



FOLKETINGET
STATSREVISORERNE



FOLKETINGET
RIGSREVISIONEN

August 2024
– 18/2023

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

The audit of the Danish public accounts for 2023

1. Purpose and conclusion

Rigsrevisionen has completed the audit of the Danish public accounts for 2023. The objective of the audit is to ascertain whether the public accounts are correct and whether all transactions are consistent with the appropriations granted. The report provides the basis for the Danish Public Accounts' recommendation to the Danish parliament on the approval of the public accounts. Rigsrevisionen's audit opinion on the audit of the public accounts for 2023 is included as appendix 1.

We have also audited the financial statements for 2023 of the individual ministries and their compliance with the terms of the appropriations granted. The financial statements of the individual ministries are included in the report on the public accounts. We issue independent audit opinions on the financial statements of each ministry. Our conclusions are listed in table 1.

Figur 1
Rigsrevisionen's conclusions

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

A *positive opinion* indicates that the financial statements are correct and that there are no material misstatements and deviations from appropriations. Misstatements in the public accounts are considered material if their aggregate sum exceeds 1 per cent of the government's total revenue and expenditure, corresponding to DKK 17.4 billion in 2023. Misstatements in the financial statements of the individual ministries are considered material if they exceed 2 per cent of the ministries' income and expenditure, or exceed DKK 1 billion.

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

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

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

Reasonable assurance

An opinion based on reasonable assurance can be given, when the auditors assess that sufficient audit evidence has been obtained to conclude that the accounts are not affected by any material misstatements and deviations from appropriations. The assessment is made by the auditors based on their professional experience.

In addition to the four different audit opinions listed in figure 1, we can also include an *emphasis of matter* paragraph in our report which means that matters in the financial statements, even if they are not reflecting misstatements, require special attention. An example could be an uncertainty relating to the quality of specific data in the financial statements.

The audit is carried out in compliance with the Danish standards of public-sector auditing and provides reasonable assurance that the public accounts are free from material misstatements and deviations from appropriations. We notify the department immediately if matters discovered during the course of the audit might result in misstatements in the financial statements.



Main conclusion

The Danish public accounts for 2023 are correct and without material misstatements. This indicates that the public accounts have been prepared in compliance with the appropriation acts and the government accounting regulations and reflect the government's revenue, expenditure, assets and liabilities in 2023. Rigsrevisionen also assesses that all government transactions have been carried out in accordance with the regulations.

Rigsrevisionen has modified its opinion on the financial statements of three ministries.

The *modified opinions* issued concern:

- the Ministry of Industry, Business and Financial Affairs' provision for the divestment of the oil and gas production in the North Sea which is not aligned with the anticipated expenditure;
- the Ministry of Social Affairs, Housing and Senior Citizen's provisions and receivables in the housing area that have been valued incorrectly;
- the Ministry of Justice who has not entered the revenue generated from fines correctly.

Rigsrevisionen has issued a positive opinion on the financial statements of the remaining ministries, which are free from material misstatements and deviations from the appropriations.

Rigsrevisionen has *emphasized* the following matters to draw attention to uncertainties relating to the quality of data, which do not, however, result in misstatements in the financial statements:

- Uncertainty relating to the value of debt for collection by the Ministry of Taxation.
- Uncertainty relating to the size of the provision for compensation for mink farmers made by the Ministry of Food, Agriculture and Fisheries.

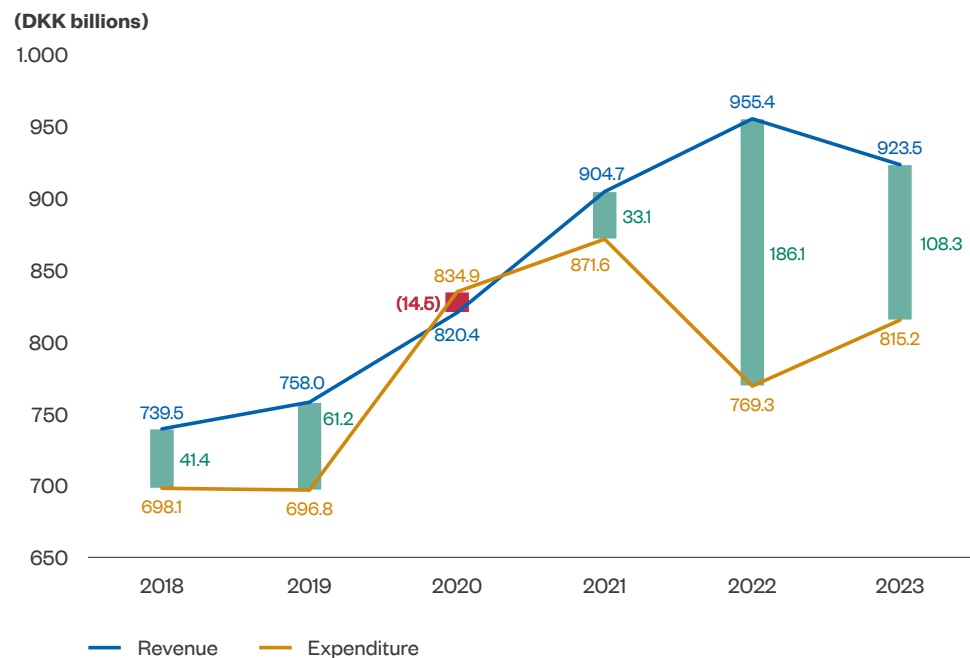
Lastly, four misstatements in the public accounts and administrative shortcomings in the accounting of several ministries are mentioned in the report. None of the misstatements have led to modifications of our opinion. Rigsrevisionen mentions the cases to make the ministries aware of the need to reduce the risk of misstatements in future financial statements and minimize the risk of abuse. The misstatements concern the following matters:

