



# Annual Report 2010

April  
2011

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## Foreword



The financial audit performed by Rigsrevisionen in 2010 confirmed that the management of Danish government entities in 2009 was overall satisfactory. The government bodies and agencies are committed to improving the quality of their accounts, and our audit confirmed that progress has been made. The transition to the Administrative Finance Service Centre (*Økonomiservicecentret*) and to accrual-based accounting is, however, still posing a challenge in relation to financial reporting.

Rigsrevisionen submitted 17 reports to the Public Accounts Committee in 2010. For the first time we produced a separate report on government trans-

fers to local and regional authorities, which account for approximately 50 per cent of the government's total expenditure. The effectiveness of the administration has been the focal point of many of our major studies, but we have also in several reports focused on how the government and regions have managed their activities. Financial management and risk management are obvious audit areas and no less so in tough economic times.

Rigsrevisionen has in 2010 also concentrated on following up on the many constructive suggestions to the development of the audit that emerged from the client survey in 2009, and we have worked with the suggestions that attracted the attention of the Public Accounts Committee during the review of the Danish state audit system. Follow-up actions included enhancing the dialogue with the clients and the Public Accounts Committee about the audit to ensure that it is perceived as adding value by all parties involved. As an example, we now discuss in depth with our clients the strategic analyses and audit criteria that provide the basis for our audit. Also the Public Accounts Committee has become more involved in the planning and evaluation of major studies, and our audit reports are now presented to the Public Accounts Committee by members of Rigsrevisionen's staff.

Rigsrevisionen has also in international fora advocated the importance of ensuring that public sector auditing creates value: The International Organization of Supreme Audit Institutions (INTOSAI) held its triennial congress in Johannesburg, South Africa, in November 2010. The 152 Supreme Audit Institutions that participated in the congress adopted a vast number of new international auditing standards designed to strengthen public sector auditing to the benefit of parliaments as well as citizens around the world. The INTOSAI auditing standards are the result of a concerted effort made by Supreme Audit Institutions located in all parts of the world, and as chairman of INTOSAI's Professional Standards Committee, Rigsrevisionen has played a key role in the development of the standards.

I submit this report on Rigsrevisionen's activities in 2010 to the Public Accounts Committee in accordance with section 17(4) of the Auditor General's Act.

Henrik Otbo  
Auditor General

## Rigsrevisionen is part of the parliamentary control system

Rigsrevisionen is part of the system of parliamentary control in Denmark and an independent institution placed under the Folketing (Danish parliament). We audit the state accounts. This means that Rigsrevisionen examines whether the accounts submitted by government bodies are correct, i.e., without material misstatement, and whether government funds have been applied for the purposes decided by the Folketing.

### RIGSREVISIONEN'S MISSION

Rigsrevisionen is the Folketing's independent auditor and part of the parliamentary control.

### VISION 2012

- Place focus on the effectiveness of public administration.
- Create value in the administration by issuing audit opinions.
- Share knowledge of good practices with the administration.
- Attract and retain competent staff.

### Government bodies in Denmark

Rigsrevisionen audits government bodies, like for instance departments (the department for the Ministry of Employment) or agencies (the Palaces and Property Agency).

Technically, a government body may be defined as an administrative unit under a ministerial remit, whose management is accountable for one or several key accounts under the national budget.

Audit findings are reported to the Public Accounts Committee, which subsequently passes on the reports, including its own comments and any criticism, to the Folketing. Independence is key to Rigsrevisionen. First, our independence means that the Public Accounts Committee is the only body entitled to request Rigsrevisionen to audit a particular field of activity. We can also initiate studies ourselves. Second, our independence means that we decide how to conduct a study. We have access to all relevant information for the purpose of our audit.

We audit the income and expenditure of the state accounts, comprising some 180 central government departments, agencies and other public bodies. We also audit a number of non-government bodies whose expenditure or deficits are covered by state subsidies, state contributions or other income as provided by law, i.e. the TV 2 regions (broadcasting company), Metroselskabet I/S (company running and maintaining the Copenhagen metro) and Eksport Kredit Fonden (Denmark's official export credit agency).

On the regional political level, we review the accounts of the five regions when their respective external auditors have completed their audit, and we may also conduct major studies in this area.

On the local authority level, we conduct annual reviews of those areas in which the government fully or partly refunds expenditure like, for example particularly expensive projects such as special housing programmes in the social sector. Our audit also includes examining the ministries' supervision of the municipal audit reports on the local government areas to which government transfers are made.

Rigsrevisionen provides consultancy and guidance to the administration in connection with the audit, for example on ways to enhance the planning of internal control. Finally, we supervise and cooperate with the internal audit departments of government bodies.

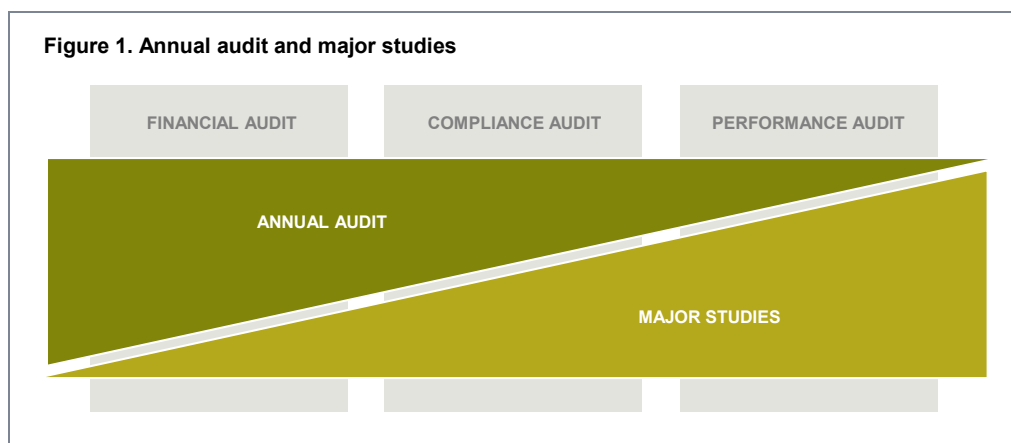
Rigsrevisionen is also responsible for auditing EU receipts and contributions, and we participate in the European Court of Auditors' visits to Denmark. Rigsrevisionen participated in five Court visits in 2010.

### Audits

We perform our audits in accordance with generally accepted government auditing standards, i.e. requirements based on the Auditor General's Act and international government auditing standards that can be imposed on public sector auditors. The audit should include a financial audit, a legal-critical audit and a performance audit:

- A financial audit aims to determine whether the accounts are reliable.
- A legal-critical audit checks compliance with legislation.
- A performance audit examines whether due financial regard has been taken in the administration, that is, whether there is focus on economy, efficiency and effectiveness.

The audit is performed either as annual audit or major studies. Figure 1 shows the three types of audit that are performed and included in annual audit and major studies, respectively.



The **annual audit** includes audit of the accounts of government bodies and examination of a number of basic requirements regarding the administration of government funds. Financial audit is a key element in annual audit, but it also includes elements of legal-critical audit and performance audit, as appears from figure 1.

Rigsrevisionen strives to ensure that the audit is perceived as adding value to the development of the audited body; Rigsrevisionen points to areas with scope for improvement, but also highlights well-managed areas.

All government bodies are subjected to closing audit and appropriation control. We also issue audit opinions on particular bodies selected on the basis of strategic analyses assessing the materiality and risk relating to the respective ministerial remit. These audit opinions include also an assessment of the information provided by the body or agency on targets set and target achievement. Moreover, individual areas are scrutinised to establish whether due financial considerations have been taken.

In the **major studies**, Rigsrevisionen examines a particular subject matter, like for instance a government agency or policy area. In most major studies the main emphasis is on performance audit and legal-critical audit. We also examine whether government funds are applied as decided by the Folketing and whether the effect of ministerial efforts has been satisfactory.

