



FOLKETINGET
RIGSREVISIONEN

**ASSETS AND
LIABILITIES**
AVAL
TAX
**FRAUD
RISK**
ASSESSMENT

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April 2020

**Annual report and
accounts 2019**

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Rigsrevisionen's annual report and accounts for 2019 is submitted to the Danish Public Accounts Committee in accordance with section 17 (4) of the Danish Auditor General Act.

A word from the Auditor General

Auditing the Danish Customs and Tax Administration

The turn of the year is usually a good time to take stock, and for the past three or four years, this exercise has very consistently reflected that our work planning is – and probably will continue to be in the years ahead – extensively affected by events in one specific policy area: tax administration. In the years from 2016 to 2019, approx. 13% of our resources were focused on the Danish Customs and Tax Administration, which was facing enormous challenges ranging from fraudulent claims for refunding of dividend withholding tax to ineffective recovery of taxes and inadequate control of refunding of negative VAT. In the course of this four-year period, we have produced nine major studies on various tax administration issues, which, in combination with the results of the financial audit of the department's annual accounts, resulted in the issue of qualified opinions on the correctness of the financial statements of the government accounts for 2017 and 2018 concerning this particular area.

Advisory board

It is essential for us to have a close and honest dialogue with the auditees. We strive to use our resources efficiently and we have an ambition to add value to the public sector. Neither can be achieved, if we do not have insight into the problems and challenges that managers and staff in the departments and government bodies struggle with every day. Our cooperation with the advisory board, that was established in 2017, has proven its value also in this respect. The board serves as an insightful source of information concerning emerging issues, trends and developments in central government. We meet with the members of the board once or twice a year to discuss subjects of mutual interest and to hear their thoughts on, for instance, our strategic considerations and planned adjustments of methods and processes.

Internal control

In December 2019, we submitted a report to the Danish Public Accounts Committee on the procurement of maintenance and repair services by the Danish Ministry of Defence Estate Agency. The report disclosed how lack of compliance with internal control requirements had made it possible to abuse public funds. This is, however, only the most recent example of several involving misuse of public money that we have come across over the past few years. I do not think this is a reflection of a shortage of or blank spots in internal controls, but I do think it is a most obvious hint that public managers need to devote more attention to enforcement of existing internal control rules.



Advisory board

The external members of the advisory board were in 2019:

- Helena Lindberg – *Auditor General of the Supreme Audit Institution of Sweden*
- Charlotte Jepsen – *Managing Director of FSR – Danish auditors*
- Peter Stensgaard Mørch – *Permanent Secretary of the Danish Ministry of Finance*
- Bo Smith – *Chief Negotiator in the Agency for Science and Higher Education and former permanent secretary of the Danish Ministry of Employment*
- Michael Svarer – *Professor at the University of Aarhus and Chief Economic Adviser of the Danish Economic Council*
- Adam Wolf – *Managing Director of the Danish Regions.*

Our findings in the report on the Defence Estate Agency prompted the Danish Public Accounts Committee to ask us to do a study of internal controls across all government departments to get an impression of the state of affairs. We expect to publish this study in the 4th quarter of 2020.

UN's Sustainable Development Goals (SDGs)

There is currently much focus on the UN's Sustainable Development Goals, and the members of the Danish Public Accounts Committee have – at the request of the Danish Finance Committee – asked us to look into the government's work with the SDGs. As Denmark's supreme audit institution, we examine whether public funds are used efficiently and effectively and as intended by the Danish parliament. We publish the results of our audits and we follow up on the responsible ministries' response to our recommendations. In doing so, we contribute to added transparency in government administration and hopefully also to building strong institutions. We have not, at this point, set any specific measurable SDG targets for ourselves, but in performing our role, we are making a contribution to achievement of SDG goal no. 16 concerning justice and strong institutions.

Activities in 2020

Starting in January 2020, we publish high-level summaries of the background for, purpose and significant results of all the major studies that we submit to the Danish Public Accounts Committee. These new one-pagers are directed at politicians, journalists, citizens and others who need a short introduction to the results of our major studies.

In June 2020, the seven-year audit rotation rule will result in a minor organisational reshuffle, when a number of managers and members of staff assume responsibility for new audit areas. We seize this opportunity to establish a new unit in Rigsrevisionen, which – in accordance with our strategy for 2018-2022 – will be tasked with developing our data analytics skills further and embedding new technology in our ways of working, particularly in respect to those of our studies that are focused on the efficient, effective and economic use of public money.

7-year rule

Audit rotation helps us minimise the risk of excessively long relationships with the auditees. It is essential to prevent the auditors from developing too close relationships with the auditees, since this may affect the quality of the audit. Rigsrevisionen's staff are allowed to audit the same government bodies or companies for seven years.

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 check that the Danish government accounts are correct (financial audit), that public authorities and other government funded agencies and bodies act in compliance with current legislation and rules (compliance audit) and that public money is used for the purposes decided by the Folketing and is administered effectively, efficiently and economically (performance audit).

Audit of the government accounts

The audit of the government accounts is Rigsrevisionen's core task. The audit is performed in accordance with the Danish standards of public-sector auditing (SOR) and good public-sector auditing principles. This means that the financial audit of the accounts includes also elements of compliance audit and performance audit. Our opinion on the audit of the financial statements of the various government agencies and bodies is included in the annual audit opinions formed on each separate ministerial remit. The annual report on the audit of the government accounts, which is submitted to the Danish Public Accounts Committee in August, includes our opinion on the government accounts as a whole and highlights significant errors or material weaknesses detected during the audit.

