

ANNUAL REPORT OF THE AUDITORS GENERAL

2008



RIKSREVISIONEN



To the Government

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ANNUAL REPORT FOR 2008 OF THE AUDITORS GENERAL

Under Section 12 of the Act on the Audit of Government Activities (SFS 2002:1022), the most important findings made in performance and financial audits are to be gathered in an annual report. Our annual report for 2008 is hereby submitted to the Government, and also concurrently submitted to the Board of Riksrevisionen (the Swedish National Audit Office, Swedish NAO).

Auditors General *Lennart Grufberg*, *Karin Lindell* and *Eva Lindström* have had the right of decision regarding this report, and Audit Director *Annika Gustafsson* has been responsible for the presentation of material. Chief Operating Officer *Anette Wik*, Assistant Chief Operating Officer *Inge Danielsson*, Process Owner *Anders Ranlund* and Audit Director *Anders Berg* have participated in the report's finalization.

Lennart Grufberg

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PREFACE

Riksrevisionen (the Swedish National Audit Office, Swedish NAO) is one of the Swedish Parliament's (Riksdag), instruments for parliamentary control. Our independent position and our mandate to examine the entire decision making and implementation process allows us to provide a picture of how well State operations function. We want our audit work to underpin debates, decisions and accountability. This work should help ensure that tax-payers' money is efficiently used and correctly accounted for.

This annual report mainly contains findings, from the most recent year's audit work, that we wish to give special emphasis. Our conclusions are based on our audits of the annual financial reports of government agencies as well as on our performance audits of State operations.

Our presence at government agencies, and our focus on preventive work help ensure that errors and shortcomings are discovered before they have an impact on the annual financial reports of the organisations we audit.

Our position permits us to examine a wide range of subjects: from internal management and control at government agencies to the efficiency of the large transfer-payment systems. Cooperation between our two audit branches helps enhance the quality of audit work. For example, our performance audits of internal management and control at the Swedish International Development Cooperation Agency (Sida) were based upon findings made by the financial-audit branch.

Our mandate enables us to explore previously unaudited areas. In this year's report, we present our conclusions on society's preparedness for emergencies, on the Government's presentation of the fiscal policy framework and on the handling of foundations established by the State. By carrying out several audits within a single area and studying problems from various angles, we can draw much broader conclusions than what each individual audit would yield.

Lennart Grufberg
Auditor General

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Auditor General

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ANNUAL FINANCIAL REPORTS OF GOVERNMENT AGENCIES

The Swedish NAO has two principal audit tasks: to audit the performance of State operations, and to audit government agencies' reporting to the Government on their financial and operational results. To perform the latter task, each year we examine the annual financial reports of all government agencies to assess whether these reports and the materials underpinning them are reliable, and whether the agencies' accounts provide a true and fair view. Our examination of annual financial reports also includes an assessment of whether top management at each agency has complied with applicable regulations and decisions in its administrative work. These financial audits are based on generally accepted accounting practices in accordance with international audit standards.

The overall objective of financial audits is to ensure that annual financial reports provide a true and fair view of the agencies' finances and operations. Therefore, our main focus is on preventive action to help agencies provide the Government with the best possible information. We only include a qualified or adverse opinion in our auditor's report if we find material errors or shortcomings in a final annual financial report. Material errors are those that may have an impact on decisions to be made by the Government or Riksdag on the basis of the information provided by the agency.

The auditor's report is submitted to the Government and in some cases to the Riksdag. The agency concerned receives a copy of this report.

THIS YEAR'S AUDITS OF 253 GOVERNMENT AGENCIES

This year we have audited and submitted auditor's reports on 253 government agencies. For ten of these we found the annual financial report to include material errors leading us to submit qualified or adverse auditor's reports. The number of such 'modified' auditor's reports has remained at a fairly constant and low level overtime, indicating that the overall quality of agencies' reporting is good. We see this as a satisfactory result in our aim to ensure that errors are discovered and pointed out before they can affect the annual financial report.

If an annual auditor's report is modified, but also if we make other material findings during our audit, we draw up an 'audit report' in which we elaborate on the reasons for our criticism and usually suggest remedial action. The audit report is addressed to the board of the agency, or to its director-general if it has no board. It is also submitted for information to the Government. Our audits of operations in 2007 have led to 71 audit reports being submitted to 59 agencies. Annex 1 contains a summary of major errors and shortcomings dealt with in these audit reports.

Well-functioning internal management and control is fundamental in order for top management at an agency to be able to ensure that its operations meet the relevant requirements. This is particularly true of large organisations. For this reason the Government has imposed requirements as to agencies' internal management and control in the new Government Agencies Ordinance (as in the old Ordinance now abrogated). In addition, a special internal management and control ordinance which came into force in 2008 further specifies the requirements and conditions applicable. This Ordinance, however, applies only to those government agencies which must comply with the Internal Audit Ordinance.

We examine agencies' organisation and implementation of internal management and control to help us assess the quality of their annual financial reports. Based on an assessment of internal control in certain key processes at the agency, we draw conclusions about the reliability of the materials on which the annual financial report is based. This year we have reported on various types of problems in internal management and control at about a dozen agencies.

Auditing internal management and control is thus one main element of financial audit. The other is the audit of financial reports. Agencies must be able to satisfactorily account for how they have used appropriations and other funds allocated to their operations. In this context, they must comply with generally accepted accounting practices as laid down in the Annual financial reports and Budget Documentation Ordinance. When examining the quality of accounting systems and procedures,

"Our presence at all government agencies allows us to contribute to an overall view of the situation of central-government financial administration."



we aim to ascertain that the financial elements of the annual financial report provide a true and fair view. This year we have reported on various types of shortcomings in financial reporting at almost 20 agencies. Six of the ten qualified or adverse opinions which we submitted this year concerned shortcomings in financial reporting.

Below we present some important findings from this year's audits of agencies' work on their annual financial reports. Our presence at all agencies allows us to contribute to an overall view of conditions in State financial administration as well as a number of other fields.

MAJOR OPERATIONAL CHANGES AFFECT INTERNAL CONTROL

Over the years, we have noted repeatedly in our audits that the risk of shortcomings in agencies' internal control increases whenever there is a major change in the organisation or its operations. In this year's audits we have found this to be true both for the centralisation of administrative functions and for the winding up of agencies. While we believe that major processes of change which affect conditions of financial administration can in fact be carried out without deterioration of internal control, we also believe that the agency concerned must then prepare for the change, and that it must be given better support and conditions for doing so. Findings from our audits may inform work to ensure that this will be the case.

Centralisation of administrative functions

Several agencies have centralised administrative functions in recent years, or are doing so at present. The background to such changes often includes the introduction of new information systems with individual payroll reporting and electronic invoice processing. Our audits of the Armed Forces, the Police, the Forest Agency and the Road Administration show that internal control and the quality of reporting have been negatively affected, to varying degrees, by the centralisation of procedures for financial and human-resources administration. Part of the reason why internal control has deteriorated is that the agencies have underestimated the risks associated with centralisation. Adequate measures to manage those risks have not been taken. Roles and responsibilities in the organisation have become unclear. It is important in the context of the centralisation of administrative functions that the agency's

administrative systems enable the conducting of pre-terminated checks.

The main purposes of centralising administrative functions are efficiency gains and enhanced uniformity. We naturally welcome such improvements, and we do not believe that internal control must inevitably be affected negatively by these improvements provided that procedures and controls are adapted to the new conditions.

Winding up of agencies

When an agency is to be terminated, a special 'winding-up authority' is established to wind up the organisation. During this year's audits we have identified problems in the winding up of the Integration Board and the National Institute for Working Life.

The annual financial reports of the winding-up authorities included errors necessitating modified auditor's reports. It should be noted, however, that unclear and inconsistent conditions laid down in the appropriation directions for the authorities constitute a large part of the reason for the problems involved.

The winding-up authorities took over the assets and liabilities of the respective previous agency, but they were not granted a credit framework or a credit facility linked to an interest-bearing account, and they were also not allowed to use appropriation savings even though the funds in question had already been paid to the interest-bearing accounts of the agencies. One of the winding-up authorities had to take over loans without financing while the other was in practice unable to comply with the rules applicable to the interest-account credit facility it had taken over. The winding-up authorities were no longer permitted to use the normal system of financing, i.e. using an interest-bearing account with the National Debt Office, but instead had to use the State's central account with the Swedish Central Bank (Riksbank). Taken together, these circumstances led to a series of problems for the winding-up authorities in relation to financing, payments and accounting.

DUBIOUS INTERPRETATIONS OF THE NEW GOVERNMENT AGENCIES ORDINANCE

The annual financial report is a key document for any organisation. Government agencies are to describe in their annual financial reports how they have performed their tasks, and how they have managed the funds allocated to them. In our opinion, top management of an agency

should explicitly endorse such a document. Indeed, this was a requirement for agencies under the previous Government Agencies Ordinance and under the Annual Financial Reports and Budget Documentation Ordinance, which laid down that top management of an agency had to approve and sign the annual financial report of the agency.

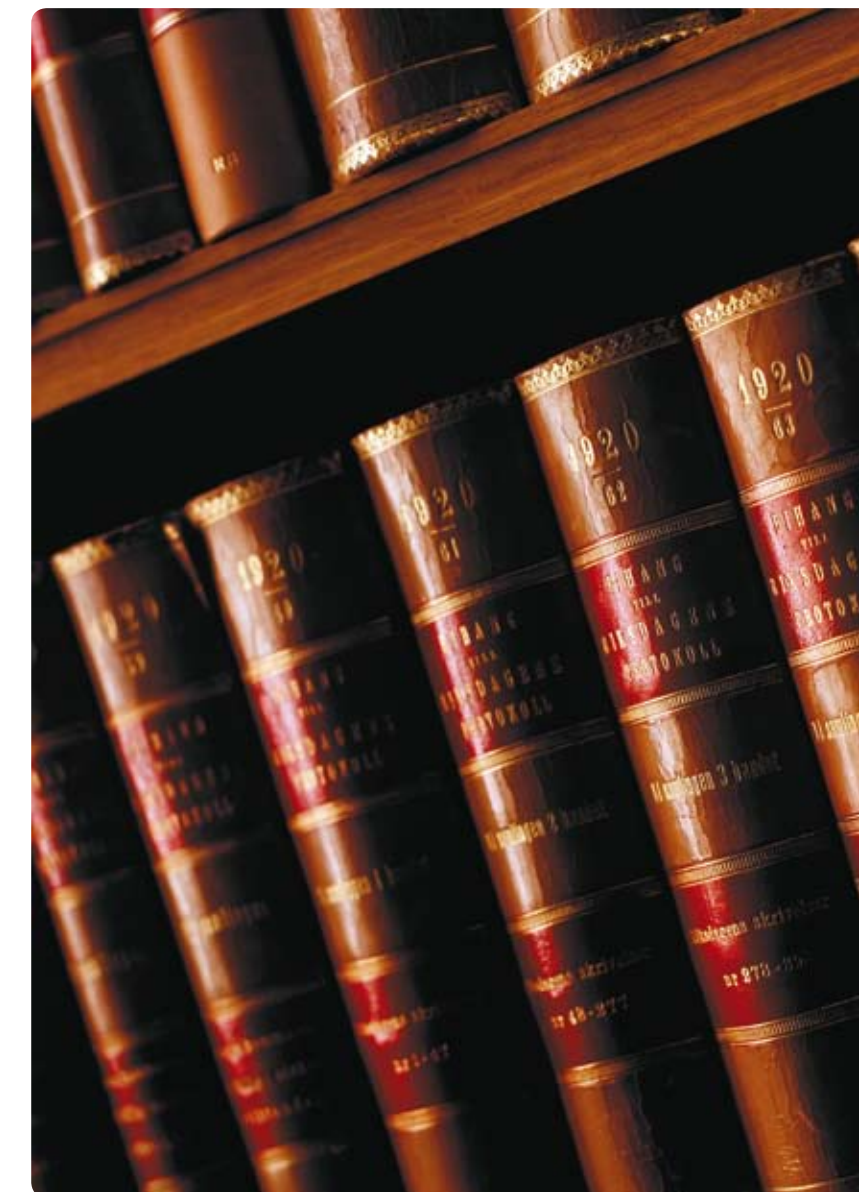
Since the introduction of the new Government Agencies Ordinance, there is no longer an explicit requirement for top management to approve the annual financial report. Instead, the new Ordinance provides that top management of an agency shall decide matters of principle and major matters. In our opinion, this does not entail any material change. The annual financial report should be approved and signed by top management under the provisions of the new Ordinance as well.

We find that this change has led to uncertainty among agencies, especially among those that no longer have a board. During this year's audits we have noted that top management of several agencies has either not made the decision to approve the annual financial report, or not signed the report. We have addressed this issue in an audit report for four of these agencies. Since the Ordinance is new, this year we have chosen to inform agencies about how decisions to approve annual financial reports should be made. Even so, we consider it important for top management to clearly show that it endorses the annual financial report, i.e. by both formally approving and signing it. We will continue to monitor the agencies' handling of this issue.

EXCEPTIONS ARE MADE FROM PROCUREMENT RULES AND REGULATIONS

All government agencies must comply with the Public Procurement Act when purchasing goods and services. This means that they have to meet a series of requirements whose aim is to ensure that agencies obtain better quality or lower prices, by conducting themselves in a business-like manner and exploiting competitive conditions. However, minor purchases below a threshold value may be made using a slightly simplified method called 'direct procurement'.

State procurement involves very large amounts. The procurement process required to comply with the Act is often felt to be complicated. These circumstances give us reason to examine whether reported agency transactions materially comply with the applicable rules. Howe-



ver, we examine procurement transactions only where they constitute a material element of the operations of an agency and where an error in procurement could therefore lead to a material error in the annual financial report.

In the context of this year's audits we have criticised five agencies for shortcomings in procurement. Our findings principally relate to the fact that these agen-



cies make excessive use of the direct-procurement exemption under the Act. There are also considerable shortcomings in the documentation of these direct-procurement transactions. In our opinion, shortcomings in procurement can lead to reduced competition and ultimately to higher costs for the State.

INADEQUATE HANDLING OF EMPLOYEES' INCIDENTAL EMPLOYMENT

Under the Public Employment Act, employees of government agencies must not have incidental employment which may undermine confidence in them. This means that an employee must not have an assignment or exercise an activity which may harm the reputation of the agency or adversely affect confidence in the impartiality of its handling of matters. Employers have a duty to inform their employees of the circumstances which may cause incidental employment to undermine confidence, and they must take action if they learn that such incidental employment occurs. In other words, agencies need adequate internal procedures to provide information about inappropriate incidental employment, to manage the related risk, and to handle actual cases which may occur.

In this year's audits we have examined how the 21 county administrative boards (CAB) handle incidental employment among their employees. The inventory we made before the audits shows that it is fairly common for CAB employees to have assignments in addition to their regular jobs. Upwards of 20 per cent had one or more assignments at companies or other enterprises. In the first ten months of 2007, around 300 permanent CAB employees were involved in companies or other enterprises that supplied CABs with goods and services.

