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Extract from Rigsrevisionen's report on
effective inspection regimes
submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

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1. Introduction and conclusion

1.1. PURPOSE AND CONCLUSION

1. The report concerns inspection carried out by five government bodies. Rigsrevisionen initiated the study in August 2016 with the purpose of collecting and communicating knowledge of the organisation of effective inspection of enterprises. We have reviewed and compared the inspection activities of five government bodies working under seven inspection regimes established by the Ministry of Employment, the Ministry of Industry, Business and Financial Affairs, the Ministry of Environment and Food, the Ministry of Health and the Ministry of Transport, Building and Housing.

2. Danish enterprises are subject to extensive and relatively detailed regulations concerning, for instance, consumer safety, health, work environment and financial credibility. The regulatory responsibility for these areas lies with a number of government bodies that typically also have overall responsibility for the respective policy areas. Their responsibilities include pre-legislative work, servicing ministers, issuing rules, supervision, making rulings and conducting inspections. This study focuses on inspections only. Enterprises are responsible for familiarizing themselves with and complying with current legislation and provisions, but inspections may enhance regulatory compliance and thereby contribute to improving the level of security. The purpose of inspection is therefore to increase the level of compliance.

3. Organising, conducting and following up on inspections require much effort. It is therefore essential that government bodies adopt a risk-based approach to inspection in order to achieve the largest possible impact with a minimum of resources. In this study, risk is defined as weighting the materiality of a regulatory breach against the likelihood that it will occur. This means that inspection activities should be focused on areas, where the risk of non-compliance is high and the potential consequences severe. In Denmark there are no authoritative guidelines on how to organise inspections and it is therefore largely up to the respective government bodies to ensure that their inspections are effective. Nor are inspections coordinated across sectors in order to increase their effectiveness and reduce the burden of administrative costs on government bodies and enterprises.

GOVERNMENT BODIES AND INSPECTION REGIMES

The Danish Working Environment Authority under the Ministry of Employment:

- inspection of working environment (risk-based inspection)
- efforts to combat social dumping.

The Danish Business Authority under the Ministry of Industry, Business and Financial Affairs:

- inspection of financial reporting
- inspection of financial reporting of foundations.

The Danish Veterinary and Food Administration under the Ministry of Environment and Food:

- food inspection.

The Danish Patients Safety Authority under the Ministry of Health:

- inspection of health organisations.

The Danish Transport, Construction and Housing Authority under the Ministry of Transport, Building and Housing:

- inspection of railways.

4. Government bodies are responsible for ensuring effective inspection within the established legislative framework and with the resources available. Government bodies are also responsible for monitoring the outcome of inspections to ensure a satisfactory level of compliance. This means that government bodies will be required to take action, if they detect a negative development in compliance. If a negative development cannot be turned around through adjustments within the legislative framework and with the resources available, the government bodies will be required to inform the minister – and possibly also the Danish parliament.

5. The inspection regimes reviewed by Rigsrevisionen are to some extent subject to national legislation and, in some instances also, to EU provisions. In addition, the inspection regimes may be described in political agreements between political parties in the parliament. However, our starting point is that the organisation of effective inspection of enterprises shares a number of characteristics. In this report, effective inspection is defined as the ability of government bodies to foster a high level of compliance in specific areas of inspection within the organisational framework and with the resources available.

Although the inspection regimes referred to in this report are different in terms of, for instance, legal framework, types of inspections and number of enterprises subject to inspection, it is Rigsrevisionen's assessment that the following elements are required for inspections to be effective:

- Government bodies must have access to adequate data and knowledge of the enterprises subject to inspection.
- Government bodies must select the enterprises with the highest risk of regulatory breaches for inspection.
- Government bodies must keep track of the impact of inspection on the level of compliance.
- Government bodies must collaborate with each other to coordinate inspections.

6. The purpose of the study is to assess how selected government bodies organise their inspections. The report answers the following questions:

- Are inspections organised effectively?
- Have the government bodies collaborated with each other on organising and conducting inspections?

CONCLUSION

The study shows that none of the examined inspection regimes meet all the preconditions set out by Rigsrevisionen for organising effective inspections. Moreover, the study shows that the government bodies examined mainly collaborate on inspections in limited areas.

The study also shows that the government bodies responsible for four of the seven inspection regimes had sufficient data and knowledge of the enterprises to organise the inspections effectively, whereas the government bodies with responsibility for the remaining three inspection regimes did not have adequate data and knowledge.

Furthermore, the study shows that enterprises were selected for inspection based on systematic and documented risk assessments under two of the seven inspection regimes, but that selection for inspection under four of the seven inspection regimes was based on less well-documented risk assessments. The selection of enterprises for inspection under the last inspection regime was only to a limited extent risk-based. The majority of the government bodies have ensured that all enterprises have the same probability of being selected for inspection.

The examined government bodies do not have sufficient knowledge of the impact of inspections; two of the seven inspection regimes operate with multi-annual measurable performance indicators and six of the inspection regimes operate with one-year performance indicators. To this should be added that the government bodies have evaluated the impact of inspections for only three of the seven inspection regimes, and therefore do not know whether their inspection activities have increased the level of compliance under the remaining four inspections regimes. The study also shows that most of the government bodies have no knowledge of the impact of penalties imposed on the enterprises.

The government bodies collaborate on inspections to some extent, but in Rigsrevisionen's assessment, their collaboration primarily takes the form of one-off initiatives in limited areas.

Rigsrevisionen finds that the examined government bodies face similar problems in regard to organising inspections effectively. The regulators are all required to consider, within the regulatory and financial framework, the data and knowledge necessary to organise inspections effectively, how enterprises should be selected for inspection, and how they can obtain knowledge of the impact of inspections. To this should be added that government bodies should cooperate in areas where it creates added value for the enterprises in terms of reducing the administrative burden of inspections on enterprises and costs of inspections.

It is Rigsrevisionen's assessment that government bodies should have access to common guidelines that can support and inspire them in their efforts to organise inspections more effectively. It is also Rigsrevisionen's assessment that exchanging data between sectors and/or coordinating inspections can improve the effectiveness of inspection and reduce the administrative burden on enterprises. Rigsrevisionen therefore recommends that a cross-departmental forum be charged with addressing these issues.