This year, we had to issue a qualified opinion on the government accounts for 2018 relating to issues found in the financial information on taxes and duties. The year before, we had to do the same, and for the very same reasons. The Public Accounts Committee was naturally very concerned by this and emphasised once more the need to strengthen and restore sound tax administration in Denmark. Apart from the area of taxes and duties, however, our audit showed that the ministries had observed the terms of appropriated funding and we could conclude that, overall, the government accounts for 2018 were correct.

Members of the Danish Public Accounts Committee

- Henrik Thorup – *The Danish People's Party (chair)*
- Klaus Frandsen – *The Social Liberal Party (vice-chair)*
- Villum Christensen – *The Liberal Alliance*
- Frank Aaen – *The Red Green Alliance*
- Britt Bager – *Denmark's Liberal Party*
- Flemming Møller Mortensen – *The Social Democratic Party*.

Qualification

If the audited government body is unable, for instance, to provide documentation of the correctness of data included in the government accounts, the auditors will qualify their opinion.

Audit of the government's administration

Rigsrevisionen worked out and submitted its first ever separate report on the government's administration in August 2019. Previously, the most significant results of the compliance audit and performance audit of the financial statements of the government agencies and bodies were included in the annual report on the audit of the government accounts. Publishing our findings relating to this particular field of government administration in a separate report make them stand out. The Public Accounts Committee welcomed the report, which, among many other issues, referred to three critical audit matters in the remit of the Ministry of Taxation. A critical audit matter refers to significant breaches of regulations or deficiencies in the administration. These were the only critical audit matters referred to in the report which also included summaries of a number of other issues that required the Public Accounts Committee's attention.

Major studies

In 2019, Rigsrevisionen presented the results of 22 major studies to the Public Accounts Committee. Four of these were initiated at the request of the Public Accounts Committee and concerned the transfer between two public bodies of the research-based veterinary services provided to the public sector, relief of the statutory audit obligation for small holding companies, cost of tendering in the public sector and grant administration. Only the six members of the Public Accounts Committee, who are appointed for a period of four years by the Folketing, have the authority to ask Rigsrevisionen to examine a specific policy area. Read more about the Public Accounts Committee [here](#).

Data and data analytics have attracted much attention the past few years, and in 2019 we published two – very different – major studies on the subject. Our report on open data concerned the government's efforts to open data. Open data has an economic value that can be realised when the citizens, for instance, base the development of new products on government data. The purpose of the study was to determine the extent to which the ministries across government have made a targeted effort to realise the potential of opening up new data sets. The study presented the first complete overview of all open government data in Denmark and gave the departments an opportunity to learn from each other.

The other study about data had focus on the five largest Danish universities' protection of research data. According to the Danish Center for Cyber Security, Danish universities are facing a high risk of being attacked by hackers. Particularly research data within the fields of economy, chemistry, physics, geology, environmental science and transport seem to be particularly attractive to hackers. The study found that the universities are not protecting research data adequately against the risk associated with the use of unknown IT equipment. Unknown IT equipment is equipment that the IT department at the university has no records of, like, for instance, laptops or printers that researchers bring with them and plug into the university network. The Ministry of Higher Education and Science informed Rigsrevisionen that the department would ask the universities to identify and remedy any critical IT security breaches and together with the universities develop a plan to establish the required IT security organisation and culture at the universities.

For a list of all reports submitted in 2019, please see appendix 1.

Other auditing task

In accordance with the provisions of the Auditor General Act, Rigsrevisionen also audits the financial statements of 34 independent public enterprises like, for instance, the Danish state railways and the Danish national broadcasting corporation. The total expenditure of these 34 independent public enterprises was well over DKK 34 billion in 2018.

Last, the Nordic cooperation established between Denmark, Norway, Sweden, Iceland, the Faroe Islands, Greenland and Åland requires us to audit the Nordic Council of Ministers, the Nordic Council and the Nordic Culture Fund. Rigsrevisionen audits these three institutions, because the provisions of the Nordic audit regulations prescribe that the country hosting the headquarters of the Nordic cooperation also audits the financial statements of the three institutions.

Rigsrevisionen also issues opinions to government recipients of EU funding. These opinions include assessments of whether the financial statements present a fair view of the recipients' expenditure and possible income in connection with the implementation of EU-funded projects.