The decision to examine an area is taken either at Rigsrevisionen's own initiative based on a strategic analysis of the materiality and risk of the area, or at the request of the Public Accounts Committee.

In terms of major studies, Rigsrevisionen covers a broad range of ministerial areas and we apply the latest methodology in the areas examined. From the outset, we involve the body or agency to be examined and keep management informed about the perspective, scope and timescale of the study. Establishing close cooperation and open dialogue is high on our list of priorities, and in the course of the audit, the body under audit is given the opportunity to comment on the planning, preliminary findings and observations relating to the study.

The results of the audit are published in reports to the Public Accounts Committee, and we follow up on all comments made by the Public Accounts Committee and Rigsrevisionen.

### **Organisation**

Rigsrevisionen is located in the city of Copenhagen. We do not have local offices, but we perform audits all over the country. We also audit international projects when the Danish government is either taking part in a project or providing funding to a specific project. In 2010, Rigsrevisionen visited, for instance Benin, Greenland, Kaliningrad, the United States and Zambia to audit various projects.

At the end of 2010, Rigsrevisionen had a staff of 262 and total ordinary operating cost amounted to DKK 188.2 million. Rigsrevisionen is divided into five departments; two are specialised in major studies, two in annual audit and one department is handling administrative staff functions.

## Target achievement 2010

<b>TARGETS – MAJOR STUDIES</b>	<b>PERFORMANCE</b>
1. The technical quality to be rated “satisfactory” by the external evaluators.	Achieved.
2. The language quality to be rated “satisfactory” by the external evaluators.	Achieved.
3. 90 per cent of all report cases must be closed after three years, i.e. the action taken by the appropriate minister should be considered satisfactory by the Auditor General.	Partly achieved.
4. One-third of the reports should be about effectiveness.	Achieved.
<b>TARGETS - ANNUAL AUDIT</b>	
5. 2010 annual audit findings to be communicated in the Report on the audit of the state accounts for 2009, the Report on the audit of EU funds in Denmark in 2009, the Report on the audit of the government’s management of payroll and the Report on the audit of government transfers to municipalities and regions in 2009.	Achieved.
6. Audit opinions to be issued on the financial statements and administration of 100 bodies in 2009.	Achieved.
7. The technical quality of two annual audit reports to be rated “satisfactory” by the external evaluators.	Omitted.
8. The language quality of one annual audit report to be rated “satisfactory” by the external evaluators.	Omitted.
9. We develop a new model for measurement of the clients’ evaluation of the annual audit.	Achieved.
<b>TARGETS - ORGANISATION</b>	
10. Job satisfaction in Rigsrevisionen to be rated “high”.	Omitted.
11. As Chairman of the PSC, the Professional Standards Committee of the International Organization of Supreme Audit Institutions (INTOSAI) ensures approval of a proposal to harmonise the INTOSAI Fundamental Auditing Principles (ISSAI 100-999) during the period 2010-2013.	Achieved.

Rigsrevisionen achieved seven of its targets in 2010. One target was partly achieved and three targets were omitted. In the following, we report on Rigsrevisionen’s work and performance in 2010, and we comment on the achievement of the targets set for major studies, annual audit and the organization as such.

## Major studies of government effectiveness and management

### STRATEGY FOR MAJOR STUDIES

- Prepare well-communicated, high-quality reports for the Public Accounts Committee and the Folking about the effectiveness of public administration.
- Strengthen the development of an effective administration through the conduct of cross-functional and international studies.
- Examine areas of risk to ensure that the public administration functions are carried out effectively to the benefit of citizens and businesses.

Rigsrevisionen submitted 17 reports to the Public Accounts Committee in 2010. 14 of the reports were about the results of major studies and three concerned the results of annual audit. We also completed 13 preliminary studies that are providing the basis for the decision whether to perform a major study of the respective subject matter. Finally we submitted 76 memoranda to the Public Accounts Committee, of which 36 were follow-up reports on previous audits.

Table 1 shows the number of reports, preliminary studies and memoranda produced in 2010.

Table 1. Reports, preliminary studies and memoranda published in 2010 (No.)

<b>Reports:</b>	
On the results of the major studies	14
On the results of the annual audit	3
<b>Total number of reports</b>	<b>17</b>
<b>Total number of preliminary studies</b>	<b>13</b>
<b>Memoranda:</b>	
Factual memoranda	11
Extended memoranda	1
Memoranda on minister's response	20
Follow-up memoranda	36
Administrative memoranda and internal memoranda to the Public Accounts Committee	8
<b>Total number of memoranda</b>	<b>76</b>

In 2010 infrastructure, effect and health were the focal points of many of Rigsrevisionen's major studies. We have developed a strategy for studies that are focused on infrastructure to ensure that Rigsrevisionen contributes to more effective spending of government funds for infrastructure projects.

Rigsrevisionen has also developed a strategy for impact studies and has, for instance, provided input to the guidance material on performance measurement and performance targets developed by the Agency for Governmental Management. We have also commissioned the Danish Government Research Agency (Anvendt Kommunal Forskning) to carry out a registry study of the effect of participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market. The results of this study were included in our report on the subject – see summary below.

**THE EFFECT OF PARTICIPATION IN ACTIVE LABOUR MARKET PROGRAMMES OF WELFARE BENEFIT RECIPIENTS WHO ARE NOT READY FOR THE LABOUR MARKET**

The report is about whether participation in active labour market programmes of welfare benefit recipient who are not ready for the labour market has a positive employment effect. Rigsrevisionen's study showed that participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market did not have a positive post-programme employment effect for this group. The study also showed that the Ministry of Employment has obtained knowledge of the effectiveness of the various active labour market programmes directed at this group, but determining the effectiveness of the various efforts made represented a challenge for the ministry because this group has significant problems besides being unemployed. The ministry should therefore continue its efforts to obtain knowledge on how participation in active labour market programmes can bring welfare benefit recipients who are not ready for the labour market into employment.

Rigsrevisionen has in recent years, as part of the planning of major studies, arranged theme days/workshops where government officials, researchers, etc. have been invited to do presentations on various subjects and thereby inspire us to develop ideas for future studies within selected and prioritised areas. We focused on management and effect in 2010 and invited theorists as well as practitioners to come and tell us about the latest news and developments within these areas. The presentations and discussions concerned developments within performance management, performance measurement and performance targets, and the management and efforts to enhance the professional level of government IT projects.

Rigsrevisionen has also participated in the work of the Ministry of Finance aimed to enhance the quality of government IT projects which resulted in the report "Enhancing the professional level of government IT projects" published in May 2010. Overleaf you will find a complete overview of all the reports published by Rigsrevisionen in 2010.

### REPORTS SUBMITTED TO THE PUBLIC ACCOUNTS COMMITTEE IN 2010

#### Reports on the results of major studies

- The financial position of the hospitals in 2009
- The effect of participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market
- The project to implement a digital land registration system
- The merger of debt collection into SKAT (Danish Tax and Customs Administration)
- Denmark's development assistance to Tanzania
- Metroselskabet I/S
- The Danish-Arab Partnership Programme
- Adults' access to psychiatric treatment
- The government's administration of service occupancies and service tenancies
- The management of the activities in the hospitals
- Major defence acquisitions
- The development of the national tests
- The disability policy within education and employment

#### Reports on the results of the annual audit

- Report on the audit of the state accounts for 2009
- Report on the audit of EU funds in Denmark in 2009
- Report on the audit of government transfers to municipalities and regions in 2009

Extracts of the reports have been translated into English. Find them at [www.rigsrevisionen.dk](http://www.rigsrevisionen.dk).

The health sector has also been a priority focal point for Rigsrevisionen and we have published three reports on subject matters in this area; one on the management of the activities in the hospitals, one on adults' access to psychiatric treatment and one on the financial position of the hospitals in 2009 (read summary below).

