

Swedish National Audit Office

Audit Plan

2022/23



SWEDISH NATIONAL
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Swedish National Audit Office

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1 Introduction

The Swedish National Audit Office (Swedish NAO) is part of parliamentary control and is tasked with auditing central government activities. The Swedish NAO conducts audits through financial audit and performance audit.

The Swedish NAO is led by the Auditor General. The Auditor General decides independently, taking into account legal provisions, what is to be audited, how the audit is to be conducted and on the conclusions of the audit.¹ The Deputy Auditor General is the Auditor General's deputy and is appointed by the Riksdag.² Before deciding that a performance audit is to be initiated, the Auditor General must consult the Deputy Auditor General.³

The decision of the Auditor General on the main focus of the audit is reported in an audit plan.⁴ This audit plan presents the main focus of the audit for 2022/2023, as well as a description of the premises for the audit based on the tasks and mandate of the Swedish NAO. The purpose is to provide an overall picture of ongoing and planned audits in financial audit and performance audit.

The Riksdag Council for the Swedish National Audit Office follows the audit operations and the Auditor General reports regularly to the Council on such matters as adherence to the audit plan.

The Swedish NAO works on the basis of a risk model and has identified three main risks in central government, which reflect the audit focus in both fields of audit. These concern risks of deficiencies in

- public finances
- governance, follow-up and reporting
- organisation, responsibility and coordination.

These main risks also recur in the annual reports of the Auditor General, in support of the follow-up of the Swedish NAO's annual audit plans.

The risk model promotes a more unified focus of audit work and provide good conditions for integrated and motivated reports of the audit in various time perspectives, as regards both performance audit and financial audit.

¹ Chapter 13, Articles 7–8 of the Instrument of Government.

² Chapter 13, Article 5 of the Riksdag Act.

³ Section 4 of the Act containing Instructions for the Swedish National Audit Office (2002:1023).

⁴ Section 4 of the Act containing Instructions for the Swedish National Audit Office (2002:1023).

2 Audits in the coming year

In this chapter we describe ongoing and planned performance audits and financial audits. The description is based on the three main central government risks that we identified through our risk model and presented at the beginning.

Sweden has recently undergone a pandemic crisis, which we have taken into account in the analysis that forms the basis of the audit measures presented in this annual audit plan. We have also taken into account that the war in Ukraine has altered the security situation and the rising inflation and high prices on electricity and fuel affect central government measures. The assessment of the Swedish NAO is that the main risks remain and may have increased in some respects, in light of the central government measures taken in connection with the pandemic crisis, as a result of the war in Ukraine, the rising inflation and changes in the energy field.

2.1 Risk of deficiencies in public finances

Consequential effects of the war in Ukraine, the continued major need of measures in health and social services and temporary financial support of various kinds pose considerable challenges also in the future. Underlying, more long-term trends, such as the growing proportion of older people in the population, also affect both the revenue side and the expenditure side of the central government budget. It is important that central government resources are used effectively and that fiscal policy at the same time supports long-term sustainable financial development. The Swedish NAO continually monitors and reviews these questions, since they are fundamental for financing central government initiatives and activities in both the short and long term.

Most central government revenues consist of taxes levied via the agencies' collection processes. In a few annual reports, considerable amounts are reported for the State, where the Swedish Tax Agency represents the greater part. The agencies' collection processes are often automated and subject to continual technological development and digitalisation. It is of utmost importance that the reporting is true and fair, when the information is used by the Riksdag and the Government to make decisions that affect public finances.

Financial audit

The Financial Audit Department will audit asset management at the Riksbank and the large tax collection flows.

Risks linked to the Riksbank's asset management

The Riksbank manages a large amount of assets. The Financial Audit Department sees risks related to the fact that the valuation of the assets is handled correctly and that the accounting is true and fair. The Riksbank has increased its risk-taking since 2020, when taking a number of measures following the COVID-19 pandemic, such as the purchase of interest-bearing papers. Asset management affects the Bank's entire balance sheet and income statement and will be included in the Swedish NAO's audit.

Risks linked to the payment of taxes and public law fees

For about fifteen agencies, the Swedish NAO considers that the risk of misstatement linked to the collection of taxes and public law fees is high. These include the Swedish Tax Agency, the Swedish Enforcement Authority and Swedish Customs. Tax collection often involves large case volumes and extensive financial flows in complex IT systems. This entails risks of misstatement in the annual reports, and financial audit focuses on ensuring that the collection revenues are reported correctly.

The central government annual report uses a special method to calculate how much tax revenue is attributable to a certain budget year. As the method is based on estimates, the Swedish NAO sees a risk of the accounting not being true and fair.

Performance audit

Future performance audits in the area of public finances are mainly focused on the application of the fiscal policy framework, transparency in the budget process, and the quality of reference data for planning and decision-making.

The fiscal policy framework needs to be applied effectively both during turbulence and for long-term sustainability

The direct impact of the pandemic and adjustment to its spillover effects have now transitioned to a more normalised situation, but at the same time the war in Ukraine has led to a set of new challenges for the State. Beyond the direct impact, the economy at large has been affected and thereby also the central government finances.