Four CABs had such shortcomings in their handling of employees' incidental employment that we had grounds for criticising them in audit reports. In our opinion, incidental employment that may undermine confidence must be given particular attention when it comes to the exercise of public authority. The CABS issue permits, exercise supervision, purchase goods and services, and decide on public grants as well as exercise other responsibilities. Such duties entail strict requirements that

individual citizens and companies be treated equally before the law. The shortcomings identified mainly relate to the fact that the CABs lacked procedures to inform their employees about the applicable rules and to identify incidental employment. There were also shortcomings in that it was unclear whose responsibility it was to deal with matters of incidental employment, and how cases of incidental employment that may undermine confidence were to be handled.

Last year we examined the handling of incidental employment by 26 State universities (including university colleges) regarding their teaching staff. Substantially similar shortcomings to those mentioned above were found. Many university teachers are members of external projects and receive a salary from parties other than their university. If the issue of incidental employment that may undermine confidence is not handled appropriately by universities, we believe that confidence in the freedom and independence of research may be shaken. Our performance audit of universities' handling of incidental employment is in part based, upon findings made during financial audits. These findings show that at the time of the audit, only one-third of the 26 universities had satisfactory procedures to check teachers' incidental employment. Fewer than half of the universities complied with the requirement in the Higher Education Ordinance that they document the existence of incidental employment on an ongoing basis.

There may be good reasons for offering employees the opportunity to have incidental employment in addition to their regular job. In the case of higher education, this may also be a prerequisite for effective cooperation with business and industry. Even so, we wish to point out that this requires government agencies to have appropriate procedures and documentation in relation to incidental employment, so as to ensure that this opportunity is not abused. We find the existing controls to have shortcomings of such magnitude that the Government should examine this issue.

This section is based on findings made in the following reports:

Audit reports relating to the 2007 budget year (these are summarised in Annex 1)
Incidental employment of university teachers (RiR 2008:5)

FISCAL POLICY FRAMEWORK

More than ten years have now passed since Sweden's budgetary process, and the ways in which direction is exercised over fiscal policy were fundamentally changed. The reason for the reforms was the precarious situation of the State's finances in the early 1990s. Clear rules and objectives for fiscal policy and for the related decisions were seen as a way to restrict the size of deficits in public finances. On several occasions, the Riksdag has stressed the importance of transparency in the management of the fiscal-policy framework. International organisations such as the IMF and OECD have also emphasised this.

The fiscal-policy framework which has evolved over the past decade includes a reformed budgetary process; overall restrictions on public finances in the form of an expenditure ceiling for the State and a surplus target for the public sector, which lay the foundations for a more long-term orientation in fiscal policy; and a balance requirement for the local-government sector. The Budget Act of 1996 is another important element in the framework in that it regulates, among other things, the Government's duty to present information to the Riksdag.

Most commentators are of the opinion that the fiscal-policy framework has been very useful in the design of fiscal policy, and that it has made a very significant contribution to the present strength and stability of Sweden's public finances. Sweden is now seen as a model as opposed to how it was seen previous to the reform of the budgetary process.

”Independent auditing of how the fiscal policy framework is applied helps to maintain confidence in fiscal policy.”

The Government has begun a comprehensive review of the fiscal policy framework, aiming to make it clearer and more transparent, and to reinforce it ahead of future challenges. In addition, the Government has announced a review of the Budget Act which will examine the issue of a compulsory expenditure ceiling. We welcome these reviews. It is also a positive that the Government's 2008 Spring Fiscal Policy Bill is in line with the Riksdag's earlier decision that spring fiscal policy bills have a clearer focus on the medium- and long-term orientation of economic policy.

To ensure that the Riksdag makes its decisions on the basis of adequate information, the Government's reporting to it must be characterised by a high degree of openness and transparency. We consider this an important starting point in ensuring Sweden's ability to maintain confidence in tax-funded welfare and the long-term stability of public finances. However, a prerequisite for this is that rules actually be followed. For this reason, we have carried out a number of audits since 2006 to examine the Government's application of the fiscal-policy framework. These audits have shown that there is much that works well, and that the Government's reporting in connection with the fiscal-policy framework has improved in the most recent bills, but also that there remain shortcomings and problems.

To avoid a progressive loss of confidence in the direction exercised over fiscal policy, we feel that there is a need for continuous monitoring of the Government's application of the fiscal-policy framework. Independent scrutiny of how the framework is applied helps to maintain confidence in fiscal policy.

TARGETS OF FISCAL POLICY ARE NOT ALWAYS FOLLOWED UP

A prerequisite for the good application of the framework is the clear presentation and follow-up of targets. This has been one starting point for our audits, but we have also found reasons to question the actual design of some elements of the framework.

The design of the surplus target

The Riksdag has decided that fiscal policy should aim for a surplus in public finances equivalent to 1% of GDP over a business cycle. For this 'surplus target' to have an effect on budgetary policy, it must be systematically monitored in a way which provides a true and fair view of compliance. Our audit shows that there are certain shortcomings in the Government's presentation. There has been a lack of clear monitoring principles. At different times the Government has emphasised different grounds for assessing the relationship between fiscal policy and the surplus target.

The actual design of the target, with its reference to an average surplus over a business cycle, also makes it difficult to monitor compliance with it and identify deviations from it. Determining the length of a business cycle is a complex task. We have therefore proposed that the surplus target be redesigned and instead refer to an average value with the year 2000 as its starting point. This would make it easier to determine deviations from the target. The extent of deviations which would be deemed acceptable at a particular time would then be determined on the basis of the prevailing economic situation and other factors.

The institutional framework of fiscal policy has been designed to ensure a long-term sustainable fiscal policy, especially against the background of the challenges ensuing from the ageing of the population. The present design with a surplus target covering the entire public sector has largely worked well. However, given that the autonomous and financially stable pension system is included in the target, the net-lending of the central and municipal governments is affected by the net-lending of the pension system. If the pension system has a high level of net-lending, and the surplus target remains unchanged, there is a risk that the level of net-lending in the central and local government sectors will be too low from the perspective of sustainability. It should be made clear, as part of the review of the framework which the Government Offices are carrying out, how this link influences the sustainability of fiscal policy and the design of the surplus target.

Unclear presentation of the expenditure ceiling

The existence of the expenditure ceiling for the State means that State Budget expenditures (less interest on

Government debt) and those of the old-age pension system must not exceed a level set by the Riksdag. The Government's proposed level for the expenditure ceiling can be seen as an expression of the balance it wishes to strike between taxes and public expenditures within the framework of the surplus target. We have seen considerable variation in how the Government has presented and given reasons for the links among the expenditure ceiling, the surplus target and fiscal policy over the period of slightly more than ten years during which the new budgetary process has been in use. In earlier bills it was clearly stated that the level of the expenditure ceiling was based on the surplus target. In most bills, this also reflected an expenditure ceiling which was compatible with the surplus target without the need for future tax increases. However in a number of bills from the Budget Bill for 2003 onwards, the link between the expenditure ceiling and the surplus target is less clear.

Even though the present Government has clarified its views on issues of principle as regards the determination of an appropriate level for the expenditure ceiling, its presentation of the deliberations which underlie its proposals remains unclear in many respects. Above all, this relates to the issue of how the proposed ceiling fulfils its purpose of creating the conditions necessary to meet the surplus target in the framework of a specific strategy for the development of public revenues and expenditures in the medium term. Credibility would benefit from a clearer presentation by the Government of its views on the orientation of tax policy.

We are also able to note with satisfaction that the expenditure ceiling has now again been set in a three-year perspective. The Government has undertaken to present the Riksdag with an estimate of an appropriate level in the annual spring fiscal-policy bill. In our opinion, this is important to safeguard the medium-term character of the budgetary process. As regards the principles for the technical adjustment of expenditure ceilings already determined, we consider the clarifications presented by the Government as a welcome step forward.

Tax expenditures must be made visible

The credibility of the expenditure ceiling is based in part on the requirement that the State Budget respect the fundamental principles of completeness and gross reporting. The Government concluded in the context of

the budgetary reform that one important requirement to be imposed on the design of a new and stricter budgetary process was that all exemptions and special rules which reduce State revenues must be examined as thoroughly as expenditure appropriations. This is not possible unless all support provided as 'tax expenditures' is made visible. These tax expenditures involve the Government providing support to companies and households by means of benefits in the form of exemptions and special rules in the tax system.

Despite the Government's ambitions to make tax expenditures visible, we are of the opinion that the Government's reporting of tax expenditures does not provide adequate information on which to base budgetary decisions. It is important for the maintenance of good budgetary discipline that actions taken on the expenditure and revenue sides of the budget are dealt with in a reasonably symmetrical way. We are of the opinion that the Government should establish how tax expenditures are to be dealt with in the fiscal-policy framework. The new Government announced in the Budget Bill for 2007 that it would reduce the use of tax credits in order to enhance the credibility of the expenditure ceiling. In later bills, the Government has elaborated on its views of the importance of completeness and gross reporting in the drawing up of the central-government budget. We consider it crucial that these fundamental principles be followed in practice.

Incomplete monitoring of municipal finances

The Government's monitoring of municipal finances is important as the State has overall responsibility for public finances and welfare services. It is through municipalities and county councils that most of the welfare services are provided, in the form of education, health-care and care for children, the elderly and others. This is also where the demographic pressures will be strongest in the future. As part of its monitoring of municipal finances, the Government should therefore request more information about municipalities' preparedness to meet these challenges.

Since the surplus target covers the entire public sector, the Government has a stake in ensuring that municipal finances are strong. Weak finances in the municipal sector must be compensated for by strong State finances if the surplus target is to be attained.

Stable finances today are necessary to cope with strains on public finances in the future, and one pre-

quisite in this context is that municipalities must comply with the statutory balance requirement, which stipulates that revenues must exceed expenditures in municipal budgets. However, the monitoring of the balance requirement is made more difficult by the special principles used to calculate the financial performance of municipalities. Until a more appropriate definition of municipal financial performance is included in official statistics, there is no easy way to answer the question of whether municipalities meet the balance requirement.

PRESENTATIONS OF FORECASTS ARE TOO BRIEF

If fiscal and budgetary policy is governed by overall medium-term restrictions such as an expenditure ceiling and a surplus target, the forecasts on which policy decisions are based must be reliable. Points of uncertainty and revisions of forecasts must be clearly presented. In accordance with the Budget Act, the Government has a duty to present forecasts for State revenues and expenditures, and its borrowing requirements for a given budget year on at least two occasions during the course of that budget year. The Government is to explain any material differences between amounts budgeted and outcomes forecast. Our overall assessment of the information in fiscal-policy bills about how estimates have been made is that this information is of good quality in many respects but that there is also room for improvement on several counts.

In our examination of the quality of the Government's forecasts - both macroeconomic and fiscal ones - we have found that the errors relative to actual outcome are fairly large. However, the Government's errors are generally no larger than those of other forecasters. It is difficult to make accurate forecasts for the Swedish economy. Sweden is a small and open country which is heavily influenced by trends in the outside world. What is more, public finances are sensitive to variation in growth and employment rates. However, these circumstances make it even more important to be explicit about the uncertainties inherent in estimates, and to present and analyse deviations from and revisions to forecasts so that they are transparent. In this respect we consider there to be shortcomings in the presentation given by the Government in its fiscal-policy bills. The Government should make the level of uncertainty clearer by presenting sensitivity analyses and alternative estimates to a larger extent. We are also of the opinion that descriptions of the methods and models used to make

the estimates and forecasts should be published, so that they can be reviewed by experts in the field, such as the Fiscal Policy Council.

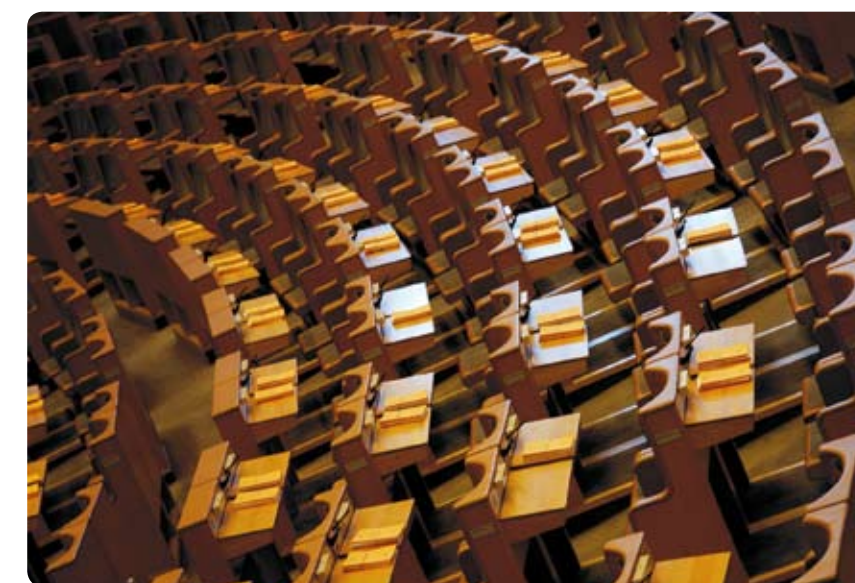
A further example of excessive brevity concerns the Government's presentation in its fiscal-policy bills of assumptions relating to the effects of labour-market policy. Various aspects of the estimation methods are touched upon only sporadically, and there is no explicit quantification of issues such as crowding-out effects and distortion of competition. In other words, it is not clear what assumptions the Government has made about the effects that labour-market policy will have on employment and unemployment.

UNCLEAR PRESENTATION OF THE BUDGETARY EFFECTS OF PROPOSALS

Clarity and completeness are fundamental to a properly functioning fiscal-policy framework. It is crucial that the Riksdag receive relevant information about how the Government's proposals will affect the State Budget and public finances. Since budgetary policy is governed by specific targets requiring that an expenditure ceiling be respected, and that a surplus in public finances be attained, the Riksdag must be able to judge whether a proposal can be responsibly implemented within the framework of the targets of budgetary policy.

The Government describes the budgetary effects of announced and proposed reforms and economies in several sections of its budget bills. The information provided is very extensive. We are of the opinion that it can be made considerably clearer and more transparent, including in some respects items as simple as tables, terminology and subtotals.

More complex issues are also involved, however. One such is the appropriate presentation of the 'dynamic



effects' of various changes to tax rules, for example their impact on the labour supply and on employment. Our audit shows that such effects are taken into consideration in the Government's macroeconomic forecasts, but that the bills contain no overall assessment of the budgetary effects of proposals such as that relating to the 'job-tax deduction' (an income-tax deduction for employed and self-employed people).

Inadequate information will not only lead to less well-founded decisions but also make it more difficult to assess ex post whether a policy has achieved the objectives set for it. Moreover, the political opposition will find it harder to draw up its own policy alternatives in a responsible way if the estimated costs of the Government's proposals are unclear.

