

Annual report 2006

The year in brief

- January** The ESV provides data for the recalculation of prices and wages.
- February** Government revenue register for 2006 is published.
The Financial Administration book is published.
A handbook, "Accounting Plan in Practice", is published.
- March** Budget forecast 1 is presented.
Documentation for the annual report of central government is submitted to the Government and published.
Government budget outcome for 2005 is submitted to the Government and published.
- April** The Financial Management Ratings for the year are presented.
Reports on two government assignments: "Models with market mechanisms for the provision of public services" and "A more efficient government administration" are presented to the Ministry of Finance
- May** The ESV starts a framework procurement to ensure a good infrastructure prior to the introduction of electronic invoicing.
The "Accounting Day" for small agencies is held.
A report is submitted on the government assignment to study and present proposals in respect of government premises.
A new booklet is published in the Central Government Finances series on "Central Government, the EU and the Money"
Data on central government net lending is submitted to the Government.
- June** The ESV initiates a project to examine management by objectives and results and the framework appropriation model.
Budget forecast 2 is presented.
The ESV reports on progress made on the development of a coordinatory function for internal audit in central government.
The ESV is commissioned to make preparations for the audit of EU funds.
- August** The first support package for government agencies for the introduction of electronic invoicing is published on www.esv.se.
Budget forecast 3 is presented.
Revised budget data submitted in respect of the audit of EU funds.
- September** The ESV submits its comments on a report circulated by the Ministry of Finance on internal management and control in central government.
- October** The "ESV Day" is held at Stockholm International Fairs on the theme of managing for results with a focus on internal management and control. Books are published on shared services and on the management and control of operations.

Two brochures on the administration of electronic invoicing are published.

The ESV presents a model for reports on the extent to which small enterprises are suppliers to government agencies: as parties in framework agreements or as sub-contractors to parties to framework agreements.

The ESV and the Swedish Administrative Development Agency (Verva) submit a report to the Government on a study to improve efficiency by automating the administration of government business.

November A report is made on the government assignment on the possibility of adapting regulations to operations where financial management is concerned.

The "Accounting Day" for large agencies is held.

Workshops are held with agencies to survey future needs of support to make their operations efficient.

December The ESV concludes two framework agreements to support agencies in the introduction of electronic invoicing.

The ESV submits a report on the possibilities of including conditions in the procurement process in respect of accessibility for disabled persons to the Ministry of Health and Social Affairs.

Final budget forecast for the year is presented.

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1 Director General's Foreword

At the beginning of 2006, the ESV implemented a reorganisation. The intention of the reorganisation was that it should reflect our mission, facilitate the making of priorities, and make better cooperation possible between our various activities. Within the framework of our mission – to work for an efficient government administration – the year's activities have mainly focused on three fields: good data, analyses and information on central government finances; effective management of agencies; and good methods and effective support for agencies to manage their operations.

Good information for finance policy decisions

In the first field mentioned above, we have supplied, among other things, information for the central government statements of financial position and financial performance, the cash flow analysis, and the annual outcome of the government budget, which are then included in the Government's annual report to parliament. The information is based on the reports made by agencies to the central government information system, Hermes. We also made forecasts in respect of the government budget and the retirement pension system four times during the year. The forecasts have been used, among other things, for the government's budget work and for monitoring and following up the budget. The forecasts are intended to provide warning signals of any major deviations from budget and to provide up-to-date information on the situation of government finances in the medium term.

Extensive methods development work

A new structure for the reporting of tax revenues in the government budget has been implemented. The taxes are accrued, which means that they are reported in the year to which they refer and not the year when they are paid. This facilitates analyses of what has happened during a year. The ESV has supported the Government Offices in this work, developed its own working methods, and informed the agencies about the new structure.

Extensive methods development and documentation work has been done in our work on the budget forecasts, for example in respect of the labour market sector and personal income taxes.

Future development ensured through stable systems

Hermes is a comprehensive information system for both the Government Offices and for the government agencies in their work on the budget process. The system contains a number of sub-systems that support different parts of the process - from the submission of forecasts, via the preparation of the government budget and the issue of annual directives and letters of appropriations, to the collection of outcome in the aggregate central government accounts. The ESV administers and develops the system to ensure that it provides appropriate and efficient support for financial management in central government. This year the ESV's work has focused on ensuring stability, performance and security in the system. Accessibility to the system was 99.8 per cent.

Contributions for better management of agencies

We develop and adapt financial management to the operations of agencies to contribute to good financial control, and productivity and efficiency in the use of

government resources. The intention is to give the Government and Parliament optimal possibilities to direct the work of the agencies in a specific and effective manner. Among other things, it is a matter of developing management by objectives and results and financial management, and working for the acceptance of generally accepted accounting principles in central government. The ESV also administers and develops financial management rules and issues regulations and general guidelines in the fields of management, accounting and financing. Our work also includes providing advisory services, training programmes and guides.

Proposal to simplify the rules in order to improve efficiency

During the year, we have worked on simplifying rules and a report on financial management rules was submitted to the government. The ESV proposes, among other things, changes to the criteria in respect of the agencies that must submit interim reports and cash flow analyses. If the proposals are implemented, they will have the effect that only 30 government agencies will be covered by the requirement to submit interim reports - as opposed to the current figure of 130 agencies. The ESV also advocates that the Government should introduce cost accounting of appropriations for administration costs. This would counteract the current situation in which financial management by appropriations on the one hand and management by objectives and results on the other are expressed in different terms. This would make it easier for agencies to coordinate their administration of the different requirements that are placed on their accounts and reports, as well as their own internal management. Other gains would be that comparability between different activities would be enhanced, as well as comparability between the government budget and the annual accounts of central government.

Programmes to improve management and monitoring

Management by objectives and results was introduced fifteen years ago. In order to evaluate the model, the ESV has initiated a project that will review management by objectives and results and the framework appropriation model. The project includes all levels, i.e. Parliament, the Government and agencies, and will analyse strengths and weaknesses in the model. A report on experience gained and proposals for improvements will be submitted in 2007.

To enable government operations to be monitored satisfactorily, the ESV has started a project to construct key ratios that can be extracted from existing accounting data in the central government accounts in Hermes. It has been decided to proceed and to develop an interactive website for key ratios in Hermes in 2007.

At the end of the year, the ESV was given the responsibility for issues relating to the management of government premises. During the year, the ESV made a study of whether the management of premises can be performed in a more rational way. The assignment showed that the existing process has functioned satisfactorily. From having been substantially above market prices, the cost of government premises has drawn increasingly closer to prevailing market prices.

Support to agencies for better management of operations

The work of supporting agencies in the management of their operations continued during the year. The ESV previously produced seven building blocks that describe the characteristics of effective operational management. They have also been used

to spread a general approach to operational management in central government through training programmes, consulting activities and books. The ESV's consulting activities and extensive training activities contribute to enhancing knowledge of ways in which the government administration as a whole can be made more efficient. The consulting assignments are selected from an overall perspective with the aim that experience gained should benefit the entire government administration.

Collaboration and privatisation lead to enhanced efficiency

In a report produced by the ESV during the year, it is stated that central government can make its administration more efficient by engaging private companies. In the report, three ways of providing public services were studied – procurement on contract, public-private partnership, and customer choice systems using service coupons. The ESV states that subjecting public services to competition and procurements often makes activities more efficient. Efficiency is enhanced since purchasers must review their purchasing activities in order to make relevant specifications and to follow up what has been done. However, not all activities are suitable for competition. The ESV therefore proposes that in-depth analyses should be made of the types of activities that are suitable to subject to competition.

The ESV has also submitted a report on shared service centres and outsourcing. The point of departure of the report is that a basic approach is required which has the point of departure of creating maximum value for money at all levels in the government administration. It also states that specific incentives are needed for taking the necessary actions to create a more efficient government administration. The assignment also included making proposals for the construction of a system for the calculation of key ratios for OH costs.

For a number of years the ESV has been interested in shared service solutions as a conceivable method of making the agencies' administrative support more effective. A publication on the subject was produced during the year and a new network has been initiated together with the National Tax Board.

Coordination of the introduction of electronic invoices

The ESV is responsible for leading and coordinating the compulsory introduction of electronic invoicing in central government. All agencies shall be ready to introduce electronic invoices by July 1, 2008. It is important that this work is coordinated and is based on the needs of agencies. The ESV has negotiated two framework agreements to ensure that agencies have access to an effective infrastructure which will make it easy for them and their suppliers to send, receive and process electronic invoices. An extensive support package is being produced consisting of recommendations and guidelines for different stages in the introductory process.

Framework agreements – a method of providing more effective administrative support

The ESV's framework agreements for human resource systems and integrated operational management systems expire in the autumn of 2008. The multi-licence agreement with Agresso expired more than two years ago. The ESV therefore started a feasibility study during the year in order to ascertain whether new framework agreements were needed, or if there were other needs of support to make the central government administration more efficient.

In 2006, the ESV was also given the responsibility for coordinating central government purchases. The ESV coordinates the work between the agencies responsible for framework agreements and other government agencies in order to make central government purchasing more efficient. The turnover under the framework agreements has gradually increased. Between 2004 and 2005 it increased by 9 per cent.

An internal audit function has been established

During the year, a new function was developed which will be responsible for developing and coordinating internal audit in central government. The ESV coordinates internal audit by issuing regulations and providing support for the agencies. A report covering all internal auditing in central government shall be submitted to the Government each year. During the year, the ESV circulated proposed regulations and guidelines for comments. The proposals were based on the Government's draft proposal for a new internal audit ordinance. A questionnaire has been designed which will form the basis of the annual report to the Government. In addition to this, a framework agreement has been concluded for various internal audit services.

Yvonne Gustafsson

2 Brief performance report and financial analysis

Policy area

Efficient government administration

To create an efficient government administration that is characterised in its entirety by high levels of productivity, good quality and good service and that is of value to decision-makers, citizens and industry.

Overall operational area

Management, control and development of operations

To develop management and controls, financial management and organisation of the central government administration and to ensure that all agencies contribute systematically and continuously to the development of central government operations and to human resource management in central government with the aim of making the government administration efficient. The administrative policy has the aim of enhancing the value of core activities of central government to ensure that the capability of the administration to solve social problems is strengthened.

Overall operational area

Forecasts and follow-up

Reliable and well-documented forecasts and analyses of economic and government budget trends.

Operational area

Financial management

- Develop financial management and adapt it to central government operations with the aim of achieving an efficient government administration that is characterised by good financial control and high levels of productivity and efficiency in the use of resources.
- Ensure access by central government to appropriate and cost-effective administrative systems.

Operational area

Consolidated Information System: Hermes

- Administer and develop the information system, Hermes, so that it constitutes an appropriate and efficient form of support for financial management in central government.
- Development of those parts of the system that refer to the government budget and the annual directives/letters of appropriations shall be commissioned by the Ministry of Finance.

Operational area

Forecasts and Information on Central Government Finances

- Contribute to an efficient government administration through reliable budget forecasts, good central government accounts, and reliable analyses of government budget trends.
- Budget forecasts shall have a high degree of precision, be based on scientific grounds and have an analytical approach. Risks for deviations from budget should be identified at an early stage.

- Methods and models shall be maintained and developed to enable the quality of forecasts to be continuously improved. In this development work special importance shall be attached to the scientific development of methods and models.

Operational area

Internal audit

- Establish a coordination function for internal audit in central government.

Operational area

Coordination of purchasing

- Achieve savings for central government through the coordination of government purchasing.

Operational area

Government premises

- Efficient management of premises and provision of support to the Government on issues relating to premises in the form of analyses of the use of government premises and the cost of premises for central government.

Figure 1. ESV's goals in the operational structure

The ESV's performance report is broken down into operational areas based on the structure shown in figure 1. The chapter on each operational area takes up important activities during the year, the degree of goal fulfilment, income and costs per operational area, and costs per output centre or the equivalent.

In addition to the report on outcome linked to reporting requirements, an assessment of outcome is made for each objective for the different operational areas – a report on the degree of goal fulfilment. This is measured or described in different ways depending on the goal.

2.1 Goal fulfilment for the ESV

Summary of goals in annual directives and letter of appropriations

Financial management

The goal is to develop and adapt financial management with the aim of achieving an efficient government administration that is characterised by good financial control and high levels of productivity and efficiency in the use of resources.

Assessment of outcome

Mainly fulfilled. Assignments completed and proposals presented. Some require a decision by Government and further work. SCI value - completely fulfilled

The goal is to ensure access by central government to appropriate and cost-effective administrative systems.

Assessment of outcome

Mainly fulfilled. The SCI value is at least mainly fulfilled, high market shares for FM and HR systems.

Consolidated Information System: Hermes

The goal is to administer and develop the information system, Hermes, so that it constitutes an appropriate and efficient form of support for financial management in central government.

Assessment of outcome

Mainly fulfilled. Measured through an SCI survey.

Development of those parts of the system that refer to the government budget and the annual directives/letters of appropriations shall be commissioned by the Ministry of Finance.

Assessment of outcome

Completely fulfilled. Development has taken place through written assignments.

Internal audit

The goal is to establish a coordination function for internal audit in central government.

Assessment of outcome

Completely fulfilled. The function has been established and activities have been started.

Coordination of purchasing

The goal is to achieve savings for central government through the coordination of government purchasing.

Assessment of outcome

Partly fulfilled. There has been an increase in the use of framework agreements and customer questionnaires have given good ratings, but it has not been possible to measure savings.

Government premises

The goal is to ensure efficient management of premises and provision of support to the government on issues relating to premises in the form of analyses of the use of government premises and the cost of premises for central government.

Assessment of outcome

Completely fulfilled. Reports have been made on all assignments.

Forecasts and Information on Central Government Finances

The goal is to contribute to an efficient government administration through reliable budget forecasts, good central government accounts and reliable analyses of government budget trends.

Assessment of outcome

Completely fulfilled. All indicators are positive.

Budget forecasts shall have a high degree of precision, be based on scientific grounds and have an analytical approach. Risks for deviations from budget should be identified at an early stage.

Assessment of outcome

Partly fulfilled. Based on an analytical report made in the spring of 2006.*

Methods and models shall be maintained and developed to enable the quality of forecasts to be continuously improved. In this development work, special importance shall be attached to the scientific development of methods and models.

Assessment of outcome

Mainly fulfilled. Maintenance and development projects have mostly been completed.

- Note. Precision refers to 2005. An analysis in respect of 2006 will be presented in a special report on April 28, 2007.

This section provides an overall description of goal fulfilment for the ESV's different operational areas. For several of the operational areas, goal fulfilment is measured through the results obtained from customer surveys.

Customer surveys have been made with the aid of Statistics Sweden and its analytical "Satisfied Customer Index" (SCI) model. This model gives an overall rating for SCI, as well as values for a number of quality factors that reflect different areas. Customer surveys for HR systems and business systems were made in the spring. A survey in respect of Hermes and other parts of the ESV's work was made in the autumn. This survey was made at both agencies and ministries. In addition to the SCI values, the customer surveys also provide values of the importance that different factors have for the overall rating for ESV, and thereby the fields in which pursuing improvements would be most effective.

According to Statistics Sweden, a SCI value over 60 can be assessed as "good". When the value is between 40 and 60 it is assessed as "acceptable", while a value under 40 is "unacceptable". The ESV has converted this three-point scale (good, acceptable and unacceptable) into a four-point scale for assessments of goal fulfilment:

Completely fulfilled = $SCI > 60$

Mainly fulfilled = $SCI 51 - SCI 60$

Partly fulfilled = $SCI 41 - SCI 50$

Barely fulfilled = $SCI < 41$

In the customer survey in respect of the ESV's advisory and support activities (excluding Hermes), both ministries and agencies give a very good rating: the ESV is given a SCI value of 65 by both groups.

Special questions were posed on the degree of satisfaction of agencies and ministries with Advisory Services, Handbooks and Training. Questions were also addressed to agencies on the coordination of purchasing.

