



Transparency
 Report on the audit of the Danish government's accounts
 Trust
 Salary audit Consequence of weaknesses in the administration Payroll audit Data analysis Reform of the Folkeskole New chair of the Danish Public Accounts Committee Audit opinion on section 38 SKAT's refunding of the state's tax-returned income
Audit of the Danish government accounts
 Ransomware attacks
The performance of job centres
 Construction of a veterinary laboratory on the grounds of the DTU Pathways for refugees with trauma Cross-government focus The Danish health reform Performance audit and politics Communication Knowledge-sharing meetings
Data
Patients' right to prompt investigation
 Compliance audit Protection against ransomware attacks Employee satisfaction survey Patients' right to prompt investigation The performance of the Danish police Processing of competition cases The Danish Defence's prerequisites for performing its tasks Performance targets 2018
Support to the fisheries sector
Transparency
 The government's ownership in co-owned enterprises
 Data analysis Measures taken against owners of motor vehicles who fail to have their vehicles periodically inspected Relocation of government jobs Archaeological investigations Accountability
 The authorities' use of foreign-language interpreters
Economy
 Targetted audit with the standards for public sector
 Auditing (SOB) Management of ECTS credits in institutions of higher education
Targetted audit
 Credibility

April 2019

Annual report and accounts 2018

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Rigsrevisionen's annual report and accounts 2018 is submitted to the Danish Public Accounts Committee in accordance with section 17 (4) of the Danish Auditor General Act.

The Auditor General's statement

Trust and control

In Denmark, citizens generally have confidence in their social community as well as in the government and its institutions. Farmers and others with a bit of land often place a stand accessible from the roadside selling fresh vegetables, berries and honey. Buyers are trusted to leave money in the jar – and they actually do. The trust extends to a general trust in the Danish government institutions and business community. In recent years, the citizens' trust in some of our government institutions has, however, been challenged. Multi-billion tax fraud and multi-million embezzlement against a social welfare authority have challenged the citizens' confidence in the government's ability to look after their money. Not surprisingly, many have subsequently called for more and tighter control of public money, and more control is in some cases entirely justified. For instance, the rapid digital transformation of our society has left gaps in the legislation that may ultimately have a negative impact on the citizens as well as the government. But in many cases – and seen from my perspective – the solution is not more control, but making better use of the control measures that are currently available and simplifying the systems that are to be monitored and checked.



When something out of the ordinary happens, like the two rather exceptional cases referred to in the above, we routinely ask ourselves these questions: Have we been thorough enough in our audit? Have we put focus on the right issues? Have we communicated our findings in a clear and straightforward manner to the auditees? Have we emphasised the possible consequences of weaknesses found in the administration? Going through this exercise, helps us refine, improve and develop our role as auditors of the financial operations of public sector bodies.

Evaluation of the quality of our reports

The quality of our reports is reviewed every year by an external panel of five professors from the University of Aarhus, Copenhagen Business School, the University of Roskilde and the University of Southern Denmark. Among other things, the evaluators look at the relation between analyses and conclusions and the appropriateness of the audit criteria we define for measuring the performance of the government departments. Our reports are rated based on a scale ranging from *less satisfactory* to *satisfactory* and *very satisfactory*. In 2018, the quality of three of our reports was rated *very satisfactory* and the remaining 19 received a rating of *satisfactory*. The evaluators' recommendations provide the basis for adjustments and further development of our major studies.

New product

A new type of report will be submitted to the Danish Public Accounts Committee in 2019. Rigsrevisionen has previously reported on performance and compliance issues detected in the course of financial audit in the annual report on the audit of the government accounts. However, we feel that these findings deserve to be further highlighted, and we have therefore decided to publish them in a separate report.

Otherwise, 2019 will be a year of consolidation for Rigsrevisionen with focus on achievement of the goals and objectives that we set for ourselves in our strategic plan 2018-2020. This means that our efforts shall be invested in developing more data-driven audits, generating more subjects for cross-government studies and aligning the audit with the Danish standards for public sector auditing.

Lone Strøm
Auditor General

What we do

Rigsrevisionen is part of the parliamentary system in Denmark and is an independent institution under the Folketing (Danish parliament). We audit the Danish government accounts, which means that we check the correctness of the accounts of government departments, agencies and bodies to ascertain that the accounts are without material error and deficiencies, that public funds are used for the purposes decided by the Folketing, and that the administration of public funds is economic, efficient and effective.

Rigsrevisionen submits its reports to the Danish Public Accounts Committee. The six members of the committee are politicians appointed by the Folketing upon nomination by the parties represented in parliament. Only the Public Accounts Committee is authorised to ask Rigsrevisionen to examine a specific policy area.

The current members of the committee are elected for the period 1 October 2018 - 1 October 2022 and are from 1st row left to right: *Villum Christensen* (Liberal Alliance), *Henrik Thorup*, chair (Dansk Folkeparti), *Klaus Frandsen*, vice-chair (Radikale Venstre), 2nd row left to right: *Frank Aaen* (Enhedslisten), *Britt Bager* (Venstre) and *Henrik Sass Larsen* (Socialdemokratiet).



Photo: Michael Ellehammer

When we have submitted a report to the members of the Public Accounts Committee, they add their comments and send the report to the Folketing with a request that the responsible minister addresses the issues raised in the report. Rigsrevisionen follows up on the minister's response and prepares a memorandum to the members of the Public Accounts Committee. Read more about this process on www.rigsrevisionen.dk.

