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FOLKETINGET  
RIGSREVISIONEN

August 2021  
– 18/2020

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

# The audit of the Danish public accounts for 2020

# Rigsrevisionen's audit of the Danish public accounts

## Purpose and conclusion

The report concerns the audit of the Danish public accounts for 2020. The public accounts include the financial statements of all ministries with responsibility for public expenditure and revenue in the fiscal year 2020.

The purpose of the audit is to assess whether the information presented by the government departments in the public accounts is correct. We have also checked whether the departments are complying with the terms of appropriations. The report answers the following questions:

- Are the public accounts in all material respects correct, i.e. prepared in compliance with relevant appropriation acts and the government accounting regulations?
- Has the government in all material respects complied with appropriations and transaction regulations?

Our conclusion on the overall public accounts provides the basis for the Danish Public Accounts Committee's recommendation to the Danish parliament on approval of the public accounts.

The report also addresses the audit of the financial statements of each individual ministry. These financial statements reflect the areas of responsibility of the individual ministry. The ministers' responsibilities include ensuring compliance with appropriations and submitting correct financial statements. Our conclusions on the individual financial statements support the members of the Danish parliament in their efforts to hold the ministers accountable for their respective section of the public accounts.



## Main conclusion

**The overall Danish public accounts for 2020 are in all material respects correct, and the government has in all material respects complied with relevant terms of the appropriations.**

**With the exception of the impact of a number of uncertainties, unexplained variances and significant errors, the financial accounts relating to section 38 of the Finance Act, Taxes and duties, are in all material respects correct.**

Rigsrevisionen has qualified its opinion on section 38 of the Finance Act, Taxes and duties, because the Ministry of Taxation still has not been able to produce a reliable statement of the debt owed by citizens and companies to the state. Particularly, claims whose enforceability can be questioned and/or claims that are not supported by adequate data quality are causing problems. Moreover, the ministry is unable to verify a number of entries in the accounts. The financial statements are also affected by several specific errors, unexplained variances and uncertainty concerning a number of entries.

**All other financial statements included in the public accounts are in all material respects correct.**

The financial statements were affected by a number of errors and uncertainties that Rigsrevisionen finds it relevant to draw attention to. However, none of these audit findings are significant, nor do they exceed the overall materiality levels set for the relevant sections of the Finance Act.

Internal controls for accounts payable and administration of grants in a number of enterprises under the Ministry of Defence, the Ministry of Employment and the Ministry of Children and Education are inadequate. This entails a risk of errors in the financial statements. No specific errors were, however, detected during the audit, and reasonable assurance that the accounts are correct was obtained.

Errors and uncertainties affect the Ministry of Taxation's management of IT-projects. These have led to errors in entries of expenditure, but the errors are not significant and do not exceed the overall materiality level set for the total expenditure of the Ministry of Taxation.

**Table 1**  
**Overview of the public accounts and audit findings**

	Sum of revenue and expenditure DKK millions	Modifications	Significant and cross-departmental audit findings
§ 1. The Crown	85.9		
§ 2. Members of the royal family	28.2		
§ 5. Prime Minister's Office	119.5		
§ 6. Ministry of Foreign Affairs	17,134.9		
§ 7. Ministry of Finance	35,439.5		
§ 8. Ministry of Industry, Business and Financial Affairs	54,288.1		The ministry has failed to include a guarantee of DKK 3.3 billion in the public accounts.
§ 9. Ministry of Taxation	11,602.9		Significant shortcomings in the ministry's administration of IT projects.
§ 11. Ministry of Justice	27,345.5		Inadequate business procedures and internal controls for procurement of protective equipment.
§ 12. Ministry of Defence	25,225.0		Inadequate control environment. Uncertainty associated with the valuation of future obligations.
§ 14. Ministry of Immigration and Integration	3,252.4		
§ 15. Ministry of Social Affairs and the Interior	231,451.9		
§ 16. Ministry of Health	6,423.3		
§ 17. Ministry of Employment	232,021.0		The ministry should have been able to rectify the shortcomings detected in the reimbursement system much earlier.
§ 19. Ministry of Higher Education and Science	52,725.0		
§ 20. Ministry of Children and Education	31,004.4		Internal controls applied in connection with grant administration at The National Agency for IT and Learning are inadequate.
§ 21. Ministry of Culture	10,956.5		
§ 22. Ministry of Ecclesiastical Affairs	607.4		
§ 24. Ministry of Environment and Food	8,171.3		
§ 28. Ministry of Transport and Housing	17,962.6		Uncertainty associated with the valuation of property.
§ 29. Ministry of Climate, Energy and Utilities	13,905.3		
§ 35. General provisions	11,709.2		
§ 36. Pension	25,976.9		
§ 37. Interest	10,084.5		
§ 38. Taxes and duties	826,598.6	Rigsrevisionen has qualified its opinion on section 38 of the Finance Act, Taxes and duties.	