This section is based on findings made in the following reports:

The macroeconomic forecasts in the budget bills (RiR 2006:23)

The Government's monitoring of the surplus target (RiR 2006:27)

The Government's preparation and accounting for tax expenditures (RiR 2007:3)

The Government's fiscal forecasts (RiR 2007:5)

Audit of the Government Annual Report for 2006 (RiR 2007:13)

The Government's follow-up of municipal finances (RiR 2007:16)

The Government's analysis of the long-term sustainability of fiscal policy (RiR 2007:21)

The link among the expenditure ceiling, the surplus target and fiscal policy: The Government's presentations (RiR 2007:22)

The Government's presentation of budgetary effects (RiR 2007:26)

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

SOCIETY'S PREPAREDNESS FOR EMERGENCIES

The Riksdag and the Government have signalled that the basic infrastructure and services in society that we consider to be fundamental and take for granted must continue to function even if very serious, extraordinary events occur. Such everyday infrastructure and services include those that ensure that we can buy food every day, that our homes are lit and heated, and that we receive care if we fall ill.

We consider it self-evident that Sweden must be prepared to handle emergencies in society. The State bears national responsibility for safeguarding the health of the population and the functions of society. The Riksdag and the Government decide through acts and ordinances what our preparedness should be. It is also their task to determine who will be responsible for managing an emergency, how preparedness should be organised and what resources should be set aside for this purpose. Responsibility for taking action in the event of an emergency, however, rests on the government agencies, municipalities and county councils that have been given that task within their respective sectors.

In 2007 and 2008 we have carried out a number of audits of the central government's preparedness to manage very extensive emergencies in society. In

our follow-up of these audits we have found that the Government has taken some action as a result of our work. Even so, our overall assessment is that emergency preparedness in Sweden has significant shortcomings in several areas. The Swedish model of public administration, with far-reaching delegation of authorities, independent government agencies and autonomous municipalities and county councils, leads to a greater need for central coordination of emergency preparedness. The Government bears ultimate responsibility for ensuring that this coordination works.

SHORTCOMINGS IN PREPAREDNESS IN SEVERAL AREAS

In recent years, a number of events have exposed the vulnerability of modern society to emergencies and underscored the importance of being prepared. The starting point of our audits has been the preparedness of the State and society in general to manage 'serious events', by which we mean events which may evolve into an extensive emergency in society that affects many people, may lead to large financial losses and harms the vital functions of society.

Inadequate ability to handle a nuclear accident

If an accident occurs at a nuclear power station and radioactive particles are released, many people in a region may be exposed to high levels of radiation during a brief period of time. In the longer term, radioactive substances may accumulate in foodstuffs such as milk, and groundwater may be contaminated.

Our audit shows that most of the exercises and other work carried out concern the immediate response to an accident. There have not been enough practice exercises conducted to be able to effectively deal with the extended measures that will need to be taken after a nuclear accident. There is also a lack of important equipment which is vital to post-accident work. The audit shows

that there is uncertainty about how long staff would be able to continue working after an accident, and that the decontamination plans of county administrative boards (CABs) are either incomplete or non-existent. Taken together, we find that the ability to handle an accident at a Swedish nuclear power plant is very inadequate as regards long-term consequences.

Weak supervision of safety at hydroelectric-power dams

If one of Sweden's major hydroelectric-power dams were to fail after a long period of high water flows, the consequences could be devastating. People could die, roads and railways could be destroyed and houses and factories could be damaged.

Our audit shows that the State has taken action to strengthen and clarify responsibility for dam safety. However, the direction exercised by the State is weak and supervision of safety at dams is limited. In fact, the supervision by county administrative boards (CAB) of the monitoring that dam owners must carry out is mainly restricted to examining the forms sent once a year by dam owners to Svenska Kraftnät, a State utility. CABs also normally follow up the remediation of any deficiencies reported. External experts who have studied the safety of Swedish dams have concluded that anti-sabotage protection is inadequate, that the power companies' risk assessments are insufficiently developed, and that the endurance of auxiliary-power systems can be questioned. Even though both CABs and municipalities are responsible for supervision, they have failed to identify these shortcomings.

It is uncertain whether the power-supply system could cope with an extensive failure

To date Sweden has never been hit by a power failure affecting several regions, and lasting long enough to interrupt important functions of society. Such a situation could occur, however, if there was a disruption to the national electrical grid.

Our audit shows that the Government has failed to impose clear requirements on society's ability to handle extensive power failures. The exercises carried out do not adequately take into consideration the difficult situation which can be expected to prevail, with disrupted or disabled communications, transport problems, etc. The government agency responsible has also failed to assess



the overall vulnerability of the Swedish electrical system and to produce the information required to estimate the consequences and costs to society of an extensive power failure.

We find that the ability to handle an extensive power failure is good when it comes to physical damage to the national grid, such as after a storm. The ability to handle damage to the system for remote control of the power supply, however, is deemed to be inadequate, and this could lead to major damages in society.

Insufficient action to prevent and manage an emergency in the payment system

Serious disruptions to the national payment system could lead to an emergency if payments, and the supply of cash have not been restored to normal operation after two or three days.

Our audit of how an emergency in the payment system would be managed shows there are shortcomings in the contingency planning and exercises carried out. There are deficiencies both in the risk and vulnerability analysis performed by government agencies and in the supervision and monitoring carried out by them. What is more, it has not been sufficiently analysed what the cost to society would be of extensive technical disruption.



tions, and no agency has been given explicit overall responsibility for leading work on planning the emergency preparedness of the payment system. Because of their inadequate action to prevent and manage serious disruptions to the power supply, IT services and telecommunications, we find that the agencies have an inadequate ability to prevent and manage an emergency in the payment system.

Weak preparedness to manage a pandemic

An outbreak of a serious pandemic influenza is another example of an event that could affect public services, and the distribution of goods in such a way as to create an emergency in society. Three influenza pandemics struck the world in the 20th century. According to experts, the question is not if, but when, such a pandemic will occur again.

Our examination of preparedness for pandemics shows that municipalities and county councils are inadequately prepared to manage a pandemic. They have not analysed the risks involved, and not planned how they would manage such a situation. County administrative boards only have a limited overview of the infection-control interventions that would need to be made, and of the preparedness of municipalities, county councils and others to implement them. The Government has

failed to ensure that there is nation-wide responsibility for risk analysis, for informing the public about the emergency and for ensuring that non-medical infection-control interventions are made. There may be a need for measures to be taken quickly and in a coordinated way, for instance to restrict travelling, isolate infected people or close down schools. We find that the counties examined have an inadequate ability to manage an outbreak of pandemic influenza with high mortality and morbidity rates.

The drinking water supply cannot be guaranteed in all circumstances

The supply of drinking water is a sensitive function. Sabotage and unintentional events may rapidly lead to major consequences for the distribution of drinking water to households. If there is a shortage of drinking water in the largest cities, many people may lack water for drinking and cooking, and they may be infected by dangerous diseases.

Our audit shows that there are many positive elements in the ongoing work to enhance preparedness, such as better awareness and cooperation among municipalities. At the same time, it has emerged that the metropolitan municipalities have a clearly limited ability to manage a serious crisis in their drinking-water supply. The work done can be reinforced and improved within the framework of the resources that the State allocates to emergency preparedness at present. Major crises in the drinking-water supply of the largest cities may become more difficult and longer-lasting unless the State creates better conditions for municipal preparedness. At present, there is no ability to handle serious situations involving the emergency supply of water to substantial parts of metropolitan areas, the evacuation of vulnerable groups or the rapid detection of unknown hazardous substances that have spread in water sources or through the distribution system.

THE GOVERNMENT'S WORK ON EMERGENCY MANAGEMENT IS INSUFFICIENT

The Government bears ultimate responsibility for emergency preparedness in Sweden. It has taken a series of important actions in recent years, such as clarifying the division of responsibility for emergency preparedness among government agencies, county councils and

municipalities. Based on experience from the tsunami disaster in South-East Asia, the Government has in particular developed its own capability for detection, alerting, analysis and coordination of actions. We therefore find that most of the shortcomings which became evident during the tsunami disaster in 2005 have now been put right. Notwithstanding these improvements, however, our audits show that the Government needs to further develop its ability to manage emergencies in several respects.

The Riksdag has endorsed the objectives presented by the Government in its strategy for national security. One of these objectives is to safeguard the health of the population and the functions of society. The Government should therefore regularly provide the Riksdag with information about the overall emergency preparedness of society, and its ability to handle an extensive emergency.

The control and governing exercised by the Government is too weak

One important explanation for the shortcomings identified in national emergency preparedness is that the control and governing exercised by the Government is too weak. The Government's monitoring of preparedness is unsystematic and poorly coordinated. Our audits show that the documentation produced by the government agencies responsible has significant shortcomings. Risk and vulnerability analyses are of varying quality or in some cases entirely lacking. They sometimes fail to address significant risks, and there has been no sector-by-sector compilation of analyses at the national level. The Government has also failed to ensure that such analyses are based on information of adequate quality.

In our opinion, adequate control and governing cannot be exercised over emergency preparedness unless the Government establishes appropriate levels for the costs of the actions to be taken by the various ministries to improve preparedness. The Government must also direct the work of government agencies based on overall assessments of the need for emergency-preparedness actions.

The Government does not make its own assessment, from a cross-sectoral perspective of how well society can handle various emergencies. Nor does it weigh the likelihood of various risks against their possible consequences when determining its budgetary priorities.

"Our overall assessment is that emergency preparedness in Sweden has significant shortcomings in several areas."

There is no preparedness for nation-wide operational management of extreme situations

In an extreme emergency, it may be necessary for the Government and the Riksdag to intervene very quickly to solve problems relating to the management of the emergency. This would apply to situations where the consequences are so extensive that it is no longer possible to apply the normal principle whereby the actors involved should be able to manage the situation in the sectors for which they are responsible. The Riksdag and the Government have not created adequate juridical provisions for management of such an extreme emergency. We consider it an obvious shortcoming that current legislation does not allow the Government to entrust an agency with operational crisis-management duties at the national level - not even in cases when vital infrastructure is threatened. We therefore deem it important that the Government be given such authorities through legislation.

This section is based on findings made in the following reports:

Preparedness for nuclear accidents (RiR 2007:4)

Safety of hydroelectric-power dams (RiR 2007:9)

The State's actions to manage extensive power failures (RiR 2007:17)

Emergency preparedness of the payment system:

Technical threats and risks (RiR 2007:28)

Pandemics: Managing threats to human health (RiR 2008:1)

The supply of drinking water: Preparedness for major emergencies (RiR 2008:8)

The Government and emergencies: The Government's management of emergencies and its direction of society's preparedness for serious emergencies (RiR 2008:9)

HANDLING OF SWEDISH FOREIGN AID

Swedish foreign aid allocated via the Swedish International Development Cooperation Agency (Sida) last year amounted to just over SEK 15 billion. The aim of this aid is to create the necessary conditions for global development in line with the United Nations' Millennium Objective of halving the proportion of poor people in the world by 2015.

We are anxious to ensure that these billions are managed in the best possible way, so that they will be of the greatest possible use in the countries receiving Swedish aid. Strict requirements must therefore be imposed on Sida's ability to assess risks and conditions for the implementation of development cooperation in individual partner countries. Sida must also make sure that its internal control will both prevent and detect, with a satisfactory level of accuracy, errors and shortcomings in the handling of aid. This is especially required where there are several intermediate stages between Sida and the organisation or project that will eventually implement the decisions of aid policy in the partner country.

In the light of the findings which we have made in our audits of Sida's operations, we are of the opinion that Sida needs to develop its work in all of the above respects.

DECISIONS TO GRANT BUDGET SUPPORT ARE NOT SUFFICIENTLY WELL-FOUNDED

Budget support is a type of long-term financial support which is paid directly to the national budget of a partner country. This imposes strict requirements that decisions be well-founded and based on Sida's application of the Government's guidelines for budget support. Under these guidelines, Sida should assess the economic policy, public financial management and poverty-reduction strategy of the country concerned. In 2006, Sida paid out almost SEK 900 million of budget support to eight countries.

Our audit shows that the Government has only drawn-up a co-operation strategy for one of the eight countries which have been granted budget support. The

absence of such long-term assessments, and the lack of clarity in the Government's guidelines, have forced Sida to assume greater responsibility for budget support than the Government intended.

Even so, Sida has failed to specify - and in several cases also failed to comply with - the Government's guidelines for preparatory work and decision making in matters of budget support. Sida's decisions are often based on an inadequate analysis of a partner country's ability to manage budget support, and of the risks involved. What is more, the documentation on which the decisions are based does not allow for comparison over time or between countries.

In its assessment of a partner country's poverty reduction strategy, Sida should analyse the strategy's links with the country's national budget. Differences between countries are large in the thoroughness of that analysis, and the extent to which issues such as budget outcomes are dealt with. Sida focuses its assessments more on promised future reforms in the partner country than on its present institutional capacity.

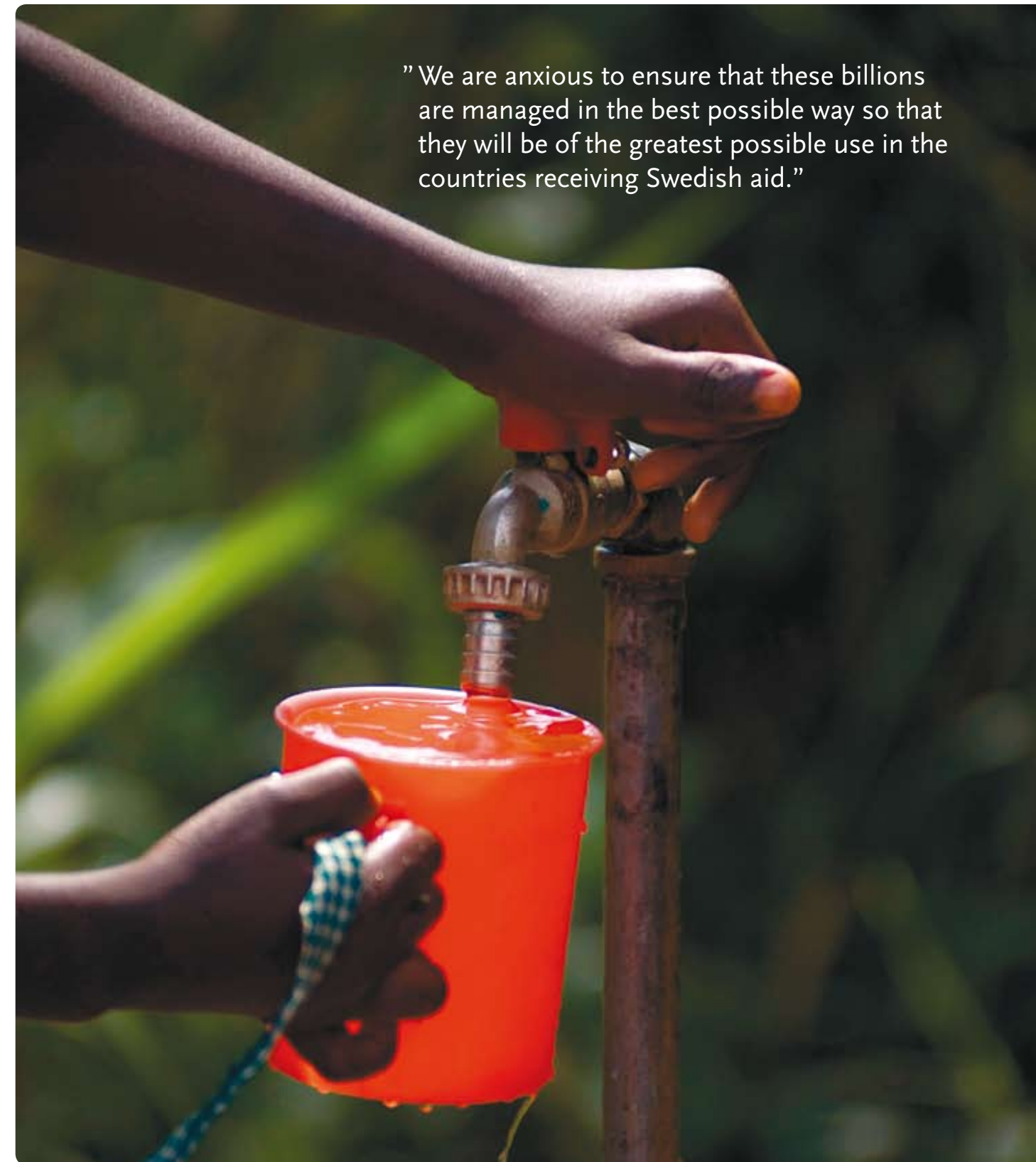
Sida's assessments of partner countries' public financial management are incomplete. We find that Sida does not use its own checklist when evaluating whether the conditions for budget support are met. When Sida reports on weaknesses in partner countries' control, it is not clear whether the countries in question are planning to put these weaknesses right and, if so, how soon. Issues of how any risks associated with budget support will be managed are also scantily analysed by Sida. For example, most of Sida's analyses of corruption turn out to be excessively brief and general.