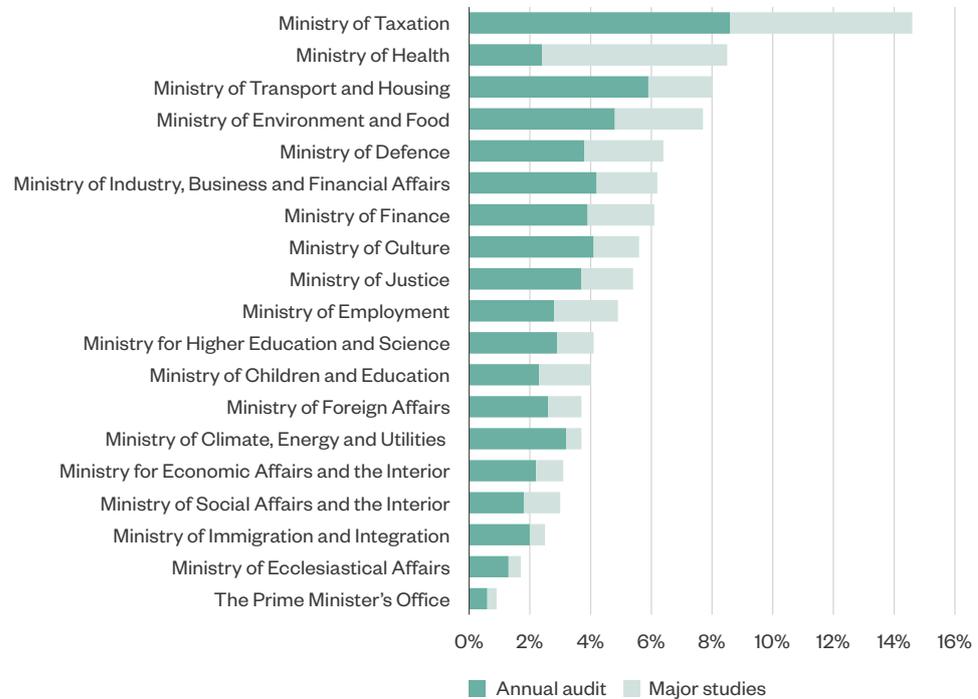
Allocation of resources

In 2019, 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.

The figure overleaf shows that 63% of our resources were allocated to *financial audit* (audit of the government accounts, the government's administration and other auditing tasks) and 37% to *major studies*.

Allocation of resources in 2019



Note: Following the change of government in June 2019, the Ministry for Economic Affairs and the Interior was merged with the Ministry of Children and Social Affairs. However, both appear in the list above in order to maintain alignment with the number of ministries included in the Danish Fiscal Act for 2019.

In 2019, Rigsrevisionen allocated 14.6% of its resources to the audit of the Ministry of Taxation, 8.5% to the Ministry of Health, 8.0% to the Ministry of Transport, Building and Housing and 7.7% to the Ministry of Environment and Food.

For the fifth consecutive year, the Ministry of Taxation ended at the top of the list: 8.6% of our resources went into annual audit of the department and 6.0% went into major studies of tax-related issues. We published four major studies in the tax area in 2019: *Taxation of shares*, *Development of a new tax recovery system and onboarding of claimants*, *Collection and enforcement of financial penalties imposed by the Danish police* and *Relief of the statutory auditing obligation*. The two last mentioned reports dealt with cross-departmental issues and concerned the remits of the Ministry of Justice and the Ministry of Industry, Business and Financial Affairs.

Number two on the list is the Ministry of Health. We published two major studies in the field of health: *Differences in the quality of care in Danish hospitals* and *National recommendations on medicines*. 6.1% of our resources went into the elaboration of these two reports and 2.4% went into the annual financial audit of the department.

Compared to 2018, not much has changed in terms of which policy areas that require particular attention. Also in 2019, most of our resources were allocated to the audit of the Ministry of Taxation (12.3%), the Ministry of Health (10%) and the Ministry of Transport and Housing (8.9%).

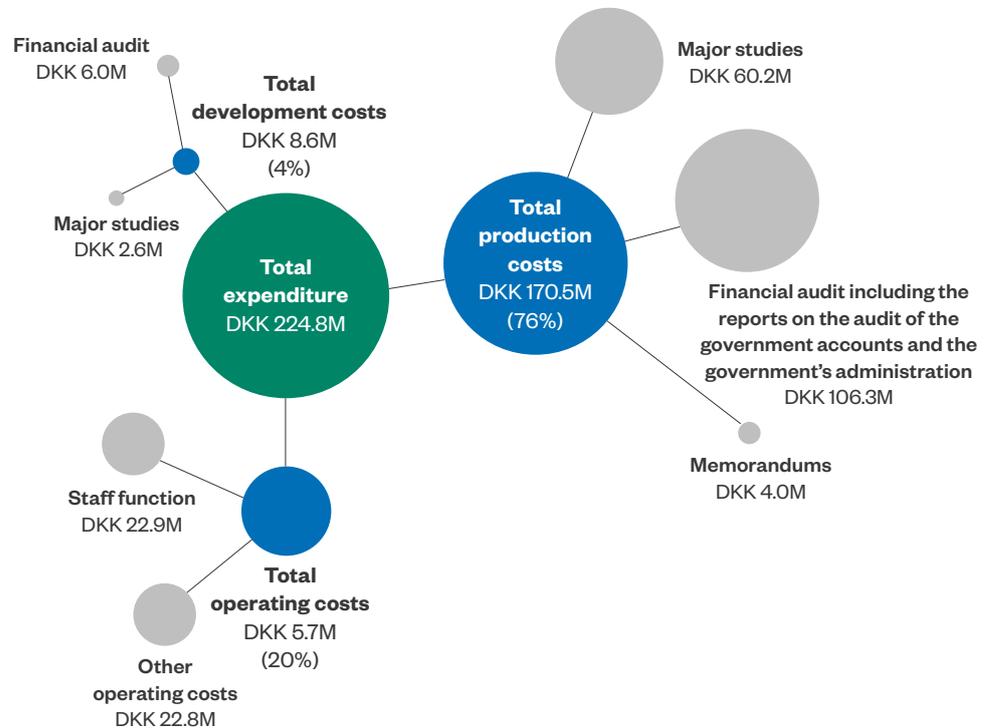
Financial performance

Rigsrevisionen's total expenditure of DKK 224.8 million in 2019 covers production, development and operating costs. Rigsrevisionen ended the year with a surplus of DKK 1.8 million, consisting of a planned negative variance in salaries of DKK 6.2 million and a positive variance in operating costs of DKK 8.0 million.

In 2019, Rigsrevisionen invested part of its accumulated savings in salaries in various development projects related to refinement of our auditing tools, methods and processes to ensure full compliance with the Danish standards of public-sector auditing (SOR). All these projects will be finished mid-year 2020.