# Rigsrevisionen's opinion on the Danish public accounts



## Conclusion

Rigsrevisionen has audited the main section of the public accounts (i.e. section A. Summaries and section B. Appropriations and financial statements), relevant specifications of budgets and accounts and settlement of appropriations. The financial statements of the Danish parliament (the Folketing), are not audited by Rigsrevisionen. The public accounts shall be prepared in accordance with relevant appropriation acts (i.e. the Finance Act and Appropriation Adjustment Act for 2020) and the government accounting regulations.

Our assessment is that the public accounts are in all material respects correct, meaning that the financial statements have been prepared in accordance with the appropriation acts and government accounting regulations, and that the government has observed the terms of the appropriations and transaction regulations in all material respects.

### Basis for conclusion

We have conducted the audit based on the Danish standards of public-sector auditing in compliance with sections 3 and 17 of the Auditor General Act (cf. consolidated act no. 1010 of 19 January 2021).

The section *Rigsrevisionen's responsibility for the audit of the financial statements* provides more details on our responsibility according to the standards for public-sector auditing.

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 public accounts for 2020 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 public accounts to the Folketing. The public accounts are presented in compliance with the relevant finance act and appropriation adjustment acts and must 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 public 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 controls 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 public accounts include information provided by *Udbetaling Danmark* (government body managing public benefits) or the Danish municipalities. The relevant ministries are responsible for including the information in the accounts in compliance with the appropriation acts and current government accounting regulations. Because *Udbetaling Danmark* and the municipalities submit their annual accounts later than central government, the ministries are unable to verify all the information provided by *Udbetaling Danmark* and the municipalities. It is therefore essential that the information received from *Udbetaling Danmark* is verified subsequently and before Rigsrevisionen issues its opinion on the public accounts. This is achieved when the information is included in *Udbetaling Danmark*'s financial statements and annual report and audited by an approved auditor. The information provided by the municipalities is verified through auditor reports that are not available before Rigsrevisionen has issued its opinion on the public accounts. The ministries are required to correct any misstatements or errors subsequently in order to ensure the correctness of the public accounts, when viewed 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 public 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 Folketing 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 public 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 Folketing and other users of the financial statements based on the public 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 to express 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 provided by Udbetaling Danmark or by 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 public accounts includes audits of financial statements concerning specific sections of the appropriation acts that are included in the public accounts. The conclusions of these audits appear from our opinions on the individual ministerial remits or other sections of the public accounts. If these opinions are qualified or in other ways modify our conclusion on the accounts, it will appear from this report. Other significant observations and assessments made during the audit will also be included in this report.

**Statement on compliance and performance audit**

The ministries are responsible for ensuring that the transactions comprised by the financial statements are complying with appropriations, legislation and other regulations as well as with agreements concluded and generally accepted practice. The ministries are also responsible for taking due financial considerations into account in the administration of the funds and the operation of the government bodies and public enterprises comprised by the public 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 public accounts, to select subject matters relevant to both compliance audit and performance audit. These audits are planned and prioritised five years ahead. The scope of each individual audit is limited to specific transactions, systems or processes that, according to our assessments, entail a risk of significant violations of the regulations or weaknesses in the administration.

We report our conclusions and audit of specific elements of the financial statements to the relevant departments. Material compliance breaches or weaknesses in the administration, including critical remarks in the opinion on a section of the public accounts, are included in the *Report on the audit of the government's administration*.

Rigsrevisionen, 18 August 2021

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