



FOLKETINGET
STATSREVISORERNE



FOLKETINGET
RIGSREVISIONEN

August 2019
– 20/2018

Extract from Rigsrevisionen's report
submitted to the Public Accounts Committee

The audit of the Danish government accounts for 2018

Rigsrevisionen's opinion on the Danish govern- ment accounts

Opinion on the government accounts



Conclusion

Rigsrevisionen has audited the government accounts (i.e. section A. Summaries and section B. Appropriations and financial statements), relevant specifications of budgets and accounts and settlement of appropriations. The accounts of Folketinget (the Danish parliament) are not audited by us, but by a private auditing firm. The government accounts shall be prepared in accordance with the fiscal act and appropriation adjustment act for 2018 and current government accounting regulations.

It is Rigsrevisionen's opinion that:

- with the exception of the qualification concerning section 38. Taxes and fees, the government accounts are in all material aspects correct, meaning that the financial statements have been prepared in accordance with the appropriation acts and government accounting regulations.
- the government has observed the terms of the appropriations and other relevant regulations, in all material aspects.

Basis for the qualified opinion

Rigsrevisionen has qualified its opinion on the correctness of section 38. Taxes and fees. It is Rigsrevisionen's assessment that the financial statements are still affected by uncertainty. The audit disclosed significant uncertainties, unexplained differences and substantial errors. However, it has not been possible to establish the exact scope of errors based on these findings, and we have therefore been unable to obtain sufficient audit evidence to determine whether the financial statements are correct.

We conducted the audit in compliance with the Danish standards for public-sector auditing. The audit is conducted based on section 3 and section 17, sub-section 1, of the Danish Auditor General Act.

Our responsibility according to the standards for public-sector auditing is described in more detail in the section *Rigsrevisionen's responsibility for the audit of the financial statements*.

In compliance with the Auditor General Act, section 1, sub-section 6, the auditor general is independent in the performance of her duties.

In our opinion, the audit evidence obtained is sufficient to provide a basis for our conclusion.

With the issue of the auditor's report, the audit of the government accounts for 2018 is completed. However, Rigsrevisionen may later decide to re-examine issues relating to this and previous accounting years, which may lead to disclosure of new information and result in a reassessment of items examined in this report.

The ministries' responsibility for the financial statements

The Minister for Finance presents the government accounts to the Danish parliament. The government accounts shall be presented in compliance with the relevant finance act and appropriation adjustment acts and include all government income and expenditure concerning the past fiscal year, assets and liabilities and movements in these in the course of the year. The government accounts include the financial statements of the government departments, which on their part include the financial statements of the individual entities under the respective departments.

The ministries are responsible for presenting correct financial statements in compliance with the appropriation acts and government accounting regulations. The ministries are also responsible for establishing internal control as deemed necessary by the ministries to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The ministries and the individual government bodies and public enterprises under the remit of the ministries are also responsible for applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The government accounts include information received from Udbetaling Danmark or from municipalities. The relevant ministries are responsible for including the information in the accounts in compliance with the appropriation acts and current government accounting regulations. Information of this nature can be based on Udbetaling Danmark's annual report that is audited by a certified auditor in accordance with the regulations on Udbetaling Danmark. Information provided by municipalities can be included in the government accounts for the year in question after having been verified to the extent possible at the time, on the condition that the ministries subsequently have the information verified in a way that provides assurance of the correctness of the accounts, over a number of years.

Moreover, the ministries are responsible for observing the terms of the appropriations and other relevant regulations. The ministries are responsible for ensuring that transactions are funded as required, and that income and expenditure included in the government accounts are generated and used in compliance with the objectives and terms set out in the appropriation acts. If these original conditions are no longer present, the ministries are under obligation to inform the parliament in an appropriate manner and apply for adjustment of the appropriations.

The departments supervise that government bodies and public enterprises comply with the government accounting regulations and approve the annual financial statements prepared by these bodies.

Rigsrevisionen's responsibility for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the government accounts as a whole are free from material misstatement, whether due to fraud or error, or affected by material variances to appropriations, and to issue an auditor's report that includes our opinion. Reasonable assurance is not a guarantee that an audit conducted in accordance with good public-sector auditing practice will always detect material misstatement or variances to appropriations, when those exist. Misstatement and variance to appropriations can arise from fraud or error and are considered material if, individually or in total, they could reasonably be expected to influence the decisions made by the Danish parliament and other users of the financial statements based on the government accounts.

We conduct the audit in compliance with the standards for public-sector auditing, which means that we exercise professional judgement and maintain professional scepticism through the audit. We also:

- Identify and assess the risk of material misstatement in the financial statements, whether due to fraud or error, and the risk of material variances to appropriations, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ministries' internal control.
- Evaluate the appropriateness of the accounting policy used by the ministries and the reasonableness of the accounting estimates and related disclosures made by the ministries.
- Verify that the information received from Udbetaling Danmark or from municipalities is reflected correctly in the accounts prepared by the ministries.
- Compare the accounting figures with the relevant appropriations to assess compliance with the terms of the appropriations.

The audit of the government accounts includes audits of financial statements concerning specific sections of the appropriation acts that are covered by the government accounts. The conclusions of these audits appear from our opinions on the individual ministerial remits or other sections of the government accounts. If these opinions are qualified or in other ways modify our conclusion on the accounts, it will appear from this report on the audit of the government accounts. Other significant observations and assessments made during the audit will also be included in this report.

Statements on compliance and performance audit

The ministries are responsible for the compliance of the transactions comprised by the financial statements with appropriations, legislation and other regulations as well as with agreements concluded and generally accepted practice. The ministries are also responsible for due financial considerations having been taken into account in the administration of the funds and the operation of the government bodies and public enterprises comprised by the government accounts. The ministries are in that connection responsible for establishing systems and processes that support economy, efficiency and effectiveness.

In compliance with the standards for public-sector auditing, it is our responsibility, in connection with our audit of the government accounts, to select subject matters relevant to both compliance audit and performance audit. These audits are planned and prioritised over a five-year period. The scope of each individual audit is limited to specific transactions, systems or processes that, according to our assessments, carry a risk of significant violations of the regulations or weaknesses in the administration.

Critical remarks will be included in our opinions on the individual sections of the government accounts, if our audit discloses material compliance breaches or weaknesses in the administration of significance to the financial means covered by the government accounts. These critical remarks are also included in the report to the Public Accounts Committee on the audit of the government's administration in 2018, along with other significant observations and assessments made in connection with the compliance and performance audits conducted.

Rigsrevisionen 7 August 2019

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