



**FOLKETINGET
STATSREVISORERNE**



**FOLKETINGET
RIGSREVISIONEN**

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

The audit of the Danish public accounts for 2022

1. Purpose and conclusion

1. Rigsrevisionen has audited the Danish public accounts for 2022 to assess whether the accounts are correct and whether all transactions are consistent with the appropriations granted, cf. The Auditor General Act, section 17 (1). The report provides the basis for the Danish MPs' consideration of the public accounts.

Rigsrevisionen has also audited the financial statements of the individual ministries and the ministries' compliance with the terms of appropriations granted. The financial statements of the ministries are included in the public accounts as each ministry is responsible for a section of the public accounts. Rigsrevisionen issues independent audit opinions on each section of the public accounts. Figure 1 illustrates the four types of conclusions used by Rigsrevisionen. The nature of the conclusions depends on the materiality of the errors that we identify in the course of the audit.

Figure 1
Rigsrevisionen's conclusions

POSITIVE OPINION	MODIFIED OPINION	ADVERSE OPINION	NO OPINION GIVEN
			
<p>The aggregate sum of deviations from appropriations and misstatements is not material</p>	<p>The aggregate sum of deviations from appropriations and misstatements is material but not pervasive</p>	<p>The aggregate sum of deviations from appropriations and misstatements is material and pervasive</p>	<p>The aggregate sum of deviations from appropriations and misstatements is not known</p>

A *positive opinion* indicates that the financial statements are correct. If the aggregate sum of misstatements and deviations from appropriations does not exceed 1 per cent of the government's total revenue and expenses, corresponding to DKK 17.2 billion, the overall public accounts are considered to be correct. The materiality level for the aggregate sum of misstatements and deviations from appropriations in a ministry's appropriation budget is set at 2 per cent of the ministry's total revenue and expenses, or maximum DKK 2 billion.

A *modified opinion* indicates that the accounts are correct with some exceptions but that material misstatements and deviations from appropriations are confined to specific sections of the accounts and not pervasive.

An *adverse opinion* indicates that the accounts are not correct but affected by pervasive and material misstatements and deviations from appropriations.

No *opinion given* indicates that we have not had access to obtain sufficient evidence to assess whether the accounts are correct.

Reasonable assurance

An opinion based on reasonable assurance can be given, when the auditors assess that sufficient appropriate audit evidence has been obtained to conclude that misstatements or deviations from appropriations to not exceed the materiality thresholds.

The audit is conducted in compliance with the Danish standards of public-sector auditing and provides reasonable assurance that the public accounts are free from material misstatements and deviations from appropriations.

The audit concerns the accounting year 2022. With the change of government in Denmark in December 2022, the responsibility for some of the administrative areas referred to in the report were transferred to new ministries, while other ministries changed names. In the report, we use the original names of the ministries as used in the appropriation acts and in the public accounts for 2022.



Main conclusion

The overall Danish public accounts for 2022 are correct and free from material misstatements. This means that the public accounts have in all material respects been prepared in compliance with the appropriation acts and government accounting regulations and reflect the government's revenue, expenses, assets and liabilities in 2022. Rigsrevisionen also assesses that the government has complied with the appropriations in all material respects. This means that all government transactions have been carried out in accordance with the terms of the appropriation acts, cf. Rigsrevisionen's opinion on the public accounts for 2022 presented in appendix 1.

The ministries' financial statements and accounting management

Rigsrevisionen expresses a *modified opinion* on the Ministry of Business, Industry and Financial Affairs' section of the public accounts. The ministry's financial statements include a provision of DKK 5 billion that will not be needed. The misstatement exceeds the materiality threshold set for the ministry of 2 per cent of the ministry's total revenue and expenses. Due to the misstatement, the financial result of the ministry and of the overall public accounts is DKK 5 billion better than presented in the financial statements.

Rigsrevisionen has given a *positive opinion* on the other ministries' sections of the public accounts, which are, therefore, assessed to be free from material misstatements and deviations from appropriations.

Rigsrevisionen emphasizes two factors in the Ministry of Taxation's sections of the public accounts: section 9. The Ministry of Taxation and section 38. Taxes and duties. Rigsrevisionen includes emphasis of matter paragraphs in its auditor report to direct the attention of users of the financial statements to matters of particular interest that have not, however, led to material misstatements in the financial statements.

Lastly, Rigsrevisionen points to weaknesses in the accounting management of four ministries, which include shortcomings in internal controls, management of user rights and management of cybersecurity. Rigsrevisionen mentions these matters to direct attention to the need to strengthen internal controls and thus reduce the risk of misstatements in future financial statements and minimise the risk of fraud.











