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## Central government agencies' R&D activities

– governance and processes for quality, relevance and economy

### Summary and recommendations

The Swedish National Audit Office (Swedish NAO) has audited whether central government research and development activities (R&D) work effectively at the agencies that are not research councils or higher education institutions. An important condition for effective activities is the existence of governance and processes that ensure quality and relevance of R & D activities, as well as procedures that ensure economic management of central government resources. The overall conclusion is that central government R & D activities do not work effectively, since certain conditions for ensuring quality and economic management of central government resources are not met.

### Audit findings

Many government agencies finance or conduct R&D activities in order to contribute to development at the agency in question, or in the sector where the agency operates. In many cases, R&D activities must also contribute to achieving politically set goals. Overall, R&D activities at these 85 agencies amount to approximately SEK 7 billion annually.

It is important that the R&D funded by central government is relevant, of good quality and conducted with satisfactory internal control. But the Swedish NAO has found several shortcomings in the activities. Half of the agencies do not evaluate their R&D activities regularly. The Government's coordination of the agencies' R&D activities is limited. There are deficiencies in the quality assurance processes of several R&D agencies and few R&D agencies have prepared risk analyses for their activities. The agencies that announce R&D funding have deficiencies in the financial follow-up and control of research grants.

## There is far too little evaluation of R&D activities

There are far too few systematic evaluations of R&D activities. This may lead to a failure to reassess and make improvements to the activities. Without evaluations, it may also be difficult to assess the contribution of the activities to set goals and objectives. Coordination of R&D issues within the Government Offices focuses on the major research funding bodies, such as the research councils. At the same time there is no overall picture of central government R&D funding. Lack of coordination risks leading to synergies not being utilised.

## Agencies need to ensure impartial management of R&D support

Many of the agencies concerned lack documented processes for handling conflicts of interest for external experts and for their own personnel. These processes are important for ensuring impartiality and independence in the activities. It is primarily among agencies that do not announce R&D funding, i.e. those that fund R&D in other ways or conduct their own R&D, that such documentation is lacking. The shortcomings risk affecting trust in the research findings.

## Many agencies lack risk analyses

The extent of preparation of risk analyses for R&D activities by R&D agencies is far too little. Risk analyses may concern for example fraud, not using the funds for the intended purpose, or failure to perform or deliver. By identifying the most significant risks in the activities, control measures and financial follow-up can be more effective and fit for purpose.

## Work on control measures and follow-up needs improvement

The agencies that announce R&D funding lack satisfactory procedures for control and financial follow-up of awarded research grants. They are therefore unable to ensure economic management of central government resources. Few agencies that announce R&D funding request documentation in the form of supporting vouchers and salary specifications from the recipient in the final financial report. Hardly any agencies use external audits to review research projects. External auditing can provide the agencies with a better basis for assessing whether costs in a project have been correctly reported.

## Recommendations

The Swedish NAO makes the following recommendation to the Government:

- Ensure that R&D activities at the concerned agencies are regularly evaluated. The level of ambition and frequency must be decided on a case-by-case basis.

The Swedish NAO makes the following recommendations to the concerned R&D agencies:

- Ensure that there are guidelines and a process that ensures and documents objectivity and impartiality in R&D activities. The guidelines must apply to both external and own personnel at the agency who are involved in the R&D process.
- Implement or supplement risk analyses so that effective financial administration measures for R&D operations can be implemented.

The Swedish NAO makes the following recommendation to the agencies that announce R&D funding:

- Review and where relevant improve financial management and follow-up of awarded grants. External audit as a control and follow-up method should be considered to a greater extent.