB and its duties (RiR 2010:8)**

Sveaskog AB is Sweden's largest forest owner. The SNAO examined whether Sveaskog fulfils its duties. Its overall conclusions are that Sveaskog does not in all respects fulfil its duties in line with the Riksdag's intentions and that the Government does not in all respects exercise direction over Sveaskog in line with the Riksdag's instructions. The SNAO identified certain problems and shortcomings in Sveaskog's operations in relation to its special duties: its industrial holdings, its role in the timber market and its land-related duties. Sveaskog still owns industrial operations even though the Riksdag has decided that Sveaskog should not be a long-term owner of industrial forestry operations. Sveaskog's share in the Setra company makes it harder to fulfil the

duty of being an independent player that increases competition in the timber market. There is a right for landowners to be offered replacement land when their land is used to create nature reserves. Until 2010, Sveaskog restricted that right to minor forest owners, even though the Riksdag did not specify any such restriction. The SNAO also identified difficulties in relation to Sveaskog's relative prioritisation of two duties: being a role model in the environmental field and conducting its operations on commercial grounds, as the Riksdag and Government require it to. In the spring of 2010, the Government proposed changes to the duties of Sveaskog. The SNAO finds that the proposal will make the duties clearer but that some of the problems it highlights will remain.

#### **A changed process for sickness cases (RiR 2010:9)**

To ensure that people absent from work because of sickness will return to work in as many cases as possible, the Government has made a number of reforms to national health insurance in the past few years. A 'rehabilitation chain' has been introduced, with specified times for assessments of capacity to work, and the duration of the entitlement to sickness benefit has been limited to one year. The rules on eligibility for sickness compensation (formerly known as sickness pension) have also been changed. The SNAO examined whether the rehabilitation chain, the one-year limit in health insurance and the changes to the rules on sickness compensation have worked as intended. The SNAO's audit shows that the Government did not create adequate conditions for the Social Insurance Agency to implement the rehabilitation chain in an effective way. This influenced the application of the rules negatively during the first few months after the start of implementation. Subsequent changes to the rules governing health insurance have also been characterised by little time to prepare. The Agency is at present unable to comply with the time limits

of the rehabilitation chain, even though trends point in the right direction. The SNAO also finds that the Agency's IT support is insufficient for the calculations that need to be performed as a result of the rule changes. However, the SNAO finds that the process for sickness cases has become more active and that action is taken at an earlier stage of sickness cases than before the rule changes.

#### **Handling of 'everyday crimes': A key task for police and prosecutors (RiR 2010:10)**

This audit focuses on how the police and prosecutors handle 'everyday crimes', i.e. less complex or serious crimes. The preliminary investigation of an everyday-crime case is usually led by a police authority. This means that the police have more extensive responsibility for the handling of everyday crimes. Everyday crimes account for 88 per cent of all police cases involving reported crimes. The handling of everyday crimes is a core task of both the police and prosecutors. The SNAO estimates that the police spend about SEK 3.3 billion a year to handle everyday crimes. This represents one-third of their total costs of investigation and legal action. The audit shows that there is a great deal of variation in performance between different local police authorities and prosecutors. Even though the problems are well-known, no tangible improvement is taking place. The SNAO finds that there is scope for improvement in how everyday crimes are handled by local police authorities and local public prosecution offices.

#### **Uniform taxation? (RiR 2010:11)**

One fundamental principle underpinning the tax reform of 1990–1991 was uniformity of taxation, i.e. that equal incomes, goods or services should be equally taxed. The aim of the tax reform was to create a long-term stable tax system that would be more efficient than its predecessor from the perspective of the national economy and public finances. As recently

as 2009, the Riksdag reiterated that uniformity is an important principle. Since the tax reform was implemented, a large number of deviations from uniformity have been introduced. The SNAO's audit contains a list of proposals to change tax legislation in 1992–2009. There are 509 such proposals (if excise taxes are included), many of which involve a deviation from uniformity. The audit focuses on the reasons given for a selection of these deviations, including the differentiation of VAT rates, reductions of social-security contributions and the tax relief for the repair, maintenance, re-building and extension of certain homes. It is clear from the audit that the principle of uniformity appears to have lost some of its importance. It also emerges that the Government uses the concept of 'uniformity' in an elastic manner. What is more, in recent years the Government has explicitly argued in favour of a different standard for taxation, but it has not investigated the ramifications of that standard.

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