



Extract from the report to the
Public Accounts Committee on
the ministries' requests for
in-year adjustments to the budget

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1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns requests for in-year adjustments to the budget that are submitted to the Finance Committee under the Danish parliament by the ministries in the course of the fiscal year. During its audits, Rigsrevisionen had, among other things, noticed the differences in appearance of the requests and therefore initiated the study in May 2014.

2. By approving the requests for funding, the Finance Committee makes the final decision to invest in and launch, for instance, large projects. Therefore, the requests need to include the financial aspects of the proposed projects.

3. It appears from the Finance Committee's report on its working method that the presentation of facts in the submissions must provide an adequate basis for decision by the members of the committee. The specific requirements to the requests are defined in the *Budget Guideline Handbook* that is issued by the Ministry of Finance.

BOX 1. THE BUDGET GUIDELINE HANDBOOK

This handbook provides guidance on the government's appropriation provisions. It is developed by the Ministry of Finance and subsequently presented to the Finance Committee for approval.

The handbook is updated regularly and adopted by the Finance Committee. Subsequently, the Ministry of Finance issues a departmental notice concerning the handbook. The current version is referred to as *Budget Guideline Handbook 2014*, cf. circular no. 9802 of 10 December 2013.

4. This study includes 112 submissions regarding in-year adjustments concerning funding of investment projects like, for instance, the building of a university, the procurement of a train or helicopter and the construction of a bridge, road or railway, which were all approved by the Finance Committee in the period January 2011 to September 2014. With the approval of the investment projects referred to in the 112 requests, the committee approved funding of approximately DKK 56 billion.

5. The 112 requests were submitted by 10 current ministries and three former ministries. Approximately 80 of the 112 requests reviewed were forwarded by either the Ministry of Transport, the Ministry of Defence or the Ministry of Climate, Energy and Building. We have therefore examined whether these three ministries' prepare the requests in compliance with the provisions of the Budget Guideline Handbook. Moreover, we have examined the role of the Ministry of Finance in assuring the quality of the contents of the requests against the provisions of the handbook.

The 10 ministries:

- Ministry of Finance
- Ministry of Transport
- Ministry of Defence
- Ministry of Climate, Energy and Building
- Ministry of Taxation
- Ministry of Justice
- Ministry of Higher Education and Science
- Ministry of Education
- Ministry of Culture
- Ministry of the Environment

6. The purpose of the examination is to assess whether the specific ministries and the Ministry of Finance ensure that their requests for funding of investment projects comply with the provisions of the Budget Guideline Handbook. The report answers the following questions:

- Do the requests meet the information requirements prescribed by the Budget Guideline Handbook?
- Do the Ministry of Transport, the Ministry of Defence, and the Ministry of Climate, Energy and Building develop their requests in compliance with the information requirements concerning investment projects prescribed by the Budget Guideline Handbook?
- Is the Ministry of Finance checking whether the requests meet the information requirements prescribed by the Budget Guideline Handbook concerning investment projects?

CONCLUSION

Rigsrevisionen finds that in order to improve the consistency and transparency of the requests, the provisions of the Budget Guideline Handbook concerning the scope and nature of required information on investment projects should be clarified. This would make the background for the requests for in-year adjustments to the budget more clear and thus improve the basis upon which the Finance Committee makes its decision.

Overall, Rigsrevisionen finds that the specific ministries and the Ministry of Finance do not adequately ensure that requests for funding of investments project meet the provisions of the handbook. The examination shows that the 112 reviewed requests all largely include the required information, yet many fails to provide essential information on the projects, and others present essential information in an inconsistent manner. Neither the Ministry of Transport, the Ministry of Defence and the Ministry of Climate, Energy and Building, nor the Ministry of Finance are systematically ensuring that all essential information is presented when they elaborate and consider the requests. Rigsrevisionen finds that the fact that essential financial and non-financial is either presented in an inconsistent manner or not included at all in the requests weakens the basis for decision.

Two significant issues are generally not addressed in the requests. First, only in a few instances do the 112 requests include assessments of the overall economy of the projects, including assessments of the most economical solution. Second, none of the requests includes information on the potential administrative, commercial and environmental consequences of the suggested investment projects, nor do they refer to any potential legal implications in relation to the European Community. This in spite of the fact that the Finance Committee has emphasized the importance of having access to such information in the requests.

Rigsrevisionen also emphasizes that the total costs of the projects are presented differently in the respective requests. For instance, it is not clearly stated whether internal salary costs and provisions are included in the estimates of the total project costs, which affects the transparency and comparability of the information. Moreover, the lack of specific provisions in the handbook concerning descriptions of the actual projects, has the consequence that risks, which may increase the costs of a project, are either described very differently or not at all in the documents.

Rigsrevisionen therefore finds that the Ministry of Finance should review the information requirements that are included in the Budget Guideline Handbook to ensure that they are relevant and in compliance with current practice. At the same time, the Ministry of Finance should consider whether the requirements should appear more unambiguous and whether it would be relevant to account also for overall economic considerations in requests concerning procurement. The Ministry of Finance has indicated to Rigsrevisionen that it will work to achieve closer agreement between the provisions concerning the presentation of the requests and the practice currently followed.