The positive variance in operating costs is caused by moderate spending on consultancy and IT. Rigsrevisionen's commercial services have been phased out and will be financed within our operational framework with effect from 2020. As a result, our operating appropriation for 2020 has been reduced by DKK 3 million.

How we spent our money in 2019



Total costs increased by DKK 4.9 million (2%) over 2018, while operating costs were 1.2 million lower than in 2018 due to savings in consultancy and IT costs.

As it appears from the figure, 76% of our resources went into delivery of our core services, i.e. financial audit, major studies, memorandums, the audit of the government accounts and the audit of the government's administration.

Our development costs doubled in 2019 compared with 2018 – from 2% to 4% – due to continued prioritisation of the development of SOR and the development of new data analytics tools to support data driven audits.

The development in unit costs of the individual products will appear from the graphs on pages x and xx.

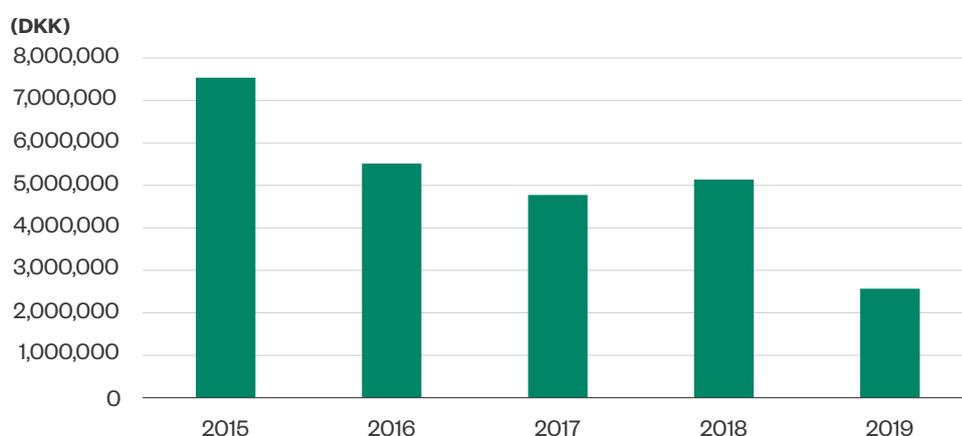
Rigsrevisionen's running costs of DKK 45.7 million make up 20% of total expenditure and include costs related to general management, HR, IT, economy, secretariat and rent.

The percentage ratio between overhead costs and direct production costs has been relatively stable over the years, but Rigsrevisionen has, along with most government institutions, had focus on being cost-effective, which has resulted in a reduction of our overhead costs per man-year of 5% in 2019 compared with 2018.

Unit costs

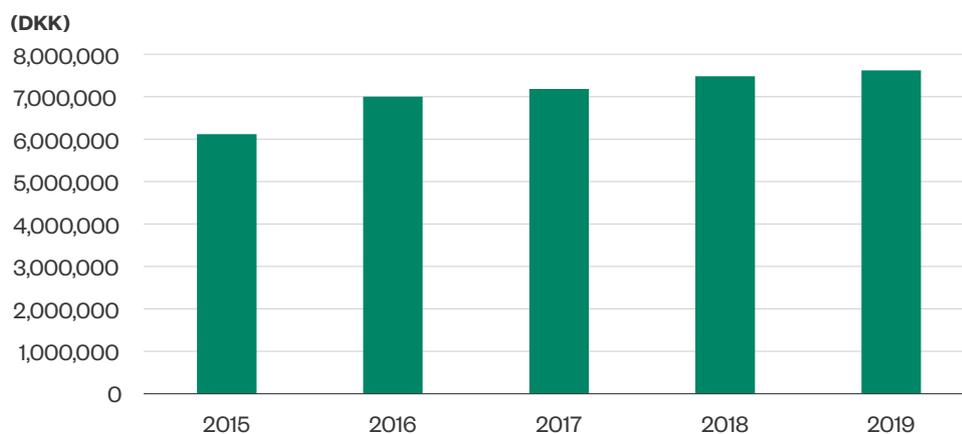
The relatively steady drop in unit costs for the audit of the government accounts that we have experienced over the past five years is related primarily to the successful outcome of our efforts to streamline every phase of the auditing process. However, the very positive development in costs from 2018 to 2019 is mainly reflecting the effect of the introduction of a new time registration practice.

Costs of auditing the government accounts (Report on the audit of the government accounts and Report on the government's administration)



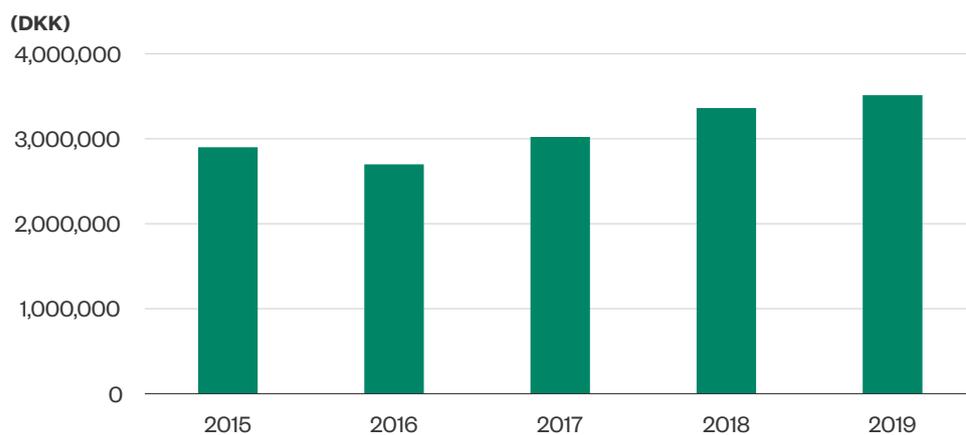
Broken down by ministerial department, the average cost of annual financial audit was DKK 7.6 million in 2019 against DKK 7.5 million in 2018.