### THE FINANCIAL POSITION OF THE HOSPITALS IN 2009

The report is about the financial position of the hospitals in 2009. The regions are responsible for running the hospitals in Denmark, whereas the financial framework set for the regions to run the health-care sector is determined in the annual finance agreements entered between the government and the regional level.

Rigsrevisionen's examination showed that the majority of the public hospitals recorded budget overruns in 2009 and for some hospitals and departments the overruns had severe consequences and lead to dismissals and recruitment freeze. The study also showed that the regions and the hospitals can improve their management of the hospitals in several areas. Rigsrevisionen found that controlling the economy of the hospitals represents a challenge for the regions and hospitals. The health-care sector is to be managed within a fixed financial framework which determines the cost level of the hospitals, yet at the same time allows the hospitals to increase activities and thereby increase their budgets and costs. Rigsrevisionen also concluded that the risk of costs overruns will subsist also in the future.

### External evaluation of major studies (target 1 and 2)

We use evaluations to identify weaknesses and areas for development in our work, so that we can continue to further improve our performance. External experts evaluate whether the quality of the technical contents and language in our reports is satisfactory. The evaluations help us to identify weaknesses and areas that require further development and we use them to improve our work performance. As part of the follow-up on the evaluations made in 2009 and 2010, we have developed new guidance on written communication in order to ensure that audit findings and recommendations are communicated in a clear and distinct manner.

The technical quality of our major studies has been evaluated since 2000. Evaluations are performed by a panel, which in 2010 consisted of four professors from different universities and higher education institutions in Denmark. The technical quality of all our major studies is being evaluated. Moreover, since 2004, the language of selected major studies has been evaluated. In 2010, the language of six reports was thus evaluated by two external language experts.

**TECHNICAL EVALUATION PANEL**

Peter Bogetoft, Professor

*Department of Economics, Copenhagen Business School*

Jørgen Grønnegård Christensen, Professor

*Department of Political Science, University of Aarhus*

Carsten Greve, Professor

*International Center for Business and Politics, Copenhagen Business School*

Hanne Foss Hansen, Professor

*Department of Political Science, University of Copenhagen.*

**LANGUAGE EVALUATION PANEL**

Thomas Bjerg,

*Journalist and teacher at the Danish School of Media and Journalism/UPDATE and managing director of redaktionen.dk*

Leif Becker Jensen

*Associate Professor in journalism at Roskilde University.*

External evaluators assess, for example, whether the issues raised in the reports are relevant, whether the interrelation of audit criteria, analysis and conclusions is clear, and whether the conclusions are clear, understandable and convincing.

Ensuring that the technical quality and language of the major reports are rated “satisfactory” is one of the performance targets defined for Rigsrevisionen. Overall, the assessments made by the external evaluators in 2010 were positive, and targets 1 and 2 have thus been achieved. Overall the technical evaluators find that the issues addressed in the reports are relevant and the audit criteria, analysis and conclusions are well connected. Moreover, the conclusions are presented in a clear and understandable manner. Yet at the same time the evaluators are pointing to areas with scope for improvement, like for instance the extent to which Rigsrevisionen includes the framework conditions of the clients in its studies. We have met with the evaluators of the technical contents and the language to discuss the results of their evaluations and our future actions.

### 90 per cent of all report cases should be closed after three years (target 3)

Rigsrevisionen wants to make sure that the major studies conducted are effective and therefore 90 per cent of all reports cases must be closed after three years, meaning that the government body or agency should have followed up on the points of criticism and recommendations made by the Public Accounts Committee and Rigsrevisionen within three years, and to the satisfaction of the auditor general.

In 2010, 85 per cent of all points of criticism and recommendations regarding reports issued in 2007 had been followed-up within three years. Although close to the target of 90 per cent, this performance measure was only partly achieved. We expect to close most of the outstanding cases during the first half of 2011. Table 2 shows Rigsrevisionen's performance with respect to achievement of the targets defined for impact of reports in the period 2006-2010.

Table 2. Achievement of target defined for the impact of major studies in the period 2006-2010 (%)

2006	2007	2008	2009	2010
81	77	79	88	85

It appears from table 2 that Rigsrevisionen in the period 2006-2010 did not achieve the target defined for the impact of major studies, but in the past two years, achievement rates of 88 per cent and 85 per cent have been very close to the target. Ensuring that the major studies are effective will also be a focal point in the years ahead as will achievement of the 90 per cent target.

### One-third of the reports should be about effectiveness (target 4)

Rigsrevisionen wants to focus on the areas where citizens and businesses experience that the public administration is perhaps not as effective as it could be expected to be. We therefore decided that one-third of our reports in 2010 should be about effectiveness. Reports of this nature that are including analyses of the relation between objectives, activities, outcome and impact can contribute to increasing the transparency of government initiatives with respect to target achievement, impact and cost-effectiveness. In 2010 seven out of 14 major studies were dealing with effectiveness, and the target was thus achieved.

## Holistic approach to annual audit

### STRATEGY FOR ANNUAL AUDIT

- Ensure that the annual audit and Report on the audit of the state accounts provide the Folketing with a quality basis for approval of the state accounts.
- Holistic planning, issue audit opinions and audit statements in accordance with good public auditing practice.
- Set standards for good public auditing practice.

Rigsrevisionen has a holistic approach to annual audit. Annual audit is directed toward the entire government department, agency or body; we do not settle for an audit of the accounts and compliance with the appropriation, we also assess the performance of the government entity compared to its stated objective and whether financial resources are used effectively. Payroll and IT audits are an integral part of annual audit and they are performed by specialised units in Rigsrevisionen.

The contents and scope of the audit are determined on the basis of annual strategic analyses of materiality and risk within the respective ministerial remits. The purpose of performing these analyses is to gain an insight into the conditions under which the departments and government bodies operate, and to organise and direct the audit towards the identified risk areas.

Rigsrevisionen is performing closing audits of all government departments, agencies and bodies including appropriation control. This type of audit is referred to as annual audit without audit opinion. In 2010 closing audit included the total state account expenditure of DKK 624 billion and income of DKK 602 billion for the fiscal year 2009.

On the basis of the strategic analyses, Rigsrevisionen also singles out the government bodies that will be subjected to annual audit including audit opinion. The audit of the government bodies on which audit opinions are issued includes, in addition to closing audit and appropriation control, also audit of information provided on targets and performance. We also review whether funds have been administered economically by the government entity in specific areas. Table 3 presents the key annual audits performed by Rigsrevisionen in 2010.

Table 3. Number of annual audits performed in 2010

Annual audit without audit opinion	136
Annual audit including audit opinion and auditor's report	107
Special audit opinions issued, for instance on Danish projects that are EU subsidized	82

The overall result of the annual audit of the state accounts for 2009 is published in the Report to the Public Accounts Committee on the audit of the state accounts for 2009, which was issued in November 2010. In the report, Rigsrevisionen concluded that generally the accounting management of the government bodies was satisfactory in 2009. Rigsrevisionen was of the opinion that the bodies had been focused on enhancing the quality of accounting, and certain bodies had managed to improve the quality of their accounts significantly. However, the transition to accrual-based accounting still poses a challenge, and the transition to the Administrative Finance Service Centre (*Økonomiservicecentret*) is still the cause of some concern in respect to the financial reporting.

#### **Cooperation on development of accounting management, etc.**

To follow and influence the development of accounting rules and auditing standards is essential for Rigsrevisionen because we thereby contribute to creating value for the government bodies and enhancing public accounting management. Rigsrevisionen is cooperating with, for instance the Administrative Finance Service Centre in this respect and we are a member of the Danish Government Accounts Council.

The tasks managed by the Administrative Finance Service Centre on behalf of the government departments, agencies and bodies have a significant bearing on the accounting management and financial reporting of the government entities. Rigsrevisionen has in 2010 monitored not only the current and closing annual audit of government bodies affiliated to the Administrative Finance Service Centre, but also the build-up of the centre through participation in regular meetings in order to exchange experiences and discuss relevant and topical subjects, like for instance, how the centre is using "statements on accounts" issued to the clients.