The factor *Advisory Services* is of the greatest importance for the users' overall rating of ESV (SCI index) and is also given high ratings, 74 on a scale of 1-100. *Training* is given a somewhat lower rating, 66, but is of less importance for the users' overall rating of ESV. The ratings received by *Handbooks* were 70 from agencies and 66 from ministries, but the factor is of relatively little importance for the users' overall rating. *Coordination of purchasing* receives good results for all the three indicators included. The rating is 68 but the factor is of little importance for ESV's overall rating.

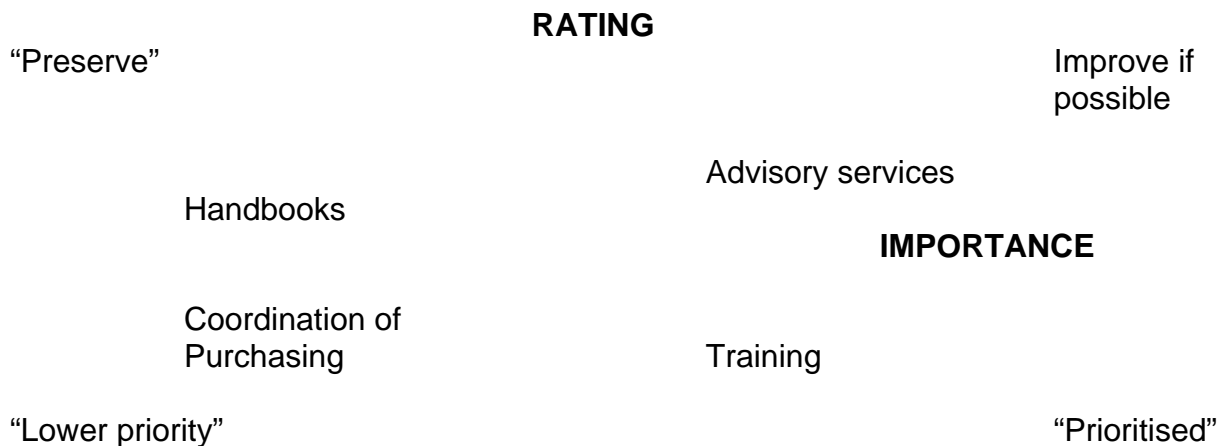


Figure 2 The agencies assessments of the ESV’s advisory and support services (SCI survey, average rating)

Compared to 2005, the changes are small and, in general, good ratings are given for all factors. The most important factors for the ESV to improve - if the users’ overall rating for the ESV is to improve - are Training and Advisory Services. Both of these are of relatively great importance for the SCI value. Moreover, Training has a rating that is under the average for the ESV.

In the customer survey in respect of business and HR systems, Agresso is given a SCI value of 67, which is a high rating and at the same level as last year. HR systems are also at the same SCI value as last year, 57, which corresponds to mainly fulfilled goals. The FS systems have gradually been given a lower SCI value and are now also at 57.

For the customer survey in respect of Hermes, the SCI value given by ministry users was 51, which is the same value as last year. The ministry users thus give Hermes a mainly fulfilled result. The agency users are more positive to Hermes than the ministry users. They give a SCI value of 64, which corresponds to completely fulfilled.

In the opinion of both ministries and agencies, it is most important to improve the factor of *Functionality*. This factor is of the greatest importance for the user’s overall picture of the Hermes system and the ratings given were below average. Both groups give *Support* the highest rating but the factor has little influence on the overall rating.

Where Internal Audit is concerned, the task in 2006 was to develop a coordinatory function and this has been done according to plan.

The ESV’s goal for Coordination of Purchases is to achieve savings for central government as a whole. In 2006, the use of framework agreements continued to increase, which is an indicator that activities contribute to savings.

The overall goal for Government Premises is to contribute to ensuring efficient management of premises. Where the ESV is concerned, it is primarily a case of providing the Government with information and analyses. The ESV has provided responses to all enquiries in a satisfactory manner.

No customer survey was made in respect of Forecasts and Information on Central Government Finances. The outcome for this operational area has been measured in another way. One indicator used is that all reports have been presented according to plan and on time with good responses from customers. Other indicators of good goal fulfilment are that development and documentation work has proceeded more or less in accordance with plan.

In-depth analyses of different sections of the customer survey and other analyses of goal fulfilment are to be found in each chapter below.

2.2 Finances

The ESV received three new operational areas in 2006: Internal Audit, Coordination of Purchasing, and Government Premises. Two of these activities, Internal Audit and Government Premises, are mainly financed by appropriations, while the Coordination of Purchasing is totally financed by fees. The new activities are one reason why the ESV's costs and incomes increased compared to 2005.

The operational area, Financial Management, consists of the two former operational areas, Performance and Financial Management and Administrative Systems. The reason why both the costs of Financial Management and the ESV's income from fees decreased substantially between 2004 and 2005 was the sale of Agresso operations in 2004.

2.2.1 Total costs

Table 1 Total costs 2004-2006 (SEK '000)

	2004	2005	2006
Financial Management	130742	98427	95728
Information System Hermes	48111	55615	54450
Internal Audit	-	-	3950
Coordination of Purchasing	-	-	7270
Government Premises	-	-	3842
Forecasts and Information on Central Government Finances	35015	34669	33503
Total costs	213868	188711	198743 1)

1) Including the ESV's own fees, the Hermes fee, consultation fees (for fees charged by agencies) and fees for purchasing coordination.

The ESV's three new operational areas have resulted in an increase in total costs of more than SEK 15 million. At the same time costs, particularly those of Financial Management, have decreased, with the overall effect that the ESV's total costs only increased by SEK 10 million in comparison with 2005.

In Financial Management, the costs for administrative systems have increased, largely due to the project for the introduction of electronic invoicing in central government. At the same time, the scope of the ESV's consulting activities has decreased with the effect that total costs in the operational area have decreased by approximately SEK 3 million compared to 2005.

Where Forecasts and Information on Central Government Finances are concerned, the total costs have decreased somewhat. A certain redistribution has taken place in the operational area, above all the development of internal IT support has been given priority.

The total percentage breakdown of costs between the operational areas is as follows:

Financial Management 48%
 Forecasts and Information on Central Government Finances 17%
 Internal Audit 2%
 Coordination of Purchasing 4%
 Government Premises 2%
 Information System Hermes 27%

2.2.2 Total income

The ESV's income increased by more than SEK 11 million compared to 2005. Most of the increase came from income from appropriations. This is mainly due to the two new appropriation-financed activities.

Table 2 Income from fees and other income than appropriations 2004-2006 (SEK '000)

	2004	2005	2006
Fees and other income than appropriations	129081	92958 1)	95709 2)

1) Including grants and financial income

2) Including grants and financial income and the ESV's own fees, the Hermes fee, consultation fees (for fees charged by agencies) and fees for purchasing coordination.

Income from fees and other payments increased somewhat between 2005 and 2006. This is partly due to the new fee-financed operational area, Coordination of Purchasing. Income from grants increased by SEK 1 million to just under SEK 1.3 million. This is due to an increase in grants from the Swedish Emergency Management Agency and payments from the Legal, Financial and Administrative Services Agency for the transfer of know-how.

Table 3 Income from appropriations 2004-2006 (SEK '000)

	2004	2005	2006
Appropriation 1:2 item 1	63305	66093	78170
Appropriation 1:2 item 2	17676	-	-
Appropriation 1:2 item 3	-	27057	23860
Appropriation 1:4 item 3	-	-	547
Appropriation 1:11 item 2	1661	-	-
Total appropriations	82642	93150	102577

The ESV's income under appropriation item 1, which refers to the ESV's administration, increased by SEK 12 million compared to 2005. The increase is mainly due to the two new appropriation-financed activities. The ESV also used SEK 4 million of its saving on appropriation item 1 for, among other things, development work in Financial Management.

In 2006, the ESV was allocated funds for the information system Hermes on appropriation 1:2 item 3 amounting to approximately SEK 21 million. In addition, the main part of the saving on appropriation brought forward on this item was used during the year, mainly to finance repayments and interest payments on loans that the ESV has for earlier development of Hermes.

Appropriation 1:4 item 3 refers to additional costs for premises that the ESV administers on behalf of central government on the instructions of the Government.

2.2.3 Change in capital

Table 4 Change in capital 2004-2006 (SEK '000)

	2004	2005	2006
Change in capital for the year 1)	-2145	-2603	-1228
Change in capital brought forward	4311	2166	-832
Change in capital carried forward	2166	-437	-2060

1) Including accrual effects.

Agency capital also continued to decrease in 2006. Most of the change in capital of -SEK 1 228 000 is due to the accrual accounting of rental income referring to the first quarter of 2007 for the premises that the ESV administers on behalf of the Government under Government Premises. The ESV's fee-financed activities showed a deficit of SEK 0.3 million, which is an improvement compared to the deficit of SEK 2.2 million in 2005.

3 Operational area: Financial Management

Goals for the operational area Financial Management as stipulated in the Government annual directives and letter of appropriations:

The goal is to develop financial management and adapt it to the operations of central government with the aim of achieving an efficient government administration that is characterised by good financial control and high levels of productivity and efficiency in the use of resources.

The goal is to ensure access by central government to appropriate and cost-effective administrative systems.

Reporting requirements as stipulated in the Government annual directives and letter of appropriations

The ESV shall submit a report on

its efforts to achieve the goal of the operational area and on the assessments made by the Government Offices and other government agencies of the ESV's performance.

the financial management rating of each agency no later than April 28, 2006, as laid down in the Government ordinance and the ESV's instructions.

its efforts to achieve the goal of the operational area in respect of business systems and on the agencies' assessments of the ESV's performance.

Other reporting requirements as stipulated in the Government annual directives and letter of appropriations

The ESV shall submit a report on the number of consultations that the agency has had, its use of resources for this purpose and average throughput times, as well as its income and expenses for consultations broken down by different types of consultations.

3.1 Review of operations

In the operational area, Financial Management, the ESV contributes to making financial management efficient and appropriate at all levels of central government by developing, integrating and implementing the functions of performance management and financial management and by ensuring access by central government to appropriate and cost-effective administrative systems.

Figure 3 Costs of Financial Management in relation to the ESV's total costs in 2006 (%)

The ESV does its work on financial management within the framework of seven overall output centres that reflect the focus of operations. Below a report is given on the most important activities in 2006.

3.1.1 Regular activities: Comments on reports and fee consultations still at a high level

The output centre, Regular Activities, includes, among other things, the work done by the ESV on the administration of regulations, consultations on fees, responses to reports circulated for comments, the report on trends in the activities of central government for which fees are charged, and financial management ratings.

Administering the different regulations, including the Bookkeeping Ordinance, the Capital Supply Ordinance, and the Ordinance on the Annual Accounts and Budget Documentation of Agencies, and being responsible for generally accepted accounting principles in central government, are part of the ESV's core activities.

Within the framework of Regular Activities, the ESV has made certain minor changes to regulations and guidelines, for example concerning the calculation of savings on appropriations in the appropriations ordinance and clarifications for the accounting of credits and guarantees.

The largest individual activity in the output centre is to produce responses to reports circulated for comment. In 2006, all in all the ESV submitted responses to a total of 65 reports at a cost of SEK 1.4 million. Of these 65 responses, 58 were made in the operational area Financial Management at a cost of SEK 1.3 million. The number of responses in the operational area decreased from 68 in 2005 to 58 in 2006.

Under the fees ordinance, the agencies shall consult the ESV every year on the fees they charge or intend to charge. The resources used and the number of consultations have remained largely unchanged in recent years.

Table 5 Number of consultations on fees, use of resources and average time for administration, as well as income and costs (SEK '000)

	2004	2005	2006
Number of finalised consultations	109	107	118
Use of resources (hours)	1470	1143	1284
Average administrative time (days)	13	16	13
Income from fees	1086	1092	1097
Cost	1130	1013	1098

In 2006, 118 consultations were finalised. The average use of resources for each consultation was 11 hours. The ESV can also state that the average time required for the administration of consultations, from registration at the ESV until the final decision was communicated to the agency concerned, was 13 days. This is well within the period of four weeks laid down in the regulations.

The ESV submitted the year's financial management ratings (FM ratings) to the Government on April 28. The FM rating process covers 218 agencies. The ESV has excluded 28 agencies from the FM ratings. Most were excluded due to small turnover or since their financial administration was located at another agency under a decision of the Government. The FM ratings are set on a nine-point scale from AA to CC. Over the years, increasingly fewer agencies have been given a FM rating that contains a C. In 2006, only three agencies received a FM rating containing a C.

As part of the ESV's work to increase productivity in central government, it was possible for agencies to report certain administrative key ratios in connection with the FM rating. The figures are important for the ESV's responsibility for monitoring productivity trends in this field in central government. They also provide data for improvements at the agencies since they can compare themselves with others, and themselves, over time.

3.1.2 Development: Projects to enhance efficiency in central government

The output centre, Development, includes almost all the appropriation-financed activities that are pursued for the development of performance management and financial management in central government.

One major project that was implemented with the aim of adapting financial management in central government to the operations of central government was the Government assignment to adapt the financial administration regulations to operations, which the ESV implemented during the year. The report contains several important proposals. If they are implemented, they will contribute to a greater degree of adaptation of financial management in central government to the operations of central government. This will benefit both the Government and the agencies since the agencies' work will be made easier and more resources can be released for core activities.

The ESV has drawn up rules for the ways in which agencies' human resource activities shall be presented in annual reports. The new rules put the goals of operations in focus where human resource reports are concerned. This should contribute to better reports on outcomes in the annual reports and thereby to better information on which the Government can base its decisions.

New rules have also been produced for the rights of agencies to receive and use non-government funds, in addition to fees and grants. The reason for the new rules is that the Government wishes to regulate the rights of agencies to receive sponsorship, as well as other payments such as damages, payments for court costs and other payments for costs incurred. Previously, there was no explicit support in the rules for agencies to use these funds. With the new provisions, the rules have been made more specific and they have been adapted to operations, which facilitates management and follow-up in the government administration.

In 2006, a handbook on ways agencies can develop and improve their accounting plans was also produced. This is a part of the ESV's programme in the internal audit field.

As part of its work to create an efficient government administration, the ESV has started testing the model for management by objectives and results in the government administration. The evaluation of the framework appropriation model has also been included in this task. The project has a specific development focus and will therefore be of great importance for the future direction of the ESV's work of developing methods and models for effective management and control. The survey phase of the project was finalised in 2006 with the completion of a number of reports.

In 2007, work in the project will focus on analysis, assessments and proposals. The aim of the project is to make an analysis of the strengths and weaknesses of the models for management by objectives and results and framework appropriations, as well as an analysis of the design, development and current application of the models in the government administration.

The ESV has been commissioned by the Government to examine three alternative ways of providing public services. These are procurement of contractors (outsourcing), public-private partnership, and a system whereby customers can choose with the aid of vouchers. The ESV has established that subjecting public services to competition and procurement often leads to improvements in efficiency, but that not all services are suitable for competitive procurement. The ESV therefore proposed that an in-depth analysis should be made of the types of services in the government administration that are suitable for competitive procurement and that the agencies' needs of support in these matters should be identified.

The ESV has also produced a booklet on alternative financing methods for roads and railways. The publication has been produced as part of the ESV's work of developing forms for financial management in central government. The publication describes and discusses the effects that different methods of financing investments in transport infrastructure would have on the economy, government finances and the financial management and controls exercised by the Government and Parliament. Moreover, an analysis is made of the arguments that have been presented in the discussion of different methods of financing. Investments in transport infrastructure are normally financed by appropriations in the government budget. In addition, there are also, for example, loans at the National Debt Office, public-private partnership, and user fees.