The Government made the guidelines for budget support stricter in April 2008 so as to exercise more explicit direction over Sida's handling of this type of aid

SIGNIFICANT SHORTCOMINGS IN THE CONTROL OF FOREIGN AID

In Sida's operations, as in all foreign-aid operations, there are often several intermediate stages between

"We are anxious to ensure that these billions are managed in the best possible way so that they will be of the greatest possible use in the countries receiving Swedish aid."





the original provider of aid and the organisation that eventually implements decisions of aid policy. For Sida's internal control to be deemed good, it is a reasonable requirement that individual projects funded by aid should be followed up and checked. This will make it possible to discover cases where aid funds are used in breach of the contract, where accounts or other records have been manipulated or where assets have been embezzled. Such control should obviously be exercised by someone who is independent of the aid recipient.

In our audits of Sida's financial reports we have repeatedly drawn Sida's attention to shortcomings in its internal management and control, for example in the control of aid channelled via overseas government agencies (embassies, other diplomatic missions and Sida offices abroad).

This picture became even clearer in our audit of aid provided through non-governmental organisations (NGOs). Our findings show that Sida has attempted to spread thinking in terms of supervision and control all the way out to the local projects in partner countries, but that the strength of the message sent by Sida falls rapidly as the aid is progressively passed on from one organisation to the next. Sida is aware that there are shortcomings in its internal-control environment and has tried to organise good-quality protection in several ways. However, the audit shows that these efforts are insufficient. Indeed, Sida's internal control - in terms of its ability to reduce errors and prevent irregularities - of the fifteen local projects that we investigated on location in four partner countries could in several cases be characterised as inexistent.

Sida has relied heavily on a system based on certificates issued by specially engaged auditors, both locally in partner countries and in Sweden. Where such auditor's certificates did not contain an adverse or qualified opinion, Sida assumed that the project accounts gave a true and fair picture and proceeded to approve the projects. However, our audit shows that the projects had extensive shortcomings in spite of the auditor's certificates.

Sida has not itself performed any checks of underlying transactions to assess the correctness of the materials and information presented by aid recipients and contractors. There are also significant deficiencies in the dialogue between Sida and the Swedish auditors engaged

by it in regard to the award of audit assignments and the reception of auditor's certificates. Basic prerequisites for internal control, such as accounting skills, were lacking in several of the projects examined.

Following our audit, Sida engaged an external consultant to help it follow up the projects in which we had found material shortcomings. Sida's follow-up of those projects largely confirms our picture of project documentation and accounts in disarray. Sida's control system fails to detect errors and shortcomings in financial reporting.

When auditing Sida's management of grants at two overseas government agencies we identified shortcomings in internal control which are similar to those previously reported on. This can be seen as indicative of more general deficiencies in Sida's internal management and control. Among other things, our findings confirm previous findings that Sida has failed to make an adequately comprehensive analysis of the control environments of aid recipients and contractors in order to determine what controls will be required before a decision can be made to grant a contribution or assign a task. There is not always documentation showing the positions taken made by an overseas government agency based on the shortcomings reported by the auditors engaged by it. We consider it important for Sida to assess the control environment of an aid recipient before any support is paid out - not least because Sida typically pays aid funds in advance. In fact, more than a year may pass from when funds are paid out to when they are followed up through an audit. If errors are identified at that point, the process to recover the money may last several years.

This section is based on findings made in the following reports:

Fraud in foreign aid: Does Sida ensure adequate control of foreign-aid operations conducted through NGOs? (RiR 2007:20)

Aid through budget support: The Government's and Sida's handling of a key type of foreign aid (RiR 2007:31)
Swedish International Development Cooperation Agency (Sida) (Ref. Nos. 32-2007-0685, 32-2006-0491, 32-2005-0529 and 32-2004-0410)

FOUNDATIONS ESTABLISHED BY THE STATE

The State has established - on its own or jointly with others - a large number of foundations for specific objectives, sometimes also setting aside significant amounts of money for them. The foundations own and manage these assets in line with the intentions specified by their founders. The State and the other founders are not entitled to make use of these assets, and the State also cannot influence the focus of the foundations' operations or the use of their assets to the same extent as for government agencies and state-owned enterprises (SOE). The objectives of foundations, and thus their operations, are of different types. Some conduct business operations. Other support research, business development or the management of cultural heritage, or provide grants to individuals. In some cases their operations are of great importance to society.

Because of the special conditions applicable to this type of organisation, in particular the fact that opportunities for insight and control are limited, we consider it important to examine those foundations established by the State. Thus far, we have focused our audits on issues regarding information about, and insight into the operations of foundations as well as their assets management.

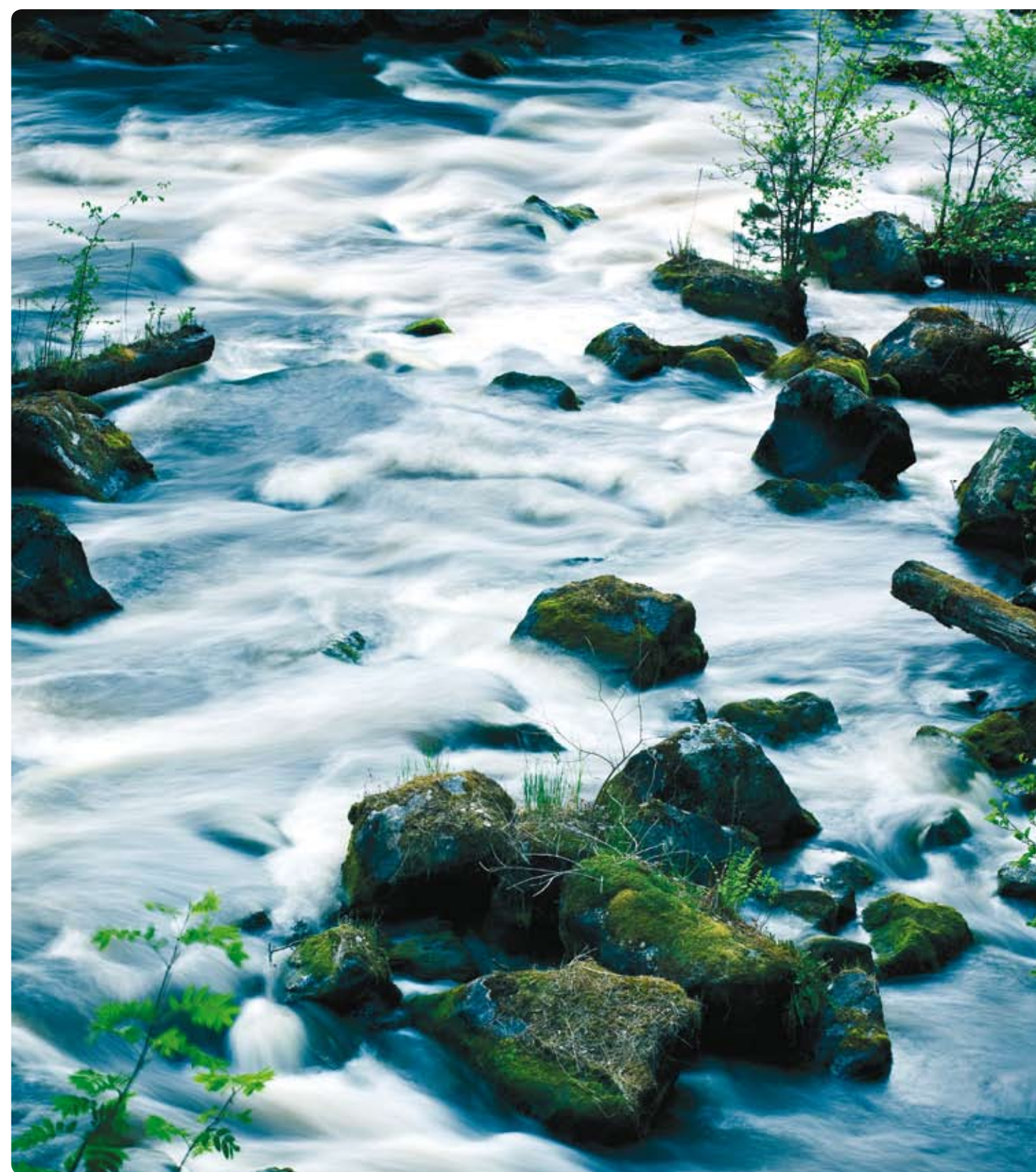
We are of the opinion that the Government should ensure that foundations established by the State individually or in conjunction with others, are efficiently managed in line with their objectives. A crucial prerequisite for achieving this is that the Government has an overview and knowledge of the operations conducted by such foundations. Our audits show, however, that the Government has failed to adequately fulfil this task in relation to any of the above mentioned items. As a result, the Government cannot provide the Riksdag with comprehensive information about the operations of foundations, or about the way in which they fulfil their objectives using the assets originally put at their disposal by the State.

AN UNKNOWN NUMBER OF FOUNDATIONS WITH UNKNOWN ASSETS

Our audits show that there are no official records of the number of existing foundations established by the State or of the assets managed by them. In other words, the Government has no overview of the State's involvement as a creator of foundations. Through the registers of foundations kept by the county administrative boards (CAB) we have identified about 145 foundations established by the State individually or jointly with others. For purposes of comparison it can be noted that the Government Offices (ministries) have stated that there are about 60 foundations within their remits. Based on a review of annual financial reports for 2006, and information from CAB registers of foundations, we estimate that the total assets of the foundations (book value as recorded in balance sheets) are about SEK 30 billion. The assets of individual foundations vary greatly, from a few thousand SEK to several billion.

INSUFFICIENT INSIGHT AND FOLLOW-UP BY THE GOVERNMENT

Foundations established by the State are subject to restricted supervision by CABs. The restrictions entail, for example, that a CAB is not entitled to request documents from a foundation, perform an inspection or intervene if it suspects that a member of the board or the manager is negligent. However, the State has the same right as any other founder to protect its interests and to exercise influence by appointing board members, provided that the relevant regulations permit it. In addition, the Foundations Act grants the State a unique right to amend, of its own accord, certain rules for foundations established by the State individually. Such amendments may relate, for instance, to the composition of the board or the management of the assets of the foundation. To be able to protect the State's interests as founder, the Government needs information enabling it to assess the need for amendments to rules and to prepare decisions to appoint members of foundation boards.



Our audits show that the Government itself has made very limited use of its opportunity to monitor and evaluate foundations in order to procure such information. The Government mainly monitors foundations with large assets. Differences among ministries are large, both in their knowledge about foundations and the extent of follow-up. The Government has initiated few evaluations and there is very little underlying documentation making it possible to assess whether regulations need to be amended. The Government appoints board members to about 40 foundations established by the State. However, we find that the Government has not taken a formal position specifying the cases in which it should appoint the board of a foundation.

INCONSISTENT QUALITY IN ANNUAL FINANCIAL REPORTS

Annual financial reports are particularly important in the case of foundations. That is because the annual financial report is the only public document providing both the Government and other interested parties with an opportunity for ongoing insight into the operations of foundations and their asset management. We find that the quality of foundations' annual financial reports is inconsistent. While we are of the opinion that the financial information provided is generally of acceptable quality, the quality of the directors' report (operational report) varies greatly. In some cases the directors' report fails to comply with the requirements of the Annual Accounts Act. Half of the 30 foundations audited do not provide satisfactory information about how the objectives of the foundation have been advanced. We consider it serious that the Government's main instrument to obtain appropriate information about the operations of foundations fails to fulfil this function in many cases.

VARYING RESULTS OF ASSETS MANAGEMENT

We have devoted special attention to foundations whose operations are extensive and whose assets are large. For this reason we have examined the assets management of five of the foundations established by the State using assets from wage-earners' investment funds (collectively owned and managed funds financed from corporate profits which were wound up in 1992). The total assets of these foundations amounted to almost SEK 19 billion in 2006 (book value as recorded in balance sheets).

Our audit shows that the Government does not adequately monitor the assets management of any of these foundations. While their assets are managed in accordance with the rules of each foundation, there are marked differences among the foundations in average assets-management outcome. These differences are attributable in part to differences in rules and strategy choices, but also to management success.

We are of the opinion that the Government should reinforce its monitoring of foundations' assets management, in part so that it can appoint board members who will ensure that the boards of the foundations have relevant assets-management skills. Such evaluation is also necessary for the Government to be able to amend, as needed, the rules laying down how the assets of a foundation should be invested

This section is based on findings made in the following reports:

Annual financial reports of foundations established by the State (RiR 2007:27)

How assets are managed: *Assets management at five foundations and the Government's role as founder* (RiR 2007:30)

Foundations established by the central government: *The Government's insight and monitoring* (RiR 2008:7)

” We are of the opinion that the Government should ensure that foundations established by the State individually or jointly with others, are managed efficiently in line with the objectives of these foundations.”

CONCLUSIONS

Our performance audits of State operations are largely based on the audit strategies that we define in the annual audit plan. Having several audits that target a single issue enhances the impact of our work. In this year's report we have been able to present conclusions on three priority areas identified in the annual audit plan: the emergency preparedness of society, the Government's handling of the framework of fiscal policy, and insight into foundations established by the State. We have also emphasised findings from this year's audits of government agencies' annual financial reports and from our audits of the handling of Swedish foreign aid.

