



Extract from the report to the  
Public Accounts Committee on the  
administration of government grants

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## I. Introduction and conclusion

1. This report concerns the way in which government grants are administered by the Ministry of Culture, the Ministry of Social Affairs and Integration (the Ministry of Social Affairs), the Ministry of Children and Education (the Ministry of Education), the Ministry of Health and Prevention (the Ministry of Health) and the Ministry of Employment. Rigsrevisionen took the initiative to the study in January 2012.

2. The Danish government administers a large number of grant schemes, including, for instance, grants provided to individual persons, industrial grants and grants provided to institutions and private organisations. Grants of this nature are awarded either as operational or project grants.

3. The ministries are responsible for the administration of the individual grant schemes, which includes identifying grant recipients, defining eligibility and prioritisation criteria, informing potential recipients of grant opportunities, confirming and effecting payment of grants. In order to achieve maximum assurance that funds are administered in a financially responsible manner, the grant recipients are required, by the ministries, to define measureable performance targets for their use of the funds. The ministries may also insist that the recipients report on results achieved. With access to performance targets and reports on implemented activities and results achieved, the ministries are positioned to follow up on whether the recipients' spend grant funds effectively, efficiently and economically and thus make the most of available resources to the benefit of society.

4. The objective of the study is to assess whether the Ministry of Culture, the Ministry of Social Affairs, the Ministry of Education, the Ministry of Health and the Ministry of Employment have ensured that government grants are used effectively, efficiently and economically. A prerequisite for achieving this goal is that the grant recipients define and follow up on performance targets. The report answers the following questions:

- Have the ministries ensured that grant funds are used with adequate focus on performance targets and outcomes?
- Have the ministries ensured that the grant recipients have taken sound financial considerations into account when using the grant funds?

5. Based on the results of the study, Rigsrevisionen has made a number of recommendations supporting the ministries in their administration of government grants.

Performance audit is the auditor's assessment of whether the recipient has used the grant effectively, efficiently and economically.

## MAIN CONCLUSION

The Danish government is the administrator of a large number of grant schemes, which account for a substantial part of the government's total expenditure. For this study, Rigsrevisionen has sampled 100 cases among schemes awarding grants of in total approximately DKK 8 billion annually.

The ministries must be able to follow up on how the recipients use the funds. The relation between the ministries and the grant recipients, in terms of management and control, is based partly on requirements to define performance targets and report on achievement of targets, partly on performance audits that may contribute to generating knowledge on whether the recipients have administered the funds effectively, efficiently and economically.

Rigsrevisionen finds it satisfactory that the Ministry of Employment has ensured that the recipients define measureable targets and report on target achievement. Rigsrevisionen finds it less satisfactory that the Ministry of Culture, the Ministry of Social Affairs, the Ministry of Education and the Ministry of Health have not to the same extent ensured that all recipients define measureable targets and report on their target achievement.

The five ministries have defined the framework for the audit of government grants in a satisfactory manner, but the ministries have not, to the extent required, ensured that the reporting on performance audits meets the requirements set by the ministries. In the opinion of Rigsrevisionen, it is not satisfactory that the ministries in 48 out of 81 cases have not received documentation that the required performance audits have been carried out in compliance with the ministries' requirements.

Rigsrevisionen finds that the Ministry of Culture, the Ministry of Social Affairs, the Ministry of Education, the Ministry of Health and the Ministry of Employment should more diligently ensure that the recipients administer the government grants effectively, efficiently and economically.

The study showed that several ministries have launched projects that are meant to contribute to improvements within performance and outcome management and increase focus on completed performance audits.

On the basis of this study and the projects referred to in the above, Rigsrevisionen recommends that the ministries' should focus on the following areas to improve their administration of grants:

- The ministries should categorise the different grants based on an assessment of risk and adjust their performance targets, follow-up and evaluation requirements accordingly.
- The ministries should – during the application period – focus more on ensuring that the applicants define measurable targets for the use of the grants.
- The ministries should strengthen their follow-up on the recipients' achievement of the targets set by defining the reporting requirements.
- The ministries should devote more attention to the performance audits by checking, on a regular basis, whether the grant recipients have submitted information on completed audits.

The main conclusion is based on the following sub-conclusions:

*Have the ministries ensured that grant funds are used with adequate focus on performance targets and outcomes?*

The ministries can contribute to ensuring that grants are used with adequate focus on performance targets and outcomes.

It is a general requirement that the grant recipients must define targets for the use of the funds. In 71 out of 100 cases, the recipients had defined measurable targets. It is also a general requirement that the grant recipients must report on their target achievement, but the extent to which recipients complied with this requirement was not satisfactory.

*Have the ministries ensured that the grant recipients have taken sound financial considerations into account when using the funds?*

The frameworks for the audit of government grants set by the ministries can contribute to ensuring that the grant recipients take sound financial considerations into account when using the funds.

Generally, however, the ministries' efforts to ensure that information on completed performance audits is reported in accordance with the requirements, and thus providing assurance that the recipients have taken sound financial considerations into account, have not been satisfactory. In 48 out of 81 cases, it was not clearly stated whether the required performance audits had been carried out in compliance with the ministries' requirements. In 17 out of the 48 cases, evidence that performance audits had been carried out was not available.