- The Ministry of Industry, Business and Financial Affairs and the Ministry of Transport have valued a number of government-owned shares incorrectly.
- The accounting administration of the Ministry of Defence is still affected by weaknesses.
- The management of user privileges within 14 ministries could be improved.
- The IT-security of four ministries is affected by weaknesses.

1.1. Background

The Danish Minister of Finance presented the Danish public accounts to the Danish parliament on 22 March 2024. In the fiscal year, the state had revenues of DKK 923.5 billion and expenditure of DKK 815.2 billion, resulting in a surplus of DKK 108.3 billion. Figure 2 shows the development of the state's revenue, expenditure and surplus over the past six years.

Figur 2
The government's revenue, expenditure, surplus or deficit in the period 2018-2023 (nominal terms)

























Source: Rigsrevisionen based on the public accounts 2018-2023.

It appears from figure 2 that, with the exception of 2020, the state's revenue exceeds its expenditure throughout the entire period. The decline in revenue from 2022 to 2023 is attributable to a reduction in revenue generated from taxes on pension yields and energy charges as a result of a reduction in the electricity tax during the first six months of 2023.

In 2023, the expenditure increased due to an increase in expenditure for the national pension scheme and other social pension schemes and support to Ukraine.

Our conclusions on the public accounts and matters mentioned in the report are listed in table 1.

Table 1
Rigsrevisionen's conclusions for 2023

	The accounts are correct and the transactions are in compliance with the appropriations	Matters mentioned in the report
The overall Danish public accounts (sections 1-42)		
Sections 1 and 2. The Queen and members of the Royal Danish Household		
Section 5. The Prime Minister's Office		See items 18-22
Section 6. The Ministry of Foreign Affairs		See items 18-22
Section 7. The Ministry of Finance		See items 18-22
Section 8: The Ministry of Industry, Business and Financial Affairs	MODIFIED OPINION	See items 4-5, 13 and 18-22
Section 9. The Ministry of Taxation		See items 9 og 18-22
Section 10. The Ministry of Economic Affairs		
Section 11. The Ministry of Justice	MODIFIED OPINION	See items 7, 18-22 and 23-28
Section 12. The Ministry of Defence		See items 15-17 og 18-22
Section 14. The Ministry of Immigration and Integration		
Section 15. The Ministry of Social Affairs, Housing and Senior Citizens	MODIFIED OPINION	See items 6 and 18-22
Section 16. The Ministry of the Interior and Health		See items 23-28
Section 17. The Ministry of Employment		See items 18-22
Section 18. The Ministry of Higher Education and Science		See items 18-22 and 23-28
Section 20. The Ministry of Children and Education		
Section 21. The Ministry of Culture		See items 18-22
Section 22. The Ministry of Ecclesiastical Affairs		See items 18-22
Section 23. The Ministry of Environment		See items 23-28
Section 24. The Ministry of Food, Agriculture and Fisheries		See items 10 and 18-22
Section 25. The Ministry of Digital Government and Gender Equality		
Section 28. The Ministry of Transport		See items 14 and 18-22
Section 29. The Ministry of Climate, Energy and Utilities		
Section 38. Taxes and duties		
Sections 35-37 and sections 40-42. General reserves, pension, interest, relending, movements in cash position, servicing national debt (net)		

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

Source: Rigsrevisionen

We monitor 18 cases from previous reports on the audit of the public accounts. We regularly follow up on the cases and assess whether the ministries have addressed the issues raised by us.

Appendix 1. Rigsrevisionen's report on the audit of the Danish public accounts for 2023



Sub-conclusion

Rigsrevisionen has audited the main section of the public accounts (i.e. section A. Summaries and section B. Appropriations and financial statements), relevant specifications of budgets and accounts and settlement of appropriations. The financial statements of the Danish parliament (the Folketing), are not audited by Rigsrevisionen. The public accounts shall be prepared in accordance with relevant appropriation acts (i.e. the Finance Act and Supplementary Appropriation Act for 2023) and the government accounting regulations.

Rigsrevisionen assesses:

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

Basis for opinion

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

The section *Rigsrevisionen's responsibility for auditing the financial statements* provides more details on our responsibility according to the standards for public-sector auditing.

In compliance with the Auditor General Act, section 1, sub-section 6, the auditor general is independent in performing her duties. Rigsrevisionen assesses that the audit evidence obtained is sufficient to provide a basis for our conclusion.