Inflation has risen sharply, which also has implications, both directly and indirectly, for Swedish households and central government. Revenue from value-added tax may decline, while expenditure for interest deductions is increasing in step with rising interest rates. Any stimulatory measures to households and companies to handle issues such as higher inflation and a higher interest rate may further strain central government finances. For future audits, the Swedish NAO will also be monitoring the increases in appropriations to the armed forces as well as the needs in refugee reception and other measures that have increased rapidly. Any increases in expenditure and tax reduction as a result of rising prices on diesel, petrol and electricity that are largely associated with the war in Ukraine may be relevant to audit.

The Swedish NAO has recently submitted recommendations to the Government to review the process for decision-making during crises and the need for properly investigated measures that can be decided expeditiously in a crisis.⁵ We are now planning to audit the tax and fiscal readiness and adaptability. The Swedish Migration Agency's handling of processing times is another issue that is crucial to audit also from a broader, public finance perspective.

At the same time as short-term questions are being handled, more long-term, structural changes such as population composition and urbanisation also need to be addressed. The fiscal policy framework is to help ensure long-term sustainable and transparent fiscal policy. The development of transparency, efficiency and adaptability also in relation to long-term challenges are important questions to audit regularly. Not least, the pandemic and the war in Ukraine have led to a strong focus on a short-term perspective. A major focus on rapid action with a shorter time horizon risks counteracting efficiency in relation to longer-term goals.

The Swedish NAO has regularly audited the application of the fiscal policy framework in the fiscal policy bills submitted by the Government to the Riksdag. An audit of the Budget Bill for 2023 is also planned. It will, in that case, not be published until 2023 since this year has been an election year, which means that the Budget Bill will be ready later than usual.

Risk of insufficient quality in planning and decision-making support

Reliable statistics, transparency in analyses and other well-founded and clearly presented decision support increases the prospects of choosing effective courses of action. This facilitates the control and transparency of costs, impacts and side effects. Such reference data also provide referral bodies with better prospects of making qualified comments and allow those affected by the proposals to prepare

⁵ Swedish National Audit Office, *Regeringens underlag till riksdagen under pandemin – extra ändringsbudgetar 2020 och 2021, 2022.*

themselves. Avoiding unforeseen cost increases as far as possible is important for stability in public finances. It is also important for the democratic process, since alternative decisions might have been taken if the final costs of an initiative had been known and reported from the outset. The Swedish NAO has previously audited the decision support ahead of decisions on major reforms, both on a more general level and specifically in terms of the effects on tax deductions for household work. Now we are auditing the in-work tax credits and whether the tax deductions of building repairs and maintenance work effectively.

Trends in central government and society at large may impact the effectiveness in various central government activities. One area that may be relevant to audit is how increased work from home and remote work affects effectiveness in central government.

Underlying, long-term structural changes, such as an ageing population, pose major challenges to public finances. Each year employers and self-employed persons pay social security contributions corresponding to SEK 600 billion. The long-term development of the social insurance and pension systems is of material importance to public finances. Forecasting activities and reporting of social security contributions are issues that we continue to follow. Future audits may also concern the adaptation of the design for transfer systems to the new organisational forms in the labour market and to the increasing mobility across borders.

In areas where the aim is to reorient society in the long-term and reverse trends, a transparent presentation of the different courses of action is particularly important. In addition to fiscal policy objectives, this may also apply to other long-term societal objectives, such as climate. In several areas, the Riksdag has in particular stressed the importance of cost-effective measures to achieve the set goals. The Swedish NAO has previously noted shortcomings in the decision support in the areas of transport, climate, energy, and environment, which in turn can lead to insufficient cost efficiency in central government measures. Our current audits include the role of the State in the development of the electricity system, the duty of reduction to decrease emissions of greenhouse gases and efforts concerning environmentally sustainable procurement.

Transport and electricity supply are important examples of how today's initiatives, such as costly infrastructure investments, will have a major impact on both costs and the possible achievement of objectives in the very long term. In the future, central government prioritisation of infrastructure investments, the permit process for the exploitation of concession minerals, and central government efforts for an expansion of wind power may be material areas to audit. How the State manages public finances, for example through borrowing of the Swedish national debt, may also have an impact on development.

2.2 Risk of deficiencies in governance, follow-up and reporting

When societal development entails the need for adaptation to new conditions it poses challenges for governance. These may include continuing development trends such as the need for labour in various professions, or more unexpected events such as the war in Ukraine. Inefficiencies can occur when needs change rapidly and activities must be scaled up or down in a short period of time. The design of different measures may no longer be effective and the regulatory framework may need to be adjusted. Accurate follow-up, control and reporting are important prerequisites for effective governance.

The annual reports are part of the reporting of the central government commitment. They present the financial outcome and results of the agencies' activities each year. It is important that the information contained in the annual reports is true and fair, as it forms the basis for decisions by the Government and the Riksdag. For agencies under the Government the financial information is also consolidated in the central government annual report.

Financial audit

Financial audit will specifically audit transfers, order authorisation, fee-based and multi-funded activities, material non-current assets and large liabilities such as the central government debt and pension provision.