Rigsrevisionen is represented on the Danish Government Accounts Council. The council provides consultancy and acts as a sounding board to the Ministry of Finance on issues relating to development and maintenance of the regulatory accounting framework. As a member of the council, we monitor the development of new initiatives in the accounting area and our international commitment enables us to keep the council abreast with the most recent international developments within public sector auditing standards.

Rigsrevisionen's daily work also involves cooperation with other auditors in the public sector. To strengthen the dialogue, Rigsrevisionen in November 2010 arranged a seminar on government accounting rules and the implementation of good public auditing practice for auditors attached to, for instance commercial high schools and university colleges. Rigsrevisionen is also organizing an annual seminar for staff and management attached to the internal audit departments across ministries. In 2010, the subject of the seminar was effective reporting.

### **New strategy for IT audit**

In 2010 Rigsrevisionen developed a new strategy for IT audit which will be implemented in 2010-2011. The strategy is to some extent an offshoot of the client survey that was conducted in 2009. As a result of the strategy, more resources have been channelled to IT audit and audit methodologies and communication methods have become focal points for Rigsrevisionen.

### **Process for quality enhancement**

Throughout 2010 Rigsrevisionen has worked on the development of a new concept for quality assessment and enhancement of the annual audit. The objective has been to ensure knowledge sharing and learning across the organisation, and to establish a shared understanding of what appropriate quality is, for instance with respect to the planning of compliance audit and working out of strategic analyses. The project included a workshop providing an opportunity for all staff involved in annual audit to discuss examples of good practice.

### **Reports on the results of annual audit (target 5)**

In 2010 Rigsrevisionen submitted three reports to the Public Accounts Committee on the results of the annual audit. In addition to the annual report on the audit of the state accounts, we also submitted two reports to the Public Accounts Committee in November 2011; one on government transfers to municipalities and regions in 2009 and one on the audit of EU funds in Denmark in 2009.

For the first time we published a separate report on government transfers to municipalities and regions. The DKK 304.4 billion that was transferred to municipalities and regions in 2009 as government refunds and grants represented around 50 per cent of the government's total expenditure. Rigsrevisionen concluded in its report that overall the financial reporting of the ministries in policy areas that are receiving refunds or grants was correct. Rigsrevisionen also examined how the Ministry of Social Affairs and the municipalities administered the central transfer scheme.

As part of the annual audit, Rigsrevisionen also worked out a report on remuneration for members of government bodies. The examination was performed and completed in 2010, but was not submitted to the Public Accounts committee till January 2011 for reasons of coordination. The target concerning the elaboration of four reports on the results of the annual audit has thus been achieved.

### **Audit opinions on 100 government bodies (target 6)**

Rigsrevisionen issued 107 audit opinions and audit statements on the audit of government bodies in 2010 against a target of 100. Two of the audit opinions issued was qualified, because material misstatements or omissions were detected during the audit. Emphasis of matter was made regarding the accounts of 14 government bodies. Unqualified audit opinions without emphasis of matter were issued on the remaining government bodies.

### **External evaluation (targets 7 and 8)**

Rigsrevisionen's reports on the audit of the state accounts for 2008 and 2009 have been evaluated. In 2010 we have worked on implementing the recommendations made in 2009 and the management therefore decided not to have the technical quality and language of the reports on the annual audit evaluated in 2010. Targets 7 and 8 have therefore been omitted.

### **Concept for the evaluation made by our clients (target 9)**

Rigsrevisionen has in 2010 developed a new questionnaire on the clients' evaluation of the annual audit, which was forwarded to the clients when the annual audit had been completed. As from 2011, all clients should be invited to evaluate the annual audit. The target has been achieved.

## Development of the organisation and international cooperation

### STRATEGY FOR THE ORGANISATION

- Further development of management, employees and work processes.
- Communicate, share knowledge and cooperate with other institutions on public sector auditing.
- Influence and be influenced by international auditing standards.
- Use external experts when relevant.
- Apply best auditing methods available.

Rigsrevisionen audits the entire government and must therefore stay updated on developments in the many areas that are covered by the government departments, agencies and bodies. Rigsrevisionen must also keep up with the development within government accounting and auditing regulations and national and international public sector auditing standards. To do so, we are continuously developing management and staff.

### Management and staff development

Feedback and appreciative management have been focus points for Rigsrevisionen in 2010 and activities in this respect have included all management levels.

Rigsrevisionen's management and staff participate regularly in seminars of various duration and educational courses that are agreed on an individual basis with the respective employee.

For the past five years, new employees have also had the opportunity to participate in fixed education programmes. The education programmes include lectures at institutions of higher education, like for instance the Copenhagen Business School (CBS) and requirements to practical experience gained in Rigsrevisionen. Staff working with major studies are completing an education programme involving courses on project management, communication, government management and public sector auditing. Staff working with annual audit may complete an education programme leading to certification in public sector auditing. The certification programme includes various audit-specific subjects such as general audit theory and public sector auditing supplemented by more general subjects like, for instance public law and organizational theory.

Rigsrevisionen assessed these two education programmes in November 2010 to establish how the training programmes are perceived by staff and management. Overall, the assessment showed that staff feel that the training is useful both on a professional and personal level, and in their everyday work. The assessment also highlighted the potential for improvement with respect to ensuring that the subjects taught are linked to staff's everyday tasks.

### Public Sector Auditing Certification

This certification programme is directed at all auditors of public sector bodies. The purpose of the certification is:

- to highlight the qualifications that are required to perform audits in the public sector in accordance with good public auditing practice, and
- to document the knowledge and qualifications of public sector auditors.

### Staff turnover and job rotation

Staff turnover in Rigsrevisionen was 10 per cent in 2010, which is on level with preceding years. Staff turnover in Rigsrevisionen is thus lower than the departments' turnover rate of 12.5 per cent and the total government turnover rate of 10.6 per cent. The relatively low turnover is primarily a result of the generally low mobility on the labour market, and the fact that Rigsrevisionen for a number of years has been focused on retaining staff and improving employee satisfaction.

#### WHERE ARE EMPLOYEES RECRUITED FROM?

Rigsrevisionen hired 22 new employees on fixed contracts in 2010:

- 3 were recruited straight from university.
- 10 were recruited from ministries or other public sector employers.
- 6 were recruited from audit firms or other private sector employers.
- 3 were recruited from an international position.

82 per cent of the new employees had more than two years of relevant job experience and 59 per cent had more than five years of relevant experience.

#### WHERE DO THEY GO?

22 employees on fixed contracts left Rigsrevisionen in 2010:

- 10 transferred to ministries or other public sector employers.
- 2 transferred to an international position.
- 10 retired or for other reasons did not transfer to other jobs.

77 per cent of those who decided to leave Rigsrevisionen had been employed for more than four years, and 54 per cent had been employed for more than 10 years.

In the course of 2010, 20 employees decided to shift to another position within Rigsrevisionen and Rigsrevisionen developed a new job rotation policy to reduce the risk of staff becoming dependent of the government entities that they are auditing. According to the policy, which took effect at the beginning of 2011, neither staff nor management are allowed to audit the same government entities for more than seven years straight and they are not allowed to return as auditors of the respective entities for a period of minimum three years.

### Job satisfaction (target 10)

The management decided to invest resources in following up on the job satisfaction survey that was conducted in 2009 instead of launching a new survey in 2010. The management also decided that future job satisfaction surveys should be conducted every two years to allow for sufficient time to follow up on the results of the individual surveys. The target on job satisfaction has therefore been omitted, but will reappear as an internal target in 2011, as a new survey has been scheduled for the spring of 2011.

### International cooperation

Rigsrevisionen is participating in many international cooperation forums for Supreme Audit Institutions like, for instance the Nordic-Baltic cooperation. Rigsrevisionen is also a member of the European Organization of Supreme Audit Institutions (EUROSAI) and is cooperating closely with Supreme Audit Institutions in the EU under the auspices of the EU Contact Committee.