Another important government assignment in 2006 was that in respect of enhancing efficiency in the government administration. The point of departure of the report is that there is a need for a value-creating perspective, which is based on creating maximum value for money at all levels in the government administration, and clear incentives to take the necessary measures to improve efficiency in the government administration. The ESV's assessment is that the report, and the ideas and points of view presented in it, constitute important points of departure in the ESV's work of achieving greater efficiency throughout the central government administration.

In addition to these projects, the ESV has also worked actively in other fields to develop financial management in central government. For example, during the year the ESV published books on the use of the balanced scorecard in the government administration, on shared services, and on the management of operations. During the year, the ESV produced a proposal for an ordinance on internal management and control at government agencies, together with the Ministry of Finance.

3.1.3 Advisory services: Wide circulation of the ESV's handbooks

The ESV's advisory services actively assist our customers to develop financial management in central government. The advisory services are mainly provided by telephone and e-mail, handbooks, and through the ESV's participation in reference groups or as specialists or experts in committees. The advisory services are free of charge.

In the field of accounting, the number of questions received from Parliament, the Government Offices and the agencies amounted to 740 in 2006. This is a small increase in comparison with 2005 when the number of questions was 730. However, the increase is marginal and the ESV would make the assessment that this level is to be regarded as normal in a year when no major changes were made to government accounting. In the field of finance, the number of questions amounted to just under than 500 in 2006. This is fewer than in 2005 when 653 questions were answered. Half of the questions were about fees while questions relating to VAT and government capital amounted to some 15 per cent each.

The ESV can state that the “question and answer” function, which is available on the ESV’s website, is used and gives agencies good assistance for the most common accounting questions.

In the field of accounting, one handbook was produced in 2006. It takes up ways in which staff costs should be accounted for. In the field of evaluation, the ESV published two handbooks: one on analysis of goal fulfilment and one on evaluations of effects. The ESV has worked actively to circulate the handbooks as widely as possible since the subjects are of interest to many agencies.

3.1.4 Consultations: Fall in the number of consultations

The output centre Consultations includes activities that are provided for a fee for the ESV’s customers in Parliament, the Government, the Government Offices and the government agencies. Consultations include both assignments and commissioned training programmes. One important point of departure of the ESV’s consultations is that they should contribute to enhancing the efficiency of the government administration. The ESV works with generalising and spreading the knowledge and experience we gain from our fee-financed activities to all agencies to enable them to use this knowledge in their own development work. Our publications can be seen as an example of this.

Table 6 Number of consulting assignments including commissioned training programmes in Financial Management, and income and costs (SEK ‘000)

Customer	2004	2005	2006
Parliament	1	3	0
Government	1	3	1
Government Offices/Committees	18	8	7
Government agencies	36	39	36
Total	56	53	44
Income from fees	15598	32553	25753
whereof the Prio project	-	21778	19491
Costs	15921	33736	26835
whereof the Prio project	-	21726	20010

As can be seen from the table above, the number of assignments decreased in comparison with 2005. It is worth noting that the number of assignments received

from the Government Offices and Committees decreased considerably from 2004 to 2006.

The activity is demand-driven and dependent on the personnel resources the ESV can allocate to consulting activities, and find suitable to do so. The reduction in commissioned activities can therefore partly be explained by the fact that the ESV has chosen to pursue development activities instead.

Assignments performed for the Government, Government Offices and agencies were of a highly varied character during the year. One common denominator is that the assignments were assessed to make a positive contribution to management and control in central government. Assignments have been performed for the Government committee that is examining measures that can be taken to prevent incorrect payments being made from the social security system and for the Government committee that is looking into fees for government services.

Where evaluations are concerned, the demand for the ESV's services was greater than what the agency could provide. The ESV gave priority to assignments that led to new knowledge for our development and training work. Other assignments during the year included assisting the Ministry for Foreign Affairs and the National Migration Board in the production of a new resource distribution model, and providing development support in respect of internal audit for the National Defence College.

The Swedish Armed Forces was once again the largest customer in 2006. The ESV's assignments for the Armed Forces have referred, for example, to providing support in the project for an integrated resource and financial management system, the so-called Prio project.

All in all, the ESV considers that the concrete and practical support that the ESV provides within the framework of its commissioned assignments is an important contribution to creating an efficient government administration.

3.1.5 Training

The output centre, Training, in the operational area of Financial Management covers most of the training activities run by the ESV, including the ESV day. The training activities not included in the output centre are the commissioned training programmes in the output centre, Consultations, and those implemented in other operational areas, for example the Hermes training programmes.

Table 7 Number of training programmes in the field of Financial Management related to revenue and costs (SEK '000)

	2004	2005	2006
Catalogue programmes			
Number of training days	24	27	27
Number of participants	302	197	322
Training seminars			
Number of seminar days	5	5	5
Number of participants	804	742	718

ESV day (number of participants)	871	757	859
Programme training			
Number of training days	30	41	62
Number of participants	49	62	106
Income 1)	6198	7120	10669
Costs 1)	6103	8153	9635

1) Includes a part of the ESV day in 2004 and 2005. Includes the entire ESV day in 2006.

The training volume increased in 2006. Catalogue programmes, i.e. open training programmes in financial management and accounting, were held with few cancellations. The number of training days is the same as in 2005, but the number of participants increased considerably. One direct reason for the increase is that the four courses in VAT in central government were fully subscribed.

The ESV day is the ESV's largest regular annual conference. In 2006, the ESV day was held on October 24 at Stockholm International Fairs. The year's ESV day was fully subscribed. The largest participant categories were accountants, controllers and finance directors. The ESV is highly regarded by the priority target groups and many participants come back year after year. The evaluation of the year's ESV day showed that 87 per cent of the respondents were satisfied or very satisfied with the day as a whole. It also emerged that the parallel seminars and exhibition need to be developed. We intend to work further on this prior to the ESV day in 2007.

Participation in other seminars, the "accounting days" and the "development day" declined somewhat but the volume is still good. In addition to the programmes for which participants must pay a fee, the ESV has also held programmes that were free of charge, for example breakfast seminars and the like.

The number of participants in the more extensive and often more advanced training programmes increased. The controller programme, the management training programme and the basic training programme in evaluation were held in 2006. A couple of benchmarking networks and networks for evaluators was also held.

All in all, it was possible to implement the established training programmes more or less according to plan, even if the number of participants decreased somewhat in certain cases. At the same time, it has been possible to implement new training programmes, with the effect that the total number of training programmes increased. Despite this good result there is room for improvement. For example, it emerged in the Satisfied Customer Index survey that a number of respondents requested that the ESV should offer somewhat different training programmes. The ESV will evaluate and discuss this further in 2007.

3.1.6 Administrative systems: E-invoicing in focus

The output centre, Administrative Systems, includes ownership of framework agreements for HR systems, business systems and systems for integrated

operational management. From December, systems support for the electronic processing of invoices was also included.

Most agencies use the HR system Palasso

Where HR systems are concerned, the ESV supplies the following systems: Palasso and Palett via a framework agreement with WM-Data Sweden AB, and AGRESSO HR and SLÖR/PIR via agreements with Agresso AB and WM-Data Sweden AB respectively. The ESV also provides consulting support in the HR systems field via framework agreements.

All agencies have left the payroll system SLÖR/PIR, which was discontinued at the end of the year. Palasso is now the predominant HR system in central government. Almost 75 per cent of the government agencies use this system.

During the year, the ESV held seven strategic meetings with the owner of the system, WM-Data.

One strategic meeting for each business system

Where business systems are concerned, the ESV supplies AGRESSO, via an agreement with Agresso AB, and the FS systems, via an agreement with WM-Data AB. The agreements also include consulting services, training and support, and an operating service for AGRESSO.

The ESV holds strategic meetings with the owners of the systems, Agresso AB and WM-Data AB, to ensure that the agreements, which were concluded when the systems were sold, are being adhered to. Normally, four strategic meetings are held each year with each system owner. However, during the year only one strategic meeting was held with each system owner. This is due to the fact that the ESV made procurement in respect of e-invoicing and the provisions on secrecy in procurements in the Public Procurement Act made minimal contacts with these companies necessary.

Continued low demand for integrated operational management systems

Where integrated operational management systems (IVS) are concerned, the ESV supplies Balanced Scorecard systems via a framework agreement with Prodacapo AB, IVS Basic Systems via a framework agreement with Infotool Applications AB, and IVS Plus via a framework agreement with WM-Data AB. The framework agreements also include consulting services in connection with introduction of the systems and services relating to training and support.

In 2006 ten call-offs were made of IVS systems. Of these two referred to the balanced scorecard, five to IVS basic systems and three to IVS plus. As in previous years, the number of agencies making call-offs was small.

Introduction of electronic invoicing necessitates more support for agencies

The feasibility study on e-invoicing was published in the autumn of 2005. It showed a great potential for savings. Therefore, the ESV made the decision to proceed with a procurement of infrastructure which would make it simple for agencies and their suppliers to send, receive and process electronic invoices. In order to give the agencies further support, it was also decided to produce a support package to ensure that the cost incurred by central government for introducing e-invoicing would be minimised, to make it simple for individual agencies to introduce electronic invoicing, and to provide information to agency suppliers and other interested parties which would thus facilitate their participation. In December 2006, the Government decided to introduce electronic invoicing in central government on July 1, 2008.

In May 2006, the ESV issued a tender invitation in respect of electronic invoicing. A total of 16 tenders were received and were evaluated. On December 19, the ESV concluded two framework agreements from which agencies can make call-offs. More than 40 agencies participated in reference groups and workshops for quality assurance purposes.

The publication of handbooks and information in the support package started in the summer and hitherto four handbooks have been published together with three information letters to heads of agencies and two brochures. Furthermore, the ESV participated in the production of a book on electronic trade, accounting and law, and a booklet for agencies on legal issues arising from electronic invoicing.

Feasibility study makes a survey of future projects for enhanced efficiency

The existing framework agreements for HR systems and IVS systems expire in mid-2008. The ESV has not had any framework agreements for business systems since 2004. It has merely had agreements covering existing installations. The ESV thus started a feasibility study with the goal of producing proposals for ways in which the ESV should act in respect of business systems from 2008 onwards.

The point of departure is to meet the needs experienced by agencies for administrative support in a way that is effective for the government administration as a whole. In order to ascertain the role framework agreements and systems have in the work of making the government administration more efficient, the ESV held a number of workshops with agencies. Five discussions with 44 participants (36 from other agencies and 8 from the ESV) were held in November and December. The central question was: what initiatives contribute most to making the administration more efficient? The ESV also distributed a questionnaire to all agencies in order to identify their future needs of different systems. Responses were received from 70 per cent of the agencies. A survey has been made of different systems and trends. The results of the feasibility study will be presented in 2007.

3.1.7 International activities

The international activities pursued by the ESV consist of receiving visitors from abroad, coordinating international contacts, and running projects relating to the export of services. The first two activities mentioned above are mainly financed by appropriations while activities pursued within the framework of the ESV's export of services are fee-financed. Projects for the export of services are financed either by

the Swedish International Development Cooperation Agency (Sida) or the European Union. Projects financed by Sida are the Mozambique programme, the Swedish-Russian programme of cooperation, the programme in Eastern Cape Province in South Africa, and a certain amount of preparatory work in Sweden prior to projects within the framework of the twinning projects financed by the EU. In 2006, the ESV participated in three twinning projects: in Slovakia, Romania and the Czech Republic.

The ESV also participated actively in international networks for financial management, including the International Federation of Accountants (IFAC) and the European Accounting Association (EAA). Where IFAC is concerned, the ESV participates in its Public Sector Committee.

The export of services increased in 2006. This is partly due to the fact that the ESV has taken over an internal audit project in Mozambique from the Swedish National Audit Office and partly to the start of a twinning project in Tanzania.

The ESV's project in the Eastern Cape Province in South Africa was phased out at the end of the year. Two long-term advisers have been stationed there. The project consisted of support for the development of the budget process and accounting. An accounting handbook was produced. During the year, there were short-term assignments and other interventions amounting to 29 weeks.

The ESV's project in Mozambique refers to capacity development of the country's internal audit agency. Portugal's internal audit agency is also participating as a partner in cooperation in the project. Short-term assignments and other interventions during the year amounted in total to 23 weeks. Sida has approved financial support for the project until 2009.

During the year, the ESV was given the responsibility for a project on internal control and internal audit in the Czech Republic and stationed a long-term adviser there. In 2006, the ESV also participated in twinning programmes in internal control in Slovakia and Romania.

In October, the ESV submitted a report to the Government on ways in which the agency, in its own work and in cooperation with others, has worked to contribute to the implementation of the Swedish policy for global development.

3.2 Goal fulfilment

Financial management

The goal is to develop and adapt financial management with the aim of achieving an efficient government administration that is characterised by good financial control and high levels of productivity and efficiency in the use of resources.

Goal fulfilment

Mainly fulfilled. Assignments completed and proposals presented. Some require a decision by Government and further work. SCI value - completely fulfilled

The goal is to ensure access by central government to appropriate and cost-effective administrative systems.

Goal fulfilment

Mainly fulfilled. The SCI value is at least mainly fulfilled, high market shares for business and HR systems.

3.2.1 The goal is to develop and adapt financial management to operations

The assessment of goal fulfilment for developing and adapting financial management to operations is made on the basis of:

- an assessment of the contribution made by the work to enhance efficiency in the central government administration
- whether assignments received from the government have been implemented according to plan
- a customer survey in which stipulated SCI values should be achieved and ratings in different areas should be improved.

The ESV would make the assessment that the work done in 2006 contributed to achieving the goal of its operations. In some cases, the ESV submitted proposals to the Government for changes that are expected to contribute to achieving the goal if they are implemented. The customer survey shows that both ministries and agencies are satisfied with quality and service in the field of Financial Management. All in all, the ESV considers that the goal of developing and adapting financial management to operations has been mainly fulfilled.

In 2006, the ESV worked intensively on studying the possibilities of adapting the financial management rules in central government to operations. The proposals that the ESV submitted to the Government have the potential to contribute to development of the type stated in the goal and thus contribute to goal fulfilment. In 2006, the ESV focused on studying the possibilities for greater adaptation to operations and not on implementing the proposals since this partly requires a decision of the Government and partly further work at the ESV on the rules. The project initiated by the ESV on examining the model for management by objectives and results in central government should also be mentioned in this connection. In the long term, the project should lead to management in central government that is based on the goal of adaptation to operations.

Other important projects in 2006 to achieve the goal of a government administration characterised by good financial control and high levels of productivity and efficiency were partly the Government assignments in which the ESV studied three alternative ways of providing government services, and partly the assignment to enhance efficiency in the government administration. The ESV considers that these assignments contain proposals that contribute to goal fulfilment for the operational area. The ESV's work to administer and develop the rules also has effects in this respect. In addition, the ESV's advisory, training and commissioned activities have been successful and contributed to the goal.

In order to measure how our customers regard the quality and service of our operations, a questionnaire was distributed to 249 agencies and 391 ministry officials. The number of responses received was 213 from the agencies and 149 from ministry officials. If those who have not been in contact with the ESV during the last twelve months are disregarded, the response frequencies are 96 per cent and 46 per cent respectively

Figure 4 Results and goal fulfilment in respect of good quality and service for Financial Management (SCI survey)

Goal: Good quality and good service

Completely fulfilled

Mainly fulfilled

Partly fulfilled

Barely fulfilled

The result of the customer survey has been broken down into Government Offices and other agencies. Both groups gave a SCI value of 65, which corresponds to completely fulfilled. The ESV can state that the SCI value continues to be high in respect of the services provided by the agency and the quality of its services. This corresponds to the high ambitions in and for the ESV's operations.