Our main conclusions are as follows:

- Internal control at government agencies works fairly well while their situation is stable. In the event of major - internal or external - changes, however, the risk of errors in annual financial reports increases significantly.
- One prerequisite for continued stability of public finances is that the fiscal policy framework be applied in a transparent and clear manner. It is therefore important for the Government to work proactively to strengthen this framework as well as to improve government reporting to the Riksdag.

- Sweden's emergency preparedness has significant shortcomings in several sectors of society. The Swedish model of public administration, with far-reaching delegation of authorities, independent government agencies and autonomous municipalities and county councils, imposes a heavy responsibility on the Government to direct and coordinate work on preparedness.
- The Swedish International Development Cooperation Agency (Sida) allocates many billions of SEK to foreign aid each year. One prerequisite for this money having its intended effect is Sida managing to assess risks and conditions for development cooperation in individual partner countries. Sida's control is not sufficient to ascertain whether aid funds are used as intended;
- The State has established a large number of foundations and set aside significant amounts of money for these foundations. The Government has no overview of the foundations established by the State or the total assets of these foundations. Opportunities to gain insight into and monitor the operations and assets management of these foundations have been used only to a limited extent.

ANNEX 1 AUDITS OF ANNUAL FINANCIAL REPORTS FOR 2007

In the context of our audits of government agencies' annual financial reports for 2007 we have drawn up 71 audit reports, which have been submitted to the top management of the 59 agencies concerned. This annex summarises the more significant errors and shortcomings dealt with in those audit reports. Where an error is so serious that the auditor's report for the agency concerned included a qualified or adverse opinion, this is explicitly indicated. Findings are presented for individual agencies, ordered by the ministry to which they report - except that we start with the Swedish Central Bank (Riksbank), which reports to the Riksdag rather than the Government.

RIKSDAG

The Riksbank (Ref. No. 32-2007-0630)

The Riksbank has strikingly often invoked exemptions under the Public Procurement Act for its purchases of statistics and deliveries of banknotes and coins. The grounds for the choice of procurement method are inadequately documented in some cases.

The Riksbank has no up-to-date overall risk analysis in place for the new cash-supply structure

MINISTRY OF JUSTICE

Swedish Police (Ref. No. 32-2007-0571)

The Swedish Police Service (Police Service) has several shortcomings in its financial administration as regards control and monitoring. Among other things, there is no explicit division of responsibilities among the Financial Control Department of the National Police Board, the Administrative Centre of the Police and local police authorities. Monitoring is not uniform and not sufficient to ensure the quality of the financial administration process and the financial accounting of the Police Service. What is more, the Police Service has no financial handbook or equivalent document.

There are shortcomings in internal control at the Police in relation to the COPS and Palasso payroll systems as regards overtime, monitoring and other aspects.

MINISTRY FOR FOREIGN AFFAIRS

Swedish International Development Cooperation Agency (Sida) (Ref. No. 32-2007-0685)

Sida has failed to perform adequate analysis of the control environment of aid recipients and contractors prior to decisions on aid contributions in order to determine the types of controls which are required and most suitable to manage various types of risk. There are material shortcomings in Sida's documentation of its own controls. In several cases, there are also no documented analyses and formal positions based on the errors and deficiencies identified by the auditors it has engaged. Sida has not organised the documentation in a way that makes it possible to easily see how a matter relating to tasks under contract or aid contributions has been handled, or how it is linked to other matters. Good order and traceability of archive systems is one element of the control environment, which is why these weaknesses are considered to lead to shortcomings in internal control.

MINISTRY OF DEFENCE

Swedish Armed Forces (Ref. No. 32-2007-0835)

The Armed Forces has exceeded the amount decided by the Government for appropriation item 6.2.4 'Activities closely related to materiel; winding-up activities' by SEK 3.3 billion. The Government was informed on 8 February 2008 that the amount allocated to that item was insufficient. The Armed Forces should have informed the Government of this in writing at an earlier stage. What is more, the Armed Forces has not reported this exceedance in accordance with generally accepted accounting principles. *(Qualified/adverse opinion in the auditor's report)*

In its annual financial report, the Armed Forces finds that the funds allocated to it are not sufficient for the performance of its tasks. Some of the data on which this analysis is based, however, have not been subject to adequate quality assurance. For example, the appropriation savings carried forward have been affected by excess rent for premises of around SEK 140 million. There are

also shortcomings in running checks and reconciliation of financial reporting. This has affected the information underlying decisions and provided an incorrect picture of the financial situation during the course of the year.

The annual financial report contains several different figures for expenditures in relation to the implementation of international tasks.

From 2007 inclusive, the Armed Forces' expenditures for research and technology development are charged to a specific appropriation. Previously such expenditures were reported against a sub-item of the materiel-procurement appropriation. Up to and including the 2006 budget year, the appropriation directions for the Armed Forces included a specific authorisation to make multi-year commitments to commission research and development. There is no such authorisation in the appropriation directions for 2007. Commitments amounting to SEK 1.3 billion are no longer reported by the Armed Forces. Given the size of the amounts involved, the Armed Forces should have mentioned this in its annual financial report.

The Armed Forces has inadequate procedures for concluding agreements and carrying out inventories in the context of the outsourcing of storage operations. The agreement with the contractor specifies procedures at a level which entails a lower degree of internal control over stocks than previously decided by the Armed Forces. What is more, the Armed Forces has not carried out an investigation to explain the difference of about SEK 21 million which was evidenced by the inventory conducted in 2007.

The Armed Forces has inadequate internal control in its payroll management. There is a risk that compensation for a certain activity will be requested and disbursed several times. Indeed, several instances of such double payment have been identified during the audit.

The Armed Forces has failed to ensure adequate quality assurance of its interim financial report, which therefore had to be supplemented at a later stage.

Swedish Accident Investigation Board (Ref. No. 32-2007-0668)

The Accident Investigation Board is a fee-funded government agency; whose appropriation directions entitle it to charge certain other agencies for its administration costs and special investigation costs. However, technically the Board has no right of disposal for revenues

from investigation fees and should therefore request a clearer authorisation from the Government.

MINISTRY OF HEALTH AND SOCIAL AFFAIRS

Swedish Social Insurance Agency

(Ref. No. 32-2007-0605)

The Social Insurance Agency has no overall view of how internal management and control works in relation to the risks identified in its operations. There are also shortcomings in its follow-up to verify that decided controls are actually implemented.

The Agency exhibits a difference of SEK 402 million for the item 'settlement with the government'. This difference mainly arose in past years and is attributable to the fact that the Agency used an incorrect payment flow.

Swedish Intercountry Adoptions Authority

(Ref. No. 32-2007-0602)

The decision to approve the annual financial report of the Intercountry Adoptions Authority was not made by its Director-General, i.e. its top management. Even so, the annual financial report is signed by the Director-General and is therefore deemed to have been drawn up in accordance with the Annual Financial Reports and Budget Documentation Ordinance.

Swedish Council on Technology Assessment in Health Care (Ref. No. 32-2007-0608)

Technology Assessment in Health Care has inadequate procedures for reconciling its appropriation reporting with its reporting to the Government. This has led to a failure to notice a cancellation of appropriation funds, and thus to a failure to repay the money concerned.

The financial parts of the annual financial report have not been subject to adequate quality assurance. This has caused several minor errors in the annual financial report.

The Council also has inadequate procedures as regards employees' saved holiday-entitlement days and overtime hours. As a result, its employees have been able to save more entitlement days and accumulate more overtime than the relevant agreement allows.

MINISTRY OF FINANCE

Harpund Committee (Ref. No. 32-2007-0619)

The Government has adopted a decision regulating the use of the yield and surplus from agricultural operations

at Yxtaholm. This decision lays down that the surplus should be transferred to the Södermanland County Administrative Board (CAB) to be used in line with the wishes expressed in the relevant last will and testament. However, surpluses are not formally transferred to the CAB but are instead disbursed directly to the projects agreed by the agricultural manager and the CAB. This is contrary to the Government's decision.

Blekinge County Administrative Board (Ref. No. 32-2007-0637)

Expenditures for goods where ownership passes to external parties have been reported by the Blekinge County Administrative Board (CAB) as operational costs rather than as transfers. As a result, the CAB's total operational costs have been overstated by SEK 3.2 million.

The CAB's reporting on performance does not fully meet the Government's requirements for providing feedback. For Example, there is no summarized presentation of major actions broken down according to the operational areas of environmental policy.

Gotland County Administrative Board (Ref. No. 32-2004-0638)

The Gotland County Administrative Board (CAB) has shortcomings in its procedures to ensure the quality of the financial elements of its annual financial report. This has led to material errors in several items and led to the annual financial report not providing a true and fair view. The items affected are 'revenues from fees', 'revenues from grants', 'claims on other agencies', 'debts to other agencies' and 'other liabilities'. *(Qualified/adverse opinion in the auditor's report)*

The CAB does have procedures to manage employees' incidental employment, but they need supplementing. Among other things, there is no procedure for reporting incidental employment. Moreover, it is not established what part of the organisation bears responsibility for matters relating to incidental employment. The CAB also lacks formal rules for how decisions in such matters are to be made.

Norrbottnen County Administrative Board (Ref. No. 32-2007-0585)

The payroll procedure at the Norrbotten County Administrative Board (CAB) has weaknesses in regard to verifying that the correct amount has been paid. There

is incomplete documentation of the checks to be made by the payroll department before each data-processing operation.

The County Director of the CAB has been granted perquisites decided by the County Governor. By virtue of the Government's decision, a County Director should have no benefits besides his or her pay. The County Governor thus does not have the authority to decide upon additional pay and perquisites for the County Director.

The CAB manages and approves disbursements of certain structural fund resources, and it has exceeded the authorisation framework for appropriation 33:5, item 1 (actions under the Objective 1 programme for North Norrland). The remaining grant disbursements will exceed the authorisation framework decided by the Government by SEK 15.1 million. As regards the amount involved, this exceedance is material. The consequences will be different from those of an exceedance of the authorisation framework for a regular appropriation, however, since the settlement against an appropriation that would then take place corresponds in this case to payment of EU funds to budget headings for non-disposable revenues.

Skåne County Administrative Board (Ref. No. 32-2007-0302)

The Board of Directors of the Skåne County Administrative Board decided, in breach of the Internal Audit Ordinance, that the internal-audit function should report to the County Governor. The Board of Directors later decided, on an inadequate basis, that it lacked confidence in the internal auditor.

Stockholm County Administrative Board (Ref. No. 32-2007-0586)

The Stockholm County Administrative Board has inadequate procedures for reporting grants in connection with the balancing of accounts. This led to overstating of the items 'accrued revenue from grants' and 'unused grants' by around SEK 118 million per item in its interim report.

Södermanland County Administrative Board (Ref. No. 32-2007-0587)

The annual financial report for the Södermanland County Administrative Board (CAB) was approved by the County Director and not by top management of the

CAB, i.e. the County Governor. However, the annual financial report is signed by the County Governor and has therefore been established in accordance with the Annual Financial reports and Budget Documentation Ordinance.

Uppsala County Administrative Board (Ref. No. 32-2007-0588)

The Uppsala County Administrative Board (CAB) has shortcomings in its procedure to ensure the quality of the financial elements of the annual financial report. Responsibility for quality assurance is unclear. Moreover, the rules on financial administration are not up to date.

Reconciliation of project operations has not been effective. Costs have not been reserved in accordance with generally accepted accounting principles, and overhead costs have not been added since April 2007. As a result, the items 'unused grants' and 'accrued revenue from grants' are incorrectly reported.

The Swedish NAO has previously examined the CAB's procurement procedure. Follow-up of that audit shows that the CAB has not taken adequate action to remedy the shortcomings pointed out. Its procurement policy has not been updated as regards limit values for simplified procurement and threshold values. The policy also lacks essential components such as guidelines on disqualification from participation in decisions and detailed rules for direct procurement. It is not clear who is responsible for procurement, and nobody has been given the task of analysing the need for centralised procurement. The documentation of past procurement is inadequate and sometimes difficult to find.

The CAB has not established procedures and processes for handling incidental employment or for informing employees about the rules for such employment. There is no established procedure for how incidental employment should be reported or for how information about approved cases of incidental employment should be compiled. The CAB also lacks a plan for handling cases where incidental employment is incompatible with the duties of an employee.

The CAB's supervisory work is not centrally coordinated. There is no common structure for supervision and activity plans. There is no established process for ensuring the quality of supervision plans. The quality of supervisory decisions is also not systematically examined.

Västerbotten County Administrative Board (Ref. No. 32-2007-0590)

The County Director of the Västerbotten County Administrative Board (CAB) has been granted additional pay decided by the County Governor. By virtue of the Government's decision, a County Director should have no benefits besides his or her pay. The County Governor thus does not have the authority to decide on additional pay and perquisites for the County Director.

The CAB does not have adequate procedures for employees' incidental employment. There is a risk that incidental employment may exist which has not been reported to the employer even though it may both prevent the exercise of employees' duties and directly undermine confidence in their work.

Östergötland County Administrative Board (Ref. No. 32-2007-0579)

The Östergötland County Administrative Board has no documented guidelines and procedures for handling employees' incidental employment. For example, there are no procedures for reporting incidental employment or for informing employees about the action that may be taken if the rules are not complied with.

Swedish Tax Agency (Ref. No. 32-2007-0631)

The Tax Agency has inadequate internal management and control as regards its register for tax referral in relation to the sale of a personal residence. Individual officials may modify or delete data in the deferral register. The procedures for entering new data in the register should include some element of control.

The Agency has only made limited checks of the quality of the data in the register. There is also a risk that the Agency may be unable to present documentation justifying the grounds for deferral in future disputes with individuals about deferred amounts, given that tax returns are to be kept for only six years.

Swedish National Property Board (Ref. No. 32-2007-0625)

Top management of the National Property Board is deemed to have failed to ensure that the Board has internal management and control capable of discovering and counteracting corruption and other forms of undue influence on its operations. Among other things, there is no risk analysis relating to such events. There is also

no procedure for discovering, investigating and handling situations where there is suspicion of bribe-taking and bribery.

Statistics Sweden (Ref. No. 32-2007-0626)

The annual financial report of Statistics Sweden was approved by the Deputy Director-General and not by its top management, i.e. the Director-General. However, the annual financial report is signed by the Director-General and is therefore deemed to have been established in accordance with the Annual Financial reports and Budget Documentation Ordinance.

Swedish Customs (Ref. No. 32-2007-0632)

Swedish Customs has shortcomings in internal management and control as regards its financial administration. The principal element affected is the reporting of duty collection. These shortcomings increase the risk of material errors in the financial elements of the annual financial report. Swedish Customs has not updated its financial handbook and its descriptions of procedures for work in financial administration following its reorganisation. The method used to value collection claims also needs to be reviewed so as to ensure fairer valuation.

Some shortcomings in Swedish Customs' protection against corruption and other forms of undue influence remain. It is still not clear from the rules of procedure who is responsible for issues of corruption and irregularities. The risk analysis has not been completed, and therefore no control measures have yet been either identified or implemented.