Knowledge-sharing meetings in 2018

- Trends in payroll and pension audits – *approx. 100 participants.*
- Protection against ransomware attacks with presentations by the Danish Centre for Cyber Security and the Danish Ministry of Foreign Affairs – *approx. 90 participants.*

Rigsrevisionen audits the income and expenditure included in the government account, including the funds that Denmark receive and contribute to the European Community. We also audit some 30 EU projects and 43 enterprises and institutions that are not included in the government accounts such as the Danish national broadcasting corporation and the Danish state railways, whose expenditure and deficits are funded by government grants, government contributions or other income as provided by law. Rigsrevisionen performs the audit in compliance with the Danish standards for public sector auditing (SOR).

Rigsrevisionen also has access to review the accounts of the five Danish regions that are audited by the regions' internal auditors, and we have authority to carry out major studies in the regions. At local government level, we review expenditure that is either fully or partly reimbursed by government.

In connection with the audit, Rigsrevisionen also provides consultancy services and guidance to the administration on various issues like, for instance, internal control, and we regularly invite the auditees to attend knowledge-sharing meetings on various issues of mutual interest.

Our strategy 2018–2020

Rigsrevisionen is currently aiming to achieve the objectives set out in our strategic plan for the period 2018-2020. Key elements of the strategy appear from the figure below.



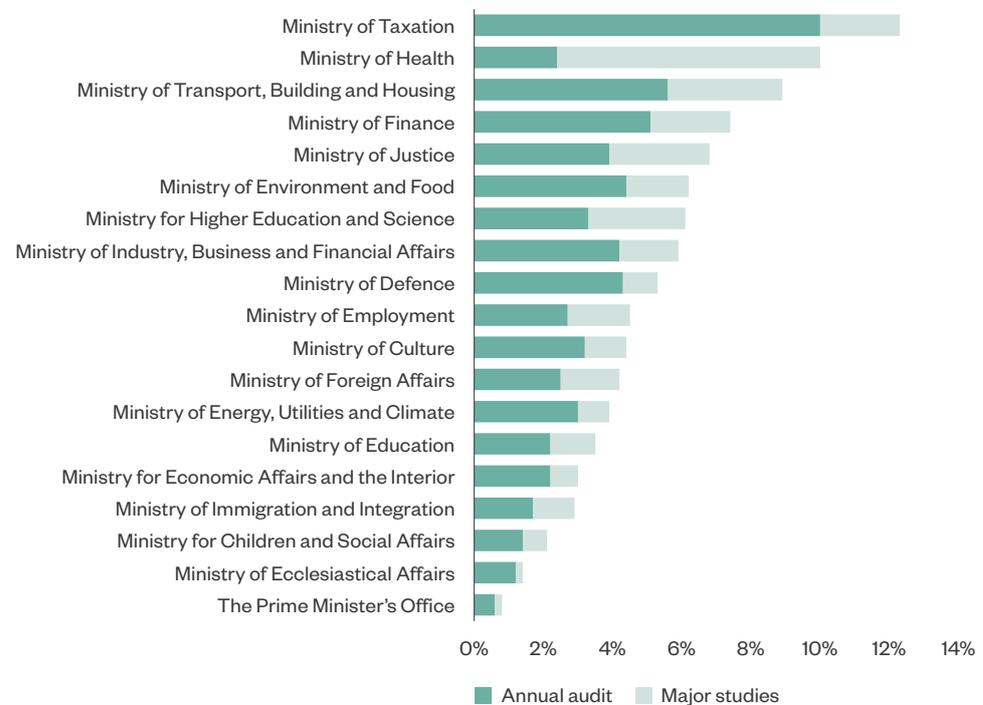
Find the strategy document on www.rigsrevisionen.dk.

Allocation of resources

Rigsrevisionen's scrutiny of the government accounts is carried out either as annual financial audit, including elements of performance and compliance audit, or major studies of specific policy areas. Annual audit is a systematic audit of all ministerial departments, agencies and bodies based on an assessment of materiality and risk. Based on the results of our audit, we issue an audit opinion on the individual ministerial remits on the government accounts. These are published in the annual report on the audit of the government accounts. The focus of the major studies is on issues of significant economic or principle importance. Such issues may concern several accounting years, but need not necessarily have a bearing on the accounts of the affected departments. The results of the major studies are reported to the Danish Public Accounts Committee.

The figure below shows that we allocated 64% of our resources to financial audit and 36% to major studies.

Allocation of resources 2018



Note: The statement includes all costs related to the audit of the 19 government departments.

In 2018, Rigsrevisionen allocated its resources based on:

- an assessment of materiality and risk
- current analyses
- our strategic commitments
- the complexity of the remits and number of bodies audited within each remit.

In 2018, Rigsrevisionen allocated 12.3% of its total resources to the audit of the Ministry of Taxation, 10% to the Ministry of Health and 8.9% to the Ministry of Transport, Building and Housing.

For the fourth consecutive year, the Ministry of Taxation ended at the top of the list: 10% of our resources went into annual audit of the department and 2.3% went into major studies of tax-related issues. We finished and published two major studies in the tax area in 2018: *The Danish Customs and Tax Administration's refunding of registration tax when used vehicles are exported* and *Measures taken by the authorities against owners of motor vehicles who fail to have their vehicles periodically inspected*.