Unit cost of annual financial audit by ministerial department



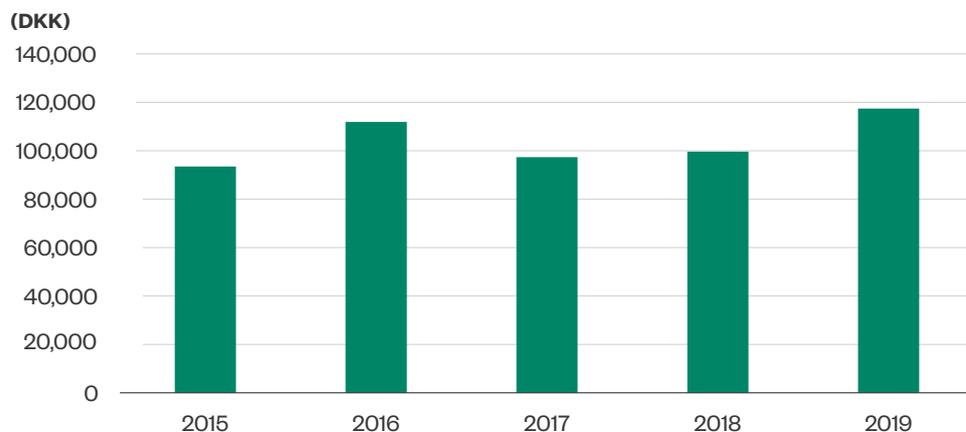
Rigsrevisionen submitted 22 major studies to the Public Accounts Committee in 2019, which was one less than in 2018. Unit cost per report in the period from 2014 to 2018 varied between DKK 2.7 million and DKK 3.4 million. Unit cost in 2019 was DKK 3.5 million and reflects a planned increase in the number of cross-government reports that are often more complex and time consuming to prepare.

Unit cost of major studies



The average cost of producing a memorandum was approx. DKK 120,000 in 2019. We submitted 43 memorandums to the Public Accounts Committee in 2019 against 53 in 2018. The number of memorandums varies from one year to the next, because most of them follow up on previous audit findings and are worked out only in the event of important developments.

Unit cost of memorandums



Organisation

Strategy

In 2017, Rigsrevisionen developed a three-year strategy covering the years from 2018 to 2020. In 2019, management decided to extend the period covered by the strategy by two years, because the three promises to society that form the core of the strategy required a dedicated effort over a longer period. At the same time, it was decided to review and update the current key action areas annually to ensure that they are in synch with developments in the audit industry.



Find the strategy document on www.rigsrevisionen.dk.

2019 performance



25%

Target: Minimum 25% of our major studies focus on issues that concern more than one government department

27%

Six of the 22 reports submitted to the Public Accounts Committee concerned more than one government department.



100%

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

91%

Two of the 22 reports submitted to the Public Accounts Committee did not describe the consequences of our audit findings. All audit opinions addressing significant findings on compliance and performance audit included mention of the consequences.



3

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

2

of our reports were focused on economy, efficiency and effectiveness.



1

Target: 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.

1

We presented the new report on the government's administration to the Public Accounts Committee at its meeting in August 2019.



22

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

21

The technical quality of three of our reports was rated very satisfactory, 18 reports received a rating of satisfactory and one report was rated less satisfactory.



90%

Target: 90% of all unresolved issues in our major studies must be addressed by the responsible minister within the three-year deadline.

50%

of all unresolved issues in our major studies were addressed to the satisfaction of the auditor general within the three-year deadline.



90%

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

82%

of the people hired in 2017, 2018 and 2019 were still working for Rigsrevisionen by the end of 2019 (108 new hires – 20 resignations).



The consequences of our audit findings

Rigsrevisionen wants to describe with more clarity how the Folketing and the citizens are affected by shortcomings in the government's administration. The possible consequences of administrative weaknesses can be of a financial nature, but they may also have a more direct, personal impact on the life of the citizens. We failed to achieve the target set for 2019, because the consequences of our audit findings in two of our major studies were not adequately described.

Three reports published with focus on economy, efficiency and effectiveness

Performance audit is the most distinctive difference between auditing in the private sector and in the public sector. Performance auditing creates transparency and gives the citizens and society in general insight into the government's administration of public money. Increasing the number of major studies with focus on economy, efficiency and effectiveness is a priority for Rigsrevisionen.

We only managed to publish two reports with this focus in 2019. One more was on the production list, but as the study progressed it became clear, that it did not meet with the very strict criteria that we have defined for this type of reports. On several occasions, lack of data has turned out to be a major obstacle to our efforts to achieve this strategic objective.

Evaluation of the technical quality of our major studies

With the exception of the Report on the audit of the government accounts and the Report on the government's administration, all our reports are evaluated annually by an external panel of experts. The evaluators rate the reports on a scale ranging from less satisfactory to very satisfactory. In 2019, one report received a rating of less satisfactory, three were rated very satisfactory and the quality of the remaining 18 reports was rated satisfactory.