Risk of misstatements related to transfers

For some fifty agencies, the Swedish NAO considers that there is a high risk of misstatement in the annual report linked to transfers. These include large agencies such as the Swedish Public Employment Service, the Social Insurance Agency and Sida, but also county administrative boards and agencies in the culture sector. The reason why there is often risk of misstatement in the financial reporting associated with transfers is because:

- there are extensive or complex regulations that govern grants, where decisions are sometimes based on assessments
- there are major IT dependencies in the handling and payment processes
- large amounts are paid out.

In several cases, the Swedish NAO considers that there is high risk of misstatements linked to how agencies' activities are reported, since agencies handle several different types of grants where both regulations and procedures for processing may differ. The Swedish Migration Agency is an example, with many different types of grants governed by different regulatory frameworks that change

from time to time. At the same time, the Swedish Migration Agency is expected to disburse more grants during 2022 as a result of the war in Ukraine and the EU decision to activate the Temporary Protection Directive⁶ on 3 March 2022. All in all, this means that the Swedish NAO assesses that the risk of misstatements is high.

The financial audit examines both the agency's compliance with current rules governing the use of appropriations, and whether the funds are presented fairly. This often means that we audit the agencies' procedures for both deciding on and following up the grants.

Risk of misstatements related to order authorisation

Several agencies have authorisation to place orders linked to their appropriations, which means that they have the right to enter into commitments that entail expenditure in future budget years. This primarily applies to appropriations for transfers and infrastructure investments.

For about fifteen agencies, the Swedish NAO considers that there is a high risk of misstatement linked to order authorisations. This involves both the risk of agencies exceeding their authorisation frameworks and the risk of misstatements. The risks are due, among other things, to the large amounts involved, while manual management of the commitments is common. Another reason is ambiguities in the Government's management of order authorisations, which leads to ambiguities among agencies, which in turn can lead to misstatements. For the Swedish Transport Administration it is a matter of a large number of different commitments and difficult assessments that the agency needs to make in the calculation of the commitments.

The Swedish NAO's audit has shown that shared responsibility between agencies increases the risk of exceeding the authorisation frameworks. One example of shared responsibility can be found in the annual report of the Swedish International Development Cooperation Agency (Sida), where the agency must report commitments undertaken by the Government Offices.

Risk of misstatements related to fee-based activities

Many agencies finance parts of their activities with fees. The economic objective for fee-based activities is full cost coverage, unless otherwise decided by the Riksdag or the Government. This means that agencies are to calculate fees so that in the long term the revenues cover all costs. For several agencies, the Swedish NAO considers that there is a risk that the agencies will not achieve full cost

⁶ Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof.

coverage for the activities in the long term, which means that large surpluses or deficits may arise. In some cases this is due to lack of clarity in the Government's governance of the agencies.

There are also other risks within fee-based activities that may lead to material misstatements in the annual report. For example, this may be a matter of how the agency allocates its costs or a complicated model for calculating the fees. Some agencies also have several different types of fees or manual steps in the processing of the fees, which can also increase the risk of misstatement.

Risk of misstatements related to multi-funded activities – appropriations, grants and fees

It is also common for agencies' activities to be financed via several sources of funding, that is, appropriations, grants and fees. It is also common for appropriations to have financial conditions that may be both extensive and unclear. These include temporary appropriations that the agencies may use for special purposes or the possibility of financing administrative costs with targeted appropriations. An agency with multi-funded activities or funding with financial conditions needs to have clear procedures to ensure that appropriations and other revenue are properly used and finance the right costs.

For some sixty agencies, the Swedish NAO assesses that there is a high risk of misstatements in the annual report that are linked to the agencies having mixed funding or extensive or unclear conditions appropriation conditions. For these, the Swedish NAO audits whether the agencies use and report appropriations and other revenue correctly.

The Swedish NAO sees a risk of agencies exceeding their allotted appropriation credit. In some cases, the Swedish NAO considers that there is a high risk. This may be because the agency has a complex financing structure or a tight financial situation. The Swedish NAO audits whether the agencies keep within the limits decided by the Government.

Risk of misstatements related to non-current assets

Some agencies acquire and manage fixed assets for large amounts, for example the National Property Board, the Swedish Transport Administration and the Swedish Armed Forces. These mainly refer to real property, infrastructure and contingency assets. For these agencies the Swedish NAO considers that there are risks linked to valuation of the assets and recognition of ongoing investments. For some agencies there are also risks linked to procurement of the assets. In the area of defence, there are specific risks linked to the handover of equipment from the Defence Materiel Administration to the Swedish Armed Forces as well as the

assets held by the State in the defence industry. Financial audit focuses on the risks that are relevant to the respective agency.

Risk of misstatements related to liabilities and loans

Some agencies report and manage large debts. These include central government debt reported by the Swedish National Debt Office and pension liabilities reported by the Swedish Pensions Agency and the National Government Employee Pensions Board. Central government debt management involves many transactions and a number of financial instruments, which increases the risk of misstatements in the annual report.