The handling of seized goods is a sensitive procedure which should be carried out with a large degree of security and internal control to avoid damaging confidence in Swedish Customs. However, it is rare for two persons to be present when sensitive goods such as drugs are seized or when inventories are made of stores of seized goods. In fact, there is no provision in Swedish Customs' internal regulations requiring two persons to participate in seizures and inventories.

Swedish Customs performs quality measurements to ensure the quality of the data provided by clients in the context of imports. These measurements form part of the basis used to calculate the total estimation error in relation to duty collection. The shortcomings identified in quality measurements relate to the choice of method of quality measurement, the documentation of calculations and assumptions, and the presentation of results

in the annual financial report.

Swedish Administrative Development Agency (Ref. No. 32-2007-0633)

The Director-General of the Administrative Development Agency (Verva) signed the annual financial report document but did not technically make the decision to approve the annual financial report. The supplement to the annual financial report which Verva subsequently sent to the Government was also not approved by the Director-General.

MINISTRY OF EDUCATION AND RESEARCH

Kalmar University College (Ref. No. 32-2007-0719)

Kalmar University College has decided to dismiss employees by reason of redundancy. The relevant decisions were made in July 2007 and in January 2008. Provisions for this adjustment have been made in the annual financial report. However, costs relating to the employees laid off in January 2008 should not have been reported for 2007. As a result, the financial performance of the University College includes a cost overstatement of SEK 4.5 million. Information about this should have been given in the annual financial report.

Because of an incorrectly recorded interest cost, total interest costs have been overstated by SEK 1.4 million. This has had a negative impact on the financial performance reported. The University College has calculated accrued interest according to principles laid down in appropriation directions which were no longer valid.

Settlement of the University College's achievements has not been done according to the usual principle. This entails a risk that the University College may not obtain credit for all of the achievements to which it is entitled.

Kristianstad University College (Ref. No. 32-2007-0720)

The Swedish NAO has been pointing out for several years that Kristianstad University College needs to develop its process for drawing up the annual financial report and ensuring its quality. This relates to both financial and performance reporting. Shortcomings in this process have led to errors which were identified during the audit of the annual financial report.

By 1 July 2008 all government agencies have to process incoming and outgoing invoices electronically. The University College has not presented a plan for the implementation of electronic invoice processing.

Swedish National Agency for Higher Education (Ref. No. 32-2007-0765)

The National Agency for Higher Education has failed to compile specifications and other materials to justify the data presented in its annual financial report. This relates to both performance reporting and financial reporting. Procedures and responsibilities for quality assurance of the annual financial report are not managed satisfactorily.

The Agency has understated its accrued expenses by SEK 1.4 million. It does not have adequate procedures to ensure that loans for tangible fixed assets recorded in its statement of financial position are taken up with the National Debt Office to a sufficient extent.

Karolinska Institutet (Ref. No. 32-2007-0779)

Top management of the Karolinska Institutet medical university has failed to ensure that the university has good internal management and control such that corruption and other types of undue influence on its operations can be discovered and counteracted to a sufficient extent.

Royal University College of Fine Arts (Ref. No. 32-2007-0729)

The Royal University College of Fine Arts uses a standard model to allocate costs between its two operational branches: of all costs, 95 per cent are attributed to Undergraduate Education and 5 per cent to Research and Postgraduate Education or Artistic Development ('KU'). This allocation principle, however, does not apply to staff costs. Under a local working-hours agreement, the KU branch is charged with 40 per cent of direct payroll costs for professors. Payroll costs for senior lecturers and lecturers, however, are not allocated under this agreement. If the direct payroll costs for senior lecturers and lecturers had been allocated according to the same principle, the financial performance of the KU branch would have been debited with an additional charge of SEK 2.6 million.

Royal College of Music, Stockholm (Ref. No. 32-2007-0730)

The Swedish NAO has repeatedly pointed out shortcomings in project accounting at the Royal College of Music, Stockholm. The College uses different principles to allocate indirect costs depending on the type of project.

This leads to an incorrect idea of actual costs per type of funding and per operational branch. As a result, it is impossible to monitor compliance with the requirement that funding should cover costs fully.

Royal Institute of Technology (Ref. No. 32-2007-0780)

Since September 2007, the Royal Institute of Technology and the Östermalm City District Committee in Stockholm have cooperated on a three-year pilot project to provide temporary child-minding services for children of their employees. The nursery in question is run by a trading partnership which is separate from the Institute. The Head of Administration has decided to set aside SEK 852,000 per year to pay for staff and administrative costs. The Institute has no authority to conduct or contribute to child-care operations.

Linköping University (Ref. No. 32-2007-0742)

The Swedish NAO has been pointing out for several years that Linköping University needs to develop the quality assurance of its annual financial report. The University has not had adequate resources for documenting, analysing and verifying the material provided by departments for the annual financial report. These shortcomings have led to various errors identified during the audit of the annual financial report, including externally funded projects. Shortcomings in accounting for externally financed projects have been pointed out previously.

The University's control and monitoring of its fee-funded operations is inadequate. It cannot be verified that the activities concerned are appropriate or compatible with the University's tasks or its authority to charge fees for one in five projects examined. The University has not carried out an overall follow-up of pricing and of compliance with the requirement that funding should cover costs fully.

The Swedish NAO has previously pointed out major shortcomings in the University's control and monitoring of teachers' working hours. Action has been taken in relation to overtime reporting, but there remains a lack of clear guidelines for monitoring of hours worked as well as other things. It is rare for the actual number of hours worked to be followed up.

Lund University (Ref. No. 32-2007-0743)

There are shortcomings in Lund University's internal management and control of contract-based education. The Swedish NAO's audit shows that the shortcomings previously reported on by the internal-audit services have not been remedied. The University lacks an overall function which has insight into and an overview of all contract-based education. The internal rules and policies do not provide adequate operational support. Moreover, it has not been specified who is responsible for monitoring contract-based education. The consequences of this include deficiencies in contracts, pricing and cost allocation.

Swedish Agency for Advanced Vocational Education (Ref. No. 32-2007-0750)

The reporting by the Agency for Advanced Vocational Education on its performance includes several errors which the Agency should have discovered in the context of its quality assurance. The material underlying the data reported was difficult to corroborate.

The Agency has failed to notice changes in the rules for the reporting of authorisations. As a result, its outstanding commitments have been reduced by the closing transfer balance for the year. The Agency's annual financial report understates its outstanding commitments by SEK 14 million. There is also a difference of SEK 94 million in opening commitments compared with the previous annual financial report. These errors are due to inadequate quality assurance of the annual financial report.

Swedish Agency for Flexible Learning (Ref. No. 32-2007-0753)

The Agency for Flexible Learning has made a settlement of SEK 613,000 against the wrong appropriation item. No information about this is given in the appropriation report or elsewhere in the annual financial report. The aim of this measure was to avoid exceeding the financial terms of the appropriation item. The final outcome for the appropriation item does not exceed the financial terms.

University College of Opera, Stockholm (Ref. No. 32-2007-0736)

As from 2007, the University College of Opera, Stockholm, changed the method used to allocate costs

between its two operational branches. It now allocates them according to standards based on direct payroll costs. The new model ensures a more correct distribution of costs to operational branches than the previous one did. However, the wrong percentages were applied in the standard-based calculation, entailing that financial performance per branch is not correctly presented in the annual financial report. If the correct percentages had been applied, the outcome for the Research and Postgraduate Education or Artistic Development branch would have been a surplus of SEK 452,000 rather than a deficit of SEK 262,000 as stated in the annual financial report. The outcome for the Undergraduate Education branch would have been analogously affected.

Stockholm University (Ref. No. 32-2007-0804)

Stockholm University has cooperated with a commercial foundation which organises education in a way not compatible with the legal provisions applicable to universities and university colleges. Following the Swedish NAO's findings, Stockholm University has referred the matter to the Public Prosecution Authority.

(Qualified/adverse opinion in the auditor's report)

There are shortcomings in the University's internal management and control as regards external contributions and fees, contract-based education, incidental employment, teachers' working hours and quality assurance of the annual financial report.

As regards externally funded projects, there are deficiencies in the reporting of costs broken down by operational branch and project. Grant-funded projects are often incorrectly charged with indirect costs based on the terms laid down in the project agreement instead of actual indirect costs. Incorrect principles are sometimes applied when the accounts for a grant-funded project are closed: the surplus or deficit is often transferred to other projects instead of being settled against the income statement. As a result of these deficiencies it is often difficult to assess compliance with the requirement that funding should cover costs fully.

For 2007, the operations in relation to contract-based education recorded a deficit carried forward of SEK 30.8 million, as against a total turnover of SEK 34.6 million. The fees do not include marketing and intermediation costs for contract-based courses. In other words, the fees have not been set to ensure full coverage of costs. Costs of staff is the University's single largest cost item.

This means that the control, monitoring and reporting of hours worked is an important tool to allocate both direct staff costs and indirect costs.

Besides the local working-hours agreement there are no guidelines or templates for monitoring and reporting teachers' working hours. Monitoring of hours worked by teachers and their distribution among projects and operational branches is carried out based on changes to teaching-hour planning, but rarely on the basis of actual outcomes.

Södertörn University College (Ref. No. 32-2007-0778)

Södertörn University College has cancelled a contract for premises but failed to make provisions for future costs of those premises. The costs under the contract amount to SEK 6 million in 2008 and 2009. However, the failure to record these costs of premises does not affect the change in assets for the year as presented in the income statement.

Örebro University (Ref. No. 32-2007-0745)

Örebro University breached the Public Procurement Act on two occasions in 2007. One of them related to the purchase of profile clothing worth SEK 618,000 and the other concerned an agreement for a local football club to market the University and perform other services in return for SEK 500,000 per year for three years.

The Government has decided that government agencies must not be involved in associations established under private law without the Government's permission. 'Involvement' includes representation on the board by virtue of the charter of an association. The Vice-Chancellor of Örebro University is the assistant chair, and a professor is a member, of the board of a non-profit association. This association, in turn, owns a group of companies. Officials of the University are therefore seen as having incidental employment which must be considered inappropriate as it contravenes the Government's decision on board representation.

The University does not have adequate controls in its payroll process to reduce the risk of intentional and unintentional errors.

The University has not made any improvements to its control and monitoring of teachers' working hours following the Swedish NAO's 2005 audit. No instructions to clarify the local working-hours agreement have been developed yet.

MINISTRY OF AGRICULTURE

Swedish Board of Fisheries (Ref. No. 32-2007-0653)

The Board of Fisheries has not clearly presented the material underpinning its assessment of the impact and target fulfilment of various operations included in its reporting on performance. The Board uses indicators to assess performance. For several of these indicators it is difficult to tell what level or value would be required for the relevant target to have been achieved.

The Board has begun work to remedy previously identified shortcomings in its IT operations. Even so, it has not yet put in place several elements which should form the basis of more effective control of its work on information security, such as a classification of its information assets.

The procedures for financial administration at the Board are not satisfactory. This applies to the procedures for managing fee-funded operations and for reconciling the balance on the interest-bearing account.

Sami Parliament (Ref. No. 32-2004-0615)

The Sami Parliament has exceeded appropriation 28:2, item 5.1, by SEK 615,000. This is attributable to inadequate quality assurance of the budget for these funds and to inadequate monitoring procedures.

Swedish Forest Agency (Ref. No. 32-2007-0666)

The Forest Agency has significant shortcomings in its internal management and control in several areas. These have arisen in connection with its reorganisation. Examples of shortcomings include the absence of material information in the annual financial report, inadequate procedures for financial monitoring, suspension of the countryside programme for reasons of inadequate internal management and control, several discrepancies in the financial documents of the annual financial report and material shortcomings in the management and sale of tangible fixed assets and other equipment. The reasons for inadequate internal management and control include a lack of risk analyses, a lack of descriptions of procedures and established controls, and unclear responsibility for areas such as monitoring. These shortcomings are indicative of material deficiencies in the administrative work of top management and have also caused material errors in the annual financial report.

(Qualified/adverse opinion in the auditor's report)

The Swedish NAO pointed out shortcomings in inter-

nal management and control in its audit of the Agency's interim report as well. Those shortcomings included differences for several financial-position accounts which had not been investigated, assets and liabilities which had been recorded on the wrong account, settlements against appropriations which had been incorrectly made and procedures for valuing ongoing projects which did not work.

MINISTRY OF THE ENVIRONMENT

Swedish Chemicals Agency (Ref. No. 32-2007-0656)

The Chemicals Agency adopted its annual financial report on 15 February 2008 and submitted it to the Government. This report, however, contained material errors. A correction was adopted on 13 March 2008 and submitted to the Government. Since the correction was made so late, the Agency could not correct the underlying accounting information. As a consequence, this information does not provide a true and fair view. *(Qualified/adverse opinion in the auditor's report)*

Swedish National Land Survey (Ref. No. 32-2007-0781)

Top management of the National Land Survey is deemed to have failed to ensure that the agency has internal management and control capable of discovering and counteracting corruption and other forms of undue influence on its operations. Among other things, it lacks a risk analysis for such events. There is also no procedure for detecting, investigating and handling situations where there are suspicions of corruption or other undue influence.

Swedish Environmental Protection Agency (Ref. No. 32-2007-0660)

The Environmental Protection Agency has settled expenditures for interest, depreciation, housing, travel, information, PR and advertising against its non-operational appropriations. Such expenditures are normally considered operational expenditures and should thus be charged to the operational appropriation. For some of the expenditures involved, settlement has been made in accordance with the terms of the appropriation instructions. For others the terms are so unclear that it cannot be determined whether settlement has taken place in accordance with Section 5 of the Appropriations Ordinance and the terms of the appropriation directions. The Agency does not have a documented procedure

for determining what expenditures may be settled against non-operational appropriations. There is thus a risk that expenditures will be incorrectly settled against non-operational appropriations rather than against the operational one. What is more, the Agency does not carry out systematic monitoring to ensure that the correct expenditures are settled against the non-operational appropriations.

Swedish Radiation Protection Authority (Ref. No. 32-2007-0672)

For appropriation 8:1, item 10, sub-item 10:2, entitled 'Nuclear cooperation with non-ODA countries', there is a financial condition under which the Radiation Protection Authority may decide future commitments of SEK 2.5 million. The Authority must then carry forward a closing amount in its annual financial report corresponding to its commitments. In its annual financial report, the Authority records appropriation savings of SEK 2 million and future commitments of SEK 2.4 million. This means that the Authority has exceeded the financial condition by SEK 421,000. *(Qualified/adverse opinion in the auditor's report)*

MINISTRY OF ENTERPRISE, ENERGY AND COMMUNICATIONS

Svenska kraftnät (Ref. No. 32-2007-0650)

The State utility Svenska Kraftnät has provided operational information in its annual financial report broken down into six operational branches. These branches are not the same as those specified by the Government in the appropriation directions. As a result, the reporting requested by the Government becomes difficult to follow.