In second place, we have the Ministry of Health. We finished and published seven major studies in 2018 on issues relating to the Danish national health system: *The sale of the vaccine production of the state-owned Statens Serum Institut*, *Protection against ransomware attacks*, *The authorities' use of foreign language interpreters*, *The health platform*, *Patients' right to prompt investigation*, *Pathways for refugees with trauma* and *Timely access to cancer services*.

In third place, we have the Ministry of Transport, Building and Housing. In total, we allocated 8.9% of our resources to this area of government. 5.6% went to financial audit and 3.3% to the conclusion and publication of five major studies: *Protection against ransomware attacks*, *How has the government exercised its ownership in co-owned enterprises*, *Relocation of government jobs*, *The construction of a veterinary laboratory on the grounds of the DTU* and *The measures taken by the authorities against owners of motor vehicles who fail to have their vehicles periodically inspected*.

Several of the reports referred to were cross-government reports and they therefore appear under more than one ministerial remit.

2018 performance



25%

Target: Minimum 25% of our reports are focused on issues that concern more than one government department.

36%

or 8 of the 22 reports that we submitted to the Danish Public Accounts Committee were cross-government studies.



3

Target: Three of our reports are focused on economy, efficiency and effectiveness (the three E's).

2

of our reports were focused on the three E's.

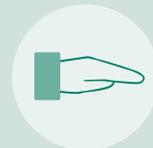


73

Target: Job satisfaction score 73 on average for the entire organisation and above 70 for each individual unit.

75

Job satisfaction was scored at 75 on average, but three units had a score below 70.



22

Target: All major studies receive a rating of *satisfactory* by the external evaluators.

22

The technical quality of three of our major studies received a rating of *very satisfactory* and the remaining 19 received a rating of *satisfactory*.



90%

Target: 90% of all unresolved issues in our major studies are addressed by the responsible minister within three years.

70%

of the unresolved issues were addressed within three years, i.e. the measures implemented by the minister were considered satisfactory by the auditor general.



Cross-government reports

Eight of the reports we submitted to the Danish Public Accounts Committee dealt with cross-government issues. For instance, they looked into issues where the departments and regions share a responsibility for the delivery of particular services. The subjects addressed ranged from the authorities use of foreign-language interpreters to the relocation of government jobs and the measures taken by the authorities against owners of motor vehicles who fail to have their vehicles periodically inspected. An internal team of analysts – established in 2018 – has worked out a catalogue with nine proposals for cross-government reports of which five have been selected for publication in 2019.

More reports with focus on economy, efficiency and effectiveness (the three E's)

Performance audit is a very distinctive feature of public sector auditing. It examines whether public sector bodies are operating in accordance with the principles of economy, efficiency and effectiveness, and thereby contributes to the accountability and transparency of public administration. Increasing the number of studies with this particular focus was an important strategic objective for Rigsrevisionen in 2018. However, we failed to achieve this target, mainly because the majority of the subjects of our report in 2018 were decided on in 2017 and concerned areas of the administration that were not obvious candidates for audits with focus on the three E's.

Job satisfaction

We measure staff's job satisfaction every two years. We did not fully achieve the targets we set for ourselves for 2018, but we were pleased to see job satisfaction increase by two points compared with 2016.

Evaluation of the technical quality of our reports

With the exception of the report on the audit of the Danish government accounts, the quality of all the reports we submitted to the Danish Public Accounts Committee is evaluated by a panel of external experts. The evaluators rate our reports on a scale ranging from *less satisfactory* to *satisfactory* and *very satisfactory*.

Outstanding issues in our reports

We – and the members of the Danish Public Accounts Committee – expect the relevant government departments to follow up on the issues we raise in our reports. This is how we measure the impact of our work in the strictest sense of the word. However, due to the complexity of the issues, it is not always possible for the government to address and settle all outstanding items within the three-year deadline. It is up to the relevant departments to implement appropriate measures in response to our conclusions; in 2018, only 70% of our recommendations and issues raised were addressed within the three-year deadline. The percentage of items that we close every year varies considerably and has ranged from 65% in 2015 to 83% in 2017 and 70% in 2018.

The evaluation panel 2018

- Professor Karsten Revsbech – *Department of Law, University of Aarhus*
- Professor Torben M. Andersen – *Department of Economics and Business Economics, Aarhus Universitet*
- Professor Lotte Jensen – *Department of Management, Politics and Philosophy, CBS*
- Professor Jan Pries-Heje – *Department of People and Technology, University of Roskilde*
- Professor Asbjørn Sonne Nørgaard – *Department of Political Science and Public Management, University of Southern Denmark.*

Our production, activities and impact in 2018

The 14 key indicators below provide an overall picture of Rigsrevisionen's production, activities and impact in 2018.



23

reports submitted to the Danish Public Accounts Committee, including the report on the audit of the Danish government accounts.



70%

of our recommendations were accepted and implemented by the departments within a three-year period.



2

knowledge-sharing meetings on protection against ransomware attacks and the audit of payroll and pension attracted an audience of 200 people.



53

memorandums submitted to the Danish Public Accounts Committee.



100%

The quality of our reports was rated *satisfactory* or *very satisfactory* by the external evaluators.



48

requests for access to information received and processed.



80%

Loyalty score in the job satisfaction survey.



23

audit opinions issued in connection with the audit of the Danish government accounts.



73

audit opinions issued on government agencies and bodies that are not included in the government accounts and on EU project accounts.



75

staff's overall job satisfaction scored 75 points in the job satisfaction survey.



2,890

So many times were Rigsrevisionen's products referred to in the Danish media.



