

Finansinspektionen's work to combat conflicts of interest

Summary and recommendations

The Swedish National Audit Office has audited whether Finansinspektionen (Swedish financial supervisory authority) conducts effective work to combat conflicts of interest within the authority. Conflicts of interest refer to conflicts between the authority's mandate and the private interests of employees that may lead to a lack of objectivity and improper consideration in the exercise of official authority. Combating conflicts of interest is necessary for enabling Finansinspektionen to conduct effective operations. It is also important for confidence in the authority.

The results of the audit

The overall conclusion of the Swedish NAO is that Finansinspektionen needs to do more to combat the risk of conflicts of interest. The authority has the most important tools in place in the form of rules, guidelines and work processes, but needs to increase its efforts in order for them to be applied as intended and with the desired results. This is primarily about increasing training and information efforts as well as more follow-up and control.

Finansinspektionen issues rules, grants permits and is the supervisory authority for the financial sector. At the same time, there is an extensive exchange of staff between the authority and the sector. Every third head of Finansinspektionen comes from the financial sector and two out of three are employed there when they leave the authority. Half of the case officers come from the financial sector and about as many go there when they leave the authority. In certain supervisory departments in the area of Banking, three out of four case officers have been recruited from the financial sector. Half of the authority's staff have been employed for a maximum of three years.

The extensive staff exchange between Finansinspektionen and the financial sector may undermine confidence in the authority's ability to fulfil its remit effectively and without giving improper consideration. Both the OECD and extensive international research highlight such risks. This underscores the importance of Finansinspektionen taking effective measures against the risks of conflicts of

interest, and openly and clearly presenting how these measures are applied and functioning.

Recurring training and easily accessible information about the central government's basic values and conflicts of interest is of great importance for ensuring that Finansinspektionen's rules and guidelines are applied as intended and with the desired results. Finansinspektionen has an introductory training which includes these issues. In addition, some of this kind of training and exchange of experience are conducted in some departments.

The vast majority of case officers in the core business believe that Finansinspektionen has a well-functioning system to counteract disqualification and conflicts of interest, and that this has been tightened in recent years. They also state that they are familiar with the authority's rules on conflicts of interest. At the same time, both managers and case officers are calling for more training on central government basic values and conflicts of interest. There is also a lack of clarifying examples of conflicts of interest, which gives considerable scope for varying interpretation of the rules.

Finansinspektionen's management has strongly emphasised that it is important for the staff in their daily work to discuss and reflect on the role of government officials and the risk of conflicts of interest. This is highlighted as one of the authority's most important instruments for combating conflicts of interest. At the same time, every third case officer points out that their immediate manager does not initiate such discussions, and every fourth case officer does not think that the issues are discussed sufficiently.

The Swedish NAO maintains that Finansinspektionen needs ambitious information and training initiatives to combat the risk of conflicts of interest. The authority also needs to ensure that managers and employees sufficiently discuss conflicts of interest and what it means to be a government official.

Finansinspektionen also needs to monitor and check that rules, guidelines and processes are applied and function as intended. This is not done at present. In order to facilitate follow-up and control, the authority should, to a greater extent, document notifications and decisions about disqualification, secondary employment and other relevant conflicts of interest. At present this is very rarely done and only if the employee so requests. Transparency on this is also important for confidence in the authority.

Recommendations

The Swedish NAO's recommendations to Finansinspektionen

- Increase training and information initiatives on conflicts of interest and the role of government officials. There should be training sessions that all

operative staff should attend at regular intervals and the authority should facilitate for staff the interpretation of the rules on conflicts of interest.

- Develop control and follow-up of how the authority's rules and efforts to combat conflicts of interest are applied and function in practice. This should include carefully following the work within the framework of the authority's preparatory and decision-making processes.
- Document notifications and decisions to an increased extent on matters concerning disqualification, secondary employment and other conflicts of interest.