#### ISSAI

INTOSAI's standards are organised in a hierarchic system called ISSAI, which is short for International Standards of Supreme Audit Institutions.

- Level 1 – ISSAI 1
- Level 2 – ISSAI 10-40
- Level 3 – ISSAI 100-400
- Level 4 – ISSAI 1000-5599.

The standards on level 1 and 2 are about the function and activities of Supreme Audit Institutions. Level 3 presents the fundamental auditing principles and level 4 provides practical guidance on auditing.

ISSAI 1 is the so-called Lima Declaration from 1977, which is internationally recognized as fundamental for public sector auditing.

Find the ISSAIs on [www.issai.org](http://www.issai.org).

**World congress for Supreme Audit Institutions**

In November 2010, the Supreme Audit Institutions of 152 countries met for the world congress of the International Organization of Supreme Audit Institutions (INTOSAI). Several new standards for public sector auditing, the so-called ISSAIs, were adopted at the congress. The new ISSAIs are focused on the importance of ensuring that Supreme Audit Institutions are financially as well as organisationally independent, and that audits should increase transparency with respect to how governments and public bodies administer public funds. In the final congress declaration, the participating Supreme Audit Institutions called upon the members of INTOSAI and other interested parties to use the ISSAIs as a common frame of reference for public sector auditing worldwide.

Rigsrevisionen has, as chairman of the INTOSAI Professional Standards Committee (PSC), for the past six years played a key role in the development of the new ISSAIs. The PSC has a membership of 65 Supreme Audit Institutions and is divided into five sub-committees and two projects, which have been in charge of developing the individual standards. The World Bank and other international donor organisations have supported the work financially.

**Support to proposal to harmonize the international fundamental principles of public sector auditing (target 11)**

Rigsrevisionen wanted to ensure full support to the PSC's proposal to harmonize the fundamental principles of public sector auditing in the period 2010-2013. The target was achieved when the INTOSAI congress adopted the harmonization proposal. Rigsrevisionen will therefore for the next three years be heading an international harmonization project aiming to create consistency between the individual ISSAIs.

## Financial performance 2010

Rigsrevisionen recorded a total surplus of DKK 11.5, consisting of a payroll surplus of DKK 5.7 million and a surplus of DKK 5.8 million relating to other operating expenditure.

Rigsrevisionen has in 2010 exercised caution in its financial management and has adjusted payroll expenditure to ensure long-term financial equilibrium. We have been persistent in our efforts to ensure that staff took accrued holidays and time off in lieu of paid overtime, and we have managed to reduce the provision for holiday allowance and accumulated overtime by DKK 2.4 million against a budgeted increase of DKK 1.5 million. We have therefore as planned recognized a one-off income in 2010 concerning holiday and overtime. We have also adjusted man-year consumption and implemented savings in relation to performance-related salary improvements. Finally, reimbursements received were DKK 0.8 million up on budget, because several staff were absent due to long-term sickness in 2010.

The surplus relating to other operating expenditure may in addition to the strict economy practised also be related to the fact that Rigsrevisionen has postponed several projects to relieve the immense work pressure on key employees. Three IT projects costing DKK 3 million have thus been postponed, and post-education and official travel have been on a lower level than originally estimated. We have also kept maintenance of our premises to a minimum in 2010, as the current planned extensive alterations of the building are expected to cause extensive subsidence damage to the building in 2011 and 2012.

## Outlook for 2011

Ensuring that our audit adds value to the government bodies was high on our list of priorities in 2010 and it will also be a focal point in 2011. We shall focus on identifying how our audits and public sector auditing in general create value. In the autumn 2011, Rigsrevisionen will host a national conference on the theme: "*value of audit in the public sector*". The purpose of the conference is to facilitate a discussion of how public sector auditing may best create value for the taxpayers, the political establishment and public administration on government, regional and municipal level.

As in preceding years, Rigsrevisionen will also in 2011 strive to ensure that our major studies are considered useful for the citizens. Our audits are based on assessments of materiality and risk and we expect the audit to create value also for the taxpayers who finance and use the services provided by the government and the regional level. As an example we examined the implementation of electronic patient records in the hospitals in early 2011, and we are planning to examine the quality of the health services provided in the health sector.

It is essential for Rigsrevisionen to ensure that our audits are cross-cutting and thereby comprising several ministerial departments. Rigsrevisionen has the exclusive right to perform audits across ministerial sectors, which provides us with unique insight into the administration in various ministerial remits. The cross-sectoral focus will facilitate knowledge sharing with the ministries and counselling of the government bodies that we audit.

Our audit approach is governed by materiality and risk. This means that the aftermath of the financial crisis and the tight public economy will quite naturally dominate our audit in 2011. Rigsrevisionen will concentrate on areas where the administration may not have been or remains inadequately positioned to stand up to the challenges of the financial crisis. Our main focus points will include competencies, government management and the effect of government funded activities.

The management of Rigsrevisionen has adjusted the economy and production over the past years. Production in 2011 is expected to be on level with 2010. In 2011, the management will work with the vision and strategy of Rigsrevisionen for the period 2012-2016. The fact that resources in the public sector are currently quite limited will be a focal point of this work as the audit performed by Rigsrevisionen in tough times should be even more focused on ensuring that government is making optimal use of the resources available.

The performance targets set for 2011 are presented overleaf.

### MAJOR STUDIES

**Prepare well-written, high-quality reports to the Public Accounts Committee and the Danish parliament (Folketing) about public administration effectiveness**

**Target 1** The technical quality of major studies to be rated satisfactory by the external evaluators.

**Target 2** The language quality of major studies to be rated satisfactory by the external evaluators.

**Support the development of effective administration through cross-functional and international studies.**

**Target 3** 90 per cent of all report cases should be closed after three years, i.e. the action taken by the appropriate minister should be considered satisfactory by the Auditor General.

**Examine areas of risk to ensure that public administration is effective and benefits citizens and businesses.**

**Target 4** One-third of the reports should be about effectiveness.

### ANNUAL AUDIT

**Holistic approach to the audit planning, issue audit opinions and audit statements to government bodies in accordance with generally accepted government auditing practice**

**Target 5** Ensure that the annual audit adds value to the government entities.

**Target 6** We perform annual audit of all government bodies, work out strategic analyses and issue audit opinions on 100 government entities.

### ORGANISATION

**Communicate, share knowledge and cooperate with other parties on public sector auditing**

**Target 7** We follow up on the implementation of the initiatives taken on the basis of the outcome of the client survey that was conducted in 2009, and we keep the Public Accounts Committee updated on progress made.

**Target 8** We organise and host a national conference on public sector auditing for our external partners in Denmark.

## Financial statements, audit opinion, green accounts and staff accounts

### Rigsrevisionen's financial statements 2010

Table 4. Income statement  
(DKK '000)