Addressing unresolved issues

We – and the Public Accounts Committee – expect the relevant ministers to implement measures to address our recommendations and the issues we have raised. This is how we, in the strictest sense of the word, measure the impact of our work

Due to the complexity of the issues – let alone their solution – it is, however, not always possible to close all unresolved issues within the deadline of three years. In 2019, only 50% of all unresolved issues were addressed by the ministries within the deadline of three years. The number of cases that are closed varies considerably from year to year. For instance, 65% of all recommendations and issues raised were addressed within the deadline in 2015, but in 2017, the percentage was 83%. This year's result is not satisfactory, and Rigsrevisionen has taken steps to tighten the follow-up process, involving the preparation of memorandums to the ministries before expiry of the three-year period in which we list the issues that the ministries have not yet addressed.

The members of the evaluation panel

- Professor Karsten Revsbech – *Department of Law, University of Aarhus*
- Professor Torben M. Andersen – *Department of Economics and Business Economics, University of Aarhus*
- Professor Jan Pries-Heje – *Department of People and Technology, University of Roskilde*
- Professor Lene Holm Pedersen – *Department of Political Science, University of Copenhagen*
- Associate Professor Caroline Howard Grøn – *Department of Political Science, Aarhus University.*

Staff retention

We failed to achieve the planned retention rate of 90% in 2019, as only 82% of the staff hired over the past three years, were still working for us by the end of 2019. Exit interviews with the 20 employees that decided to leave us, reassured us that our failure to achieve the target was not a reflection of dissatisfaction with Rigsrevisionen as an employer, but the unfortunate outcome of a combination of other events: Some of the new hires were headhunted for other positions and were not actively seeking new job opportunities. Others were perhaps not entirely prepared for the extensive role played by performance audit compared to financial audit in the public sector.

Production, activities and impact in 2019

The 10 key indicators below provide an overall picture of Rigsrevisionen's production, activities and impact in 2019.



24

Reports submitted to the Public Accounts Committee including the Report on the audit of the government accounts and the Report on the government's administration.



85

requests for access to information received and processed. An increase over 2018 of 77%.



43

memorandums submitted to the Public Accounts Committee.



2,677

So many times did the media refer to Rigsrevisionen's reports and audit findings.



23

audit opinions issued on government accounts.



76%

of our costs went into the delivery of our core services.



75

audit opinions were issued on financial statements concerning government bodies and enterprises that are not included in the government accounts and on EU project accounts.



3

knowledge-sharing meetings on payroll, traumatised refugees and open data attracted a total of 250 participants.



561,850

visits to our website.



5

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

2020 performance targets and expectations

Our 2020 performance targets are the same as in 2019 with one minor adjustment. We have upgraded the target set for staff retention from 90% to 95%, because we have decided to calculate the retention rate over 12 months instead of 36 months. In 2020, Rigsrevisionen will set up a unit dedicated to developing our major studies with particular focus on performance auditing (studies of the economy, efficiency and effectiveness (the three E's) of public spending) and data analytics. Publishing three major studies with focus on the three E's has been a challenge for us in 2018 and 2019, but with this initiative, we expect to be better equipped to achieve the target in 2021.



Minimum 25% of our major studies have focus 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 and highlighted in our audit opinions on compliance and performance audit, if findings have been significant.



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



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



95% of new hires in 2020 are still working for Rigsrevisionen by the end of 2020.



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

HR

Employees

The number of full-time equivalent persons employed has increased from 280 in 2018 to 287 in 2019. The additional resources have mainly worked on projects set up with the aim of developing our methodologies within annual financial audit and data analytics. We expect to see a decrease in the number of full-time equivalents in pace with the completion and closing of these development projects in mid-2020.

Staff turnover

Staff turnover – including trainees – increased from 11.8% in 2018 to 13.0% in 2019. Excluding trainees, the turnover rate is 10.4% in 2019, which is acceptable in the current labour market. In 2019, Rigsrevisionen evaluated and updated its onboarding practice to ensure that new hires are quickly integrated in the organisation – professionally as well as socially. See page xx for information on our performance regarding staff retention in 2019.

Supplementary training and education

In 2019, 28% of Rigsrevisionen's staff attended one or several external training courses on mainly these subjects: auditing, IT, project management, facilitation and communication. At the same time, approx. 84% of the staff attended one or several in-house courses, including obligatory intro-programmes for new employees, risk and control based audit, GDPR and various e-learning courses provided by the government.

Sickness absence

In 2019, staff was absent due to sickness 5.7 days including long-term sickness, and for 4.0 days adjusted for long-term sickness. This is an improvement over both 2018 and 2017. The main contributor to the positive development is a significant drop in long-term sickness of 11% compared with 2018.

Climate accounts

	2017		2018		2019	
	Consumption	CO ₂ -emission	Consumption	CO ₂ -emission	Consumption	CO ₂ -emission
Electricity (200 grams per kWh)	300,739 kWh	60 tons	281,170 kWh	56 tons	240,910 kWh	48 tons
Official journeys, own vehicle (133 grams per kilometre per passenger)	7,161 km	1 tons	15,736 km	2 tons	14,365 km	2 tons
Train journeys (34,5 grams per transport krone)	DKK 191,150	9 tons	DKK 210,600	8 tons	DKK 196,250	7 tons
Air transport, short haul	92,499 km	14 tons	92,388 km	13 tons	82,380 km	13 tons
Air transport, medium haul	136,564 km	12 tons	110,141 km	10 tons	145,595 km	12 tons
Air transport, long haul	258,293 km	19 tons	266,582 km	25 tons	235,194 km	27 tons
Total		115 tons		114 tons		109 tons

Note: Emission related to air transport is based on calculations made by our travel agency Carlson Wagonlit.

Rigsrevisionen's CO₂-emission dropped by approx. 6% in 2019 compared with 2017 and by approx. 5% compared with 2018. The main reason for the positive development is the replacement of several rather old and well-used electric appliances with more climate compatible versions that took place in connection with the refurbishment of our offices in 2016/2017.