77%

of our costs went into the production of our core products.



5

foreign delegations visited us to learn about public sector auditing in Denmark.



386,165

visits to our website.

2019 performance targets and expectations

The seven targets we have set for 2019 are all rooted in our strategy and contribute to achievement of the three promises we have made to our stakeholders.



Minimum 25% of the reports submitted to the Danish Public Accounts Committee are focused on issues that concern more than one government department.



The economic or other consequences of our audit findings are described in all our major studies. They are also highlighted in our audit opinions on compliance and performance audit, if findings have been significant.



We submit three performance audit reports with focus on the three E's to the Danish Public Accounts Committee with clear conclusions on the potential for improvements.



In August 2019, we submit a new cross-government report to the Danish Public Accounts Committee on findings concerning compliance and performance issues made in connection with the annual financial audit.



The technical quality of all our reports receives a minimum rating of *satisfactory* by the external evaluators.



90% of all unresolved issues in our major studies must be addressed by the responsible minister within three years.



90% of new hires in 2017, 2018 and 2019, are still working for Rigsrevisionen by the end of 2019.

Highlighting the consequences of our audit findings

Weaknesses in the administration can have consequences for the Danish parliament as well as for the citizens. These consequences are often of a financial nature and have an impact on the budget, but they may also affect the citizens more directly. In future, Rigsrevisionen intends to describe the consequences of shortcoming in the government's administration with more clarity. Our report on differences in the quality of care in Danish hospitals – submitted to the Danish Public Accounts Committee in January 2019 – was the first report in which we elaborated on the consequences. In the report, we concluded that the Danish Ministry of Health and the regions had not taken adequate steps to obtain knowledge of whether there were unfounded differences in the quality of care provided in the hospitals. This conclusion was followed by a description of how the ministry's and the regions' inadequate knowledge of unfounded differences in the quality of care might affect the patients' subsequent risk of readmission and death.

New report on compliance and performance audit

With this separate report on significant compliance and performance audit findings from the annual financial audit, Rigsrevisionen adds a new report to its product portfolio. Up to now, findings of this nature have been included in our annual report on the audit of the government accounts, where they were at risk of being overshadowed by the financial audit results. The new report will be submitted to the Danish Public Accounts Committee in August 2019.

Staff retention

It is demanding and expensive to recruit new employees, and it is therefore important that we do our very best to make new staff feel welcome. Rigsrevisionen has been through a couple of years with a turnover rate that has been slightly higher than we would like it to be. In 2019 we aim for a staff retention rate of 90% which means that 90% of the employees hired in the past three years are still working for Rigsrevisionen by the end of 2019.

Other performance targets

We repeat the two performance targets from 2018 concerning performance audit reports (the three E's) and cross-government reports as well as our fixed targets on the quality of our reports and closing of outstanding issues within three years.

Our people

Job satisfaction

Every second year, Rigsrevisionen carries out a job satisfaction survey. In 2018, 93% of staff answered the survey and rated management, relations with their immediate manager and colleagues, work environment, job content, salary and employment terms and professional development opportunities.

The survey showed that staff's overall job satisfaction had increased by 2 points to index 75 compared with the measurement made in 2016.

Staff turnover and recruitment

Staff turnover has dropped from 12.7% in 2017 to 11.8% in 2018. Taking into consideration that Rigsrevisionen employs many young people and that the labour market has recovered over the past couple of years, we are pleased with the progress made. In 2018, the overall staff turnover in government was 13% and in the ministerial departments 17.3%.

Recruitment of new staff in 2018 has been largely uncomplicated with many qualified candidates for the available positions. Recruitment of candidates with an MSc in Business Administration Economics and Auditing and IT auditors is still challenging, but we have succeeded in filling all vacancies in 2018.

The number of full-time equivalent persons employed increased from 264 in 2017 to 280 in 2018 for two reasons: (1) In 2018, we finally succeeded in hiring the last of the people needed to conduct the audits that were previously performed by internal audit functions in a number of government agencies, (2) We have allocated more resources to the development of financial audit.

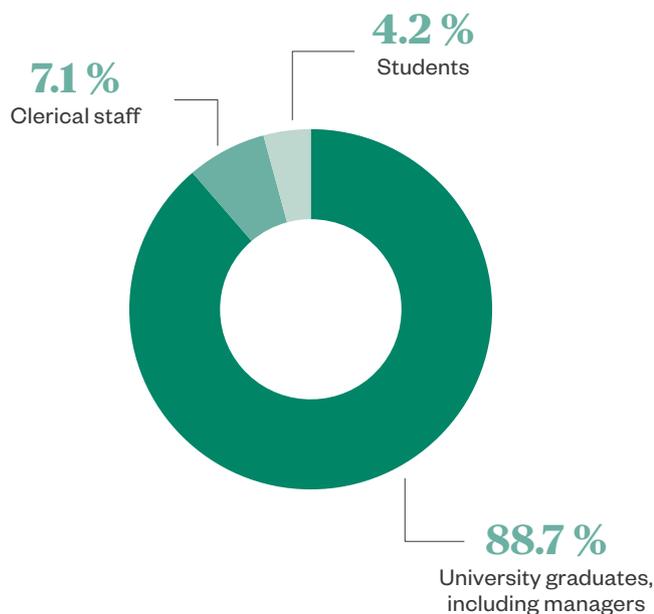
By the end of 2018, Rigsrevisionen employed 309 people; 44 joined in the course of the year and 30 left. Nine of these retired or stepped out of the labour market for other reasons, and the remaining 21 took up similar or more senior positions with other government institutions or private companies.