	Note	Tax year 2009	Budget 2010	Tax year 2010	Budget 2011
<b>ACCRUAL-BASED ACCOUNTS:</b>					
<b>Ordinary operating income:</b>					
Net appropriation		189,900	196,900	196,900	199,300
Sale of services		2,703	2,700	3,004	2,700
<b>Total ordinary operating income</b>		<b>192,603</b>	<b>199,600</b>	<b>199,904</b>	<b>202,000</b>
<b>Ordinary operating expenditure:</b>					
Rent		15,615	16,500	16,128	17,600
<i>Staff costs:</i>					
Salaries		128,979		129,051	
Pension contributions		19,871		20,628	
Salary refunds		(1,977)		(3,552)	
Other staff costs		58		961	
Total staff costs	6	<b>146,931</b>	<b>153,800</b>	<b>147,089</b>	<b>156,500</b>
Other ordinary operating expenditure		25,660	28,800	23,352	30,600
Amortisation, depreciation and write-downs	2/3	3,191	4,100	1,655	3,200
<b>Total ordinary operating expenditure</b>		<b>191,397</b>	<b>203,200</b>	<b>188,223</b>	<b>207,900</b>
<b>Result before financial items</b>		<b>1,206</b>	<b>(3,600)</b>	<b>11,682</b>	<b>(5,900)</b>
<i>Financial items:</i>					
Financial income		54	200	26	200
Financial expenditure		329	300	214	300
<b>Net result for the year according to the accruals principle</b>		<b>932</b>	<b>(3,700)</b>	<b>11,494</b>	<b>(6,000)</b>
<i>Distribution of surplus/deficit for the year:</i>					
<b>Surplus/deficit for the year</b>		<b>932</b>	<b>(3,700)</b>	<b>11,494</b>	<b>(6,000)</b>
<b>Surplus carried forward</b>	7	<b>5,679</b>	<b>1,979</b>	<b>17,173</b>	<b>11,173</b>
<b>RIGSREVISIONEN'S PENSION ACCOUNTS:</b>					
<b>Net appropriation</b>		<b>4,300</b>	<b>5,100</b>	<b>5,100</b>	<b>5,300</b>
Income (public service pension contributions)		2,832	2,900	3,486	2,900
Expenditure (pensions etc)		7,213	8,000	7,214	8,200
<b>Rigsrevisionen's total pension accounts</b>		<b>4,381</b>	<b>5,100</b>	<b>3,728</b>	<b>5,300</b>
<b>Net result for the year according to the cash-based accounts principle</b>		<b>(81)</b>	<b>0</b>	<b>1,372</b>	<b>0</b>

Table 5. Balance  
(DKK '000)

	Note	31.12.2009	Changes during the year	31.12.2010
<b>ASSETS:</b>				
<b>Fixed assets:</b>				
<i>Intangible fixed assets:</i>				
Completed development projects		0	0	0
Acquired concessions, patents, licences etc		28	(28)	0
<b>Total intangible fixed assets</b>	2	<b>28</b>	<b>(28)</b>	<b>0</b>
<i>Tangible fixed assets:</i>				
Leasehold improvements		1,188	(257)	931
Furniture and IT equipment		2,846	(976)	1,869
<b>Total tangible fixed assets</b>	3	<b>4,034</b>	<b>(1,233)</b>	<b>2,800</b>
<i>Fixed asset investments:</i>				
<b>Government guarantee</b>	9	<b>3,378</b>		<b>3,378</b>
<b>Total fixed assets</b>		<b>7,440</b>	<b>(1,262)</b>	<b>6,178</b>
<b>Current assets:</b>				
<b>Receivables</b>				
(including prepaid salaries)		1,828	447	2,275
<b>Receivables, Rigsrevisionen's pension accounts</b> (including prepaid pensions)		<b>594</b>	<b>69</b>	<b>663</b>
<i>Cash:</i>				
Non-interest bearing account		35,891	1,709	37,600
Financing account		7,388	2,937	10,325
Other cash		47	(14)	33
<b>Total cash</b>		<b>43,326</b>	<b>4,632</b>	<b>47,959</b>
<b>Total current assets</b>		<b>45,748</b>	<b>5,148</b>	<b>50,896</b>
<b>Total assets</b>		<b>53,189</b>	<b>3,886</b>	<b>57,075</b>
<b>LIABILITIES AND EQUITY:</b>				
<b>Equity:</b>				
Adjusted equity (initial capital)	9	3,378		3,378
Surplus carried forward	7	5,679	11,494	17,173
Equity, pensions		0	(189)	(189)
<b>Total equity</b>		<b>9,057</b>	<b>11,305</b>	<b>20,362</b>
<b>Provisions</b>	4	<b>2,413</b>	<b>0</b>	<b>2,413</b>
<b>Long-term liabilities:</b>				
Long-term debt	5	4,062	(1,262)	2,800
<b>Total long-term liabilities</b>		<b>4,062</b>	<b>(1,262)</b>	<b>2,800</b>
<b>Current liabilities:</b>				
Accounts payable		6,527	(3,885)	2,642
Other short-term debt		2,752	(121)	2,631
Other short-term debt, Rigsrevisionen's pension accounts		594	258	852
Holiday allowance and overtime pay payable etc		27,783	(2,409)	25,374
<b>Total current liabilities</b>		<b>37,656</b>	<b>(6,157)</b>	<b>31,499</b>
<b>Total liabilities and equity</b>		<b>53,189</b>	<b>3,886</b>	<b>57,075</b>
Accounting policies applied, including pension obligations	1			
Conversion table for net expenditure for the year and income statement	8			

## Notes to the financial statements

### Note 1. Accounting policies applied, including pension obligations

The financial statement is presented in accordance with the provisions governing Rigsrevisionen – the Government's accounting standards. 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 practice used is the same as last year, with the exception of the change concerning tangible and intangible assets, as described below. Due to the change in accounting practice, Rigsrevisionen's costs are DKK 0.5 million higher this year than they would have been had the former principles been applied. In the long term, the effect of the change in accounting practice will be neutral.

The accounting year is the tax year. In the income statement, income is recognised when earned and expenditure is recognised when consumed. However, when the goods delivered are not stocked and the 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 including holiday allowance and provision for accumulated overtime are expensed as incurred.
- 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 is performed.
- Tangible and intangible assets are depreciated over the expected life time of the asset, ranging from three to ten years. Only assets worth over DKK 50,000 are being depreciated. In the 2010 accounts, the accounting principles have been changed and assets below DKK 50,000 are not accumulated but written off immediately. Book value at the beginning of 2010 is depreciated by the straight-line method over three years.
- 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.

Current pension payments made to public officials are expensed. No provisions for future pension benefits are made. Still, payroll is charged with expenditure equal to a technical pension benefit provision. According to calculations performed at the request of Rigsrevisionen, the actuarial annual provision should be DKK 4.7 million (level as per 31 December 2010) equal to 22.6 per cent of the pension bearing salary. A basic interest rate was used for the calculation, i.e. a net capitalisation interest rate of 3 per cent. 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 2010, the provision made up a total of DKK 3.5 million. Rigsrevisionen's aggregate pension liability to current public officials and retired public officials amounts to DKK 158.7 million as at 31 December 2010 (at 31 December 2009: DKK 151.5 million).

Rigsrevisionen's financial accounts are worked out on the basis of data from Navision Stat/SKS.

The statements of accounts may include balancing items.

**Note 2. Intangible fixed assets**

(DKK '000)	Development projects completed	Concessions, patents, licences, etc. acquired	Total intangible fixed assets
Cost, opening balance	239	93	331
Additions during the year	0	0	0
Disposals during the year	0	0	0
<b>Cost, closing balance</b>	<b>239</b>	<b>93</b>	<b>331</b>
Accumulated amortisation, opening balance	(239)	(65)	(303)
Amortisation during the year	0	(28)	(28)
Disposals during the year	0	0	0
<b>Accumulated amortisation, closing balance</b>	<b>(239)</b>	<b>(93)</b>	<b>(331)</b>
<b>Net asset value at 31 December 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>

Rigsrevisionen's intangible fixed assets consist of licences and external development costs relating to large IT-based systems.

**Note 3. Tangible fixed assets**

(DKK '000)	Leasehold improvements	Furniture and IT equipment	Total
Cost, opening balance	4,315	25,021	29,336
Additions during the year	0	393	393
Disposals during the year	0	0	0
<b>Cost, closing balance</b>	<b>4,315</b>	<b>25,414</b>	<b>29,729</b>
Accumulated depreciation, opening balance	(3,126)	(22,175)	(25,302)
Depreciation during the year	(257)	(1,369)	(1,626)
Disposals during the year	0	0	0
<b>Accumulated depreciation, closing balance</b>	<b>(3,383)</b>	<b>(23,545)</b>	<b>(26,928)</b>
<b>Net asset value at 31 December 2010</b>	<b>931</b>	<b>1,869</b>	<b>2,800</b>

Rigsrevisionen's tangible fixed assets consist primarily of IT equipment.

