



Extract from the report to the  
Public Accounts Committee on  
external research funds at  
Danish hospitals

February  
2015

revision  
revision

revision

# 1. Introduction and conclusion

## 1.1. Purpose and conclusion

1. The report concerns the administration of external research funds at Danish hospitals. The Danish Public Accounts Committee asked Rigsrevisionen to examine this area in January 2014 and the study focuses mainly on the administration of funds in the period 2009-2013.

Funds donated by private organisations, foundations and companies make up more than half of the hospitals' available research funds. In 2013, the five Danish regions had approximately DKK 1.6 billion at their disposal for research.

The purpose of the study is to assess whether external research funds are administered in a satisfactory manner. The report answers the following questions:

- Are department managements adequately consulted when research projects are created at the hospitals?
- Do the hospitals use research funds as intended and in accordance with the hospitals' guidelines?
- Do the regions and the Danish State Administration adequately supervise the hospitals' management of research funds?

### CONCLUSION

Rigsrevisionen's overall assessment is critical of the hospitals' management of research funds. The report is highly critical of aspects relating to their basic budgeting and accounting management.

Rigsrevisionen finds it particularly disturbing that the internal controls have failed to ensure that the guidelines are adhered to and research funds used for the intended purposes. Management at several levels have not assumed the required responsibility for establishing effective controls for the administration of research funds. In the opinion of Rigsrevisionen, this is a reflection of an unusual and atypical administrative practice. At the same time, the division of tasks and responsibilities in relation to management of research funds has been unclear. This observation applies to all the hospitals included in the study, although with variations in scope between the hospitals and individual departments. Rigsrevisionen is also critical of the fact that the regions have not ensured that external research funds are appropriately managed at the hospitals.

### **Memorandum on the organisation of a major study**

Based on the Public Accounts Committee's request, Rigsrevisionen worked out a memorandum on the organisation of a major study of the hospitals' administration of external research funds. The Public Accounts Committee endorsed the memorandum at its meeting in April 2014.

### **Key components of internal controls:**

- The department management sign off on all vouchers and approve that expenditure charged to a project account by the researchers has been used for the designated purpose and in compliance with the guidelines.
- The accounting unit ensures that project expenditure is authorised by the relevant department management and subsequently correctly booked.

The examination shows that department managements are not always adequately consulted when research projects are created. The creation of projects provides the basis for the future management of the research projects, which becomes difficult because new research funds are frequently mixed up with funds from existing projects. This makes it difficult to determine what each specific grant is used for, which reduces the transparency of the financial management. To this should be added that the ongoing monitoring of projects does not ensure that inactive projects are closed down, and funds may therefore be left on the accounts of inactive projects for several years.

The examination shows that internal controls established by the hospitals have neither ensured compliance with the guidelines nor provided the documentation necessary to confirm that research funds are used for the designated purposes and in accordance with the guidelines. Information on the purpose of expenditure incurred like, for instance, the reason for entertaining at a restaurant and purchasing IT equipment, is missing on too many vouchers. It is therefore not entirely clear, what the control performed by the management and accounting units has involved.

Research expenditure is not adequately separated from operational expenditure by the hospitals. Neither the hospitals nor the regions have the knowledge required to determine whether their relevant overhead costs are covered. Therefore, the hospitals may unintentionally, and in some instances unlawfully, use their operational grants to conduct research on behalf of private companies. In the opinion of Rigsrevisionen, the Ministry of Economic Affairs and the Interior, and the Ministry of Health need to be aware of this risk. The regions and the ministries should determine how it can be ensured that all relevant overhead costs incurred by the hospitals in relation with research projects are covered. This issue could, for instance, be addressed and resolved through a discussion of the financial management of research projects at the annual budget negotiation meetings.

The regions' supervision of the hospitals' administration of research funds is inadequate. The regions do not follow up on the hospitals' guidelines and thereby forfeit the opportunity to ensure that they provide an adequate basis for the administration of externally funded research projects. The supervision of the administration of research funds by the Danish State Administration has not been entirely satisfactory. The State Administration only takes action if the regions' respective auditors have stated clearly that they consider a practice unlawful, which has never occurred. The State Administration should have followed up more diligently on cases where the auditors repeatedly highlighted problems that the regions had failed to rectify, or pointed to factors whose legitimacy was questioned.

Rigsrevisionen recommends that the hospital managements and regions should strive to render the guidelines – that are currently being updated – more useful and ensure that they are adhered to in practice. The hospital managements and regions must ensure a clear distinction between costs that should be covered by the hospitals' operational funds and costs that should be covered by external funds.