For pension liabilities there are complex accounting rules to be taken into account because they are recognised in the form of actuarial provisions. The same applies to the guarantees issued by the State through the Swedish National Debt Office, Sida, the Swedish Export Credit Agency and the National Board of Housing, Building and Planning. Insurance accounting often involves large elements of estimates and advanced calculations that take place in complex IT systems. The risk of misstatements in the annual report is therefore often high for agencies with this type of activity. Furthermore, as from 1 January 2022, the National Board of Housing, Building and Planning applies a new risk model for credit and guarantee operations. The Swedish NAO is focusing its audit on examining whether the calculations in the risk model are correct, as they form the basis of calculations of fees and provisions in the annual report.

The Swedish Board for Study Support reports liabilities and receivables linked to student loans that involve large amounts. Here, the Swedish NAO assesses that there are risks related to valuation and therefore focuses its audit on these.

Some agencies, such as the Swedish Transport Administration, report liabilities for remediation of contaminated land. The reporting is often subject to multiple uncertainties and is largely based on estimates. This increases the risk of misstatements and the Swedish NAO audits the agencies' valuation of these commitments if they constitute material amounts.

Risk of misstatements due to complex accounting rules

As mentioned above, insurance accounting is complex and often involves a higher risk of misstatements in the annual report. Insurance accounting affects several different parts of the annual report and is included in the audit. Another area with complex regulatory frameworks is the management of EU funds that takes place at organisations such as the Swedish Board of Agriculture and the Council of the European Social Fund in Sweden (ESF Council). This accounting also affects several parts of the annual report and is therefore included in the Swedish NAO's audit of the agencies.

Performance audit

Future performance audits focus mainly on adaptability, and oversight and control at the agencies.

Risk of poor adaptability

The performance audits are mainly focused on examining the efficiency and effects of implementation and outcome of initiatives that have been decided by the Government and the Riksdag.

If governance, follow-up and reporting do not function effectively, there is a risk that preparedness for, and necessary adaptation to, new events and circumstances is insufficient. The COVID-19 pandemic and the war in Ukraine, as well as problems linked to energy supply, have raised questions about the preparedness of society. The Swedish NAO has initiated an audit about food security in the event of electrical failure.

Inefficiency in different systems can arise for example if needs change quickly and operations have to be scaled up or down, especially if it has to be done in a short time. The Swedish Social Insurance Agency's processing time and quality of work during the pandemic is an example that may be considered for audit. Major investments in defence in light of the deterioration of the international situation is another topic that may be relevant. A build-up that is not carried out in a resource-efficient way forms part of the risk. A risk of expensive procurements that involve large sums may increase. The Swedish Armed Forces supply of officers and equipment are questions that may be considered for audit in the future.

A rise in the number of shootings and in crime among young people is a problem that involves difficult and in part new challenges for State activities, not least for the police. Questions that may be considered for audit include central government efforts to break young people's vicious circle of crime as well as protection for people under threat. Central government efforts to combat unlawful influence on employees in, for example, social services is a further example.

More long-term adaptation such as expansion of the number of educational places and the number of students in universities and other higher education institutions also need to be monitored. Central government has a responsibility for skills supply, including through various training programmes and labour market measures. Labour shortages affect public sector activities, the business sector and citizens. Major imbalances can affect the quality and achievement of objectives in the organisations, as well as public finances and development in society in a broader sense.

Higher and changing skills requirements in working life call for effective matching processes and an ability to adapt the education system. One difficulty lies in reconciling the educational offer of higher education institutions with the needs of municipalities for different occupational groups with higher education. Areas that may be relevant for the Swedish NAO to audit, based on central government efforts, are whether the programmes and scale of upper secondary school are fit for purpose. Further examples of possible audits are the transition from short education to regular education, how the new introduction programmes in upper secondary school are designed, the appropriateness of the folk high school's general courses for people lacking a qualification at the compulsory or upper secondary school level, as well as the overall effectiveness of reductions in employer's social security contributions and other support for certain employments.

The employment rate is higher today than during the last financial crisis, but there are nevertheless major problems and risks. The level of long-term unemployment is high in some groups, at the same time as a large proportion of people of working age have a weak attachment to the labour market. Education can be a way out of unemployment, not least for those with little education. Central government efforts to encourage more unemployed people with little education to choose to get an education may be subject to audit by the Swedish NAO.

Questions that may be relevant to audit include higher education dropouts and whether the Government and the higher education institutions are working effectively to counteract the negative effects that the expansion of the number of places may have on the quality of and throughput in the courses. Related issues include the design and planning of the programmes, such as skills supply in the healthcare sector. The effectiveness of such measures may be subject to future audit.

Risk of ineffective oversight and control

Public oversight and control must contribute to upholding fundamental values of society, such as equality before the law, objectivity and impartiality.⁷ Citizens should be assured that their interests are being safeguarded. Oversight and control issues also relate to the quality of public sector activities and in some areas may be crucial to matters affecting life, health and the environment, major societal costs or economy.

⁷ Chapter 1, Article 9 of the Instrument of Government sets out that administrative agencies and others undertaking public sector administrative tasks in their operations shall take account of the equal value of all people under the law and observe objectivity and impartiality.

