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The Swedish Inheritance Fund

– money in search of meaning

Summary

The audit of the Swedish National Audit Office (the Swedish NAO) shows that the system for the Swedish Inheritance Fund does not work appropriately or effectively. The deficiencies that we found in the audit, combined with the fact that times have moved on significantly from the very circumstances that prompted the creation of an independent inheritance fund system, lead us to consider that a process should be initiated aimed at winding up the Swedish Inheritance Fund system. A completely new order for managing the legacies of deceased persons without heirs or a will should be developed.

The Swedish NAO has not examined all parts of the Swedish Inheritance Fund's operations. Our findings in the parts that we did examine nevertheless lead us to draw the overall conclusion that a new system for managing the legacies of deceased persons without heirs or a will should be developed and replace the Swedish Inheritance Fund. A reasonable starting point for such a new order is that the legacies be managed within the Central Government Budget.

All too often, budgets in applications for grants from the Swedish Inheritance Fund are on the generous side, as it is known that the application will be subject to dialogue

The Swedish NAO considers that the applications for project grants from the Swedish Inheritance Fund often comprise excessive staffing and budgets. The processing of applications by the Swedish Legal, Financial and Administrative Services Agency

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involves engaging in an extensive dialogue with the applicant organisation on design, staffing and budget. The procedure provides assistance to the applicant, but also means that applicant organisations know that the budget for which they are applying will be the starting point for a dialogue. The Swedish NAO assesses that, essentially, the first budget request from the applicant organisation can often be seen as a bargaining offer. Since competition for the money from the Fund is low, lengthy, coaching dialogues about the design of the project application risk leading to poor economical use of the legacies of the deceased.

Numerous risk projects and irregularities – controls need to improve

The Swedish Legal, Financial and Administrative Services Agency's controls on organisations applying for project grants are not sufficiently effective in terms of detecting organisations that lack the capacity to pursue large projects, or that are unscrupulous. For this reason, many flaws are discovered later – in controls of ongoing projects. The Swedish NAO's audit shows that the consequences for those who commit serious errors are not sufficiently severe. This leads to the preventive effect of the controls being too weak. The Swedish NAO's controls of its own risk sampling found more numerous and serious errors than those of the Swedish Legal, Financial and Administrative Services Agency, particularly in the form of dual employment and related-party situations.

Financial crime, organised crime and crime that threatens democracy among those pursuing Inheritance Fund projects

The Swedish NAO's audit shows that there is a history of financial crime, organised crime and crime that threatens democracy among employees and signatories in current Inheritance Fund projects. Furthermore, both individuals active in projects, and the organisations themselves that have received project grants from the Swedish Inheritance Fund, are heavily over-represented in the money laundering register. Of course, this does not automatically mean that they have also used the grant from the Inheritance Fund for criminal purposes. However, it is serious enough if people with a criminal past apply for, and are awarded, grants from the Swedish Inheritance Fund. This is an indication that the grants might potentially be used for illegal purposes, which is particularly serious as it concerns the legacies of deceased persons.

A new order for managing the legacies of deceased persons without heirs or wills is needed

Even if controls were reinforced and legislative amendments were to enable extended control possibilities for the Swedish Legal, Financial and Administrative Services Agency, the Swedish NAO nevertheless considers that there is too much money to

distribute in relation to important projects. This, in turn, is linked to the terms and conditions for grants. Over the past ten years, the Fund's income has exceeded expenditure and the number of grant applications has not increased sufficiently to reverse this trend. If this imbalance persists, it will not be sustainable.

In light of this, the Swedish NAO considers that the Government needs to take steps aimed at a new order for how the legacies of deceased persons without heirs or a will are to be managed appropriately, effectively and with respect for the deceased. The Swedish NAO's audit shows that equivalent legacies in numerous comparable countries accrue to the state and that the state budget, with the democratic decision-making process that surrounds it, is considered better apt to prioritise more effectively between different needs in society.

The Swedish NAO's recommendations

The Swedish NAO recommends that the current system for the Swedish Inheritance Fund be wound up and that a new system for managing the legacies of deceased persons without heirs or a will be introduced, preferably within the state budget. Investigating and devising such a new system can take time, and during that time the current system needs to be improved in numerous respects. We therefore make a number of additional recommendations needed to remedy the flaws in the current system.

Recommendations to the Government

- Initiate a process aimed at winding up the system for the Swedish Inheritance Fund. Develop a new order for how the legacies of deceased persons without heirs or wills are to be managed appropriately and effectively and with respect for the deceased.
- Intensify efforts to ensure that agencies, when awarding grants, do not benefit financial crime, organised crime and crime that threatens democracy. Among other aspects, legislation that regulates common terms of democracy and greater opportunities for exchanging information between agencies are needed.
- Commission an appropriate agency with establishing a register of representatives of non-profit associations that receive public grants, in which the association's board members, signatories and auditors are registered.
- Ensure that an appropriate agency establishes a central database covering all available government grants for civil society and the organisations that have received such aid.

Recommendations to the Swedish Legal, Financial and Administrative Services Agency and the Swedish Inheritance Fund Commission

- Work to improve the entire chain from the processing and controls of applications, to devising the basis for decision-making and decisions on project grants.
- Improve pre-controls, in particular by drawing up a list of signatories, checking their identity and registered address and that they do not have debts or are banned from engaging in business activities.
- Investigate the possibilities that exist to retrieve and process tax return information and tax account statements directly from applicant organisations.
- Maintain well-dimensioned random sampling in controls of ongoing projects and disbursed grants. Improve risk analysis by means of a list of signatories and employees in Inheritance Fund projects.
- Take a harder stance on committed errors, with more severe consequences, making the control system more preventive. Make greater use of recovery possibilities where more serious offences have been committed.
- Consider a centrally procured accounting service for all projects in receipt of funding from the Swedish Inheritance Fund.