Table 8 Customers' assessment of Financial Management (SCI survey, average rating)

	Agencies			Government Offices		
	2004	2005	2006	2004	2005	2006
Overall assessment (SCI)	64	63	65	70	-	65
Advisory services	7,5	7,4	7,3	-	7,3	7,6
Consultations	7,6	7,5	7,5	-	-	7,2
Handbooks	6,8	7,2	7,3	-	7,2	6,8
Training	6,9	6,7	7,0	-	6,4	7,1
Coordination of purchasing	-	-	7,1	-	-	-

Comment: The values are partly SCI values and partly average ratings in each field. Statistics Sweden has made the survey using the same basic method for all three years, but the sample has been changed over the years. Comparisons should therefore be made with caution. Coordination of purchasing is a new activity – it started in 2006.

Also, if a breakdown is made by type of activity (e.g. consultations), the ESV has the same high figures as in 2005.

3.2.2 The goal is to provide appropriate and cost-effective administrative systems.

An assessment of goal fulfilment for Business and HR systems is made on the basis of:

- the agencies' perception of the quality and service of the systems and associated services, based on customer surveys (customer satisfaction)

during the last two years the ESV has worked actively for the further development of Palasso by WM-Data. This has now given positive results.

High market share retained for Business and HR systems

The market share is defined as the proportion of agencies that use one of the business or HR systems supplied by the ESV, in relation to the total number of agencies that are required to maintain accounts. In order to achieve “completely fulfilled”, a proportion of more than 80 per cent is required. The market share for Business systems is 91 per cent and for HR systems 88 per cent, which means that the goal is completely fulfilled for both categories. The high proportion of agencies that use the systems has been more or less constant during the last three-year period. During the year, two agencies that previously had other systems chose Agresso as their business system. No agencies left Agresso during the year. Several agencies have made supplementary purchases of functionality, mostly functionality in respect of e-invoicing and time reports. Where HR systems are concerned, the last agencies left SLÖR/PIR during the year. A very large proportion of these agencies have gone over to Palasso.

3.3 Financial review

Table 10 Revenues in the field of Financial Management (SEK '000)

	2004	2005	2006
Revenues			
Appropriations	30138	32289	33490
Fees etc	101063	65414	61871
Total	131201	97703	95361
Proportion of fees in per cent	77	67	65
Whereof administrative systems			
Appropriations	-	-	120
Fees etc	68305	10221	9904
Total	68305	10221	10024
Whereof international operations			
Appropriations	390	470	669
Fees etc	7710	11582	14275
Total	8100	12052	14944

1) Includes a part of the ESV day in 2004 and 2005. Includes the entire ESV day in 2006.

The outcome for the year shows that the appropriation-financed activities have increased somewhat, while the fee-financed activities have decreased. The great difference in revenues from fees compared to 2004 is explained by the sale of Agresso. The reduction in revenues from fees between 2005 and 2006 is due to a smaller volume of assignments. Where international activities are concerned, demand has continued to grow.

Table 8 Outputs and use of resources in the field of Financial Management (SEK '000)

Outputs	2004	2005	2006
Regular activities			
Administration of regulations	1003	703	904
Responses to official reports	2549	1916	1344
Consultations on fees	1130	1013	1098
Other operations	5472	6325	5877
Total: Regular activities	10154	9957	9224
Development	16083	15741	17637
Advisory services 1)			
Advisory services – agencies	5138	7220	5200
Advisory services – Government/ Government Offices	2141	2059	1750
Total: Advisory services	7279	9279	6950
Consultations			
Consulting support – agencies	15656	33123	25208
Consulting support – Government/ Government Offices	166	613	1177
Consulting support – Parliament	99	-	-
Total: Consultations	15921	33736	26385
Training 2)	6103	8153	9635
Administrative systems	67261	9476	11108
International operations	7941	12085	14789
Total	130741	98427	95728

1) The output centre, Advisory Services, was combined with the output centre, Handbooks, in 2005.

2) Includes part of the ESV day in 2004 and 2005 and the entire ESV day in 2006.

The total costs for the operational area decreased by just fewer than 3 per cent in 2006. The ESV does not consider this to be a significant change but, in the output centres, in some cases the differences have been larger.

The most important change where regular activities are concerned is due to the fact that there was a reduction in the number of reports circulated to the ESV for comment in 2006. Where development is concerned, the ESV's work increased compared to 2005. Several important government assignments, necessitating the use of a great deal of resources, were implemented and a number of booklets were published. Where advisory services are concerned, the reason for the difference in costs over the years is the amount of time spent on producing handbooks.

Where consultations are concerned, both income and costs decreased in 2006 in comparison with earlier years. The costs of training certainly increased in comparison with previous years but income increased even more. The reason for the surplus in training in 2006 is partly that there was an increase in the number of participants per training programme, and partly that no new major training programmes were developed.

Where administrative systems are concerned, the increase in costs between 2005 and 2006 is due to the ESV's work on the introduction of e-invoicing in central government. The ESV allocated considerable resources to this field in 2006. In the long term, costs will be covered by income from call-offs under the framework agreements concluded by the ESV on behalf of central government.

As mentioned above, the export of services increased in 2006. This is partly due to the fact that the ESV has taken over a project in Mozambique from the National Audit Office, and partly to the start of a twinning project in the Czech Republic.

4 Operational area – Consolidated Information System: Hermes

According to the Government's annual directives and letter of appropriations, the ESV's goal for the consolidated information system, Hermes, is:

To administer and develop the information system, Hermes, so that it constitutes an appropriate and efficient form of support for financial management in central government.

The development of those parts of the system that refer to the government budget and the annual directives/letters of appropriations shall be commissioned by the Ministry of Finance.

Reports required by the annual directives:

- training programmes
- availability of support and number of requests for support broken down by sub-systems and user categories
- the result of a questionnaire survey among users of Hermes, broken down into Government Offices and agencies.

In connection with the annual report, for each delivery or order that requires, or is expected to require, at least 40 hours, the ESV shall submit a report on

- the estimated number of hours and actual outcome, together with comments on any deviation
- requested delivery date and actual delivery date, together with comments on any deviation
- comments in respect of the degree to which supplied functionality corresponds to requested functionality.

4.1 Review of the operational area

Hermes is a consolidated information system for central government and functions both as a working tool and a source of information. Hermes facilitates a coordinated flow from budget requests, via the government budget and the production of annual directives and forecasts, to the collection of information on outcome in the aggregate central government accounts.

The system mainly consists of three components that support the work on the government budget, the annual directives and letters of appropriations, and the aggregate central government accounts. In addition to this, there is a transaction database (TDB). There are also general applications linked to Hermes.

Figure 6 Costs of Hermes in relation to ESV's total costs in 2006 (%)

Activities are run in three output centres which reflect the focus of activities. A report on the most important work performed during the year is provided below.

4.1.1 Regular activities: system administration has been given priority

The regular administration of Hermes includes operation, support and coordination.

Measures related to administration of the system were given priority during the year in order to guarantee stability, performance and security in the system. The ESV made a system audit which resulted in a number of activities. It was possible to finalise some of the activities during the year while other activities will continue in 2007. In 2006, tests were made of the system's performance. Functions requiring high levels of performance have been identified and improved and a solution was devised in respect of the technical platform to enable performance to be improved in those parts of the system relating to the government budget. Moreover, a survey was made of the information interface and exchanges of information externally took place.

In 2006, the ESV also participated in a cooperation project with the Ministry of Finance. One of the aims of the project was to clarify the division of responsibilities between the Government Offices and the ESV for the work on Hermes and to create a basis for more efficient operations. The project covered all parts of the administration of Hermes and resulted in a joint working model. The model includes a basis for continued work to further improve and clarify directives, working processes and working routines. A special agreement that regulates responsibilities in the joint work on Hermes was concluded between the Government Offices and the ESV at the end of the year.

Accessibility in respect of Hermes was 99.8 per cent during the year. This is somewhat better than in 2005. The ESV regards this result as fully acceptable.

Table 12 Accessibility/operations in Hermes

	2004	2005	2006
Accessibility	99,9%	99,6%	99,8%
Number of shutdowns	7	3	1
Total time of shutdowns in hours	3	12	4

Hermes support is available via e-mail, telephone and personal meetings. The opening hours and levels of manning of the support function are governed by user needs. Opening hours can be extended and staff can be on call (including weekends), for example in connection with reports to different parts of the system and during intensive working periods, for example when annual directives and letters of appropriations are being drawn up in the Government Offices. The establishment of a call-centre to Hermes support in the second half of the year resulted in better and faster service.

The number of users at the agencies has increased due to the addition of some new functionalities and an increase in authorised users. However, it has proved to be the case that not all authorised users have used the system actively. Therefore, a number of authorised users, mainly in the Government Offices, have been removed from the register. In order to obtain a better picture of the number of users, only the number of active users in 2006 is reported.

Table 13 Number of users and support requests for Hermes, and costs (SEK '000)

	Authorised users	Authorised users	Active users
	2004	2005	2006
Number of users			
Number of users – Government Offices	604	548	520
Number of users – agencies	1150	1453	1100
Total number of users	1754	2001	1620
Number of support requests			
<i>Government Offices for</i>			
Annual directives and letters of appropriations	821	1005	819
Government budget	214	270	241
Portal (passwords etc)	166	232	275
Aggregate central government accounts	82	41	19
Other requests	30	19	17
<i>Agencies for</i>			
Aggregate central government accounts	2214	1665	1310
Portal (passwords etc)	261	539	555
Budget documentation	231	88	127
Government budget	164	359	231
Annual directives and letters of appropriations	54	53	62
Other requests	69	292	336
Total number of support requests	4306	4563	3992
Cost	3452	3170	3158

4.1.2 Development: Additions and improvements to the system

Work on development includes activities that add new functionalities to the system and further developments of the type that do not have the character of changes, and studies and feasibility studies.

In 2006, the ESV gave lower priority to development in order to be able to implement necessary administrative measures in the system. Development work has mostly focused on additions and improvements. Therefore, there is a pent up need where the development of functionalities and improvements to user-friendliness are concerned.

In those parts of the system that concern the government budget and the Government's annual directives and letters of appropriations, the development work has been done on behalf of, and in close collaboration with, the Ministry of Finance. In the government budget system, development has focused on aspects of the annual directives and letters of appropriations to enable them to function better with a new format. The ESV also developed a special application to enable different versions of the budget to be processed more easily in the government budget system.

The central government accounting system has been developed in respect of reports on outcome, conversion tables and counter-party reports. In addition, developments commissioned by the Legal, Financial and Administrative Services Agency were made during the year to facilitate reports to the agency's administrative services.

In connection with the submission of the annual report, the ESV will submit a special report to the Government on orders of at least 40 hours.

4.1.3 Training: Decline in demand for Hermes training programmes

The ESV arranges training programmes on Hermes for users at government agencies and ministries. Training is provided for new users and when new aspects are introduced into the system.

The number of training programmes was lower in 2006 than in previous years. This is partly due to the fact that the number of new users has decreased and that existing users know the system better.

Table 14 Number of training programmes on Hermes and costs, SEK '000

Focus of training	2004	2005	2006
Central government accounts			
Number of programmes	1	2	2
Number of participants	150	17	22
Government budget			
Number of programmes	30	11	10
Number of participants	251	96	84
Annual directives			
Number of programmes	24	14	9
Number of participants	230	111	66
Total number of participants	631	224	172
Total number of programmes	55	27	21
Cost 1)	1294	1234	120

1) Also includes part of the ESV day in 2004 and 2005.

4.2 Goal fulfilment

Goals for Hermes

The goal is to administer and develop Hermes so that it constitutes an appropriate and efficient form of support for financial management in central government.

Goal fulfilment

Mainly fulfilled. Measured through a SCI survey.

The development of those parts of the system that refer to the government budget and the annual directives/letters of appropriations shall be commissioned by the Ministry of Finance.

Goal fulfilment

Completely fulfilled. Development has taken place through written assignments.

4.2.1 The goal of administering and developing the system

The assessment of goal fulfilment in respect of administration and development is made on the basis of a customer survey in which stipulated SCI values shall be achieved.

The response frequency amounted to 50 per cent from ministries and 96 per cent from agencies. The 2006 questionnaire contained one section for all respondents and special sections for agencies and ministries.

Figure 7 Customers' assessment of Hermes 1)

Completely fulfilled
Mainly fulfilled
Partly fulfilled
Barely fulfilled

Agencies Government Offices

1) In 2004 the value from both agencies and ministries was 58.

The values, which are unchanged in principle compared to previous years, mean that the goal is completely fulfilled in respect of agencies and mainly fulfilled where the Government Offices are concerned. An overall assessment of goal fulfilment is thus that the goal was mainly fulfilled.

As can be seen from table 15, Hermes support was also given the highest rating by users in 2006. The users at ministries gave data produced/reports a higher rating than last year. The conclusion drawn from the questionnaire survey is that priority should continue to be given to work on functionality. This also applies to annual directives and development.

Table 15 Users' assessments of Hermes (average rating)

	All users 2004	Agencies 2005	Government Offices 2005	Agencies 2006	Government Offices 2006
Overall	6,0	6,4	5,6	6,7	5,6
Functionality	6,4	6,9	5,3	6,8	5,2
Operation/performance	6,4	7,4	6,2	7,3	6,5
Development	6,4	6,8	6,4	6,7	6,0
Training	5,9	6,3	6,3	6,8	6,4
Information	6,3	6,9	5,6	6,8	5,8
Support	7,7	7,9	7,0	7,7	6,9
Reports to the system	-	-	-	7,1	-
E-Budget	-	-	-	-	5,8
Annual directives	-	-	-	-	5,7
Data produced/reports	6,5	7,1	5,6	7,2	6,2

4.2.2 The goal that the development of Hermes shall be commissioned by the Ministry of Finance

The assessment of goal fulfilment in respect of development of Hermes shall be commissioned by the Ministry of Finance is made on the basis that development has taken place through written assignments.

The ESV has fulfilled its undertaking that all development of the government budget system (budget and annual directives) should take place through written assignments from the Ministry of Finance. In connection with the annual report, the ESV will submit a special report to the Government on orders it has implemented in excess of 40 hours.

4.3 Financial review

Table 16 Income in respect of Hermes, SEK '000

Income	2004	2005	2006
Appropriations	19337	27057	30114
Fees and other income 1)	26510	26285	26572
Total	45847	53342	56686
Fees as a percentage of the total	58	49	47

1) Includes part of the ESV day in 2004 and 2005.

The development and administration of Hermes is mainly financed by a special appropriation and the fees paid by agencies whose accounting is done in Hermes. Income in 2006 also included some SEK 5 million from the ESV's administration appropriation. The funds have been used to finance the administration of Hermes and the coordination of Hermes and ESV's internal IT support for Forecasts and Information on Central Government Finances.

Table 17 Outputs and costs for Hermes (SEK '000)

Outputs	2004	2005	2006
Operation and administration	18163	15994	24598
Development	28649	38387	29732
Training 1)	1299	1234	120
Total	48111	55615	54450

1) Includes part of the ESV day in 2004 and 2005.

In 2006, the costs of operation and administration increased by SEK 8.6 million compared to 2005. The main reason for this is that more resources were allocated to Hermes to secure its robustness and performance. This work was given higher priority in the light of the capacity disruptions in those parts of the system for calculating appropriations, which occurred at the beginning of 2006. In 2006, the figures also include a cost of SEK 3 million for some of the activities that have the aim of coordinating those parts of Hermes that interact with the ESV's internal IT support for Forecasts and Information on Central Government Finances.

The costs of development decreased by some SEK 8.5 million in comparison with 2005. The amount is at the same level as the increase in costs for operation and administration, but has no connection in this respect. By far the largest part of the cost refers to the writing off of previous development work. In 2006, this amounted to almost SEK 27 million, i.e. more than 90 per cent of the output centre. The writing off of costs will decrease from 2007 onwards. This is due to the fact that the cost of developing new parts of Hermes has declined since 2003 and development costs are written off over five years. In 2006, the cost of developing new functionalities amounted to just under SEK 3 million.

The cost of the Hermes training programmes decreased since the number of participants was much lower in 2006 in comparison with previous years.