1.1. Background

2. The Minister for Finance presented the Danish public accounts for 2022 to the Danish parliament on 24 March 2023. With revenues of DKK 955.4 billion and expenses of DKK 769.3 billion, the government generated a surplus of DKK 186.1 billion in 2021. By the end of 2022, government assets and liabilities were DKK 1,556 billion and DKK 955 billion, respectively.

Table 1 shows Rigsrevisionen's conclusion on the overall public accounts for 2022 and on each separate ministry. The overview also includes references to matters mentioned in the report.

Table 1
Rigsrevisionen's conclusions

	The accounts are correct and the transactions are in compliance with the appropriations	Matters referred to in the report
The overall Danish public accounts (sections 1-42)		
Sections 1 and 2. The Queen and members of the Royal Danish Household		
Section 5. The Prime Minister's Office		
Section 6. The Ministry of Foreign Affairs		
Section 7. The Ministry of Finance		See item 15.
Section 8: The Ministry of Industry, Business and Financial Affairs	Modified opinion	See item 4.
Section 9. The Ministry of Taxation	 *	See item 5.
Section 11. The Ministry of Justice		
Section 12. The Ministry of Defence		See items 9-10.
Section 13. The Ministry of the Interior and Housing		
Section 14. The Ministry of Immigration and Integration		
Section 15. The Ministry of Social Affairs and Senior Citizens		
Section 16. The Ministry of Health		
Section 17. The Ministry of Employment		See item 11.
Section 19. The Ministry of Higher Education and Science		
Section 20. The Ministry of Children and Education		
Section 21. The Ministry of Culture		
Section 22. The Ministry of Ecclesiastical Affairs		
Section 23. The Ministry of Environment		
Section 24. The Ministry of Food, Agriculture and Fisheries		
Section 28. The Ministry of Transport		
Section 29. The Ministry of Climate, Energy and Utilities		
Section 38. Taxes and duties	 *	See items 6, 8, 13 og 16.
Sections 35-38 and sections 40-42. General reserves, pension, interest, relending, movements in cash position, servicing national debt (net)		

 Positive opinion * Emphasis of matter

Note: The audit of sections 1 and 2 in the public accounts concern transfers to the Royal Danish Household calculated and recorded by the Prime Minister's Office. We do not audit section 3. The Danish Parliament.

Appendix 1. Rigsrevisionen's report on the audit of the Danish public accounts for 2022

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 Supplementary Appropriation Act for 2022) and the government accounting regulations.

Rigsrevisionen assesses:

- that the public accounts are correct in all material respects;
- that the government has observed the terms of appropriations in all material respects.

Basis for opinion

We have conducted the audit in compliance with the Danish standards of public-sector auditing which ensures that we meet the requirements of the Auditor General Act, sections 3 and 17 (cf. *Consolidated Act no. 101 of 19 January 2012*).

The section *Rigsrevisionen's responsibility for auditing 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 performing her duties. Rigsrevisionen assesses that the audit evidence obtained is sufficient to provide a basis for our conclusion.

With the issue of this opinion, the audit of the public accounts for 2022 is completed. However, Rigsrevisionen may later decide to re-examine issues relating to this and previous accounting years, which may lead to the 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 supplementary appropriation acts. The public accounts should include all government income and expenditure concerning the past fiscal year and assets and liabilities and movements in these in the year. The public accounts consist of the financial statements of the government departments, which include the financial statements of the individual entities and bodies 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 the internal controls necessary to facilitate the preparation of financial statements 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 entering 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 the central government, the ministries cannot verify all the information provided by *Udbetaling Danmark* and the municipalities before the public accounts are presented. It is, therefore, essential that the information received from *Udbetaling* is verified subsequently and before Rigsrevisionen expresses its opinion on the public accounts. The verification is obtained when *Udbetaling Danmark*'s financial statements and annual report are audited by an approved auditor before Rigsrevisionen expresses its opinion on the public accounts. The information provided by the municipalities is verified through auditor reports that are available after Rigsrevisionen has expressed its opinion on the public accounts. The ministries are, therefore, required to correct any misstatements subsequently to ensure the correctness of the public accounts, when viewed over several 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 expenses 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 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 auditing 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 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 misstatements resulting from fraud is higher than for misstatements 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 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 the 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 included in the public accounts. Our conclusions concerning these audits appear from our opinions on the individual ministerial remits or other sections of the public accounts. If our opinions are qualified or otherwise modified, it will appear in this report.

Opinion on compliance and performance audit

The ministries are responsible for ensuring that the transactions comprised by the financial statements comply 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 also 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 to select subject matters relevant to both compliance audit and performance audit of the public accounts. These audits are planned and prioritised five years ahead. The scope of each audit is limited to specific transactions, systems or processes that entail a risk of significant violations of the regulations or weaknesses in the administration.

We report our conclusions and the scope of the audit 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 reported to the Public Accounts Committee in the Report on the audit of the government's administration.

Rigsrevisionen, 3 August 2023

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