With the issue of this opinion, the audit of the public accounts for 2023 is completed. However, Rigsrevisionen may later decide to re-examine issues relating to this and previous accounting years, which may lead to the disclosure of new information and result in a reassessment of items examined in this report.

The ministries' responsibility for the financial statements

The Minister for Finance presents the public accounts to the Folketing. The public accounts are presented in compliance with the relevant finance act and supplementary appropriation acts. The public accounts should include all government income and expenditure concerning the past fiscal year and assets and liabilities and movements in these in the year. The public accounts consist of the financial statements of the government departments, which include the financial statements of the individual entities and bodies under the respective departments.

The ministries are responsible for presenting correct financial statements in compliance with the appropriation acts and government accounting regulations. The ministries are also responsible for establishing the internal controls necessary to facilitate the preparation of financial statements free from material misstatement, whether due to fraud or error. The ministries and the individual government bodies and public enterprises under the remit of the ministries are also responsible for applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The public accounts include information provided by *Udbetaling Danmark* (government body managing public benefits) and the Danish municipalities. The relevant ministries are responsible for entering the information in the accounts in compliance with the appropriation acts and current government accounting regulations. Because *Udbetaling Danmark* and the municipalities submit their annual accounts later than the central government, the ministries cannot verify all the information provided by *Udbetaling Danmark* and the municipalities before the public accounts are presented. It is, therefore, essential that the information received from *Udbetaling* is verified subsequently and before Rigsrevisionen expresses its opinion on the public accounts. The verification is obtained when *Udbetaling Danmark*'s financial statements and annual report are audited by an approved auditor before Rigsrevisionen expresses its opinion on the public accounts. The information provided by the municipalities is verified through auditor reports that are available after Rigsrevisionen has expressed its opinion on the public accounts. The ministries are, therefore, required to correct any misstatements subsequently to ensure the correctness of the public accounts, when viewed over several years.

Moreover, the ministries are responsible for observing the terms of the appropriations and other relevant regulations. The ministries are responsible for ensuring that transactions are funded as required, and that income and expenses included in the public accounts are generated and used in compliance with the objectives and terms set out in the appropriation acts. If these original conditions are no longer present, the ministries are under obligation to inform the Folketing and apply for adjustment of the appropriations.

The departments supervise that government bodies and public enterprises comply with the government accounting regulations and approve the annual financial statements prepared by these bodies.

Rigsrevisionen's responsibility for auditing of the financial statements

Our objective is to obtain reasonable assurance about whether the public accounts as a whole are free from material misstatement, whether due to fraud or error, or affected by material variances to appropriations, and to issue an auditor's report that includes our opinion. Reasonable assurance is not a guarantee that an audit conducted in accordance with good public-sector auditing practice will always detect material misstatement or variances to appropriations, when those exist. Misstatement and variance to appropriations can arise from fraud or error and are considered material if, individually or in total, they could reasonably be expected to be material.

We conduct the audit in compliance with the standards for public-sector auditing, which means we exercise professional judgement and maintain professional scepticism through the audit. We also:

- Identify and assess the risk of material misstatement in the financial statements, whether due to fraud or error, and the risk of material variances to appropriations, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than for misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the ministries' internal control.
- Evaluate the appropriateness of the accounting policy used by the ministries and the reasonableness of the accounting estimates and related disclosures made by the ministries.
- Verify that the information provided by Udbetaling Danmark, unemployment insurance funds or the municipalities is reflected correctly in the accounts prepared by the ministries and whether the ministries have verified information relating to previous accounting years and corrected the financial statements as required.
- Compare the accounting figures with the relevant appropriations to assess compliance with the terms of the appropriations.

The audit of the public accounts includes audits of financial statements concerning specific sections of the appropriation acts included in the public accounts. Our conclusions concerning these audits appear from our opinions on the individual ministerial remits or other sections of the public accounts. If our opinions are qualified or otherwise modified, it will appear in this report, the Public Accounts Committee will be informed hereof in this report.

Opinion on compliance and performance audit

The ministries are responsible for ensuring that the transactions comprised by the financial statements comply with appropriations, legislation and other regulations, as well as with agreements concluded and generally accepted practice. The ministries are also responsible for taking due financial considerations into account in the administration of the funds and the operation of the government bodies and public enterprises comprised by the public accounts. The ministries are also responsible for establishing systems and processes that support economy, efficiency and effectiveness.

In compliance with the standards for public-sector auditing, it is our responsibility to select subject matters relevant to both compliance audit and performance audit of the public accounts. These audits are planned and prioritised five years ahead. The scope of each audit is limited to specific transactions, systems or processes that entail a risk of significant violations of the regulations or weaknesses in the administration.

We report our conclusions and the scope of the audit to the relevant departments. Material compliance breaches or weaknesses in the administration, including critical remarks in the opinion on a section of the public accounts, are reported to the Public Accounts Committee in the Report on the audit of the government's administration in 2023.

Rigsrevisionen, 1 August 2024

Birgitte Hansen
Auditor General