Fixed assets relating to leasehold improvements represent fixtures and fittings paid for by Rigsrevisionen in the leased premises at Sct. Annæ Palæ.

**Note 4. Provisions**

Rigsrevisionen has made provisions to raise the standard of the leased premises to the level required by the landlord if part of or the entire lease is terminated. There have not been any movements in the provision in 2010, as it is not possible at this point of time to estimate the size of the maintenance gap because the bulk of the costs for refurbishment of Rigsrevisionen's premises will be carried by the Danish Palace and Property Agency when the alterations of the building are finished.

**Note 5. Follow-up on cash flow arrangement during the year**

Rigsrevisionen has depreciated its fixed assets on a monthly basis and made the consequent cash transfers on the related SKB (government payment system) bank accounts. As stipulated in the cash flow arrangement, Rigsrevisionen adjusted the non-interest bearing SKB account in January 2011 to ensure that the balance corresponds to the net liabilities calculated at 31 December 2010 (provisions, current assets and short-term liabilities).

**Credit utilisation ratio  
(DKK '000)**

	Tax year 2010
Balance at SKB FF4 as per 31 December 2010	2,800
Credit limit	7,500
Credit utilisation ratio %	37.3

**Note 6. Follow-up on payroll cap****(DKK '000)**

	Accumulated savings, beginning of 2010 Carried forward as approved by the Folketing	Financial year 2010	Accumulated savings, end of 2010
Payroll cap	=====	152,800	=====
Cost of labour	=====	147,089	=====
<b>Difference</b>	<b>1,789</b>	<b>5,711</b>	<b>7,500</b>

Like government institutions, Rigsrevisionen is bound by a payroll cap. Rigsrevisionen must keep its staff costs within the limit set by the Appropriation Act for 2010. However, subject to approval by the Folketing, Rigsrevisionen may exceed the limit by an amount brought forward from previous years in which Rigsrevisionen did not fully use its payroll appropriation.

Rigsrevisionen did not fully use its payroll appropriation in 2010 and may therefore record an accumulated surplus of DKK 7.5 million to cover overspending within payroll in the future.

Man-years consumed and staff turnover will appear from the staff accounts.

**Note 7. Appropriation accounts****(DKK million)**

	Accounts 2009	Budget 2010	Accounts 2010	Difference 2010	Budget 2011	Government budget 2011
Net expenditure appropriation	189.9	196.9	196.9	0,0	199.3	199.3
Provisions used, net	2.8	2.9	3.0	0.1	2.9	2.9
Income	191.7	203.5	188.4	15.1	208.2	202.2
<b>Expenditure</b>	<b>0.9</b>	<b>(3.7)</b>	<b>11.5</b>	<b>15.2</b>	<b>(6.0)</b>	<b>0.0</b>
<i>Accumulated result:</i>						
Accumulated surplus, beginning of 2009			5.7			
Surplus for the year			11.5			
<b>Accumulated surplus to be carried forward at year-end</b>			<b>17.2</b>			

In 2010, Rigsrevisionen had a surplus of DKK 11.5 million. The surplus will be added to the surplus brought forward from previous years. Rigsrevisionen recorded payroll savings of DKK 5.7 million. Rigsrevisionen has in 2010 exercised caution in its financial management and has adjusted payroll expenditure to ensure long term financial equilibrium. Rigsrevisionen has ensured that staff took accrued holidays and time off in lieu of unpaid accumulated overtime, and the provision for holiday allowance and accumulated overtime have thus been reduced by DKK 2.4 million against a budgeted increase of DKK 1.5 million. Rigsrevisionen has thus recognised a one-off income of almost DKK 4 million in 2010. At the same time, Rigsrevisionen has suspended performance-related salary improvements and adjusted man-year consumption to ensure that payroll costs do not exceed the future payroll cap. Rigsrevisionen has also received reimbursements that were DKK 0.8 million up on budget, because several staff were absent due to long-term sickness in 2010. Savings in other operating expenditure are DKK 5.8 million which is mainly related to postponement of IT projects worth DKK 3 million, savings in training and education of DKK 1.5 million, postponement of official journeys of DKK 1 million and an increase in fees received of DKK 0.3 million.

The accumulated surplus carried forward was thus DKK 17.2 million. Rigsrevisionen has in 2010 been slightly understaffed, and towards the end of 2010 it was therefore decided to increase the number of staff. Savings in the payroll cap will cover the expenditure for this expansion of staff. Rigsrevisionen will also work on a reorganisation and adjustment of the organisation to ensure that we in the long term will be able to sustain operations within the annual appropriation. Part of the surplus realized under ordinary operating expenditure in 2010 will be used to cover the expenditure related to activities that have been postponed. The remainder of the surplus will be used in 2012.

**Note 8. Conversion table for net expenditure for the year and income statement**

On the basis of the accrual-based result, the table below shows how the cash-based result can be calculated by adding acquisitions and deducting amortisation, depreciation and adjustments relating to holiday and overtime pay, etc. and financial items.

(DKK '000)	Tax year 2010	Tax year 2011
Appropriation taken to income	189,900	196,900
Result	(932)	(11,494)
<b>Net expenditure for the year</b>	<b>188,968</b>	<b>185,406</b>
<i>Adjustments:</i>		
+/- Acquisitions, net	1,065	393
+/- Amortisation/depreciation	(3,191)	(1,655)
+/- Adjustment of staff costs relating to holiday allowance and accrued overtime pay, etc.	813	2,409
+/- Financial income/expenditure, SKB FF4 and SKB FF7	274	185
<b>Variance</b>	<b>(1,039)</b>	<b>1,333</b>
<b>Net expenditure for the year</b>	<b>187,929</b>	<b>186,739</b>

Net expenditure for the year calculated according to accrual-based principles amounts to DKK 185.4 million. As appears from the table, the variance between the accrual-based and the cash-based result of DKK (1.3 million) is related to differences in acquisitions, disposals, depreciation and amortisation, an adjustment of DKK 2.4 million concerning holiday allowance and accrued overtime pay, and financial expenditure of DKK 0.2 million relating to the cash accounts (SKB FF4 and SKB FF7).

**Note 9. Government guarantee and adjusted equity (initial capital)**

Adjusted equity (initial capital) represents the capital that the government has contributed to Rigsrevisionen. The set-off in the balance sheet to the adjusted equity is a government guarantee. The value of the adjusted equity and thus also the government guarantee equals the fluctuation limit for Rigsrevisionen's accumulated deficit. The government guarantee was originally calculated as 2 per cent of the gross expenditure for 2006.

**Management statement**

Today the management of Rigsrevisionen presented the annual report and financial statements for 2010 for the primary account 03.31.11. Rigsrevisionen, and subsidiary account 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.

We consider the accounting policies chosen to be appropriate so that the financial statements give a true and fair view in accordance with the accounting provisions applicable to Rigsrevisionen. In our opinion, the transactions included in the financial statements are consistent with appropriations granted, legislation, other rules and regulations, agreements made and common practice. We are also of the opinion that we have established business procedures that ensure financially appropriate administration of the funds for which financial statements are presented. Moreover, we warrant that the annual report is free from material misstatement and omissions and that target setting and reporting are adequate.

Copenhagen, 31 March 2011



Henrik Otbo  
Auditor General



Bo Brabrand  
Head of IT and Finance

**Independent auditor's report**

*To the Folketing's Presidium*

We have audited the financial statements of Rigsrevisionen for the period 1 January – 31 December 2010, pages 20-27. The financial statements have been presented in accordance with the accounting provisions applicable to Rigsrevisionen and form an integral part of the Folketing's financial statements.

***Management's responsibility for the financial statements***

Rigsrevisionen's management is responsible for preparing and presenting financial statements that give a true and fair view in accordance with the accounting provisions applicable to Rigsrevisionen. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of the management to ensure that the transactions included in the financial statements are consistent with appropriations granted, legislation, other rules and regulations, agreements made and common practice.