There is a risk of increasing crime directed against public systems, incorrect payments or favouring of unscrupulous companies, for example when there are large increases in volume or when new support is introduced. If regulations are applied differently generously over time without a change in the regulations themselves, this jeopardises the fulfilment of the intentions behind the investment. In addition to important goals of the investment not being reached, such deficiencies can also lead to strains on public finances. In some areas, the security of society may also be at risk. Ultimately there is a risk that confidence in the public commitment will be adversely affected. The various central government mechanisms of oversight and control therefore need to be effective so that material deficiencies are detected and rectified. Confidence in central government and other publicly funded activities can also be damaged by fraud and corruption. A question that may be considered for audit is whether increased investment in work on basic values within central government has produced the desired effects. Another area that may be relevant for audit is questions of corruption in development cooperation.

Oversight and control are carried out in a number of areas and will continue to be subject to audit measures. This may apply to specific agencies' efforts or more cross-cutting questions in which central government oversight and control are important. Areas for future audits may include oversight of medical devices or export controls of dual-use products. Other examples include whether the Swedish Tax Agency works effectively on the tax gap (that is, the difference between the tax that would have been decided if everyone reported their activities and transactions correctly, and the tax that is finally decided), and the Swedish Public Employment Service's control of employer support. It may also be relevant to audit how the funds of the Swedish Inheritance Fund are handled and whether preschool inspection functions effectively.

2.3 Risk of deficiencies in organisation, responsibility and coordination

There are many central government areas of responsibility in which several actors are involved in the implementation, creating a need for coordination and interaction. Weak governance of interaction and coordination, for example if responsibilities are unclear or if conflicting objectives are not addressed and factored in, can lead to inefficiency. The greater the number of actors responsible for different parts of an activity, often the greater the need for considerations at an overall level and cooperation or coordination between initiatives and organisations for them to work effectively, not just individually but also at an overall level.

An important issue is the tasks and obligations that the State imposes on municipalities and regions. The Swedish NAO also follows organisational changes that may affect effectiveness and efficiency, such as changes in the State's transparency and influence over activities when markets are reregulated.

Performance audit

Future performance audits focus mainly on coordination and interaction, outsourcing, procurement and digitalisation.

Risk of deficient coordination and interaction

The effectiveness of central government initiatives often depends on how their implementation is organised. It is an important task for performance audit to examine whether the organisation and division of responsibilities in central government are designed to promote a high level of effectiveness and good adaptability. Several agencies or other actors often operate in one area. If it is not clear who is responsible for what, it can lead to duplication of work or tasks and information may fall through the cracks, with consequences such as a lack of efficiency and resource management at an overall level.

Questions that may be considered for audit exist both within and across several Riksdag Committee areas. We are currently auditing the relocation of government agencies, and in the future it may be relevant to audit the governance of agencies' fee-based activities. We are also auditing how approximately ten government actors cooperate on issues related to the revocation of residence permits. Other important audits may concern coordination between the Swedish Social Insurance Agency and the Swedish Pensions Agency with regard to insurance affiliation, and the Social Insurance Agency's governance steering toward uniform application of regulations in sickness insurance. This is a particular challenge, given that processing takes place at 50 local offices distributed over 200 units. It may also be important to audit whether different cooperating agencies are working effectively within sea rescue. Auditing the Government's governance and coordination of development cooperation is a further example.

Integration policy is an area in which the ability to coordinate is crucial for achieving the desired results. Segregation can lead to exclusion, social problems and lack of legitimacy for migration policy initiatives, which may ultimately increase costs to society. A large number of agencies and other actors must interact in various ways for good integration. The activities of the agencies immediately responsible and how they are coordinated are important for the outcome of migration policy and essential for us to audit. Initiatives to increase voter turnout in socially vulnerable areas is an issue that may be audited. Another question that may also be audited is whether agencies' work to ensure the right to

an interpreter is effective. Another sector-wide policy area with many actors is disabilities. How well central government coordinates these efforts is also relevant.

The tasks and obligations imposed by central government on municipalities and regions constitutes an important aspect of public organisation and division of responsibility. Central government management needs to contribute to an equivalence of public services regardless of where citizens live. At the same time, municipalities need to be in a position to take responsibility for the compulsory tasks assigned to them by central government. When there are many providers involved, it is especially important that coordination works well. Central government governance is limited by municipal autonomy and reaching municipalities and regions can be a challenge for central government. An example of questions that may give rise to audit is whether central government knowledge management in health and medical care and the social services reaches municipalities and regions. In this context, the area of dental care is also of interest to audit.

Cooperation may also be needed where the positive effects of a measure in a system are at risk of being cancelled out by adverse effects in another. This risk is significant in the context of large social security systems in the form of unemployment insurance and social insurance. There is a risk that, for example, sickness insurance and the pension system are affected by measures in the surrounding transfer systems. This may mean that the intentions behind the systems can no longer be met.

Another example is the interpretation of and striking a balance between different environmental objectives, as well as how they can be achieved effectively. There are problems of overlap and conflicts between environmental objectives. This becomes all the more difficult when there are also conflicting objectives between growth and employment-focused objectives on one hand and environmental objectives on the other hand, such as those in the land- and water-based industries. The need for coordination on such cross-cutting issues is reinforced by the fact that a large number of agencies have responsibilities in this area. (See also the section Risk of insufficient quality in planning and decision-making support.)