Former Rigsrevisionen employees now working for:

- The Ministry of Foreign Affairs
- The Ministry of Health
- The Danish Railway Company
- The Danish Energy Agency
- The Danish Environmental Protection Agency
- The Danish Agricultural Agency
- The Danish Defence
- The Danish Financial Supervisory Authority
- Private auditing firms
- The Greenland Self-Government Authority
- The Norwegian Supreme Audit Institution
- The Danish Red Cross.

Staff composition

Staff composition has not changed significantly over the past year and still reflects that Rigsrevisionen is a knowledge-intensive organisation.



Sickness absence

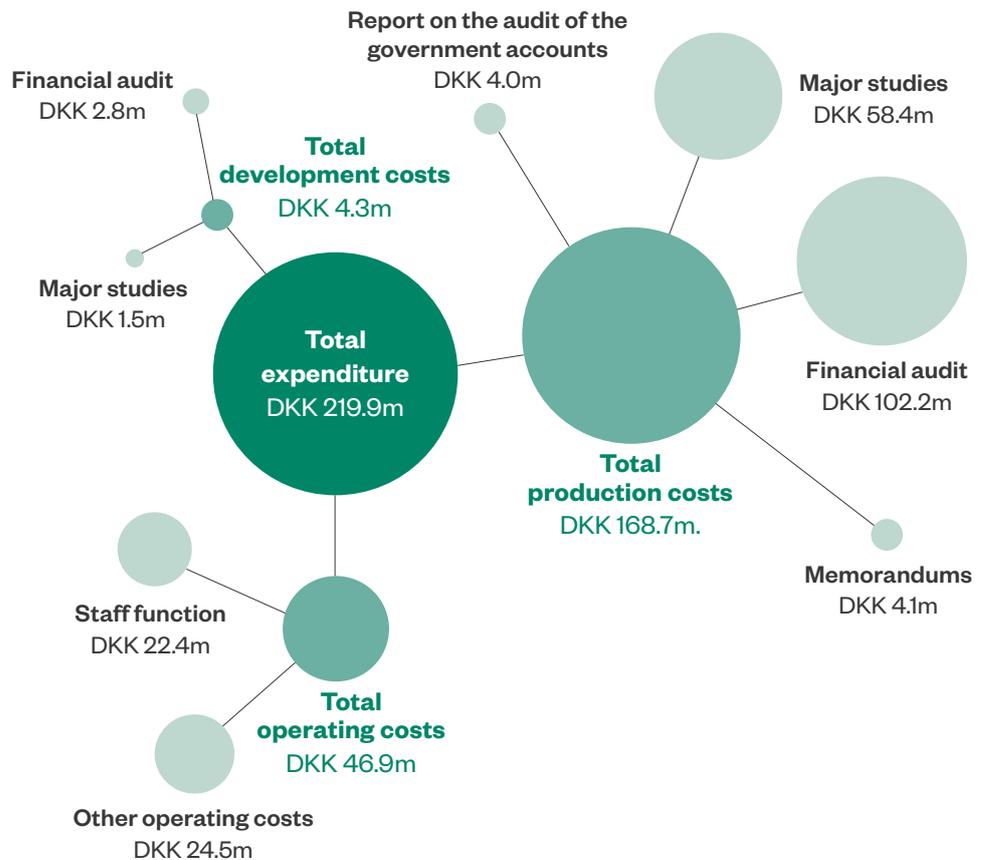
Sickness absence has dropped from 8.2 days in 2017 to 7.6 days in 2018, which is 0.5 days lower than the average for the public sector. Adjusted for long-term illness, the average per employee is 4.8 days, which is 0.8 days up on our target and 0.2 days up on the public sector average.

Financial performance

Rigsrevisionen’s overall financial result for 2018 is a deficit of DKK 3.9 million consisting of a positive variance in salaries of DKK 0.8 million and a negative variance of DKK 4.8 million compared with the operating appropriation.

The negative result is also affected by our decision to return to the Danish parliament DKK 10 million of our savings in operating costs. The transfer of the DKK 10 million reduced our accumulated operating surplus from previous years to DKK 16.5 million of which operating funds account for DKK 8.3 million and salaries account for DKK 8.2 million. Rigsrevisionen is planning to use a considerable amount of the savings in salaries in 2019 to strengthen the development of financial audit following the implementation of the new standards for public sector auditing (SOR).

This is how we spent our money in 2018



Seventy seven percent of our expenditure went to the production of our core services: financial audit, major studies, memorandums and the report on the audit of the Danish government accounts.

DKK 4.3 million (2%) went to development activities related to our strategic objectives concerning cross-government audits and data-driven audits.

We spent 46.9 million (21%) on operating costs, including administrative and general expenses such as rent, support to management and IT.