Swedish National Post and Telecom Agency (Ref. No. 32-2007-0661)

For some purchase transactions, the National Post and Telecom Agency applies the rules on exemptions in the Public Procurement Act by reference to the fact that only the operator selected is capable of providing the service concerned. It should be possible, however, to make it standard procedure to assess opportunities for exposing parts of a procurement matter to competition in cases where the Agency considers applying the rules on exemptions.

Swedish National Space Board (Ref. No. 32-2007-0823)

The Swedish NAO has pointed out in two previous auditor's reports that since September 2003 the National Space Board has had an employee who receives a full salary but does not carry out any work and is not present at the workplace. The Board has subsequently pointed out that there are no clear rules for such cases, but it has also emphasised that it will take action. This year's audit shows that the Board has not yet taken any action.

European Social Fund Council in Sweden (Ref. No. 32-2007-0737)

The European Social Fund Council did not present adjustment costs in its interim report in accordance with generally accepted accounting principles. The costs in question have arisen because of restructuring at the Council. As a result of the error, staff costs are understated by an estimated SEK 15.8 million. *(Qualified/adverse opinion in the auditor's report)*

The Council is developing a new system to manage grants, but it lacks established principles defining what expenditures are to be recorded in the statement of financial position in relation to the development of this management system.

The annual financial report presents key ratios intended to reflect the efficiency of the Council's handling of programme funds. These key ratios have been calculated using administrative costs that are understated, leading to large errors in the key ratios reported. As a result of these errors, the comments on the table are also misleading.

Swedish Road Administration (Ref. No. 32-2007-0677)

Purchases of goods and services at the Production business unit of the Road Administration involve significant amounts: around SEK 4.5 billion per year. It is therefore important for this business unit to comply with the Public Procurement Act in its purchasing transactions. Good purchasing procedures are also crucial to ensure operational efficiency and profitability. This year's audit of the Construction business unit shows that there remain major shortcomings in compliance with the Public Procurement Act. In 36 of the 41 procurement transactions audited, the Administration had used direct procurement even though the relevant ceiling amount was exceeded. The audit also shows that the Production business unit should make greater use of its size and

increase the efficiency and coordination of its purchasing at the regional level, where the Administration's large purchasing volumes are to be found. This applies, to purchases of subcontractor services and contracted resources among other things.

It is important for the Production business unit to value ongoing projects fairly, in part because its operations will probably be transferred to company form on 1 January 2009. As a result of this transfer, invoiced but not yet earned revenues will entail a charge of around SEK 700 million against the Administration's appropriations. Despite previous comments, the Production business unit remains too conservative in its valuation of ongoing projects. Undervaluation of projects will lead to increased strain on the Administration's appropriations in the context of the transfer to company form.

MINISTRY OF INTEGRATION AND GENDER EQUALITY

Swedish National Board for Consumer Complaints (Ref. No. 32-2007-0809)

The annual financial report includes annexes containing information which is not justified either by the Government's decision or by the Annual Financial Reports and Budget Documentation Ordinance. This information also does not correspond to any explicit reporting requirements in the appropriation directions. The annual financial report should have been restricted to information requested by the Government.

Winding-up Authority for the Swedish Integration Board (Ref. No. 32-2007-1015)

The Winding-up Authority for the Integration Board took over all assets and liabilities of the Integration Board when that agency ceased to exist. The appropriation directions for the Winding-up Authority did not include a credit framework, an interest-bearing account or a credit facility linked to such an account. Moreover, it was not clear from the appropriation directions whether the appropriation savings of the former Integration Board could be kept. Notwithstanding this, the Winding-up Authority has continued to use the interest-bearing account and the credit facility linked to it for outgoing payments. As a result, its annual financial report contains material errors. The Winding-up Authority has also failed to report back as requested by the Government. *(Qualified/adverse opinion in the auditor's report)*

MINISTRY OF CULTURE

Museum of Natural History (Ref. No. 32-2007-0787)

The Museum of Natural History has failed to follow generally accepted accounting principles in its reporting of grants received by it. Grants have not been recorded as revenue at the same pace as the costs arising in relation to the projects to be funded by those grants. Because of shortcomings in project accounting, the Museum has not been able to quantify the effect on the annual financial report. It is unclear what share of the unused grants should have been added to grant revenues for the year, with the same amount being subtracted from annual utilisation of appropriations. If grant revenues had been correctly reported, the appropriation savings reported would have increased by the corresponding amount.

(Qualified/adverse opinion in the auditor's report)

The Museum's application of the financial conditions for the Cosmonova cinema theatre is not supported by the appropriation directions. The Museum's settlement against the appropriation for 2007 is deemed to be excessive by around SEK 800,000. Moreover, the result for previous years as regards Cosmonova is an effect of excessive settlement against appropriations.

The Museum also sublets housing to visiting researchers without the Government's permission.

Swedish National Heritage Board (Ref. No. 32-2007-0794)

According to its appropriation directions, the National Heritage Board is to account for the cost of relocating its operations from Stockholm to Gotland. The presentation in the Board's annual financial report does not refer to costs allocated to relevant periods but only to the amounts settled against appropriations in 2007. The reporting is therefore incorrect.

The annual financial report has not been signed by the head of the agency, which is contrary to the Annual Financial Reports and Budget Documentation Ordinance.

Swedish National Public Art Council (Ref. No. 32-2007-0709)

The National Public Art Council buys works of art to be placed at government agencies. Works of art which are returned, for example when an agency moves or is wound up, are stored by the Council. It does not have adequate control over its inventory of art, which included upwards of 3,000 works at the end of 2007. Because of the inadequate procedures, there is a risk that

works of art will be lost or that the Council will not know where certain works have been placed. The Council has taken action to remedy these deficiencies in 2008.

Swedish Arts Council (Ref. No. 32-2007-0762)

The Arts Council has had shortcomings in the monitoring and reconciliation of its interest-bearing account. As a result, the related item has been incorrectly reported and the credit facility linked to the account has been overdrawn on one occasion. Shortcomings in reconciliation have also lead to a failure to detect a difference of around SEK 2 million for the item 'settlement with the government'. These shortcomings, and other minor ones in performance reporting, indicate unsatisfactory quality assurance in the annual financial report.

MINISTRY OF EMPLOYMENT

Swedish National Labour Market Board (Ref. No. 32-2007-0713)

The National Labour Market Board is the authority responsible for the Aske residential-study centre. The financial results of this centre have varied widely over the past ten years. The trends indicate that the centre has difficulty in meeting the Government's objective that revenues should cover costs fully.

Swedish Work Environment Authority (Ref. No. 32-2007-0714)

The Work Environment Authority decided in February 2008 to implement staff adjustments entailing estimated future costs of around SEK 20 million. It is not clear from the annual financial report that the Authority has made such a decision or what the effects of that decision will be. However, this is an 'important event after the end of the financial year' which the Authority should provide information about. The lack of this information means that the annual financial report does not give a true and fair view. *(Qualified/adverse opinion in the auditor's report)*

Winding-up Authority for the Swedish National Institute for Working Life (Ref. No. 32-2007-1223)

The Winding-up Authority for the National Institute for Working Life has material errors in its annual financial report. It has used an interest-bearing account and loans from the National Debt Office in contravention of the Government's decision in the appropriation directions. *(Qualified/adverse opinion in the auditor's report)*

ANNEX 2 PERFORMANCE-AUDIT REPORTS PUBLISHED SINCE THE 2007 ANNUAL REPORT OF THE AUDITORS GENERAL

The Swedish NAO has published 27 performance-audit reports since the Annual Report of the Auditors General for 2007 was completed. This annex includes brief presentations of the contents and main findings of each report.

Almi Företagspartner AB and its task in society (RiR 2007:15)

Almi Företagspartner AB is a state-owned enterprise. It has 21 regional subsidiaries which are 49 per cent owned by county councils or other regional bodies. The Swedish NAO has examined whether Almi fulfils its task in society, which is to offer business-development services and funding to small and medium-sized enterprises as a complement to services provided by market players. The Swedish NAO finds that the operations of the Almi Group vary greatly because its task in society is not specific enough. Almi also does not ensure that the business-development operations of the Group really complement those of market players. The financial objectives laid down by the Government are not sufficient for it to exercise direction over Almi, and it is not possible to analyse the utilisation of the government appropriation. The Swedish NAO finds that the Government has not influenced the development of Almi in a sufficiently active way. Against the background of the conditions under which small and medium-sized enterprises currently operate and the shortcomings identified, the Government should carry out a review of Almi Företagspartner AB.

The Government's follow-up of municipal finances (RiR 2007:16)

The public sector faces strains attributable to demographic change which will have a significant impact on municipal finances. Healthcare needs and pension payments to former municipal employees are set to increase in addition to other items. The Swedish NAO has exami-

ned the Government's monitoring and presentation of municipal finances. Such monitoring is important since the State has overall responsibility for public finances and the production of welfare services. The Riksdag in its capacity as legislator also has an interest in receiving information about the effectiveness of the rules which are intended to promote good municipal finances. The Swedish NAO finds that there are shortcomings in the Government's monitoring. Reporting on municipal finances is too limited and there is a lack of information about how well prepared municipalities are for the future. There are also shortcomings in monitoring of compliance with the statutory requirement of good financial management as well as points of unclarity in the Government's assessment of municipal finances.

The State's actions to manage extensive power failures (RiR 2007:17)

The Swedish NAO has examined whether the Government and the State utility Svenska Kraftnät have adequate information to prevent extensive power failures and whether the State could handle an extensive power failure if one were to occur. An extensive power failure may lead to serious consequences for functions such as health-care, heating, emergency and rescue services, transport, payments and food supply. The Swedish NAO finds that the Government does not have adequate information to determine whether the actions taken are sufficient to prevent extensive power failures. There are shortcomings in risk and vulnerability analysis and in the assessment of what the cost to society of an extensive power failure would be. If an extensive power failure were to occur, there would be some ability to manage the situation, but overall this ability is deemed to be inadequate. The Swedish NAO finds that responsibility for managing an extensive power failure is clearly distributed. However, the Government's objectives as to the requisite level of ability are unclear. The exercises

carried out do not adequately take into consideration the difficult situation which can be expected to prevail during an extensive power failure.

The Swedish Motor Vehicle Inspection Company and accessibility: Examination of a task in society (RiR 2007:18)

The Swedish NAO has examined the accessibility of the compulsory motor-vehicle inspections carried out by AB Svensk Bilprovning. This company enjoys a monopoly on such inspections and its operations are funded by fees. The aims of inspections are to enhance road safety and reduce the environmental impact of road traffic. The Swedish NAO has studied the direction and follow-up exercised by the Government over the company's duty to ensure good accessibility as well as the company's performance and monitoring of this duty. The audit shows that in recent years the company has improved its accessibility, which is now at a high level. It also emerges from the audit, however, that the accessibility duty is expressed in very general terms by the Government and that the company has had to make it more specific on its own. The Swedish NAO finds that the Government's follow-up of accessibility could be developed.

Is the ability to work of people on long-term sick leave being utilised? Contacts between the Social Insurance Agency and employers (RiR 2007:19)

The Swedish NAO has examined how the Social Insurance Agency fulfils its duty of investigating the extent to which people on long-term sick leave can take on modified or new tasks when they cannot return to their previous jobs. The audit shows that the Agency's investigations often have shortcomings. This entails a risk that long-term sick people's ability to work will not be utilised. The Agency does not give priority to contacts with employers. Investigations of sick-leave cases at employers with few employees contain more deficiencies than other investigations. The Swedish NAO is of the opinion that the Agency should immediately develop procedures to ensure that adequate information is obtained from employers and that complete assessments are made. Until recently, employers had a duty to conduct a special investigation to determine the need for rehabilitation of an employee on long-term sick leave. The Swedish NAO has found that such investigations were an important part of the information underpinning the Agency's deci-

sions. The Government should follow up and evaluate the effects of the abolition of that duty.

Fraud in foreign aid: Does the Swedish International Development Cooperation Agency (Sida) ensure adequate control of foreign-aid operations conducted through NGOs? (RiR 2007:20)

The Swedish NAO has examined the extent to which Swedish foreign aid provided via non-governmental organisations (NGOs) is protected against fraud and whether fraud is prevented in practice. The audit was carried out in Sweden and in four selected partner countries - Namibia, South Africa, Tanzania and Kenya. It shows that there is disorder in most of the projects examined and that both Sida and the auditors responsible have failed to detect a large number of material errors and irregularities. The Swedish NAO is of the opinion that the Government, Sida and the Supervisory Board of Public Accountants should take action to ensure that there will be better order in foreign aid provided via NGOs in future.

The Government's analysis of the long-term sustainability of fiscal policy (RiR 2007:21)

The Swedish NAO has examined the Government's analysis and presentation, in fiscal-policy bills and Swedish EU convergence programmes during 1998-2007, of the long-term sustainability of fiscal policy. The audit shows there to be several shortcomings in the Government's analysis and presentation of the sustainability of fiscal policy. The Government has failed to provide a clear presentation of macroeconomic assumptions and calculation principles which are important to its sustainability assessment. The indicator on which the Government bases its assessment does not give a true and fair view of the sustainability of fiscal policy. There is only a weak link between the actual design of fiscal policy and the criteria for a sustainable fiscal policy according to the analysis. The Swedish NAO recommends that the Government review its analysis and presentation of the long-term sustainability of fiscal policy. Its sustainability analysis should be further developed and better integrated with the fiscal-policy framework.

The links among the expenditure ceiling, the surplus target and fiscal policy: The Government's presentations (RiR 2007:22)

The Swedish NAO has examined the Government's presentation of the links among the expenditure ceiling, the surplus target and fiscal policy since the introduction of the new budgetary process in 1997. The audit shows that the time perspective of the expenditure ceiling has progressively become shorter. In its two most recent bills, however, the Government has undertaken to present future proposed expenditure ceilings in a three-year perspective. This will reinforce the long-term nature of the budgetary process. The audit also shows that the reasons given for the level of the expenditure ceiling have varied over time. The new Government has laid down a number of principles intended to govern this level, but the application of these principles remains unclear and should be clarified, especially as regards the orientation of tax policy.

The State's actions in relation to reported health-care injuries (RiR 2007:23)

The Swedish NAO has examined the action taken by the Government, the National Board of Health and Welfare and the Medical Responsibility Board (MRB) in relation to reported health-care injuries. The audit shows that patients are in a weak position when it comes to the reporting of health-care injuries and that it is too difficult for patients to be a party to proceedings before the MRB. In addition, over 90 per cent of citizens do not know whom to turn to if they are the victim of a health-care injury. Many patients are never heard in cases where health-care staff have a statutory duty to report an injury. In preventive work, reports filed by the health-care services are given higher priority than those filed by patients. The Swedish NAO finds that the present State system for reporting health-care injuries does not inspire confidence among patients.

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

The Swedish NAO has examined the action taken by the Government and the National Labour Market Board to strengthen the labour-market position of disabled people with a reduced capacity for work. Particular attention has been paid to government subsidies of employers' payroll costs, which is the most widespread type

of action. The audit shows that this group's position in the labour market has not improved in the 2000s. The Board also fails to attain the Government's objectives as regards transfers from payroll-subsidised to non-subsidised employment. The audit further shows that there are shortcomings in the direction and control exercised by the Government and the Board over payroll subsidies as well as in the handling by local employment offices of matters relating to such subsidies. Swedish NAO is of the opinion that if the direction, control and handling of payroll subsidies improved, a larger number of disabled people with a reduced capacity for work would benefit from this subsidy. This would strengthen the position of this group in the labour market. The Board has also failed to increase the willingness of employers to hire disabled people with a reduced capacity for work.