5 Operational area: Internal Audit

Goal of the operational area according to the Government's Annual Directives and Letter of Appropriations:

The goal is to establish a coordination function for internal audit in central government.

Reporting requirements stipulated in the Government's Annual Directives and Letter of Appropriations:

The ESV shall submit a report, no later than June 1, 2006, on progress made in the development of a coordination function.

5.1 Review of the operational area

Since January 1, 2006, the ESV has had the responsibility for coordinating and developing internal auditing in central government. The Government's ambition is to enhance the quality of internal auditing in central government with the aid, for example, of new rules, training programmes and methods development.

Figure 8 Costs of Internal Audit in relation to ESV's total costs in 2006 (%)

A report is provided below of the programmes that were implemented to develop and establish the activity.

5.1.1 The operational area was built up during the year

For the ESV, the year 2006 was characterised by intensive development work to assume its new responsibility as coordinator of central government auditing. Three persons were recruited for the newly established internal auditing function.

The most important activities during the year were the information programmes that had the aim of communicating the ESV's new role in this field, the preparatory work for the new internal audit ordinance, the procurement of framework agreements for internal audit services in central government, and the production of an annual questionnaire for monitoring and following up the internal audit functions at the agencies. During the year, a skills profile for central government auditors was also produced and a study of the ways in which training needs should be met was started. Moreover, the ESV also held six meetings with the internal audit council established by the Government, received international visitors, and participated in twinning projects within the framework of the ESV's international operations.

The ESV would make the assessment that its work in the internal audit field started satisfactorily in 2006. The ESV's new role in the field has become generally known among auditors in central government, as have the priority issues the ESV is working with.

However, there is an imbalance between the expectations that exist among central government auditors on what the ESV will achieve, and the resources that are

available for the purpose, which has resulted in some dissatisfaction among the target group.

5.2 Goal fulfilment

Goal of the internal audit

The goal is to establish a coordination function for internal audit in central government.

Goal fulfilment

Completely fulfilled. The function has been established and activities have been started.

The assessment of goal fulfilment in respect of internal audit is based on the establishment of the coordination function and the fact that this function has become operational.

The ESV considers that the goal of the operational area is completely fulfilled since the coordination function was established in 2006 and work proceeded on implementing important programmes during the year. The ESV presented a report to the Government on progress made in its development work on May 23.

5.3 Financial review

Table 18 Income in respect of the Internal Audit (SEK '000)

Income	2006
Appropriations	3691
Fees and other income	276
Total	3967
Fees as a percentage of the total	7

In 2006, the ESV's income in the operational area was slightly less than SEK 4 million. The income, apart from that received through appropriations, was from a consulting assignment. There was also income from some international activities.

In 2007, the internal auditing activities will be adapted to the level of ambition set by the Government in connection with the allocation of SEK 3 million prior to 2006.

Table 19 Outputs and costs – Internal Audit (SEK '000)

Outputs	2006
Regular activities	463
Development	3206
Advisory services	90
Consultations	191
Total	3950

Where regular activities are concerned, the most important outputs in 2006 were the production of guidelines for the new internal audit ordinance and the six meetings

held with the internal audit council. Where development is concerned, a great amount of general development work was done during the year as well as prior to the manning of the function. Examples of outputs are the production of a skills profile for central government auditors and the preparation of the procurement of the framework agreement. All costs the ESV incurred in its preparations for being the EU audit agency from January 1, 2007 were referred to development.

Where consultations are concerned, the ESV performed one assignment in 2006. The ESV does not have the ambition to extend its commissioned activities in the internal auditing field. It considers that other inputs, for example the production of a good training programme, are more effective for strengthening internal auditing in central government.

It is worth noting that the procurement of framework agreements in the internal auditing field cost approximately SEK 620 000. The ESV can state that the procurement activities were complicated and required considerable resources. However, the ESV is of the opinion that this has been positive for central government as a whole since it is not necessary for each individual agency that has an internal audit function to do the same work.

6 Operational area: Coordination of purchasing

Goal of the operational area according to the Government's Annual Directives and Letter of Appropriations:

The goal is to achieve savings for central government through the coordination of government purchasing.

Reporting requirements according to Government's annual directives

The ESV shall submit a report on

- its work to achieve the goal
- scope and utilisation of government framework agreements, any shortcomings in the operational area, and proposals for measures to be taken,
- estimated savings for central government and how these have been estimated

6.1 Review of operations

In this operational area, the ESV coordinates, develops and improves the efficiency of central government purchasing. The activity is run in close cooperation with the twelve agencies responsible for the framework agreements.

Figure 9 Costs of Coordination of Purchasing in relation to the ESV's total costs in 2006 (%)

The ESV runs the activity in four output centres which reflect the focus of the activity. A report is provided below on the most important activities during the year.

6.1.1 Regular activities: Increase in number of framework agreements

The output centre, Regular Activities, includes the coordination of central government framework agreements and measures to improve the efficiency of central government purchasing. The work has been done in a number of joint working groups such as the ESV's council for purchasing issues, the working group for the agencies responsible for the framework agreements, and a legal advisers' network. The work has also included legal supervision, analyses of external factors, responding to reports circulated for comment, circulating information about the central government framework agreements, production of statistics on turnover and utilisation of the framework agreements, reports on deviations, and the regular administration of the Transaction Database, TDB.

Table 20 Utilisation of central government framework agreements 2003-2005 (SEK '000)

Agency	Turnover		
	2004	2005	2006
Labour Market Board	232170	315113	376923
National Courts Administration	2476	11709	8390
ESV	494	27834	74058

Swedish Armed Forces	562005	557081	740276
Defence Material Administration	432166	252180	132705
National Fortifications Administration	61907	31469	32294
National Land Survey	107200	82969	86330
National Debt Office	169000	176427	160800
National Police Board	466188	331512	466805
Swedish Tax Agency	163371	418799	663006
National Administrative Development Agency	3474398	3439553	3434878
National Agency for Service to Universities and University Colleges	638586	711435	781531
Total	6309961	6356081	6957996

The turnover under central government framework agreements increased by 9% between 2004 and 2005. The estimated turnover for 2006 can first be produced in the spring of 2007.

Table 21 Scope of central government framework agreements 2004-2006

	2004	2005	2006
New areas covered by framework agreements	3	4	3
Discontinued areas	1	13	18
Total number of areas covered by agreements as at December 31	96	95	104

A review of the fields covered by framework agreements led to the discontinuation of agreements in 18 fields. At the same time, some fields have been sub-divided into more fields, or have been combined, in order to make it easier for the agencies making call-offs under the agreements to find the products they want. This has had the final result that the number of fields covered by framework agreements increased in 2006.

One important task has been to provide support in legal matters to the Government's Procurement Committee and to submit comments on the new procurement legislation.

A feasibility study made by the National Agency for Service to Universities and University Colleges shows that the Transaction Database does not facilitate follow-up and reports on central government framework agreements. To make this possible, extensive development of the system is required. At the same time all agencies would be obliged to make extremely time-consuming reports to the system.

6.1.2 Development: Measures taken as a result of the study made by the National Audit Office

The output centre, Development, has been the subject of analysis and actions taken as a result of the National Audit Office's study and report, as well as the government assignments on 1) the possibility to make demands in respect of accessibility for disabled persons in procurement procedures and 2) a description of models which can make reports on the extent to which small and medium-seize enterprises are suppliers to central government agencies.

A new operation and administration model for the call-off website has been produced. A study of the possibilities to estimate the savings generated by the framework agreements has been made.

6.1.3 Training: Seminar held on experience gained

In the output centre, Training, a seminar on experience gained was held for the administrators responsible for the framework agreements. The ESV also participated in some twenty customer/supplier seminars in cooperation with the agencies responsible for the framework agreements.

6.1.4 International activities: Participation in networks

The international activities in the operational area Coordination of Purchasing consist of the ESV's participation in a European network: the European Union Public Procurement Learning Lab (EUPPLL). The aim has been to spread experience gained in Sweden and to acquire knowledge and inspiration from other European countries prior to the introduction in Sweden of new procurement legislation. The ESV also participated in the Nordic purchasing and procurement network, NIPPA.

6.2 Goal fulfilment

The goal for Coordination of Purchasing

The goal is to achieve savings for central government through the coordination of government purchasing.

Goal fulfilment

Partly fulfilled. There has been an increase in the use of framework agreements and good ratings have been achieved in customer questionnaires, but it has not been possible to measure savings.

The assessment of goal fulfilment for Coordination of Purchasing has been made on the basis of the following:

- estimated savings for central government and how these have been estimated
- utilisation by government agencies of the government framework agreements
- the agencies' perception of the ESV's Coordination of Purchasing, obtained with the aid of a customer questionnaire (customer satisfaction)

The goal for the operational area, Coordination of Purchasing, is to achieve savings for central government through the coordination of government purchasing. In order to provide a comprehensive picture of the amount of government savings as a result of coordinated purchasing, the ESV commissioned a study. The study shows that it is not possible at the present time to estimate savings since essential data is not available. The collection of data would lead to a large, recurrent work burden for the agencies and, at the same time, the input required at the ESV would be considerable. All in all, this means that the ESV cannot submit a report on the amount of the savings made by central government in 2006 through its coordination

of purchasing. In the absence of this information, the degree of utilisation of the framework agreements and user satisfaction can provide indicators of goal fulfilment.

Of the total purchases made by central government of approximately SEK 110 billion, purchases of some SEK 7 billion were made through framework agreements. This is an increase of 9 per cent on 2005. The turnover of the framework agreements has more than doubled since 1998. Since it is possible for agencies to refrain from using the framework agreements when another solution is best for the agency, the increase indicates that the goal has been fulfilled. At the same time, the ESV is of the opinion that it should be possible to further increase the degree of utilisation by a further development of the framework agreement database (avropa.nu) in the form of call-off support for the agreements.

To measure how customers perceive the quality and service of the operational area, Statistics Sweden made a customer survey on behalf of the ESV in which there was a section on Coordination of Purchasing. The rating for Coordination of Purchasing was 68, which means that the goal was completely fulfilled. The agencies are satisfied with both the coordination of framework agreements and with the information and support they have received.

6.3 Financial review

Prior to taking over the operational area, Coordination of Purchasing, on January 1, 2006, the ESV stated that it was assumed that the activity would be completely financed by the fees received by the operational area from the companies allocated framework agreements, via the agencies responsible for the agreements. However, as early as in the planning of activities for 2006, it proved that this would not be the case. In order to implement the activity in 2006, the ESV, with the permission of the Government, transferred SEK 2 million from the accumulated surplus in Administrative Systems to the opening balance for Coordination of Purchasing.

The result of the activity, after receipt of the SEK 2 million, was a surplus of SEK 800 000 (See note 18). The surplus is due to the fact that staff have left the operational area and that no new recruitments have been made in view of the long-term financing situation. The efficiency of the activity was also improved during the year. This was done with the aid of intensive cooperation with the agencies responsible for the agreements and by integrating the activity into the ESV's operations.

Table 22 Income in respect of Coordination of Purchasing (SEK '000)

Income	2006
Fees and other income (not appropriations)	6164
Total	6164
Fees as a percentage of the total	100

Table 23 Outputs and costs – Coordination of Purchasing (SEK '000)

Outputs	2006
Regular activities	4940
Development	1970

Training	360
Total	7270

The costs of the regular activities are largely explained by the time spent on cooperation and contacts with the agencies responsible for the framework agreements, and the work on the framework agreement database. The costs of development work have consisted of the work done on a government assignment and the production of a new operation and administration model for the website.

7 Operational area: Government premises

Goal of the operational area according to the Government's Annual Directives and Letter of Appropriations:

The goal is that premises should be managed efficiently, and support should be provided to the government on issues relating to premises in the form of analyses of the use of government premises and the cost of premises for central government.

Reporting requirements according to Government's annual directives

The ESV shall submit a report on
- its work to achieve the goal

7.1 Review of the operational area

In the operational area, Government Premises, the ESV shall have comprehensive information on the management and supply of premises, on government premises, and on local rental markets in general in order to make analyses and provide support to the Government. The ESV shall also be responsible for the efficient administration and disposal of premises that the Government rents, if so decided by the Government, or to dispose of premises if there is no agency that can take that responsibility.

Figure 10 Costs of Government Premises in relation to the ESV's total costs in 2006 (%)

The ESV runs the activity with the aid of three output centres which reflect the focus of the activity. A report is provided below on the most important activities during the year.

7.1.1 Regular activities: Information submitted for price and pay calculations

In the output centre, Regular Activities, the ESV submits information to the Ministry of Finance each year for the recalculation of prices and salaries. The information for the recalculation of the costs relating to premises for appropriations for the fiscal year 2007 was submitted on January 31, 2006. The document also contained revised information for the fiscal year 2006, in accordance with the assignment.

The ESV also submits special information to the Ministry of Defence each year for the recalculation of prices.

The output centre also includes administration and disposal of premises. Five agreements were processed at the beginning of 2006. Three of these referred to premises in Linköping that were used by the National Board of Forensic Medicine. The other two agreements referred to premises in Umeå and Uppsala. The landlord of the latter premises has given notice that comes into effect on December 31, 2010. The assignment also includes responsibility for an operations agreement in Uppsala.

7.1.2 Development: Proposal to give more support to agencies

A report submitted in May 2006 described the result of a government assignment to study and submit proposals in the field of management of premises. The report contained proposals for the focus and organisation of ESV's support in respect of premises for government agencies. It also contained proposals on ways in which the control and follow-up of the agencies' responsibility for premises can be improved. Thereafter, a project was started to develop web-based support to strengthen and facilitate the agencies' work with issues relating to the management of premises.

7.1.3 Advisory services: Ministries are the largest customer

During the year, providing advisory services and information about premises and local rental markets was done electronically and by telephone to most of the ministries. In a few cases, information and advisory services and information were provided to government agencies.

For an agency to conclude rental agreements for periods of more than six years (ten years for universities), the Government's approval is required. In matters of this type, the ESV provided information on which the Government could base its decisions in 15 cases in 2006.

7.2 Goal fulfilment

Goal of the operational area

The goal is to ensure efficient management of premises and to provide support to the government on issues relating to premises in the form of analyses of the use of government premises and the cost of premises for central government.

Goal fulfilment

Completely fulfilled. Reports have been made on all assignments.

The assessment of goal fulfilment in respect of efficient management of premises is made on the basis of:

- an assessment of how assignments received etc have been received by the customer
- an assessment of whether the ESV has achieved efficient management of premises in the agreements that the Government decided that the ESV should administer or wind up.

The ESV's support to the Government in matters relating to the management of premises is basically demand-driven. Goal fulfilment is chiefly assessed in the light of how responses to assignments received, requests for information and inquiries have been received. All assignments have been discharged in a satisfactory way. The same applies in essentials to the enquiries etc made during the year. The goal is thus assessed to be completely fulfilled in this respect.

Through that part of the assignment of administering and winding up rental agreements, a total of SEK 4.5 million was paid to the Government. The three rental agreements in Linköping were wound up during the year in accordance with the

conditions in the agreements. In one of the agreements, an amount of SEK 356 000 was received, which was paid to the Government. It is assessed that the goal has also been completely fulfilled for this part of the assignment.

7.3 Financial review

Table 24 Income in respect of Government Premises (SEK '000)

Income	2006
Appropriations	3864
Fees and other income (not appropriations)	49
Total	3913
Fees as a percentage of the total	1

Table 25 Outputs and costs – Government Premises (SEK '000)

Outputs	2006
Regular activities	2313
Development	1300
Advisory services	229
Total	3842

The responsibility for the management of premises was transferred to the ESV from the Agency for Administrative Development on January 1, 2006. In connection with the transfer of the activity, the ESV's administrative appropriation was increased by SEK 2.5 million. At the ESV, the costs of the activity amounted to SEK 3.3 million. In addition to this, an amount of SEK 547 000 should be added for premises that are included under the output centre Regular Activities. Otherwise, the costs of regular activities are mainly explained by the administration of the ESV's contract and user register and the production of the annual information for price recalculations in respect of premises. Development work and its costs have mainly consisted of studies commissioned by the Government and certain projects initiated by the ESV to develop the support provided to the agencies in their work with issues relating to the management of premises.