Financial statements and independent auditor's report

Rigsrevisionen's annual accounts for 2018

Statement of income and expenditure

(DKK '000)	Note	Actual 2017	Budget 2018 (not audited)	Actual 2018	Budget 2019 (not audited)
EXPENDITURE:					
Ordinary operating income:					
Net appropriation		212,100	217,200	212,200	224,300
Income relating to audit services	3	6,033	4,500	3,574	2,700
Total ordinary operating income		218,133	221,700	215,774	227,000
Ordinary operating expenditure:					
Rent		14,559	13,200	13,263	13,800
<i>Staff costs:</i>					
Salaries		140,650		151,862	
Pension contributions		23,174		24,791	
Salary refunds		(2,052)		(3,471)	
Other staff costs		1,430		1,077	
Total staff costs	6	163,202	175,100	174,258	180,800
Other ordinary operating expenditure		32,810	27,900	25,084	31,500
Amortisation, depreciation and write-downs	2	1,306	1,200	1,575	1,200
Inter-governmental purchase of goods and services		1,241	1,200	1,243	1,200
Salary costs exceeding the payroll cap	3	3,790	3,200	2,687	2,200
Other ordinary operating expenditure	3	1,088	900	481	300
Total ordinary operating expenditure		217,996	222,700	218,593	231,000
Result of ordinary operations		137	(1,000)	(2,818)	(4,000)
Internal government transfer income		0	0	(171)	(200)
Internal government transfer expenditure	3	929	1,200	1,115	1,100
Financial expenditure		334	300	183	200
Net result for the year – accruals based		(1,126)	(2,500)	(3,945)	(5,100)
Distribution of surplus/deficit for the year:					
Cancellation	3			114	
Surplus/deficit		(1,126)	(2,500)	(4,059)	(5,100)
Accumulated surplus	7	20,570	18,070	16,511	11,411
RIGSREVISIONEN'S PENSION STATEMENT:					
Net appropriation		6,900	6,600	6,600	6,700
Income (public service pension contributions)		1,971	2,200	1,660	2,200
Expenditure (pension benefits)		8,816	8,800	9,417	8,900
Rigsrevisionen's pension statement total		6,845	6,600	7,757	6,700
Net result for the year – cash based		55	0	(1,157)	0

Balance sheet

(DKK '000)	Note	31 December 2017	31 December 2018
ASSETS:			
Fixed assets:			
<i>Tangible fixed assets:</i>			
Leasehold improvements		1,023	902
Furniture and IT equipment		2,392	2,148
Total tangible fixed assets	2	3,416	3,050
<i>Financial assets investments:</i>			
Government guarantee	8	3,378	3,378
Total fixed assets:		6,794	6,428
Current assets:			
Receivables (including prepaid salaries and salaries owing)		5,380	3,261
Receivables: Rigsrevisionen's pension statement (including prepaid pensions)		8	6
<i>Cash:</i>			
Non-interest bearing account		50,149	42,425
Financing account		2,277	11,358
Total cash		52,425	53,783
Total current assets		57,814	57,050
Total assets		64,607	63,478
LIABILITIES:			
Equity:			
Adjusted equity (opening balance)	8	3,378	3,378
Cancellation	3		114
Surplus carried forward		20,570	16,511
Equity, pension payments		(132)	(111)
Total equity		23,816	19,892
Provisions	4	1,317	1,590
Long-term liabilities:			
Long-term debt	5	3,416	3,050
Total long-term liabilities		3,416	3,050
Short-term liabilities:			
Goods and services		4,200	5,233
Other short-term debt		4,251	4,006
Other short-term debt: Rigsrevisionen's pension statement		140	117
Holiday allowance and overtime pay, etc.		27,468	29,590
Total short-term liabilities		36,059	38,946
Total liabilities		64,607	63,478
Accounting policy applied	1		
Pension benefit obligation	9		

Notes to the financial statements

Note 1. Accounting policy applied

The financial statements are presented in accordance with the accounting standards applying to Rigsrevisionen. The accounts for Rigsrevisionen (operational appropriation) are accrual based, whereas the accounts for Rigsrevisionen's pension payments (other appropriation) are cost based. The accounting policy applied is identical with the policy applied to similar government appropriations.

The accounting year is the tax year. In the income statement, income is recognised when earned and expenditure is recognised when consumed. However, when goods delivered are not stocked and operating equipment is not capitalised, then the accrual accounting principles are used in combination with the principle of legal claim. The balance sheet shows Rigsrevisionen's total assets and liabilities.

Expenditure is accrued as follows:

- Payroll costs are expensed as incurred.
- Holiday allowance and provisions for accumulated overtime are expensed once a year.
- Consumption of goods and services, taking place within the same tax year and within 12 months after delivery or the performance of the work, is recognised upon delivery or when the work has been performed.
- Tangible assets are depreciated over the expected lifetime of the asset, ranging from three to ten years. Only assets with a value above DKK 50,000 are depreciated.
- For liabilities that do not concern delivery of goods and services, a provision or a short-term liability is recorded when a legally binding event has occurred and the liability has become plausible and can be estimated.

Income is recognised when a service has been provided and a legal entitlement to receive payment has been obtained.

Provisions concern severance payments and maintenance of the leased office space, which, in accordance with the leasehold contract, must be maintained to the level required by the property owner, should the lease be terminated.

Current pension payments made to public officials are expensed. No provisions for future pension benefits are made in the balance sheet. Still, payroll is charged with expenditure equal to a technical pension benefit provision.

The current technical pension provision makes up 15 per cent of the pension-bearing salary. For vacancies filled after 1 August 2005 or later, the rate is 20.3 per cent of the pension-bearing salary. In 2018, total pension provisions made up DKK 1.7 million against DKK 2.0 million in 2017.

The pension benefit obligation referred to in note 9 on page 23 is based on an actuarial estimate and will henceforward be estimated every five years.

Data from Navision Stat/SKS provides the basis for Rigsrevisionen's financial statements.