Risk of deficiencies in outsourcing and procurement

Over time, the proportion of people who are employed in private services is increasing, while the proportion of people employed in public agencies is diminishing. This is a result of structural change, but is also the result of outsourcing and privatisation due to various market reregulations. Goods and services are procured for large sums and public purchases subject to procurement amount to roughly SEK 700 billion per year in total.

The Swedish NAO has in many cases seen risks of inefficiencies in the procurement area, where the procurement procedure itself forms an important part of governance. The important role of procurement issues for the State and other public activities may also give rise to audits in the future.

There are indications that the organisation within, for example, the transport system is lacking, in some cases linked to reregulations that do not always work effectively.⁸ The crisis in public transport on land and in the air triggered by the COVID-19 pandemic reflects the fragility of the transport system. The need to be able to cope with disruptions may increase further in the future in line with climate change.

Various IT services account for about five per cent of all procurements (see also the section below on digitalisation). The combination of risks with respect to procurement expertise, security issues and coordination and efficiency questions are reasons why the Swedish NAO monitors this area from an audit perspective. For a procurement to function effectively, contracts need to be followed up. This risks being overlooked, since follow-up requires resources and special competence, of which there is also a shortage.

Risk of shortcomings in digitalisation

Increased digitalisation, automation and robotisation within all parts of society may affect the focus and need for audit. Procuring or developing IT systems usually lies outside an agency's core competencies, but is often central for the efficient functioning of the activities. Small organisations may find it particularly difficult to obtain and maintain sufficient competence in areas such as IT and information security, procurement and law. Problems with failed IT procurements, IT systems that function poorly in relation to the activities and leaked information have become common in media reporting.

The Swedish NAO follows IT development in central government from an audit perspective, for example how agencies' processing times are affected.

The Swedish NAO plans audits based on **three supplementing perspectives in the digitalisation area**, within several audit areas that also taken together can highlight efficiency in State efforts:

Overarching initiatives with a broad effect may be considered for audit, such as central government efforts to promote 5G expansion. Another area is coordination and support of cross-agency digitalisation through the Swedish Agency for Digital Management.

⁸ See, for example, Swedish National Audit Office *Train delays – reasons, responsibility and measures*, 2018.

The **implementation from a cross-cutting perspective** itself is also important to audit, for example questions about strategically important digitalisation projects with a low achievement of objectives. Information security when sharing sensitive information between agencies within the administration of social insurance is another example.

We are also planning **more specific and in-depth audits** with a focus on implementation. National eHealth and IT support in relation to the Swedish Public Employment Service's new approach may be relevant for future audit.

IT questions also form an important part of many of our other audits, even though the main question of the audit may be a different one.

3 Ongoing performance audits

Ongoing performance audits are presented below as at 31 October 2022. The estimated publication date is given in brackets. Both title and year of publication are subject to change.

3.1 Audits relating to one Riksdag Committee

Riksdag Committee on the Labour Market

- Does Samhall fulfil its mission? (2023)
- Control of subsidised employment (2023)

Riksdag Committee on Civil Affairs

- Authorities' handling of expropriation and other forms of land encroachment (2023)

Riksdag Committee on Finance

- Environmentally responsible procurement (2022)
- The Riksbank's use of asset purchases as a monetary policy instrument (2023)

Riksdag Committee on Defence

- Information and cyber security in society (2023)

Riksdag Committee on Justice

- Police handling of volume crime (2023)
- The work of the Police Authority on special events focused on serious crime (2023)

Riksdag Committee on the Constitution

No ongoing audits

Riksdag Committee on Cultural Affairs

No ongoing audits

Riksdag Committee on Environment and Agriculture

- Central government efforts for effective handling of end-of-life solar panels and wind turbine blades (2023)

Riksdag Committee on Industry and Trade

- The role of central government in the development of the electricity system (2023)

Riksdag Committee on Taxation

- Earned income tax credit (2023)
- The ROT tax credit for building repairs and maintenance (2023)

Riksdag Committee on Social Insurance

- The system for residence permit cancellation (2023)

Riksdag Committee on Health and Welfare

- Central government efforts to cut waiting times in healthcare (2023)
- Central government efforts to prevent healthcare-related injuries and irregularities in health and social care of the elderly (2023)
- National communicable disease control (2023)
- Central government efforts to strengthen compliance with the Convention on the Rights of the Child (2023)
- Central government control of pharmaceutical prescriptions (2023)

Riksdag Committee on Transport and Communications

- Swedish Transport Agency supervision (2022)
- Central government initiatives to prevent train delays (2022)
- Usability and accessibility of agencies' digital services (2023)

Riksdag Committee on Education

- Central government initiatives for equitable grading (2022)
- The National Agency for Education's assignment to provide statistics on compulsory and upper secondary schools (2022)
- Higher education institutions' protection of research data (2023)