Government-agency boards with full responsibility (RiR 2007:25)

The Swedish NAO has examined how government-agency boards work and how they handle their responsibilities, as well as whether the Government creates adequate conditions for these boards to fulfil their responsibilities. The Swedish NAO's overall conclusion is that there are certain shortcomings in how boards with full responsibility work. Some of these shortcomings are due to the Government's failure to create the necessary conditions for boards to assume their management responsibility. Others are attributable to the ways in which top agency officials themselves have organised and dealt with their tasks. The Swedish NAO considers that the new Government Agencies Ordinance is necessary but not sufficient to remedy the shortcomings identified. The audit shows that the Government has failed to entrust full-responsibility boards with the authority that should accompany such duties. Board members perceive their responsibilities as unclear. The Government's choice of management forms may be arbitrary.

The Government's presentation of budgetary effects (RiR 2007:26)

The Swedish NAO has examined the Government's presentation of budgetary effects in fiscal-policy bills during the 2000-2007 period. The Government provides extensive information describing the budgetary effects of proposed reforms and economies. Given that budgetary policy is governed by overall quantitative restrictions, it

is important to give a clear and complete presentation of the effects that various proposals will have on the objectives of budgetary policy. The audit shows that the Government's presentation of budgetary effects is unclear. Information is given in several places and it is not clear how various elements are linked. The terminology used is not uniform and appropriation estimates are presented in different ways. The published principles for estimating the effects of proposals and presenting them are not sufficient to bring about a clear presentation. The dynamic effects of proposals on the budget cannot be distinguished in the presentation, even though they are taken into consideration in the Government's macroeconomic forecasts.

Annual financial reports of foundations established by the State (RiR 2007:27)

The Swedish NAO has examined the quality of the annual financial reports of foundations established by the State. It has identified 155 active foundations which were established by the Government or a government agency, alone or jointly with others, and to which State funds have been transferred. These foundations have estimated total assets of SEK 38 billion. Their annual financial reports are the main source of information about their operations, financial position and financial performance. The examination of the annual financial reports of a selection of foundations established by the Government shows that their quality is irregular and that several requirements under the Annual Accounts Act are not always met. The financial information provided is generally difficult to interpret, and in many cases it is difficult to determine the extent to which a foundation has attained its objectives.

Emergency preparedness of the payment system: Technical threats and risks (RiR 2007:28)

The Swedish NAO has examined emergency preparedness in relation to technical threats and risks in the central payment system. A serious disturbance could make it impossible to execute payments, which would cause large parts of economic activity in society to stop. This could lead to losses for citizens, companies and society, and this could in turn trigger a society-wide emergency. The Swedish NAO finds that the State's actions to prevent and manage serious technical disturbances in the payment system are insufficient. The ability to handle a

serious emergency in this field is deemed inadequate. For example, there are shortcomings in government agencies' risk and vulnerability analyses, in their emergency planning and handling of information about incidents and in the exercises carried out. In other respects, the Swedish NAO finds that the division of responsibility is unclear and that supervision is weak. The Government has failed to adequately assess and coordinate the relevant sector's ability to handle emergencies.

Vattenfall: Favourable winds? (RiR 2007:29)

In 2004 the Swedish NAO audited Vattenfall AB, a state-owned power company, and proposed that the Government clarify Vattenfall's task in relation to environmental and energy policy. The Government amended Vattenfall's articles of association in 2005 by adding a provision to the effect that Vattenfall is to play a leading role in the efforts to make Sweden's power supply sustainable. In this year's audit, the Swedish NAO finds that the extended task has had an impact on Vattenfall's internal control and reporting. Several projects have been carried out, above all in the field of wind power. However, several of the concepts used in the amendment to the articles of association leave scope for interpretation, which makes it more difficult to assess whether Vattenfall acts in compliance with the task given to it by the Government. Therefore, Swedish NAO consider that the extended task should be clarified. Vattenfall's reporting to the Government, and the Government's reporting to the Riksdag, need to be given greater depth. The focus of reporting should be more on the impact of actions carried out in relation to the objectives set by the Government for Vattenfall in the field of renewable energy.

How assets are managed: Assets management at five foundations and the Government's role as founder (RiR 2007:30)

The Swedish NAO has examined assets management at five foundations established by the State in the early 1990s using assets from wage-earners' investment funds (collectively owned and managed funds financed from corporate profits which were wound up in 1992). The Swedish NAO finds that the foundations comply with the relevant rules in that they have managed their assets in a way which has restricted risks while taking advantage of opportunities for good returns. In the audit, their assets management was compared with best

practice – a generally accepted method in the industry which also meets high quality standards. The foundations largely follow best practice, but they deviate from it in a few important respects, such as the information underlying their strategy, organisation, investment policy and reporting. There is large variation among the foundations as regards returns. This is due to differences in conditions, strategies chosen and the success of assets management. The Swedish NAO is of the opinion that the Government should have ensured that it had access to more extensive knowledge so that it could better protect the interests of the State as founder. The Riksdag does not receive regular information about the assets management of the foundations.

Aid through budget support: The Government's and the Swedish International Development Agency's (Sida) handling of a key type of foreign aid (RiR 2007:31)

Budget support is a key type of foreign aid, but it is also a risky one in that the money provided is transferred directly to the national budget of the partner country receiving it. This entails strict requirements that decisions must be well founded. The Swedish NAO has examined the handling of budget support by the Government and Sida. The audit relates to budget support decided by the Government in 2005 or later and covers eight partner countries. The Swedish NAO finds that for seven out of these eight countries, the Government failed to deliberate on budget support as required by its own guidelines prior to Sida's decisions to provide budget support. This means that the Government has delegated a great deal of responsibility to Sida while failing to assume sufficient responsibility itself. The information on which Sida's decisions to provide budget support are based has shortcomings. Above all, its analyses are not adequately founded. This could be explained in part by the fact that Sida has not specified how the Government's guidelines on budget support are to be applied. The Swedish NAO is of the opinion that the Government's reporting to the Riksdag does not give a true and fair view of the risks associated with budget support.

Handling of occupational-injury insurance by the Social Insurance Agency (RiR 2007:32)

The aim of occupational-injury insurance is to provide financial protection for victims of workplace accidents and injuries. The Swedish NAO has examined whether

the Social Insurance Agency handles this insurance efficiently and ensures equality before the law in its application. The Agency has not done enough to compile, update and spread knowledge about links between work and injuries. It uses several IT systems to handle matters relating to occupational injuries, with no automatic transfer of information between systems. Opportunities to obtain information electronically from bodies such as health-care entities and the Tax Agency are not fully exploited. Relevant statistics on the performance of occupational-injury insurance have not been produced and ex post checks are rarely made. The Agency has not adequately analysed how it can eliminate differences depending on sex or place of residence among those applying for compensation for an occupational injury. The Swedish NAO finds that the new process for handling matters has increased the likelihood that matters will be dealt with efficiently and in a way which respects the principle of equality before the law. Occupational-injury insurance is so designed that it does not contribute to the general policy objective of promoting employment.

Pandemics: Managing threats to human health (RiR 2008:1)

The Swedish NAO has examined whether the Government and the government agencies responsible ensure a good level of preparedness to manage an outbreak of pandemic influenza. The audit shows that several central bodies have failed to prepare adequately by means of emergency planning, exercises and other actions to limit the consequences of an influenza pandemic. In the healthcare system, shortcomings have been identified in county councils and, above all, in municipalities -which have operational responsibility for emergency management at the regional and local level, respectively. The rest of society is also not prepared to handle a pandemic. One problem is that the Government has failed to create the necessary conditions for functioning coordination among national, regional and local actors. The government agencies responsible do not provide those concerned with adequate support. The shortcomings identified in the audit could lead to an influenza pandemic having more serious consequences than would be necessary.

The State's work to preserve the ecclesiastical cultural heritage (RiR 2008:2)

The Swedish NAO has examined the State's work to preserve the ecclesiastical cultural heritage. The audit shows that the State's present level of protection for the ecclesiastical cultural heritage does not meet the requirements which are reasonable against the background of the Heritage Conservation Act and the agreement concluded by the Church of Sweden and the Government in the context of the change in their relationship, which took place in 2000. The National Heritage Board provides inadequate guidance to county administrative boards in issues relating to permits, supervision of the ecclesiastical cultural heritage and the system of ecclesiastical-heritage compensation. County administrative boards do not exercise sufficient supervision on their own initiative, which leads to a risk that neglected cultural heritage needs may not come to their attention. There is also a risk that the system of ecclesiastical-heritage compensation, as presently designed, will not have the best possible preservation effect on the ecclesiastical cultural heritage.

The Government and information about pensions (RiR 2008:3)

The Swedish NAO has examined the information about pensions provided by the State to citizens as well as its supervision of pension information on websites provided by private actors. The Swedish NAO finds that the State's work to inform about pensions has not been carried out in an entirely satisfactory way. While the audit shows that the Social Insurance Agency and the Premium Pension Authority have met the requirements laid down by the Riksdag and the Government as regards the content of the information to be provided, it is doubtful whether the information provided each year can form a good basis for individuals' decisions which may affect their future pension. The supervision exercised by the Consumer Agency over pension information on websites of private players is inadequately developed. It is recommended that the Government investigate whether the needs of future pensioners could be considered more in the design of the annual information and whether the extent of the information could be restricted. The Consumer Agency should be given the task of clarifying what requirements can and should be imposed on the pension forecasts of private players.

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

The Swedish NAO has examined whether assumptions about the effects that labour-market policy will have on employment and unemployment have been presented by the Government in its fiscal-policy bills in 2007 and 2008. The audit shows that the Government's presentation of such assumptions is very meagre. The Swedish NAO therefore recommends that the Government describe, in its fiscal-policy bills, the assumptions underlying its assessment of the effects that labour-market policy will have on employment and unemployment. The effects of labour-market policy are hard to quantify. It is therefore important for the Government to present the assumptions on which such assessments are based. What is more, employment and unemployment forecasts are an important element in the Government's assessment of macroeconomic trends.

Incidental employment of university teachers (RiR 2008:5)

The Riksdag decided in 1985 that teachers at State universities and university colleges would be entitled to have certain types of incidental employment which could otherwise be deemed to undermine confidence. This exemption related to incidental employment in research and development (R&D). At the same time, however, the Riksdag emphasised the importance of avoiding negative effects on the operations of universities and university colleges. The Swedish NAO has examined how 26 universities and university colleges handle issues of incidental employment. The overall assessment is that, more than 20 years after the Riksdag introduced the R&D exemption, there remain shortcomings in control at universities and university colleges. The Government has not taken sufficient action to ensure that universities and university colleges comply with the rules on incidental employment. In addition, the Government has failed to investigate the extent to which incidental employment has actually helped to reinforce cooperation between the research community and society – which was in fact the reason originally given for introducing the R&D exemption for teachers.

Rules and procedures for indirect sponsorship at the Swedish Public Service Television Company SVT: *Enough to safeguard the independence of SVT?* (RiR 2008:6)

The Swedish NAO has examined the control and monitoring of indirect sponsorship at SVT. 'Indirect sponsorship' is the term used of cases where SVT purchases the right to broadcast a programme from a production company which has been given contributions from sponsors to produce that programme. This practice entails a risk that the contents of the programme may have been influenced, for instance so that a message is emphasised or a product is given inappropriate exposure. The audit found no indications of material shortcomings in the control and monitoring of indirect sponsorship. The Swedish NAO recommends that the Government review the need for - and the usefulness of - the rules stipulating that SVT must pay a market price for indirectly sponsored programmes. These rules add nothing to the protection already provided by the general operating terms and conditions for SVT.

Foundations established by the State: *The Government's insight and monitoring* (RiR 2008:7)

There are around 145 active foundations which were established by the State individually or jointly with others. Around 50 of these were established by the State alone. In connection with their establishment, these foundations were given State funds to be used for specific purposes. They conduct a very wide variety of operations and their assets also vary greatly, from a few thousand to several billion SEK. The Swedish NAO has examined the extent to which the Government has insight into and monitors foundations established by the State. One finding made is that the Government is not aware of the existence of over half of the foundations established by the State which the Swedish NAO has identified. Because of its lack of knowledge about such foundations, the Government cannot assume overall responsibility for them. The Swedish NAO proposes, among other things, that the Government ensure that there is an up-to-date list of foundations established by the State and that it should find appropriate mechanisms to give it insight into such foundations and enable it to monitor and influence them.

The supply of drinking water: *Preparedness for major emergencies* (RiR 2008:8)

The Swedish NAO has examined whether the Government and the government agencies responsible have created the conditions necessary for the management of serious emergencies in the supply of drinking water. Supplying drinking water is the responsibility of municipalities, but help and interventions on the part of government agencies may be crucial if a very serious emergency were to occur. The audit shows that the work done by the National Food Administration has helped make municipalities better aware of the importance of good preparedness for emergencies, but that threats and risks are becoming ever more acute as climate change progresses and vulnerability increases in various fields such as the availability of staff and laboratory facilities. There is at present no ability to manage serious emergencies involving the emergency supply of water or the evacuation of vulnerable groups in substantial parts of metropolitan areas. The Swedish NAO considers there to be scope for reinforcing and improving the work done within the framework of the resources that the Government spends on emergency preparedness at present.

The Government and emergencies: *The Government's management of emergencies and its direction of society's preparedness for serious emergencies* (RiR 2008:9)

The Swedish NAO has examined the Government's management of emergencies and the direction it exercises over the emergency preparedness of society. The audit has dealt in particular with national preparedness for nuclear accidents, dam failures at hydroelectric-power stations, extensive power failures, emergencies in the payment system, outbreaks of pandemic influenza and emergencies in the supply of drinking water. The Swedish NAO finds that the Government has enhanced preparedness in recent years but also that emergency preparedness in Sweden has significant shortcomings and that government agencies have an inadequate ability to manage such events if they evolve into very serious emergencies in society. The Swedish NAO is of the opinion that the weakness of the direction exercised by the Government has contributed to the shortcomings found in Sweden's emergency preparedness. Its criticism relates, among other things, to the unsystematic nature of the Government's monitoring activities and to the Government's failure to carry out an overall assessment of Sweden's preparedness.

Riksrevisionen (the Swedish National Audit Office, Swedish NAO) is an independent body whose task is to scrutinise state operations. Its independence is laid down in the Swedish Constitution. The Swedish NAO carries out audits and reports on any shortcomings identified in the Government's administration, in government agencies and in state-owned enterprises. It also exercises influence by providing those responsible with information about how decisions taken have actually been implemented and by providing material which may form the basis for further actions. The result of the Swedish NAO's work should lead to the efficient and effective use of taxpayers' money and the correct reporting of the uses to which it is put.



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