Note 2. Tangible fixed assets

(DKK '000 kr.)	Leasehold improvements	Furniture and IT equipment	Total tangible fixed assets
Cost, opening balance	5,184	6,849	12,033
Additions during the year	0	1,210	1,210
Disposals during the year	830	1,823	2,653
Cost, closing balance	4,354	6,236	10,590
Accumulated depreciation as at 31 December 2018	(3,451)	(4,089)	(7,540)
Net asset value as at 31 December 2018	902	2,148	3,050
Depreciation during the year	(121)	(1,454)	(1,575)

Leasehold improvements are fixtures and fittings in the leased premises paid for by Rigsrevisionen, and fixed assets relating to furniture and IT equipment are mainly IT licences.

Note 3. Commercial services provided

(DKK '000)	Actual 2018	Appropriation 2018	Variance 2018	Opening balance 2018	Total accumulated result
Salaries exceeding the payroll cap	2,687	3,700	1,013	(2,251)	(1,238)
Other ordinary operating expenditure	481	1,300	819	(443)	376
Internal government transfers	171		(171)		(171)
Expenditure	3,339	5,000	1,661	(2,694)	(1,033)
Income relating to audit services	(3,574)	(5,000)	(1,426)	2,573	1,147
Total	÷235	0	235	(121)	114
Surplus cancelled					(114)
Balance					0

The accumulated result for the year of DKK 114,000 has been booked as cancelled in sub-account no. 03.31.11.90, because surpluses of this nature cannot be used for the ordinary running of Rigsrevisionen.

Note 4. Provisions

The refurbishment of Rigsrevisionen's office space was completed by the end of 2017 and the vacated office space on the 4th floor to the proprietor. Rigsrevisionen has paid the proprietor of the office space – who was also responsible for carrying out the refurbishment – DKK 850 per square meter for the refurbishment. The provision made for future refurbishment projects will be DKK 5,544,000 distributed evenly over the next ten years. Thus, the provision makes up DKK 554,000 by the end of 2018.

Rigsrevisionen has made a provision for severance commitments. The severance commitments have been recognized in the salary accounts for 2018 and set off against provisions made. At year-end 2018, provisions for severance commitments was DKK 1 million.

Note 5. Follow-up on cash flow

Rigsrevisionen has depreciated its fixed assets on a monthly basis and made the relevant cash transfers on the respective SKB bank accounts (government payment system). In accordance with the cash flow arrangement, Rigsrevisionen has adjusted the non-interest bearing SKB account end of January 2019 to ensure that the balance corresponds to the net liabilities as at 31 December 2018 (provisions, current assets, short-term liabilities and surplus carried forward).

Utilisation of borrowing limit

(DKK '000)	Actual 2018
Total tangible fixed assets	3,050
Borrowing limit	7,500
Utilisation rate	40.7%

Note 6. Follow-up on payroll cap

(DKK '000)	Accumulated savings, opening balance 2018 Carried forward as approved by the Folketing	Actual 2018	Accumulated savings closing balance 2018
Payroll cap		175,100	
Salaries		174,258	
Variance	7,369	842	8,211

Rigsrevisionen is required to keep within a payroll cap and keep staff costs within the limit set by the Finance and Appropriation Act. However, subject to approval by the Folketing, Rigsrevisionen may exceed the limit by carrying forward savings in salary costs recorded in previous years.

Rigsrevisionen recorded savings in salaries of DKK 0.8 million in 2018, which increases Rigsrevisionen's accumulated surplus at year-end 2018 to DKK 8.2 million.

Note 7. Appropriation

(DKK millions)	Actual 2017	Finance Act/ additional appropriation 2018	Budget 2018 (not audited)	Actual 2018	Variance 2018	Budget 2019 (not audited)	Finance Act/ additional appropriation 2019
Net appropriation	212.1	212.2	217.2	212.2	5.0	224.3	224.3
Income	6.0	6.3	4.5	3.7	0.8	2.9	6.3
Expenditure	219.3	218.5	224.2	219.9	4.3	232.3	230.6
Result for the year	(1.1)	0.0	(2.5)	(3.9)	1.4	(5.1)	0.0
<i>Accumulated result:</i>							
Accumulated surplus opening balance 2018				20.6			
Cancellation of surplus related to commercial services provided				(0.1)			
Result for the year				(3.9)			
Accumulated surplus to be carried forward by year-end 2018				16.5			

The negative result of DKK 3.9 million in 2019 is deducted from the surplus carried forward from previous years. Rigsrevisionen has recorded a positive variance of 0.8 million in salaries and a negative variance in other operating expenditure of (DKK 4.8 million), see note 3.

Net appropriation in the Finance Act was DKK 222.2 million. Rigsrevisionen has transferred savings of DKK 10 million in operating costs to the Folketing.

Note 8. Government guarantee and adjusted equity (opening balance)

Adjusted equity (opening balance) represents the funding allocated to Rigsrevisionen by the Danish government. In the balance sheet, the adjusted equity is offset by a government guarantee. The value of the adjusted equity and the government guarantee equals the limit of fluctuation set for Rigsrevisionen's accumulated deficit. Originally, the government guarantee was calculated as 2 per cent of gross expenditure for 2006.

Note 9. Pension benefit obligation

(DKK millions)	31 December 2017	31 December 2018
Pension benefit obligation	310.4	307.2

Rigsrevisionen's aggregate pension benefit obligation to current public officials and retired public officials (including capital value of any future increase in retirement age) amounted to DKK 307.2 million as per 31 December 2018 against DKK 310.4 million as per 31 December 2017.