8 Operational area: Forecasts and Information on Central Government Finances

Goal of the operational area Forecasts and Follow-up:

Reliable and well-documented forecasts and analyses of economic and government budget trends.

Goals of the operational area: Forecasts and Information on Central Government Finances:

1. The goal is to contribute to an efficient government administration through reliable budget forecasts, good aggregate central government accounts, and reliable analyses of government budget trends.
2. Budget forecasts shall have a high degree of precision, be based on scientific grounds and have an analytical approach. Risks for deviations from budget should be identified at an early stage.
3. Methods and models shall be maintained and developed to enable the quality of forecasts to be continuously improved. In this development work, special importance shall be attached to the scientific development of methods and models.

Reports required in the ESV's annual directives:

1. With regard to goal 1, the ESV shall submit an overall assessment of goal fulfilment.
2. With regard to goal 2, the ESV shall, no later than April 28, 2007,
 - report and comment on the precision of forecasts
 - analyse deviations from forecasts
 - report on ways in which the forecasts are made available
 - report on ways in which the forecasting methods are documented.
 - report on projects and results where further in-depth analysis is required.
3. With regard to goal 3, the ESV shall submit a report on its methods development programmes and the models it has constructed.

8.1 Review of operations

In this operational area, the ESV supplies the Government with information on which it can base its decisions in respect of its economic policy. The ESV is responsible for the aggregate central government accounts and makes forecasts and analyses of government budget trends. Reports on central government finances are also made in the form of statements of financial performance and financial position and in terms of the national accounts.

Figure 11 Costs of Forecasts and Information on Central Government Finances

in relation to the ESV's total costs in 2006 (%)

The ESV presents outcomes in the operational area in four product centres and in a section on other activities. Below a report is provided on the most important work done during the year.

8.1 Forecasts for the budget and retirement pension system: Documentation improved

The ESV's outputs in the product area Forecasts for the budget and retirement pension system provide data for reaching standpoints on the finance policy and for the budget work of the Government and Parliament. The forecasts are used prior to the budget work and for monitoring the budget and the budget bill. They shall provide signals of major deviations from the budget in good time, not least where the ceiling on expenditure is concerned. They shall also analyse and provide information on current budget issues.

Four forecasts published during the year

In 2006 the ESV published four forecasts. The first three referred to the current year and three years in the future. The fourth forecast only covered the current year. The reason for this was that the new government's proposed government budget affected the macro economy to a very great extent. Therefore, the ESV chose to await the December forecast produced by the National Institute of Economic Research for an up-to-date assessment of macroeconomic trends. The first medium-term forecast based on the new government's policy was published instead in the beginning of February 2007.

To make the ESV's forecasts accessible to the mass media, finance market, general public and international institutions, they are published on the ESV's website. A summary in English of each forecast is published on the English section. The printed publications are distributed to important target groups such as Parliament and the Government and to subscribers in the private and public sectors. The ESV also invites the press to a meeting in connection with the publication of forecasts and offers a presentation of the report to parliamentary parties and to analysts working at Parliament. During the year, the IMF and Standard and Poors visited the ESV.

In addition to forecasts for the government budget and the retirement pension system, in 2006 the ESV decided also to make forecasts of central government net lending. This was done in three of the four forecasts. The ESV has also developed the information on indications provided by its forecasts in connection with the presentation of the monthly outcome of the budget, where deviations in relation to the ESV's most recent forecast are analysed.

Forecasting methods have been documented

The ESV has given priority to improving the documentation of the methods and models used in making forecasts.

The ESV would give special prominence to the documentation produced to give the users of the forecasts a better understanding of the data and relationships that govern each section of the forecast. In addition to general descriptions of the forecasting work, the documentation also contains more detailed descriptions of certain areas, for example the labour market and interest payments on the national debt, as well as different types of taxes such as personal income taxes, corporation taxes, VAT and selective purchase taxes. The documentation was published in connection with the first budget forecast in 2007.

A common forecast instrument is used for most forecasts. In this system there is documentation that is used internally at the ESV which is updated continuously. In addition to this, there is separate documentation, in particular for large appropriations and revenue headings that are estimated with specific methods.

In its documentation and development work, and in connection with recruitments, the ESV has continuously taken into consideration the importance of its work being based on scientific grounds, in accordance with the Government's annual directives. During the year, the ESV had the ambition to increase its external monitoring activities, its contacts with universities, and its exchanges of experience with other organisations.

Change in government increased the need for the development of methods and models

In several cases, the change in policy led to a need to change methods and models for calculations. On the expenditure side, there were changes in unemployment insurance and the reduction of the number of people in labour market programmes. Where revenues are concerned, it is mostly the major changes in taxes that have been important to take into consideration. For example, the ESV has worked extensively to reprogram the calculation model used to forecast personal income taxes. In total, 17 tax amendments were analysed. Most resulted in changes to the calculation model.

The ESV also worked regularly with maintenance and development of methods and models that are not related to the change in government. The most important of these development projects are described in section 8.2.3 below.

8.1.2 Government budget follow-up

In this product centre, the ESV follows up and submits reports on the outcome of the government budget and the retirement pension system every month to assist the Government in its controls of the budget and the ceiling on expenditure. Each year, the annual outcome of the budget is produced by the ESV which, after processing in the Government Offices, is used as part of the data for the annual report of the Government to Parliament. The ESV also produces time series of the government budget and the economic breakdown of the outcome from different aspects as official statistics.

Development of the new structure for reporting tax revenues

Projects that took place in 2006, which should be given prominence, are mainly those that concern the new structure for reporting tax revenues in the budget. This work has been extensive. Parliament decided that the accounting of tax revenues in the government budget should be done in accrued terms from 2006 onwards. This has the effect that taxes accounted for in the budget under revenue type 1000 Taxes etc, shall be accounted for in the year they refer to, regardless of when they are paid. At the same time, the budget contains a number of adjustment items that lead to the cash-based outcome for taxes, which is required under government budget legislation. Prior to and during implementation, the ESV has assisted the Government Offices with the detailed design of the new income structure and in the design of the technical accounting solutions.

Now the outcome is reported each month in a different structure: Income Type 9000 Regular Accounting of Taxes etc, than that which is used in the government budget. The methods for commenting on the outcome have been adapted to these new conditions. Prior to the report on the annual outcome, IT support and other routines have been prepared for reporting in the new structure. As a result of a special assignment, the ESV reached a decision on income headings under Income Type 9000 for the agencies' regular reports of taxes and has informed the agencies concerned of the new structure.

Otherwise, relatively extensive resources have been used to develop and introduce new operational systems for ESV's internal work on the monthly outcome of the government budget and annual outcome adapted to Hermes.

8.1.3 Documentation for the annual report of central government

In this product centre, the ESV provides documentation to the Government for the annual report of central government. After processing in the Government Offices, the chapter on the Statement of Financial Performance, Statement of Financial Position and the cash flow analysis is used in the Government's annual report to Parliament. Other chapters and parts of them are also used.

Annual accounts true and fair

The Swedish National Audit Office's audit report, which mainly refers to those parts of the annual report that have been produced by the ESV, states that "the annual accounts have been drawn up in accordance with legislation on the government budget" and that "the National Audit Office would make the assessment that in all essentials the annual accounts are true and fair".

The ESV maintained the high level on the checks it makes of the information submitted by agencies and can state that the need for corrections is still low, as is the number of differences in the transactions between agencies.

Linked to the introduction of the new structure for the accounting of revenues in the government budget, the Government has decided that tax revenues in the Statement of Financial Performance in the annual report for central government shall also be accounted for in accrued terms from 2006 onwards. This has necessitated further calculations and methods development, in addition to those used in calculating the

outcome of the government budget. As supplementary information, the ESV has therefore, in accordance with a special government assignment, also calculated the taxes on the basis of the new methods for 2005. This also provides access to necessary comparative figures in the Statement of Financial Performance for 2006. The ESV has also worked further in other respects to develop and document the new methods in order to ensure good quality and information that can be verified in the accounts for 2006.

Linked to the preparations for reports on accrued tax revenues in the government budget, the ESV also prepared methods for reporting taxes in accrued terms in the Statement of Financial Performance.

8.1.4 Data for central government financial saving etc: Increase in ambitions and demands

The output in the product centre includes the quarterly submission by the ESV of national accounts statistics on the central government sector to Statistics Sweden. The ESV also breaks down the outcome of the government budget in real economic terms. This information is used for analytical purposes, mainly by the Ministry of Finance and the National Institute of Economic Research.

More information provided

The ESV has experienced an increase in the demand for information on the national accounts. For example, Statistics Sweden has given greater priority to economic statistics. Levels of ambition and demands have been increased, for example in respect of reports on taxes based on forecast information.

The reporting of tax revenues to the national accounts has been done in accrued terms for a couple of years, but has nonetheless been affected by the new budget structure. Here, the task has mainly been to create uniform working procedures and reconciliations between the various accounts.

Internal operating systems have been developed for the breakdown of the outcome of the government budget in real economic terms, and development work has been started on reports of data in respect of central government net lending.

In 2006, the ESV took over the responsibility for submitting reports to Eurostat on the Excessive Deficit Procedure, EDP, via Statistics Sweden. The information supplied is in accordance with the EU's Stability Pact and refers, to a great extent, to accounting for the causes of the difference between the central government net lending and the budget balance. In order to produce the differences in the amounts, the ESV has investigated the methods. An earlier project for the systematic reporting of the relationships continued during the year.

8.1.5 Other activities: Extensive work on the government revenue register

The product centre, Other Activities, includes the government revenue register and Central Government Finances. The government revenue register is a document that includes the regulations that apply for each revenue heading. It is updated each year.

On account of the government budget's new income structure, the work on the publication for 2006 was much more extensive than usual. A new chapter was introduced containing a description of the ways in which revenues from taxes are calculated by the ESV.

In the Central Government Finances series, a booklet was published during the year entitled "Central Government, EU and the Money".

The ESV has started a development project in respect of key ratios. A pre-study has been made to identify ways in which the ESV can work with key ratios based on information from Hermes. A decision has been made to start constructing an interactive website for key ratios and other information on central government finances in the Hermes portal.

8.2 Goal fulfilment

Goals for Forecasts and Information on Central Government Finances

The goal is to contribute to an efficient government administration through reliable budget forecasts, good government accounting and reliable analyses of government budget trends.

Assessment of outcome

Completely fulfilled. All indicators are positive.

Budget forecasts shall have a high degree of precision, be based on scientific grounds and have an analytical approach. Risks for deviations from budget should be identified at an early stage.

Assessment of outcome

Partly fulfilled. Based on an analytical report made in the spring of 2006.*

Methods and models shall be maintained and developed to enable the quality of forecasts to be continuously improved. In this development work special importance shall be attached to the development of scientific methods and models.

Assessment of outcome

Mainly fulfilled. Maintenance and development projects have mostly been completed.

8.2.1 The goal of contributing to an efficient government administration

The assessment of goal fulfilment of contributing to an efficient government administration is made on the basis of the following:

- accounting information and forecasts have delivered at agreed points in time and have been useful for recipients
- statements from the National Audit Office
- maintenance of quality in reports supplied by agencies
- the ESV has taken agreed action on quality assurance, and necessary developments have been undertaken.

Forecasts have been delivered as agreed with the Ministry of Finance. Reliability is assessed primarily through precision (see below). The monthly outcome of the government budget has been received by the Ministry of Finance each month without criticism. The documentation for central government net lending has been submitted at agreed points in time and representatives of Statistics Sweden have stated that the information supplied is of high quality.

Where the annual report of central government and the outcome of the government budget are concerned, the audit report was unqualified. The Standing Committee on Finance's report on the annual report of central government stated that the document has been developed in accordance with the requests made by the Committee and that it was positive that the quality of information in the annual report had been improved. The Committee also made some requests for further improvements and noted that obligations in respect of Barsebäck 2 were reported to Parliament in a correct manner.

Good quality in reports from agencies is, in practice, essential for good quality in the government accounts as a whole. The quality also indicates that the ESV's information and training activities in the field is at the right level. The quality in the reports is measured mainly through the result of the ESV's quality assurance measures, which constitute a major component in the financial management rating (FM rating). In the FM rating for 2006, the questions that measure the quality of the reports only showed a few negative assessments. All in all, the quality of the reports is therefore good.

Analyses are included as an integral part of the forecasting work and the different reports that are based on the central government accounts. The reliability of the analyses has therefore not been assessed separately but is a part of the overall assessment of quality and reliability.

8.2.2 The goal on precision in budget forecasts

The assessment of goal fulfilment in respect of precision in budget forecasts is made on the basis of:

- an annual analysis.

Under the ESV's annual directives, an overall analysis of the precision of the forecasts made in 2006 will be submitted in a special report to the Government no later than 28 April 2007. To assess whether the goal has been fulfilled, the ESV refers to the report on the precision of the budget forecasts for 2005.

The report shows that, in general, the ESV's forecasts have a high level of accuracy, but that the precision of the forecasts for 2005 was inferior to that of earlier years. The year 2005 was unusually difficult for forecasters. It was an exceptional year in many respects and there are therefore several reasons for the deterioration in precision that are described in detail in the report. Deviations from the outcome were, on average, 0.75 per cent for expenditure and -3.10 per cent for revenues. If the extraordinary dissolution of the accrual funds is excluded from the deviation,

precision in respect of revenues is improved by one per cent to -2.10 per cent. The deviation in 2005 can be compared with the average deviation for the period 1999-2005, which were 0.40 per cent of the outcome for expenditure and 1.59 per cent of the outcome for revenue.

The ESV would make the assessment that the goal was partly fulfilled for both information on expenditure under the ceiling on expenditure and revenue. The assessment is made on a scale that is described in detail in the special report.

8.2.3 The goal that methods and models shall be maintained and developed

An assessment of goal fulfilment in respect of the maintenance and development of methods and models is based on:

- an assessment of whether planned development projects and documentation work has been implemented.

The ESV has given priority to improving documentation in respect of the methods and models used in forecasting work. Of special importance is the documentation produced to give users a better understanding of the information and relationships that govern each area covered by the forecasts. The documentation was published in connection with the first budget forecast of 2007.

The ESV has focused on introducing new quality assurance methods to ensure that the quality of the forecasts produced with traditional methods is reasonable in relation to trends at the total level (revenues, expenditures, balance). On the basis of the analysis of totals, needs to adjust individual appropriations or revenue forecasts can be identified. The analysis at the total level is an important tool for identifying, at an early stage, whether government finances are deviating from forecast. It also makes a broader analysis possible and thus better information for the users.

Government budget revenues and expenditures are collected in an overall summary. The major changes made to the income structure in the government budget in both 2006 and 2007 have led to the necessity of monitoring both incomes and revenues and for being able to explain and analyse the relationship between these in the form of delays in collection and payments. To facilitate this work, and the reconciliation with the national accounts, the ESV has worked extensively on developing the total summary. This provides important support in the extensive work generated by the new income structure, both now and in the future. It also functions as a basis for some of the fully accrued tax estimates that are included in the ESV's documentation for the annual report of central government as well as a basis for the net lending of central government. One important project has been the reprogramming, including the specification of demands, which has been necessary in respect of the forecast application.

A project has been started to develop working methods (including systems support), analyses and presentations in connection with the breakdown of budget forecasts in real economic terms. As part of this work, the method has been changed and the presentation has been developed. One of the sub-projects has been to analyse the monthly outcome in real economic terms with the aim of improving accuracy.