We are planning to apply the GHG-protocol for future calculations of our CO₂-emission, and we expect to include more elements in our climate accounts in the years to come.

Financial statements

Rigsrevisionen's annual accounts 2019

Statement of income and expenditure

(DKK '000)	Note	Actual 2018	Budget 2019 (not audited)	Actual 2019	Budget 2020 (not audited)
EXPENDITURE:					
Ordinary operating income:					
Net appropriation		212,200	224,300	224,300	227,400
Income relating to audit services	3	3,574	2,700	2,251	0
Total ordinary operating income		215,774	227,000	226,551	227,400
Ordinary operating expenditure					
Rent		13,263	13,800	12,729	12,490
<i>Staff costs:</i>					
Salaries		151,862		158,747	
Pension contributions		24,791		26,720	
Salary refunds		(3,471)		(2,742)	
Other staff costs		1,077		257	
Total staff costs	6	174,258	180,800	182,983	182,600
Other ordinary operating expenditure		25,084	31,500	23,566	29,960
Amortisation, depreciation and write-downs	2	1,575	1,200	1,476	2,700
Inter-governmental purchase of goods and services		1,243	1,200	1,197	500
Salary costs exceeding the payroll cap	3	2,687	2,200	1,706	0
Other ordinary operating expenditure	3	481	300	290	0
Total ordinary operating expenditure		218,593	231,000	223,947	228,250
Result of ordinary operations		(2,818)	(4,000)	2,604	(850)
Internal government transfer income		(171)	(200)	(128)	0
Internal government transfer expenditure	3	1,115	1,100	733	0
Financial expenditure		183	200	156	150
Net result for the year – accruals based		(3,945)	(5,100)	1,843	(1,000)
Distribution of surplus/deficit for the year:					
Cancellation	3	114	0	127	0
Surplus/deficit		(4,059)	(5,100)	1,715	(1,000)
Accumulated surplus	7	16,511	11,411	18,227	17,226
RIGSREVISIONEN'S PENSION STATEMENT					
Net appropriation		6,600	6,700	8,700	7,800
Income (public service pension contributions)		1,660	2,200	1,422	1,800
Expenditure (pension benefits)		9,417	8,900	10,333	9,600
Rigsrevisionen's pension statement total		7,757	6,700	8,910	7,800
Net result for the year – accruals based		(1,157)	0	(210)	0

Balance sheet

(DKK '000)	Note	31 December 2018	31 December 2019
ASSETS:			
Fixed assets:			
<i>Tangible fixed assets:</i>			
Leasehold improvements		902	782
Furniture and IT equipment		2,148	1,947
Total tangible fixed assets	2	3,050	2,729
<i>Financial assets investments:</i>			
Government guarantee	8	3,378	3,378
Total current assets:		6,428	6,107
Current assets:			
Receivables (including prepaid salaries and salaries owing)		3,261	3,323
Receivables: Rigsrevisionen's pension statement (including prepaid pensions)		6	886
<i>Cash:</i>			
Non-interest bearing account		42,425	53,669
Financing account		11,358	7,231
Total cash		53,783	60,900
Total current assets		57,050	65,109
Total assets		63,478	71,215
LIABILITIES:			
Equity:			
Adjusted equity (opening balance)	8	3,378	3,378
Cancellation	3	114	127
Surplus carried forward		16,511	18,227
Equity, pension payments		(111)	784
Total equity		19,892	22,516
Provisions	4	1,590	2,546
Long-term liabilities:			
Long-term debt	5	3,050	2,729
Total long-term liabilities		3,050	2,729
Short-term liabilities:			
Goods and services		5,233	7,355
Other short-term debt:		4,006	3,870
Other short-term debt: Rigsrevisionen's pension statement		117	987
Holiday allowance and overtime pay, etc.		29,590	31,213
Total short-term liabilities		38,946	43,425
Total liabilities		63,478	71,215
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. Rigsrevisionen's appropriation accounts are accrual based, whereas the accounts for Rigsrevisionen's pension payments 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 2019, total pension provisions made up DKK 1.4 million against DKK 1.7 million in 2018.

The pension benefit obligation referred to in note 9 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)	Leasehold improvements	Furniture and IT equipment	Total tangible fixed assets
Cost, opening balance	4,354	6,236	10,590
Additions during the year	0	1,155	1,155
Disposals during the year	0	0	0
Cost, closing balance	4,354	7,391	11,745
Accumulated depreciation as at 31 December 2019	(3,572)	(5,444)	(9,016)
Net asset value as at 31 December 2019	782	1,947	2,729
Depreciation during the year	(121)	(1,355)	(1,476)

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 equipment. Financial assets consist of the government guarantee of DKK 3.4 million which amount is offset through an equity adjustment. The amount is the same as in 2018.

Note 3. Commercial services provided

(DKK '000)	Accumulated result end of 2017	Actual 2018	Appropriation 2019	Actual 2019	Variance 2019	Total accumu- lated result
Salaries exceeding the payroll cap	11,851	2,687	3,700	1,706	(1,994)	16,244
Other ordinary operating expenditure	3,643	481	1,300	290	(1,010)	4,414
Internal government transfers	0	171	0	128	128	299
Expenditure	15,494	3,339	5,000	2,124	(2,876)	20,957
Income relating to audit services	(15,373)	(3,574)	(5,000)	(2,251)	2,749	(21,198)
Total	121	(235)	0	(127)	(127)	(241)
Surplus cancelled	0	114	-	127	127	241
Balance		0			0	0

The result for the year is a surplus of DKK 127,000. Surpluses of this nature cannot be transferred to the ordinary operation of Rigsrevisionen and is therefore eliminated. The actual cash adjustment will be included in the accounts for 2020. Commercial services were phased out in 2019.