With effect from 2017, the pension benefit obligation will be re-estimated every fifth year by an actuary. In the intervening years, the amount will only be adjusted to reflect the death of recipients of pension benefits during the period. The pension benefit obligation has been estimated in accordance with the regulations that were published by the Ministry for Economic Affairs and the Interior on 5 July 2017.

Our calculations reflect the consequences of the retirement reform, which raised the retirement age, and are based on the assumption that retirement will take place two years after the earliest possible retirement age, as stipulated in the Municipal Pension Regulations. The calculations also take into consideration the rules concerning cuts in the pension if retirement takes place before the statutory retirement age, which depend on 1) year of birth – before or after 1 January 1959 – and 2) the date the employee joined Rigsrevisionen – before or after 1 January 2007. The annual growth rate corresponds to an annual average contribution percentage of 45.1 per cent of the pension-bearing salary. The annual growth rate and salaries have been weighted against the period in which the growth is expected. The pension benefit obligation has been calculated based on the most recent benchmark for life expectancy published by the Danish Financial Supervisory Authority, which includes a benchmark for future improvements in life expectancy, and takes into consideration both gender and age. Remaining calculations and the principles of capitalisation are based on the G82-model.

Management statement

Today the management of Rigsrevisionen presented the annual report and financial statements for 2018 for primary account no. 03.31.11. Rigsrevisionen, and for subsidiary account no. 03.41.01.60. Rigsrevisionen's pensions. The financial statements have been prepared in accordance with the accounting provisions applicable to Rigsrevisionen and form an integral part of the financial statements of the Folketing.

It is our opinion that:

- the annual report is correct, i.e. free from material misstatement or omissions, and that target setting and reporting are adequate;
- the transactions included in the financial statements are consistent with appropriations granted, legislation and other regulations, agreements made and generally accepted practice;
- that business procedures established ensure financially appropriate administration of the funding for which the financial statements are presented.

Copenhagen, 26 March 2018

Lone Strøm
Auditor General

Nanna Henning
Assistant Auditor General

The independent auditor's opinion

To the Presidium of the Folketing

Conclusion

We have audited the financial statements of Rigsrevisionen for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet and notes, including summary of significant accounting policies on pages 18-24. The financial statements are prepared in accordance with the accounting provisions applicable to Rigsrevisionen and form an integral part of the financial statements of the Folketing.

In our opinion, the financial statements are, in all material aspects, correct. The financial statements have been prepared in accordance with the accounting provisions applicable to Rigsrevisionen and form an integral part of the financial statements of the Folketing.

Basis for opinion

We conducted our audit in accordance with international auditing standards and additional provisions applicable in Denmark, and the public-sector auditing standards as the audit is conducted on the basis of the provisions of the audit instructions issued by the Presidium of the Folketing to the auditor of the Folketing. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Folketing in accordance with international ethical principles for auditors (IESBA's ethical standards) and any additional provisions applicable in Denmark, and we have fulfilled our other obligations in accordance with these ethical standards and requirements. In our opinion, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

The income and expenditure statement and note 7 for the financial year 1 January - 31 December 2018 include the approved budget for 2018. As it appears from the financial statements, these budget figures are not subject to audit. This does not affect our audit opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the accounting provisions that apply to Rigsrevisionen and form an integral part of the financial statements of the Folketing. Management is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Rigsrevisionen's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless management either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international auditing standards, the additional provisions that apply in Denmark, including the public-sector auditing standards, the provisions of the audit instructions issued by the Presidium of the Folketing to the auditor of the Folketing, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statements users taken on the basis of these financial statements.

As part of an audit conducted in accordance with international auditing standards, the additional provisions that apply in Denmark, including the public-sector auditing standards, the provisions of the audit instructions issued by the Presidium of the Folketing to the auditor of the Folketing, we exercise professional judgment and maintain professional scepticism through the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one 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 Rigsrevisionen's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Rigsrevisionen's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Rigsrevisionen to cease to continue as a going concern.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review and we do not express any form of assurance conclusion on the management's review.

In connection with our audit of the financial statements, our responsibility is to read through the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we consider whether the management's review includes disclosures required by the accounting provisions that apply to Rigsrevisionen.

Based on the work performed by us, we believe that the management's review is in accordance with the financial statements and has been prepared in accordance with the accounting provisions that apply to Rigsrevisionen. We did not identify any material misstatement in the management's review.

Report on other legal and regulatory requirements

Statement on compliance audit and performance audit

Management is responsible for the consistency of transactions comprised by the financial reporting with appropriations, legislation and other regulations as well as with agreements concluded and generally accepted practice, and for due financial considerations having been taken into account in the administration of the funds and the operation of the enterprises comprised by the financial statements. Management is in this connection responsible for establishing systems and processes that support economy, efficiency and effectiveness.

In accordance with the public-sector auditing standards, it is our responsibility, in connection with our audit of the financial statements, to select the subject matters relevant to both the compliance audit and the performance audit. During a compliance audit, we verify with reasonable assurance for the subject matters selected whether the transactions comprised by the financial reporting are consistent with appropriations, legislation and other regulations as well as 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 financial statements.

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.

Copenhagen, 26 March 2019

PricewaterhouseCoopers

State-authorized accountants

CVR no. 33 77 12 31

Jens Otto Damgaard
State-authorized Public Accountant

Jesper Randall Petersen
State-authorized Public Accountant

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