

21/2016

STATSREVISORERNE
RIGSREVISIONEN



Extract from Rigsrevisionen's report on

the audit of the Danish government accounts for 2016

submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

August 2017

1. Opinion on the Danish government accounts

CONCLUSION

Rigsrevisionen has audited the government accounts for 2016. It is Rigsrevisionen's opinion that:

- 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, in all material aspects, observed the terms of the appropriations and other relevant regulations.

Basis for opinion

We conducted our audit in compliance with good public-sector auditing practice, cf. The Audit of the Government Accounts etc. Act. Good public-sector auditing practice is based on the fundamental auditing principles (ISSAIs 100 to 999) of the International Standards of Supreme Audit Institutions. Our responsibility according to these standards and requirements 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 this opinion, the audit of the government accounts for 2016 is considered 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 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.

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 the enterprises comply with the government accounting regulations and approve the annual financial statements prepared by the enterprises.

Rigsrevisionen's responsibility for the audit of the financial statements

We have audited the income, expenditure, balance sheet and appropriations of the ministries referred to in sections 5 to 29 of the government accounts (i.e. A. Summaries and B. Appropriations and accounts, specifications of budget and accounts and the payment of appropriations). We have also audited sections 35 to 42, which include cross-cutting income and expenditure, such as interest and tax revenue. The government accounts shall be prepared in accordance with the fiscal act and appropriation adjustment act for 2016 and current government accounting regulations.

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 the aggregate, 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 accordance with good public-sector auditing practice, which means that we exercise professional judgement and maintain professional skepticism 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.
- Compare accounting figures with the appropriations to assess compliance with the terms of the appropriations and other regulations, meaning that the transactions covered by the financial statements are, in all material aspects, in compliance with the appropriations and have been used as prescribed in the appropriation acts and other regulations.

Statement 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 enterprises comprised by the government accounts.

In accordance with good public-sector auditing practice, it is our responsibility, in connection with our audit of the government accounts, to select subject matters relevant to both the compliance audit and the performance audit. During a compliance audit, we assess, with reasonable assurance for the subject matters selected, whether the transactions comprised by the financial statements are in compliance with appropriations, legislation and other regulations as well as with agreements concluded and generally accepted practice. During a performance audit, we assess, with reasonable assurance, whether the systems, processes or transactions examined support that due financial considerations are taken into account in the administration of the funds and the operation of the enterprises comprised by the government accounts.

If we, based on the work performed, conclude that our audit gives rise to material critical comments, we are to report on these.

We do not have any material critical comments to report in this respect.

Rigsrevisionen 4 August 2017

Lone Strøm
Auditor General

/Yvan Pedersen
Assistant Auditor General

Opinion concerning cases relating to the Ministry of Finance

In accordance with section 1a, sub-section 4 of the Auditor General Act, Auditor General Lone Strøm has declared that she is not qualified to handle a specific case, which concerns payment of grants made by Økonomiservicecentret (Danish Governmental Financial Service Centre), cf item 28.

The President of the Danish parliament has upon recommendation from the Public Accounts Committee and after consultation with the Presidency of the Danish Parliament appointed former member of the European Court of Auditors and former assistant auditor general at Rigsrevisionen, Morten Levysohn, interim auditor general. Mr Levysohn has been appointed for twelve months and is in this period authorised to handle cases that the auditor general has disqualified herself from participating in to avoid conflicts of interest, cf. letter of 11 May 2017. The Public Accounts Committee has asked the interim auditor general to handle the case referred to in the above, and he has subsequently assessed and expressed an opinion on the case.

CONCLUSION

Økonomiservicecentret's payment of grants etc. is not affecting the financial statements for 2016. In the opinion of the interim auditor general, the accounts of the Ministry of Finance that the auditor general has disqualified herself from handling are, overall, correct.

Rigsrevisionen 4 August 2017

Morten Levysohn
Interim Auditor General