

# Protection against corruption in government activities

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A summary of RiR 2006: 8

Skydd mot korruption i statlig verksamhet



# Summary

## Basis of the audit

It is assumed that government agencies and State-owned companies have at their disposal the rules and controls necessary to counteract and, if relevant, discover corruption in the form of bribery and other improper influence. Corruption may distort competition between suppliers to the State as well as threaten the fundamental values underpinning the rule of law.

Against this background, the Swedish National Audit Office (SNAO) examined, in 2005, whether Apoteket AB (the State pharmaceutical-retailing company), the National Rail Administration and the Pharmaceutical Benefits Board use control systems which can be considered to offer adequate protection against corruption. The conclusions drawn from these three earlier audits are summed up in this report, which is also based on a study of the measures taken by the Government as well as interviews with the top management of a number of other government agencies and State-owned companies. The question to be answered by the audit is whether the Government and the government organisations have taken adequate measures to protect government agencies and State-owned companies against corruption.

## Conclusions of the SNAO

*Anti-bribery protection was weak in the two government agencies and the State-owned companies studied*

In the opinion of their top management, the risk of bribery and improper influence in these organisations was low and their internal control was adequate. However, the audits showed that the risk assessments made at management level did not cover the risk of bribery. Nor was there any systematic follow-up of the extent to which the rules laid down by management were followed. No systematic segregation of responsibilities and duties for important decisions had been introduced. Control functions either did not exist or were not designed to discover indications of this form of corruption.

To sum up, the three organisations studied were found to be lacking in their control to protect their operations. It should be pointed out, however, that subsequent to the audits all three organisations have taken several measures to enhance their protection.

*There is reason to assume that other agencies and State-owned companies lack adequate protection*

Based on interviews with the top management and other representatives of six other government agencies and State-owned companies, the SNAO has found that their anti-corruption situation – with one exception, namely Systembolaget AB (the State alcohol-retailing company) – is largely similar to that obtaining in the three organisations audited. This applies both to their views on the risk of bribery and to the protective measures taken by them. The other five agencies and State-owned companies in question are the Board of Customs, the Defence Materiel Administration, the Migration Board, the Work Environment Authority and Svenska Spel AB (the State gambling company).

*The risk of corruption was considered to be low*

There is a general awareness that bribery and other forms of improper influence may exist and that they are a serious problem if they do exist. However, most of those interviewed consider the risk of corruption in their own operations to be low.

No proper analysis of the risks of corruption has been carried out, however, neither by the Government Offices nor by the individual government agencies, even though the companies audited have carried out analyses to some extent. The Government has also failed to make a systematic assessment of the prevalence of this form of corruption.

*The Government has stressed that corruption must not occur*

The Government has stressed that bribery and other forms of improper influence must not occur in government activities. Moreover, the Government has worked actively to ensure that corruption is not tolerated in the world of private business and industry – but it has not focused to the same extent on the activities carried out in the Government Offices and by government agencies and State-owned companies.

*The Government's rules and directives on the duty of management to protect the State against corruption are unclear or do not exist*

It is not made clear, in the Ordinance on Government Agencies or in any other rules, whether the heads of government agencies have a duty to protect their operations against corruption. Nor do the documents on how the State should control the companies it owns contain any specific mention of any duty for boards of directors to ensure that corruption does not occur. In the opinion of the Government's representatives, the duties of management when it comes to protecting government activities have already been made clear in the State Ownership Policy, in the Companies Act and in the Criminal Code. However, unlike what is the case for matters such as equality between the sexes and ethnic diversity, the Government does not elaborate further, in the State Ownership Policy or in any other document, on what the principles relating to corruption should imply in practice for State-owned companies.

*The rules as to the requirement of protection against corruption are of a general nature*

Swedish legislation lays down clear rules on corruption. Equally clear is the duty to control government agencies which is imposed on the Government by the Regulation of Government. Whether such control should be exercised to prevent corruption in agencies and companies is in fact an issue of political will rather than of legal limitations.

*Overall assessment by the SNAO*

From an international perspective, Sweden has a relatively low level of corruption. At the same time, corruption is known to occur. Corruption in the government sector undermines confidence in the Swedish welfare state and in the democratic system. The Government and the management and boards of directors of government agencies and State-owned companies have a duty to ensure that control and monitoring mechanisms are designed in such a way that laws and other rules are complied with and that corruption does not occur.

To sum up, the SNAO finds that the protection against bribery and other improper influence at a number of particularly vulnerable government agencies and State-owned companies is not on a par with the risk of such corruption. The SNAO finds that there are two reasons for the weakness of anti-corruption protection in the organisations audited: first, a failure to translate their management's rejection of corruption into concrete action;

and second, a lack of clarity in the rules and directives which lay down the duties of management.

Additional regulation is normally to be avoided. However, the Government's measures to protect agencies and their companies against corruption are too general in nature. Several agencies and State-owned companies have not understood that there is a requirement for their operations to be well protected. Against this background, the SNAO finds that the risk of undermining trust makes it necessary to consider the introduction of clearer regulation and more explicit control.

## **Recommendations of the SNAO**

The SNAO recommends that the Government should consider:

- making the present rules clearer so that it becomes evident that the management of any government organisation has an explicit duty to protect that organisation against corruption;
- entrusting the management of government organisations with the task of carrying out risk analyses including the risk of corruption – for instance by means of clarification of the instructions given to government agencies and the directives issued by the State as owner to its companies; and
- introducing a requirement that in cases where a State-owned company is considered to be particularly exposed to risk, the statements made by its management on the internal control of the company should include the measures taken to ensure that its operations are well protected against corruption.