Riksdag Committee on Foreign Affairs

No ongoing audits

3.2 Audits relating to several Riksdag Committees

The Riksdag Committee on Finance and the Riksdag Committee on the Labour Market

- Agencies' measures to prevent and deal with harassment of central government employees (2022)

The Riksdag Committee on Finance and the Riksdag Committee on the Constitution

- Audit of the national government service centres (2022)

Riksdag Committee on Finance and Riksdag Committee on Industry and Trade

- The Government's relocation of government agencies outside Stockholm (2023)

The Riksdag Committee on Finance and the Riksdag Committee on Social Insurance

- Administration of compensation to employers for sick pay costs (2023)

The Riksdag Committee on Environment and Agriculture and the Riksdag Committee on Defence

- The work of central government to adapt the built environment to climate change (2022)

The Riksdag Committee on Social Insurance and the Riksdag Committee on the Labour Market

- The system of changing tracks from asylum to labour immigration (2022)

The Riksdag Committees on Cultural Affairs, the Labour Market, and Social Insurance

- Central government contributions to civil society organisations (2023)

The Riksdag Committee on Transport and Communications and the Riksdag Committee on Environment and Agriculture

- Greenhouse gas reduction mandate (2023)

4 Premises for audit operations

In this chapter we describe the premises for our audit in performance audit and financial audit based on the legal provisions etc.

4.1 Remit and mandate of performance audit

The remit of performance audit is to audit the implementation and results of the activities conducted by the State.⁹ As part of parliamentary control, performance audits must provide a basis for accountability and guidance on how central government initiatives can be improved to give greater benefit in relation to input of resources.

Performance audit must primarily focus on circumstances related to the national budget and the implementation and results of central government activities and commitments in other respects, but may also relate to the work of central government generally.¹⁰ As part of the remit to conduct performance audits, the Swedish NAO may, under certain conditions, also audit activities conducted in the form of a limited liability company or a foundation.¹¹ The Swedish NAO may also audit the use of public funds received “as support for a particular activity, provided there exists a duty of accountability to the State for the funds, or special provisions or conditions have been issued concerning how the funds may be used.”¹² The performance audit mandate also covers audit of the processing of unemployment benefit by the unemployment insurance funds.¹³

Implementation of the audit

Performance audits must focus on “promoting development, whereby the State, having regard to the general public interest, receives an effective return on its investments”.¹⁴ The audit must therefore mainly focus on economy, efficient use of resources and effectiveness.¹⁵ Implementation, focus and choice of audits are also based on the international standards that have been developed and applied by the member countries of the International Organisation of Supreme Audit Institutions (INTOSAI), including criteria for the choice of areas to audit.¹⁶ In connection with the evaluation of the reform of the Swedish National Audit Office, the Riksdag outlined its view on the focus of the performance audit.¹⁷

⁹ Section 4 of the Act on Audit of State Activities etc. (2002:1022).

¹⁰ Section 4 of the Act on Audit of State Activities etc. (2002:1022).

¹¹ Section 2, points 4 and 5 of the Act on Audit of State Activities etc. (2002:1022).

¹² Section 2, point 6 of the Act on Audit of State Activities etc. (2002:1022).

¹³ Section 2, points 4-7 of the Act on Audit of State Activities etc. (2002:1022).

¹⁴ Section 4 of the Act on Audit of State Activities etc. (2002:1022).

¹⁵ Section 4 of the Act on Audit of State Activities etc. (2002:1022).

¹⁶ ISSAI 3000/116. INTOSAI is the global umbrella organisation for Supreme Audit Institutions, of which Sweden is a member.

¹⁷ Committee Report 2009/10:KU17, p. 25–28; Committee Report 2010/11:KU2, p. 11–12.

One main task of performance audit is to provide added value for the Riksdag. This means that the Swedish NAO, on the basis of its mandate, should take a broader audit perspective than other actors are able to. Broad-based audits of material societal issues therefore have priority, as well as areas of central government activities that are of great importance for the central government budget from a principled or quantitative perspective. During an electoral period, the most essential elements of each committee area should give rise to audit measures.¹⁸ The audit is thus problem-oriented and the selection of what is to be audited is based on committee-specific and more overall analyses in light of the risk of efficiency problems of economic or principled significance. Apart from relevance and materiality, value added, feasibility and timing govern the choice of what is to be audited, also in accordance with international standards.¹⁹

On the strength of what is set out in the committee report and in international standards, performance audits can cover one or more organisations. A question may be audited throughout the entire governance chain of divisions of responsibility within central government – from the Government to the actor or actors that ultimately perform various activities – and the ultimate impact on the business sector and citizens.

Audit of several agencies, which through various initiatives are to contribute to achievement of objectives (effectiveness) within a larger area, such as integration, is another example of broad-based audit. In some cases this may refer to activities that are not always particularly extensive in individual agencies, but whose overall performance is highly significant, such as procurement. When conflicting objectives within and between different policy areas are part of the audit, decision-makers may also obtain support for well-informed trade-offs between different objectives.