***Auditor's responsibility and basis of opinion***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Danish auditing standards and generally accepted public auditing standards in compliance with the audit instructions applicable to the Folketing's auditor laid down by the Folketing's Presidium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit includes procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement in the financial statements, whether due to fraud or error. In making the risk assessment, the auditor considers internal controls relevant to the management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rigsrevisionen's internal controls. An audit also includes evaluating the appropriateness of the accounting policies applied by management and the reasonableness of the accounting estimates made as well as evaluating the overall presentation of the financial statements. Moreover, the audit includes evaluating whether the business procedures and internal controls established support the consistency of the transactions included in the financial statements with the appropriations granted, legislation, other rules and regulations, contracts made and common practice.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

#### *Opinion*

In our opinion the financial statements give a true and fair view in accordance with the accounting provisions applicable to Rigsrevisionen. We are also of the opinion that the business procedures and internal controls established support the consistency of the transactions included in the financial statements with the appropriations granted, legislation, other rules and regulations, agreements made and common practice.

#### **Auditor's report on performance audit conducted**

In connection with the financial audit of Rigsrevisionen's financial statements for 2010, we assessed selected areas to establish whether financial concerns had been duly taken into account in the administration of Rigsrevisionen, and whether the disclosures in the annual report about targets and performance are documented and adequate for Rigsrevisionen's activities in 2010.

#### *Management's responsibility*

Rigsrevisionen's management is responsible for establishing guidelines and procedures to ensure that the administration of Rigsrevisionen takes financial concerns into account, and for ensuring that the disclosures in the annual report about targets and performance are documented and adequate for Rigsrevisionen's activities in 2010.

#### *Auditor's responsibility and performance audit conducted*

In accordance with generally accepted public auditing standards, see the audit instructions applicable to the Folketing's auditor, we examined selected administrative areas to ascertain whether Rigsrevisionen has established business procedures that ensure financially appropriate administration. Furthermore, we reviewed, on a test basis, Rigsrevisionen's reporting in the annual report on the achievement of Rigsrevisionen's targets. Our audit was conducted for the purpose of obtaining limited assurance that the administration in the selected areas has been handled in a financially appropriate manner, and that the disclosures in the reporting on the achievement of targets are documented and adequate for Rigsrevisionen's activities in 2010.

*Opinion*

In the course of our performance audit, nothing has come to our attention that has caused us to believe that the administration in 2010 of the areas examined has been handled in a financially inappropriate manner or that the disclosures in the reporting on targets and performance are not documented and adequate for Rigsrevisionen's activities in 2010.

Copenhagen, 31 March 2010

**Grant Thornton**

Statsautoriseret Revisionsaktieselskab



Hans Frederik Carøe  
State-authorised Public Accountant



Ole Fabricius  
State-authorised Public Accountant

## Green accounts

Table 6 shows how Rigsrevisionen's consumption of electricity and heat has developed in the period 2006-2010.

Table 6. Development in electricity and heating consumption in the period 2006-2010

		2006-2007	2007-2008	2008-2009	2009-2010
Electricity	kWh	463,300	415,600	342,100	317,100
Electricity/m <sup>2</sup>	kWh	42	38	32	31
Heating	MWh	773	857	914	972
Heating/m <sup>2</sup>	MWh	0,071	0,078	0,084	0,095

The consumption of electricity per m<sup>2</sup> has dropped considerably in the period 2008-2010. Energy saving measures account for part of the drop, but the cause of the remainder of the energy savings has not been revealed by the examinations conducted by DONG Energy and Rigsrevisionen.

The consumption of heating has been on the increase. The increase corresponds to the increase in number of heating degree days, which reflect the demand for energy needed to heat a home or business. Heating degree days are calculated on the basis of the outside average temperature. The increase in heating consumption is mainly caused by the very cold winters the last couple of years.

Rigsrevisionen's influence on the consumption that is reflected in the green accounts is largely restricted to the electricity consumption. Our influence on the heating consumption is limited, because the Danish Palaces and Properties Agency is responsible for the building's thermo-technical installations.

Rigsrevisionen continuously endeavours to reduce its consumption of electricity and the Danish Palaces and Properties Agency is planning to renovate the windows in Sct. Annæ Palæ. This improvement is expected to reduce heating consumption considerably.

## Staff accounts

*The development in man years*

Table 7 shows the development in man years in the period 2006-2010.

Table 7. Development in man years in the period 2006-2010  
(No.)

2006	2007	2008	2009	2010	Budget 2011
253	259	259	260	253	255

As appears from table 7, the 253 man years in 2010 represents a slight decrease compared to previous years, which is due to the caution exercised by Rigsrevisionen with respect to recruitment of new staff in order to ensure long-term financial equilibrium in payroll expenditure.

*Staff turnover and composition*

Rigsrevisionen's staff turnover in the period 2006-2010 and estimated turnover in 2011 will appear from table 8.

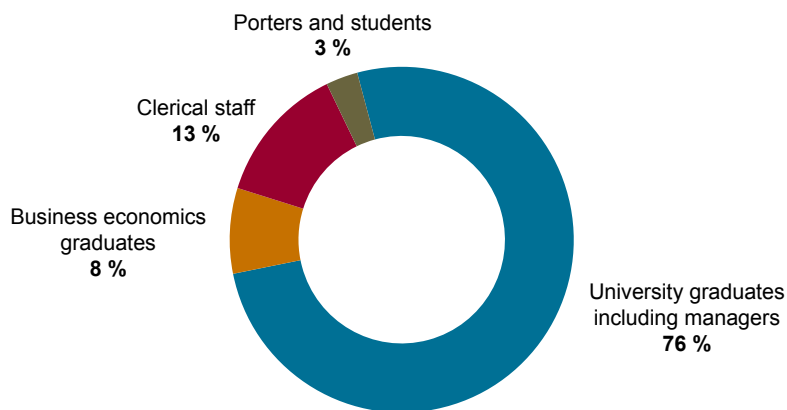
**Table 8. Staff turnover in the period 2006-2010 (%)**

2006	2007	2008	2009	2010	Budget 2011
12.0	18.0	11.7	10.0	10.0	9.5

Table 8 shows a staff turnover of 10 per cent in 2010 which is on level with the two preceding years. The relatively low staff turnover rate in recent years is mainly attributable to the generally low mobility in the labour market. Rigsrevisionen is expecting a staff turnover rate of 9.5 per cent in 2011.

Figure 2 shows Rigsrevisionen's staff composition by the end of 2010.

**Figure 2. Staff composition in 2010**



Note: Calculated on the basis of number of full-time employees at year-end 2010.

Figure 2 shows that 76 per cent – or three out of four employees in Rigsrevisionen – are university graduates. Staff composition has changed significantly over the past many years and the number of university graduates has increased at the expense of the number of clerical staff. This development is continuing and since 2008 the proportion of university graduates has increased from 72 per cent to 76 per cent in 2010.

The change in staff composition is related to the fact that the tasks performed by Rigsrevisionen have become more complex and demanding in terms of professional qualifications.

*Absence due to sickness*

Table 9 shows the development in average absence due to sickness per employee in the period 2007-2010.

Table 9. Average annual sick days per employee in the period 2007-2010

	2007	2008	2009	2010
Average for Rigsrevisionen	6.8	7.7	7.4	8.5
Absence due to sickness adjusted for long-term sickness	4.3	4.2	3.9	3.7

Table 9 shows that absence due to sickness in Rigsrevisionen reached an average of 8.5 working days per employee in 2010. The increase may primarily be related to long-term sickness, including pregnancy-related sickness. Adjusted for long-term sickness, absence due to sickness is 3.7 days against 3.9 days in 2009. The "general" absence due to sickness has thus decreased slightly from 2009 to 2010. On the other hand, this means that absence due to long-term sickness has increased somewhat. Rigsrevisionen will address this issue in 2011.