Due to high staff turnover and a large number of new employees, it has not been possible to pursue the development of models to the extent planned. Among other things, there has not been the scope to develop the model for the calculation of corporation taxes. All in all the ESV would make the assessment that the goal has been mainly fulfilled since both it has been possible to pursue work on documentation and development to a large extent.

8.3 Financial review

Table 26 Income in Forecasts and Information on Central Government Finances (SEK '000)

Income	2004	2005	2006
Appropriations	33166	33804	31419
Fees and other income 1)	1510	1259	778
Total	34676	35063	32197
Proportion of fees in per cent	4	4	2

1) Includes part of the ESV day in 2004 and 2005

Table 27 Product Centres and costs in Forecasts and Information on Central Government Finances (SEK '000)

	2004	2005	2006
Cost per product centre			
Budget forecasts	11655	10836	13328
Budget follow-up	4900	4732	4454
Documentation for the annual report of central government	3298	3144	2718
Financial statistics	6550	6092	5146
Other activities			
Advisory services: Government Offices	96	48	102
Advisory services: agencies	503	257	185
Responses to reports circulated for comments	542	122	126
Development of internal IT support 1)	2053	3814	5118
Other outputs 2)	5418	5624	2326
Total other activities	8612	9865	7857
Total	35015	34669	33503

1) Included under Other outputs in 2004 and 2005

2) Includes part of the ESV day in 2004 and 2005

The main reason for the increase in costs of budget forecasts is that the product centre also includes costs of breaking down the forecasts in real economic terms. These costs were previously included in the costs for financial statistics. In addition, the introduction of accrued taxes in the government budget has necessitated greater inputs where tax forecasts are concerned. These forecasts are also used in the annual outcome of the government budget, the documentation for central government net lending, and the documentation for the annual report of central

government. The reason for the low outcome in 2005 was the large number of vacancies.

The costs of following up the government budget have decreased somewhat. The work on the new income structure has required resources, but otherwise resources for development have been transferred to Development of internal IT support for the monthly and annual outcome of the government budget, which are now reported separately.

The costs of the documentation for the annual report of central government have decreased by more than ten per cent. This is mainly due to the fact that a vacancy arose just before the most intensive period. Other members of staff concerned also had more experience than the year before.

The costs of financial statistics have decreased since the breakdown of forecasts in real economic terms has been transferred as a result of the ESV's reorganisation, and that resources for development work were transferred to Development of Internal IT support in 2006. In 2005, relatively large resources were used for studies relating to revisions of statistics, documentation of working methods, and the relationship between central government net lending and the government budget.

The costs of Development of Internal IT support largely affect all the product centres of the operational area. During the year, a large proportion of the development resources for the government budget and financial statistics were allocated to this, at the same time as some other IT costs that were previously reported under Other Outputs decreased. In 2006, the costs of Internal IT support also include some SEK 2 million in respect of the writing off of earlier development work.

9 Other reports

9.1 Fee-financed activities

Financial goal for fee-financed activities:

The financial goal is full cost coverage. If, in the opinion of the ESV, charging a fee of this type would counteract the aim of an activity in the output centres: Forecasts and Information on Central Government Finances and Financial Management, the principle of full cost coverage may be deviated from in individual cases. The extent of exceptions granted should be commented on.

The table below shows income, costs and outcome for the ESV's fee-financed activities, based on the breakdown of the budget for fee-financed activities in the Government's annual directives.

Table 28 The ESV's fee-financed activities (SEK '000)

	2004	2005	2006
Previous years' surplus/deficit	11364	9705	7102
Income			
Financial Management	25046	43611	36627
Administrative Systems	68305	10221	9904
Consolidated Information System, Hermes	26510	26285	25312
Information on Central Government Finances	1510	1259	276
Coordination of purchasing	-	-	5631
Export of services	7710	11582	14275
Total income	129081	92258 1)	92025
Costs			
Financial Management	25721	45067	35958
Administrative Systems	67261	9476	10589
Consolidated Information System, Hermes	28774	28557	24488
Information on Central Government Finances	1432	865	683
Coordination of purchasing	-	-	6762
Export of services	7551	11596	13850
Total costs			
Outcome			
Performance and Financial Management	-674	-1456	669
Administrative Systems	1043	745	-685
Consolidated Information System, Hermes	-2265	-2272	825
Information on Central Government Finances	77	394	-407
Coordination of purchasing	-	-	-1132
Export of services	159	-14	425
Total outcome – fee-financed activities	-1659	-2603	-305
Accumulated surplus/deficit	9705	7102	6797

1) including grants and financial income.

Comment. Note that income and costs in this table are not fully comparable with the income and costs reported under each operational area. Where income and costs for operational areas are concerned, part of the overall costs and income has been distributed to the operational areas.

The outcome of the ESV's fee-financed activities has improved considerably compared to previous years, even if the activities still show a deficit.

Turnover in the field of Financial Management decreased in comparison with 2005, which is mainly due to the decline in consulting activities. Financial Management also includes education and training activities, consultations and the ESV day.

Administrative Systems shows a deficit of just under SEK 0.7 million. The reason for this is the ESV's programme to introduce electronic invoicing in central government.

The outcome for Hermes was a surplus of more than SEK 0.8 million.

Coordination of Purchasing is a new activity which is totally financed by fees. The activity shows a negative result for 2006. However, with the permission of the Government, the ESV transferred SEK 2 million from the accumulated surplus in Administrative Systems to Coordination of Purchasing (see also chapter 6 and note 17). The closing balance is therefore positive.

Export of Services increased in 2006. This is partly due to the fact that the ESV has taken over a project in Mozambique from the National Audit Office, and partly to the start of a twinning project in the Czech Republic.

9.2 Support for the Government Offices

According to its annual directives, the ESV shall submit a report on:

The total costs of different types of support to the Government Offices and the proportion of the support that is financed by fees. The cost of responding to reports circulated for comment shall be reported on separately.

Table 29 Total cost of support to the Government Offices, SEK '000

Type of support	2004		2005		2006	
	Total	whereof fees	Total	whereof fees	Total	whereof fees
Responses to official Reports	3124	33	2038	0	1470	0
Consulting support	710	710	613	613	1177	1177
Advisory services	2237	0	2107	35	1932	0
Training	11	11	0	0	0	0
Total	6082	754	4758	648	4579	1177

The number of responses to reports circulated for comment decreased in 2006 in comparison to 2005, from 84 to 65. The ESV's support for the Government Offices was thus less than in previous years.

Consulting activities have decreased somewhat over the years. On the other hand, the ESV's consulting support for the Government Offices is increasing. The ESV regards this as positive since programmes aimed at this target group are important for contributing to the development of financial management in central government as a whole. As mentioned above, in 2006 the ESV implemented assignments for the Government committee examining actions that can be taken against incorrect payments from the social security system, and the Government committee making a study of fees for central government services.

All in all, the ESV's support for the Government Offices is diminishing and this is mainly due to the fact that fewer reports have been circulated for comment.

9.3 List of reports made in accordance with reporting requirements and assignments

Reports required

Global development (see chapter 3.1.7)

Assignments

Documentation for the annual report of central government (see chapter 8.1.3)

Outcome of the government budget (see chapter 8.1.2)

Action plan to enhance accessibility

Report on revenue headings (see chapter 8.1.5)

Coordination of purchasing (see chapter 6.1.2)

Adapting financial management rules to activities (see chapter 3.1.2)

10 Human resource management

The ESV's goals for human resource management	Goal fulfilment
"Right skills"	Completely fulfilled
"Skills used effectively"	Mainly fulfilled
"Attractive employer"	Mainly fulfilled
"Diversity"	Completely fulfilled
"Workplace that promotes good health with a good working environment"	Mainly fulfilled

According to the ordinance on annual accounts and budget documentation, the ESV shall report on the measures it has taken to ensure that skills are available to achieve the goals of its operations. The report shall include an analysis and assessment of the ways in which the measures taken have contributed to achieve the goals of operations.

The goals of the ESV's human resource management (including gender equality, diversity, the working environment and health) are integrated in one and the same action plan. The aim is to create a specific focus in the work on human resource management and closer links to operations.

Below there is a report on the five overall goals and sub-goals, and the measures taken to achieve the goals.

The goal that the ESV has the right skills to achieve requested results and to meet changes in its external working environment

In the overall analysis, a number of skills areas have been identified as particularly important development areas for the ESV. These are project work, the consulting role, development work, training and advisory services, international activities, security issues, IT architecture and internal audit. A number of measures have been taken to develop skills in these fields.

The ESV's project work model was revised in the spring of 2006 and a training programme in project leadership was held for 20 members of staff and 20 managers. The consulting role was also strengthened through this programme. During the year, a new assignment policy was produced.

Skills training programmes were held for staff who gives training or presentations. A two-day course in rhetoric was held in September. A special training programme was held for lecturers prior to the ESV day.

International activities have expanded. The ESV is therefore planning a training programme with Sida to improve the understanding of the ESV's assignments in their international context – the policy for global development. Experience was exchanged with other agencies both in Sweden and abroad, and the ESV has participated in international seminars, language training programmes and study visits.

During the year, an analysis and examination of the ESV's overall information security was started. This does not include Hermes since an analysis of this type was made separately earlier. Representatives of all departments participated in a workshop to analyse risks and conceivable scenarios.

In the IT field, regular training programmes were held on the tools and models used by the ESV. They included a programme to enhance skills in respect of IT architecture through the Royal College of Technology.

Over 85 per cent of the ESV's staff has academic degrees, mainly in the fields of economics, social science or IT.

During the year, the ESV recruited 28 new members of staff, of whom 9 came from the National Agency for Administrative Development through the transfer of operations from that agency, with expertise in the fields of coordination of government purchasing and management of premises. New expertise has also been recruited in the field of internal auditing, and forecasting has been strengthened with new recruitments. The ESV's accounting department has been strengthened with the recruitment of a member of staff with the responsibility for accounting.

Internal breakfast seminars have been held to spread information at the agency about current projects and issues of importance for all at the ESV. Both internal and external lecturers have participated. The staff day in June also provided an opportunity to choose among a number of seminars with the aim of broadening the staff's knowledge of the ESV.

Staff planning talks was held during the year and individual development plans continued to be produced and resulted in a number of activities designed to enhance skills. In addition to traditional training programmes and activities to monitor the external working environment, study visits and exchanges of experience took place with other agencies. The staff questionnaire in September shows that 71 per cent of the staff considers that they are offered further training or similar for their professional development. The reorganisation, which was implemented on January 1, 2006, has had the effect that a number of staff have been given partly new duties and thus worked during the year to extend their skills.

In the light of the above measures and results, the ESV considers that the goal of having the right skills is completely fulfilled.

The goal that the collective skills at the ESV are used effectively

For several years, the ESV has run a development project with the aim of strengthening the overall view of the ESV's activities and making good use of its collective skills. Since 2003, the ESV has produced a vision, management training, a staff policy, a cooperation agreement and a current situation analysis in respect of communication at the agency. At the beginning of the year, a new organisation came into effect which, with the aid of specific goals for activities, a new management structure and a flatter organisation, contributes to better utilisation of the breadth and depth of the ESV's collective skills.

A document is being produced that will show the focus of internal and external communication at the ESV in order to create a common approach where communication is concerned. At the present time, the document includes an approach and a communication policy. The work of obtaining support for the document and work on the strategy will continue in 2007. The ESV has also made a feasibility study in respect of the intranet. All in all, the activities that have been implemented show that the ESV must concentrate more on internal control and internal communication. Among other things, it is a question of presenting internal control in a specific way, improving communication between departments, and making the skills and responsibilities of the staff more visible.

As a step in making good use of its collective skills, the ESV has the goal that internal mobility should be at least five per cent. Internal mobility was three per cent in 2006. However, since the year started with a reorganisation (and the internal mobility resulting from this is not included), three per cent can be considered acceptable.

A further sub-goal is that the ESV should provide a good introduction programme for new members of staff. The average rating for the year's introductory training programme was 8.1 on a ten-point scale. Members of staff who need support for the development of their skills have the opportunity to undergo life and career development. Another instrument to stimulate, retain and make good use of skills that are of particular importance for the ESV's operations is our expert career path. In addition, members of staff with special responsibilities are appointed to be responsible for functions.

On account of the above, it is considered that the goal of making good use of the ESV's collective skills has been mainly fulfilled.

The ESV is an attractive employer

One indicator of our attraction value is the ESV's ability to recruit and retain staff.

In 2006, 20 members of staff left the ESV, most after a direct enquiry from another employer. As reasons for leaving the ESV, the most frequent responses in the questionnaire completed by staff leaving the agency are "new challenges/felt it was time to change jobs". As can be seen in figure 12, the external turnover of staff increased by 3 percentage points in 2006, to 11.5 per cent. This can be compared with corresponding values for the financial sector (8 per cent in September 2006) and for central government as a whole (11 per cent in September 2006). The ESV's goal that staff mobility should be between 5 and 10 per cent has thus not been achieved.

Figure 12 Staff mobility at the ESV

External mobility, percent
Internal mobility, per cent
Year

The ESV creates its own distinctive image, both directly and indirectly, vis-à-vis prospective employees through newsletters, breakfast seminars, the ESV day and trainee posts. It has been relatively easy for the ESV to recruit both junior and senior

skills in recent years. However, in general, it has been more difficult to retain young members of staff and more difficult to meet salary demands in connection with new recruitments of senior staff. Staff mobility in the age category “under 34 years” is 15 per cent. The number of staff on leave of absence continued to be high: 44 members of staff were on leave of absence during parts of the year. Of these, 20 were on parental leave (12 women and 8 men), while the remaining 24 were on leave of absence, totally or partly, to try other jobs. At the end of the year, 8 of them had resigned while the remainder was still on leave of absence.

Internally, we are specific in informing about our benefits, agreements and health promotion activities etc. The ESV fulfils its goal of having relatively good salary levels in the central government context, which is shown in the statistics supplied by the National Agency for Government Employers. Another factor that plays an important role for human resource management at the ESV is that it has suitable and centrally located premises. The ESV has extended its lease on the premises for a further six years.

The staff survey made during the year shows that 84 per cent of the staff considers that their work is meaningful – it is not just a job, which can be compared to 75 per cent in the report produced by the National Agency for Government Employers on the working environment in central government. All members of staff who leave the ESV, or take leave of absence, are asked to complete a questionnaire. Of these persons, 86 per cent stated that they could recommend the ESV as a workplace. The goal is that the proportion should be at least 85 per cent.

The goal of being an attractive workplace is mainly fulfilled in those aspects that could be measured in 2006.

The goal that composition of the ESV staff shall be characterised by diversity

The work with diversity has focused, above all, on increasing understanding of the improvements in quality and skills that can be achieved by promoting and taking good care of diversity. The agency’s HR specialists have participated in a project management seminar run by the National Agency for Government Employers on pursuing issues of diversity. A review of both recruitment and human resource management processes has been started which has resulted in highly structured and quality assured methods in selection processes. In 2006, the ESV once again participated in a project run by the Development Council for the Public Sector on “Differences are an Asset”. The point of departure of the project is that an attractive and competitive working place unites people and their differences through openness and mutual respect.

The ESV has a good age structure with 80 per cent of its staff in the age group 30-54 years. The average age of the ESV staff is 44 years and 59 per cent of the staff is younger than 46 years.

One goal for 2006 was to maintain an even balance between women and men and a good age structure in the categories of core and management staff, which we achieved (average age of women 42.7 years, men 44.2 years, under 46 years women 62 per cent, men 58 per cent). On the other hand, there is an imbalance

between women and men in the support staff category where 87 per cent of the staff is women. The goal is to increase the proportion of men in this group, but this was not achieved in 2006. Another goal is to achieve an even gender balance in our group of experts. At the end of 2006, there were 12 members of staff in this group of whom 4 were women.