In the audit plan we give an account both of ongoing and planned audits as well as more preliminary subjects for future audits. There are also other future audits that are not described in the audit plan. The Swedish NAO always has the preparedness and flexibility to reorder its priorities and audit issues that are currently most material, regardless of whether they have been mentioned in the annual audit plan. The questions that will actually be audited will be determined on a current basis by the Auditor General. All the Swedish NAO's ongoing audits are presented in Chapter 3.

¹⁸ Committee Report 2009/10:KU17, p. 25–28.

¹⁹ ISSAI 3000/116.

Reporting of the audit

Audit findings must be reported in a performance audit report that is submitted to the Riksdag.²⁰ The Riksdag passes them on to the Government for a statement before it is dealt with by the Riksdag.

The Swedish NAO's reports are quality assured internally and externally. For example, draft reports are subject to factual examination by those most closely affected by the audit.

The Swedish NAO generally includes recommendations in its performance audit reports. They aim to promote effectiveness in the activities audited. The Swedish NAO can also issue recommendations with suggestions as to how the intended outcome can be achieved with alternative initiatives.²¹ The recommendations are directed at the actors covered by the audit mandate, but the audits may also include descriptions and analyses that reach beyond central government activities.

The most important findings of performance audit are collected in the Annual Report of the Auditor General, which is submitted to the Riksdag.²² In addition, the Swedish NAO reports on measures taken in response to performance audit reports in an annual follow-up report.

4.2 Remit and mandate of financial audit

The Swedish National Audit Office is to audit public sector annual reports through financial audit. The audit is intended to assess whether the accounts and the underlying documentation are reliable and the accounting records true and fair, and whether the administration by the management complies with relevant provisions and special decisions.

The audit covers 227 annual reports, the majority of which apply to administrative agencies under the Government.

Implementation of the audit

Financial audit is conducted in accordance with generally accepted auditing standards.²³ Generally accepted auditing standards for public sector audit are determined by the Auditor General and primarily entail the application by the Swedish NAO of the International Standards for Supreme Audit Institutions (ISSAI) for financial audit. Financial audit of performance reporting and other information in the annual reports complies with the Swedish NAO's internal policy documents, since there are no standards in these areas.

²⁰ Sections 4 and 9 of the Act on Audit of State Activities etc. (2002:1022).

²¹ Section 4 of the Act on Audit of State Activities etc. (2002:1022).

²² Section 12 of the Act on Audit of State Activities etc. (2002:1022).

²³ Section 5 of the Act on Audit of State Activities etc. (2002:1022).

This means that the audit is based on the risk of material misstatement in the respective annual report. This also means that the Swedish NAO focuses the audit on items or information in the annual report where there is a high risk of misstatement, but also that the Swedish NAO audits less risky areas if they involve material amounts.

If there are no changes in the agencies' activities between the years, the audit focus is often the same over time. In cases where the agencies are given new assignments or if there are external changes that affect the agencies, new risks may arise and previous risks disappear.

Every year financial audit carries out a risk analysis and a materiality assessment of every agency. The purpose is to assess audit needs during the year and the most effective audit methods. A higher risk of material misstatement leads to more extensive audit.

Since the audit is based on the risk of material misstatement, the audit normally focuses on major or complicated items in the annual reports, often where there are material payment flows.

The international standards for financial audit are continuously updated. The standard on risk assessment was updated in 2022, which has led to a slightly different risk assessment process this year compared with the previous year. Risk is to be assessed on a sliding scale, from low to high. This has meant that in 2022, the Swedish NAO has classified more risks as being high.

Important parts of the risk assessment are analysis of the Government's governance of the agency, the agency's internal control environment and the processes that are material for the agency's financial reporting in its annual report. The state of the agency's internal control can also affect the choice of audit method.

In the course of the audit, the Swedish NAO examines the agency's internal control activities and financial flows through various audit procedures. The audit is ongoing throughout the year.

In the audit plan we present areas where we consider that there is often a high risk of material misstatement and where the audit is then more extensive. However, a large proportion of financial audit resources are used to audit areas that have a lower level of risk, but which constitute material amounts. Examples of such an area are the agencies' personnel costs, which are often assessed to have a low risk of material misstatement.

Reporting of the audit

The audit concludes with the Swedish NAO issuing an auditor's report for each agency to the Government or to the Riksdag.²⁴ If there are material misstatements in the annual report the Swedish NAO issues a 'modified auditor's report'. A modified auditor's report is often supplemented by an audit report that describes the misstatement. The auditor's reports are sent to the agencies' management, with a copy to the Government.

The Swedish NAO also issues audit reports when there are significant deficiencies in internal control, even if the deficiencies have not led to material misstatements in the annual report. In the audit report we describe the deficiency and explain its possible effects. In the audit reports the Swedish NAO also gives recommendations to the agencies to take various measures to rectify the deficiencies. The Swedish NAO follows up the agencies' measures.

Financial audit always reports findings and recommendations orally to the agencies, in addition to the written reporting. The most important financial audit findings are collected in the annual report of the Auditor General, which is submitted to the Riksdag.²⁵

²⁴ Sections 5 and 10 of the Act on Audit of State Activities etc. (2002:1022).

²⁵ Section 12 of the Act on Audit of State Activities etc. (2002:1022).

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