Note 4. Provisions

Provisions concern Rigsrevisionen's leasehold and severance commitments.

Rigsrevisionen has a lease for 6,523 square meters. Starting in 2018, provisions for future refurbishment will be made over a period of 10 years. The total provision has been calculated based on the landlord's estimated expenditure of DKK 850 per square meter. The provision made for refurbishment was DKK 554,000 in 2018 and DKK 745,000 in 2019, which brings the accumulated provision at DKK 1,29 million by the end of 2019.

In accordance with Rigsrevisionen's contractual commitments to the auditor general, a provision of DKK 1,04 million was made in 2018 followed by an additional provision of DKK 212,000 in 2019. The total provision thus makes up DKK 1,25 million.

All other commitments to staff like, for instance, holiday allowance are included under short-term liabilities.

Note 5. 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).

Utilisation of borrowing limit

(DKK '000)	2019
Total tangible fixed assets	2,729
Borrowing limit	7,500
Utilisation rate	36.4%

Note 6. Payroll cap

(DKK '000)	Accumulated savings opening balance 2019	Actual 2019	Accumulated savings closing balance 2019
Payroll cap	-	176,800	-
Salaries	-	182,983	-
Variance		(6,183)	
Carried forward from previous years	8,211		2,028

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 salaries from previous years.

Rigsrevisionen recorded a negative variance in salaries of DKK 6.2 million in 2019, which will be deducted from the surplus carried forward from previous years (DKK 8.2 million). DKK 2.0 million will be carried forward to subsequent fiscal years.

Note 7. Appropriation accounts

(DKK millions)	Actual 2018	Finance Act/ additional appropriation 2019	Budget 2019 (not audited)	Actual 2019	Variance 2019	Budget 2020 (not audited)	Finance Act/ additional appropriation 2020
Net appropriation	212.2	224.3	224.3	224.3	0.0	227.4	227.4
Income	3.7	6.3	2.9	2.4	0.5	0.0	0.0
Expenditure	219.9	230.6	232.3	224.8	7.5	228.4	227.4
Result for the year	(3.9)	0.0	(5.1)	1.8	6.9	(1.0)	0.0
<i>Accumulated result:</i>							
Accumulated surplus opening balance 2018				16.5			
Elimination of surplus related to commercial services provided				(0.1)			
Result for the year				1.8			
Accumulated surplus to be carried forward				18.2			

Rigsrevisionen recorded a surplus of DKK 1.8 million in 2019 that will be carried forward. The surplus consists of a negative variance in salaries of DKK 6.2 million, see note 6, and a positive variance in other operating costs. The result for the year is adjusted by (DKK 0.1 million) for elimination, see note 3.

Note 8. Government guarantee and adjusted opening balance

The adjusted opening balance represents the funding allocated to Rigsrevisionen by the Danish government to ensure that the transition to cost-based accounting would not result in a negative equity. The value of the adjusted opening balance and the government guarantee equals the limit of fluctuation set for Rigsrevisionen's accumulated deficit. The opening balance is an illiquid asset that is offset in the balance sheet by the government guarantee. Originally, the government guarantee was calculated as 2 per cent (DKK 3.4 million) of the 2006 gross expenditure.

Note 9. Pension benefit obligations

(DKK millions)	31 December 2018	31 December 2019
Pension obligations	307.2	307.2

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

Rigsrevisionen's aggregate pension benefit obligations 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 2019, which is the same amount as per 31 December 2018, because the number of employees affected is the same.

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 2019 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 31 March 2020

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 2019, which comprise income statement, balance sheet and notes, including summary of significant accounting policies on pages 21-25. 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 2019 include the approved budget for 2019. 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 report

Management is responsible for the management report.

Our opinion on the financial statements does not cover the management report 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 report and, in doing so, consider whether the management report 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 report includes disclosures required by the accounting provisions that apply to Rigsrevisionen.

Based on the work performed by us, we believe that the management report 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 report.

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 31 March 2020

PricewaterhouseCoopers
State-authorized accountants
CVR no. 33 77 12 31

Jesper Møller Langvad
State-authorized Public Accountant

Jesper Randall Petersen
State-authorized Public Accountant

Appendix 1 – Reports published in 2019

January 2019

The protection of research data at Danish universities
Differences in the quality of care at Danish hospitals

February 2019

The transfer of research-based veterinary services provided to the public sector

March 2019

The compulsory form level 9 school-leaving examination

Open data

Services provided by the Danish Prison and Probation services to convicted offenders inside and outside of prison

April 2019

The Danish government’s payroll administration

May 2019

Information and compensation to train passengers when their train journey has been delayed or cancelled

June 2019

Processing times and efficiency at the Danish National Social Appeals Board

Relief of the statutory audit obligation

Costs of tendering in the Danish public sector

August 2019

The effort to collect and enforce financial penalties imposed by the Danish police

The audit of the Danish government accounts for 2019

The audit of the government’s administration in 2018

September 2019

Development of a new tax recovery system and onboarding of claimants

Grant administration at the Danish Arts Foundation

October 2019

How do Danish institutions of education finance their property (buildings and grounds)

Denmark’s development cooperation with Myanmar

The Danish Ministry of Transport and Housing’s budgeting of road projects

November 2019

Processing of industrial injury cases

National recommendations on medicines

Taxation of shares

December 2019

Protection of groundwater from pesticides

Procurement of maintenance and repair services by the Ministry of Defence

Estate Agency