A further goal of the work on diversity is to increase the proportion of staff with a non-Nordic background by 3 percentage points during the period 2003-2006. In 2003, the proportion of staff with a non-Nordic background was estimated at some 6 per cent. Thereafter, the change in this proportion has been estimated through recruitments and resignations each year. Ethnic diversity increased continuously during the period. In 2006, the proportion was estimated at some 9 per cent. The goal can thus be considered to have been achieved.

The goal that the composition of the ESV staff should be characterised by diversity is completely fulfilled in those aspects that could be measured in 2006.

The goal is that the ESV is a workplace that promotes health and a good working environment

The ESV makes the development of its operations and its staff possible with the aid of a well-defined organisation and leadership, the possibility to exert an influence, good working hours agreements, a common web portal which makes it possible to work outside the office, specific guidelines for sick leave and rehabilitation, subsidised keep-fit activities, making time available for keep fit activities, fruit, support in matters relating to ergonomics, subsidised massage, and an agreement with an external organisation that provides support for the staff twenty four hours a day in matters that affect their capacity to work. The ESV also enters teams in popular sporting events. During the year, 129 members of staff took advantage of an average of 27 keep-fit hours each.

During the year, a further 63 members of staff underwent a medical health analysis consisting of a lecture, taking samples, and a follow-up health analysis. The intention is that every member of staff should undergo a health analysis every third year. 12 members of staff accepted the offer to be included in a health programme which focuses on reducing weight and living in balance. An ergonomic study of 72 members of staff was completed. All members of staff have been offered vaccinations against influenza.

Despite the above-mentioned measures, in the staff survey 13 per cent of the staff responded that they do not consider the ESV to be a healthy working place, mentally or emotionally. Corresponding figures for a physically safe and friendly workplace were, however, 0 and 3 per cent respectively.

One case of discrimination, harassment or other type of offensive action was reported during the year and corrective measures were taken.

According to the ordinance on annual accounts and budget documentation, the agency shall make a special report on the absence of staff. The table below shows

total absence due to sickness broken down into different age categories, women and men, and the proportion of sick leave in excess of 60 days,

Table 30 Absence due to sickness

Sick leave (%)	2004	2005	2006
Total	3,0	3,0	2,7
- 29 years	0,2	1,4	1,2
30-49 years	2,4	2,5	2,3
50 years –	4,8	4,5	3,7
Women	2,8	2,7	3,1
Men	3,1	3,3	2,3
Proportion on long-term sick leave (60 days or more)	48,3	72,5	63,7

All in all, absence due to sickness has diminished all age groups. The reason for the difference between women and men is that 9 women had leave of absence due to sickness in excess of 200 hours compared to 3 men. The ESV's goal is to have no work-related long-term sick leave, which was achieved in 2006.

In the light of the above, the ESV considers that the goal that the ESV is a workplace that promotes health and a good working environment has been completely fulfilled.

11 Financial statements

11.1 Statement of financial performance

SEK '000		2006	2005
Operating income			
Income from appropriations	Note 1	102578	93150
Income from fees and other revenue	Note 2	93373	92237
Income from grants	Note 3	1291	227
Financial income	Note 4	474	404
Total		197716	186108
Operating expenses			
Cost of staff	Note 5	-99350	-90679
Cost of premises		-17170	-16691
Other operating costs	Note 6	-49929	-54119
Financial expenses	Note 7	-1414	-1333
Depreciation and write-downs		-30309	-25889
Total		-198172	-188711
Outcome of operations		-456	-2603
Collection of general revenue			
Income from fees and financial income that may not be used by the agency	Note 8	7441	3000
Income transferred to the government budget		-8213	-3000
Balance		-772	0
Change in capital for the year	Note 9	-1228	-2603

11.3 Statement of financial position

SEK '000		2006-12-31	2005-12-31
ASSETS			
Intangible assets			
Rights and other intangible assets	Note 10	48392	66529
Tangible fixed assets			
Improvements to real estate owned by others	Note 11	693	1014
Machinery, plant, installations etc	Note 12	2719	3453
Claims			
Accounts receivable		1227	1294
Claims on other agencies	Note 13	13856	20300
Other claims		84	0
Cut-off items			
	Note 14		
Prepaid expenses		4635	4084
Accrued income from grants		12	92
Other accrued income		1457	1906
Settlement with the Government			
Settlement with the Government	Note 15	-11033	-14450
Cash and bank			
Balance on interest-bearing account at the National Debt Office	Note 16	20978	11106
Total assets		83020	95328

CAPITAL AND LIABILITIES

Agency capital	Note 17		
Change in capital carried forward		-832	2166
Change in capital shown in Statement of Financial Performance		-1228	-2603
Provisions			
Provisions for pensions and similar obligations	Note 18	384	237
Liabilities etc			
Loans at the National Debt Office	Note 19	47509	60944
Debts to other agencies		3059	3686
Accounts payable		14393	12568
Other liabilities		1980	2229
Advances from suppliers		919	0
Cut-off items	Note 20		
Accrued expenses		13840	11831
Unused grants		826	0
Deferred income		2170	4270
Total capital and liabilities		83020	95328

11.4 Additional information and notes on the accounts

11.4.1 Comments on the notes

Amounts are shown in SEK '000 unless otherwise stated

11.4.2 Accounting and valuation principles

General

The annual report has been drawn up in accordance with the ordinance on the annual reports and budget documentation of government agencies.

Valuation of claims and debts

Claims have been reviewed individually and valued at the amount expected to be received. Claims and debts in foreign currencies have been valued at the exchange rate at the accounting year-end.

Cut-off items

Amounts exceeding SEK 50 000 have been recorded as cut-off items.

Valuation of fixed assets

All acquisitions with an economic life of at least three years and an acquisition value of at least SEK 10 000 are reported as fixed assets. Fixed assets are depreciated with the aid of the straight-line method on the basis of their economic life.

Depreciation is made each month. The following periods are used for depreciation purposes:

Computer equipment	3 years
Other office machines	3 years
Furniture	5 years
Intangible assets developed by the ESV	5 years
Other intangible assets	3 years
Improvements to property owned by others	7 years

Leased assets

In accordance with the regulations in section 4 of the ordinance on the annual reports and budget documentation of government agencies, fixed assets held under leasing agreements are to be reported as fixed assets and the obligation to pay future leasing charges is reported as a liability. Leased assets consist of PCs.

Activities taken over from the Agency for Administrative Development

On January 1, 2006 the ESV took over the activities of Coordination of Purchasing and Government Premises from the Agency for Administrative Development. This has had the effect that fixed assets, loans and other debts and claims referring to these activities have been taken over by the ESV. Agency capital has also been affected,

When drawing up the cash flow statement, adjustments were made for claims and debts taken over.

11.4.3 Notes

Note 1 Income from appropriations

The use of appropriations increased by SEK 9 428 000 in 2006 compared to 2005. Most of the increase is due to the fact that from January 1, 2006, the ESV was given new appropriation-financed activities – Government Premises and Coordination of Internal Audit.

Note 2	Income from fees and other payments	2006	2005
	Sale of publications etc (in accordance with Section 4 of the Fees Ordinance)	486	588
	Sale of training programmes	6423	7394
	Sale of consulting services	30229	41376
	Licensing, maintenance and installation fees	25424	25240
	Other sales	30811	17729
	Total	93373	92327

Fees for the sale of publications etc are charged with support of Section 4 of the Fees Ordinance. Other fees are charged in accordance with the ESV's directives.

Income from licence, maintenance and installation fees refers to fees for the administration of the Hermes system.

Other sales mainly refer to costs related to the export of services that were passed on to other organisations and costs invoiced for fees for coordination of central government purchasing.

Note 3	Income from grants	2006	2005
	Wage subsidies from National Labour Market Board	175	162
	Payment for transfer of know-how from the Legal, Financial and Administrative Services Agency	570	0
	Grant from the Swedish Emergency Management Agency	546	65
	Total	1291	227

In 2004 an agreement was concluded between the Swedish Emergency Management Agency and the ESV on grants for measures to strengthen the preparedness of society to meet crises.

Note 4	Financial income	2006	2005
	Interest income on interest-bearing account at the National Debt Office	446	375
	Other income	28	29

Total	474	404
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Note 5 Cost of staff **2006** **2005**

Payroll costs excluding employer's contribution, pension premiums etc.	-64496	-60783
Other staff costs	-38854	-29896
Total	-99350	-90679

Note 6 Other operating costs

Operating costs have decreased by SEK 4 190 000, which is mostly due to the fact that costs for consulting services have decreased.

Note 7 Financial expenses **2006** **2005**

Interest expenses on loans at the National Debt Office	-1378	-1294
Interest expenses – financial leasing agreements	-7	-29
Other interest expenses	-29	-10
Total	-1414	-1333

Note 8 Revenue from fees and financial income that may not be used by the agency

Revenue from fees and financial income that may not be used by the agency increased in 2006 by SEK 4 441 000 compared to 2005. The increase is due to the fact that, from 2006 onwards, the ESV also reports rental income for county council agreements as funds collected. In 2005 only the payments made under agreements with WM Data and Agresso AB were reported after the transfer of activities in the operational area Administrative Systems.

The balance in the section on collection of general revenue is due to the accrual of rental income referring to the first quarter of 2007.

Note 9 Change in capital for the year

Fee-financed activities	2006-12-31	2005-12-31
Information on Central Government Finances	-407	-2239
Hermes	825	70
Financial Management	669	-849
- <i>whereof consultations on fees</i>	27	110
- <i>whereof the ESV day</i>	207	-404
Coordination of purchasing	-1132	-
Export of services	425	-8
Administrative Systems	-685	846
Total fee-financed activities	-305	-2180
Accrual effects of fee-financed activities	-151	-423
Accrual effects of collection of general revenue	-772	-
Change in capital for the year	-1228	-2603

Note 10 Rights and other intangible assets **2006** **2005**

Opening balance acquisition value	109521	99341
Opening balance acquisition value taken over from the Agency for Administrative Development	2354	-

Acquisitions made during the year	8056	10628
Assets disposed of during the year	-1715	-448
Closing balance acquisition value	118216	109521
Opening balance accumulated depreciation	-42992	-20371
Opening balance accumulated depreciation taken over from the Agency for Administrative Development	-589	
Depreciation for the year	-25980	-23069
Write-downs for the year	-1978	-
Assets disposed of during the year	1715	448
Closing balance accumulated depreciation	-69824	-42992
Book value	48392	66529

In 2006, expenditure of SEK 7 440 000 for a computer programme developed by the ESV was capitalised in accordance with chapter 5, section 2, of the ordinance on the annual reports and budget documentation of government agencies.

The write-downs for the year and assets disposed of during the year refer to development work on a part of the ESV's internal IT support for forecasts and information on central government finances.

Note 11 Improvements to property owned by others

	2006-12-31	2005-12-31
Opening balance acquisition value	5204	5920
Acquisitions made during the year	66	84
Disposed of during the year	-	-800
Closing balance acquisition value	5270	5204
Opening balance accumulated depreciation	-4190	-4282
Depreciation made during the year	-387	-708
Disposed of during the year	-	800
Closing balance accumulated depreciation	-4577	-4190
Book value	693	1014

Note 12 Machinery, plant, installations etc

	2006-12-31	2005-12-31
Opening balance acquisition value	29151	28391
Acquisitions made during the year	1236	2578
Disposed of during the year	-1527	-1818
Closing balance acquisition value	28860	29151
- whereof financial leasing	1700	2424
Opening balance accumulated depreciation	-25698	-25404
Depreciation made during the year	-1964	-2112
Disposed of during the year	1521	1818
Closing balance accumulated depreciation	-26141	-25698
- whereof depreciation financial leasing	-1686	-2218
Book value	2719	3453
- whereof financial leasing	14	206

"Disposed of during the year" refers mainly to PC equipment.

Note 13 Claims on other agencies

The decrease in claims on other agencies is mainly due to that fact that invoices with a value of some SEK 8 700 000, addressed to the Swedish Armed Forces, had not fallen due for payment on December 31, 2005, which they did at the corresponding point in time in 2006.

Note 14 Cut-off items

	2006-12-31	2005-12-31
Prepaid expenses		
Prepaid rent	4192	3836
Other prepaid expenses	443	248
Total	4635	4084
Accrued revenue		
Accrued income from grants, intra-governmental	12	92
Other accrued revenue in respect of assignments	1457	1906
Total	1469	1998
Total cut-off items	6104	6082

Note 15 Settlement with the Government

	2006-12-31	2005-12-31
Opening balance	-14450	-11751
Taken over from the Agency for Administrative Development	1053	-
Settlements against the government budget		
Appropriations	102578	93150
Revenue headings	-8213	-3000
Settlements against the Government's current account		
Appropriations deposited on the interest-bearing account	-99160	-95849
Funds collected etc	7159	3000
Closing balance	-11033	-14450

Note 16 Balance on interest-bearing account at the National Debt Office

	2006-12-31	2005-12-31
Appropriations	12970	15106
Fees	7182	-4000
Grants from other government agencies	826	
Total	20978	11106

The balance on the interest-bearing account covers the short-term borrowing need.

The credit approved on the account for 2006 was SEK 15 million. This was not utilised during the year

The balance on the interest-bearing account increased by SEK 9 873 000 between the years. This is due, above all, to the fact that outstanding accounts receivable were some SEK 6 million lower on December 31, 2006 than at the same point in time in 2005 and that the ESV took over a saving on appropriation 1:4 Additional costs for premises of SEK 4 093 000 from the Agency for Administrative Development

Note 17 Agency capital

	Opening balance 2006 1)	Change	Closing balance 2006
Appropriation financed operations	-7963	-151	-8114
Opening balance taken over from the Agency for Administrative Development	-333		-333
Total	-8296	-151	-8447
Balance - funds collected		-772	-772
Fee-financed activities:			
Financial management	-3361	669	-2682
Administrative systems	9252	-685	8558
Hermes	-1835	825	-1010
Information on Central Government Finances	-310	-407	-717
Opening balance taken over from the Agency for Administrative Development, Coordination of government purchasing:	-62		
Coordination of government purchasing	2000	-1132	806
Export of services	1780	425	2204
Total	7464	-305	7159
Grand total	-832	-1228	-2060

1) Opening balance for 2006 has been adjusted by a transfer of SEK 2 million from Administrative Systems to Coordination of Purchasing in accordance with a decision of the Government. The opening balance for Administrative Systems has been corrected from the accounts for 2005.

Note 18 Provisions for pensions and similar obligations

The provisions for pensions and similar obligations refer to part pensions amounting to SEK 384 000, in accordance with the part-pension agreement for government employees.

Note 19 Loans at the National Debt Office

	2006-12-31	2005-12-31
Opening balance	60944	75689
Loans taken over from the Agency for Administrative Development	1765	
Loans taken during the year	14843	10724
Repayments of principal	-30043	-25469

Total	47509	60944
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The approved ceiling for loans in 2006 was SEK 100 million

PCs are partly financed by financial leasing agreements. The outstanding debt for these computers amounted to SEK 4 000 on December 31, 2006.

Note 20 Cut-off items

	2006-12-31	2005-12-31
Accrued expenses		
Accrued pay liability including social security contributions	2294	1670
Accrued vacation pay including social security contributions	8815	8565
Accrued expenses for human resource development	1382	1486
Other accrued expenses	1349	110
Total accrued expenses	13840	11831
Unused grants from other government agencies	826	
Total unused grants	826	
Other deferred income	2170	4270
Total deferred income	2170	4270
Grand total	16836	16101

The Swedish Financial Management Authority develops and implements effective and appropriate financial management which has the aim of:

Ensuring good control of central government finances

Ensuring that resources are distributed in accordance with political priorities

High levels of productivity and efficiency

We are the government's experts in performance management and financial management and are responsible for generally accepted accounting principles in central government. We have unique knowledge of central government finances and offer cost-efficient administrative support systems.

We work at all levels of central government and in close cooperation with the Government Offices and the central government agencies. We are also engaged in international activities.