



School of Business
Economics and Law
GÖTEBORG UNIVERSITY

Combat of tax evasion

- are there any organizational obstacles in the governmental cooperation, and if so, what are they?

Ekobrottsmyndigheten vis- á- vis Skatteverket



Faculty of Business Administration
Department of External accounting
Bachelor Thesis

Authors;

Julia Jonsson 82
Kristin Persson 82

Tutors:

Andreas Hagberg, Jan Marton
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Förord

Vi vill rikta ett stort tack till våra respondenter;
Lars-Inge Johansson, Ingrid Tengblad, Eva-Lisa Lennstrand, Roger Olsson, Hans
Lindgren, Michael Hoffstedt, Kent Björkdal, Marianne Forsström
samt Inger Öman.

Utan Er hjälp hade framställningen av denna studie inte varit genomförbar.

Vi vill även tacka våra handledare Jan Marton och Andreas Hagberg, samt
medlemmarna i vår opponeringsgrupp som tillsammans med våra handledare bidrog
med goda råd och tips.

Vidare vill vi tacka Joseph Vaccarog för bidraget till den språkliga delen av arbetet.

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Julia Jonsson

Kristin Persson



Sammanfattning

Examensarbete i företagsekonomi, Handelshögskolan vid Göteborgs universitet, Externredovisning Kandidatuppsats, Höstterminen 2005

Författare: Julia Jonsson och Kristin Persson

Handledare: Jan Marton och Andreas Hagberg

Titel: Bekämpning av skattebrott – föreligger det några organisatoriska hinder i myndighetssamarbetet, och i så fall vilka är de?

Bakgrund och problem: Samtidigt som Ekobrottsmyndigheten grundades 1998 etablerades Skattebrottsenheterna vid Skatteverket. Dessa myndigheter är ömsesidigt beroende av varandra i utredningar av skattebrott. Dock är de placerade under skilda departement med olika prioriteringar och allokering av resurser. Eftersom utredningarna är starkt beroende av ett välfungerande samarbete mellan de båda instanserna känns det relevant såväl som intressant att undersöka hur samarbetet fungerar idag.

Syfte: Uppsatsens syfte är att undersöka huruvida det föreligger några problem i det faktum att det ställs krav på ett nära samarbete mellan två parallella myndighetsstrukturer. Avsikten är att undersöka de anställdas åsikter om deras samarbete och om de upplever relationen som välfungerande.

Metod: Undersökningen har varit av kvalitativ karaktär baserad på nio intervjuer. Av dessa har fyra varit med medarbetare på Skatteverket och fem med anställda vid Ekobrottsmyndigheten. Analysen av det empiriska materialet har utgått ifrån en teoretisk referensram bestående av både allmän organisationsteori samt specifika teorier för ombildningar inom den offentliga sektorn.

Resultat och slutsatser: På grund av oklara mål för organisationerna uppstår kommunikations- och samarbetsproblem mellan myndigheterna. Revirtänkande och olika prioriteringar från ledningen orsakar flaskhalsar i utredningsprocessen. Sådana uppstår även på grund av brist på personal, främst åklagare och utredningspersonal. Vidare är de tekniska systemen inte kompatibla vilket leder till extra arbetstimmar när ett fall ska sändas mellan parterna. På grund av hårda sekretesslagar måste grundläggande information för ett fall under utredning begäras på omvägar, vilket ytterligare fördröjer processen. Det finns även funktioner inom de nytillkomna myndigheterna som är snarlika befintliga avdelningar hos andra myndigheter, vilket upplevs som ett resursslöseri av anställda som dagligen ser behovet av förstärkning inom den operativa verksamheten. De myndigheter som studerats anser att processen bör ses över för att finna ett mer effektivt alternativ.

Förslag till fortsatt forskning: En utredning av den befintliga strukturen skulle vara av intresse för de berörda parterna, vilken kan inkludera en utvärdering av den nuvarande situationen samt ge förslag på eventuella lösningar. En rekommendation är att genomföra en studie som ger en god överblick av andra länders myndighetsstruktur och därefter jämföra det med vårt svenska system.



Summary

Examensarbete i företagsekonomi, Handelshögskolan vid Göteborgs universitet, Externredovisning Kandidatuppsats, Höstterminen 2005

Authors: Julia Jonsson and Kristin Persson

Tutors: Jan Marton and Andreas Hagberg

Title: Combat of tax evasion- are there any organizational obstacles in the governmental cooperation, and if so, what are they?

Background and problem: At the same time as the inception of Ekobrottsmyndigheten, special tax crime investigating units were established at the SKV called Skattebrottsenheter. The newly established authorities are co-dependent in tax crime investigations. However, they are placed under separate authorities with different priorities and separate resources. Due to the fact that each investigation depends on a well functioning cooperation between the two agencies, it is interesting to find out how the collaboration works.

Purpose: The intention of this paper is to examine if there are any organizational problems in the process of investigating tax evasion due to the fact that two separate authorities need to collaborate in every separate case. Furthermore, an attempt will be made to present suggestions on how the situation of combating tax evasion could be facilitated.

Method: The study is of a qualitative character based on nine interviews. Of those, five were made with employees at the Ekobrottsmyndigheten and four at Skatteverket. The analysis of the empirical material is based on organizational theories, one general organizational theory and one theory specific to Public Management Reform.

Result and conclusion: As a result of undefined organizational aims, problems regarding communication and collaboration occur in the relation between the authorities. Territorial thinking and different priorities from the different departments in control cause bottlenecks in the investigation process. Bottlenecks also occur as a result of lack of personnel on different levels, such as prosecutors and investigators. Technological problems from incompatible computer- and filing systems result in extra working hours when material is to be sent between the authorities. Complicating laws of secrecy create obstacles to an effective collaboration not only between the different authorities but also between units within each authority. Newly established divisions at Ekobrottsmyndigheten are very similar to already existing divisions at the State Prosecutors' Office and could thus be merged to save resources. The authorities in the study believe the process should be overlooked to find a more efficient alternative to the current one.

Suggestions for further research: It would be of interest to evaluate the present structure further and attempt to find how one would best organize and implement it. An outlining of the process of combating economic crime in other countries in comparison to the Swedish system could provide alternatives to changes.



List of abbreviations

| | |
|-------|--|
| AMOB | Arbetsgruppen mot Organiserad Brottslighet |
| BRÅ | Brottsförebyggande Rådet |
| EBM | Ekobrottsmyndigheten |
| SKV | Skatteverket |
| SKM | Skattemyndigheten |
| SBE | Skattebrottsenhet |
| REKO | Riksenheten mot Ekonomisk Brottslighet |
| STUK | |
| SAMEB | Samverkan mot Ekonomisk Brottslighet |

Translation

| | |
|-----------------------|--|
| BRÅ | the Swedish National Council for Crime Prevention, Information and Publication |
| Finansinspektionen | the Inspection of Finance |
| Ekorådet | the National Council for Cooperation Against Economic Crime |
| EBM | the Swedish National Economic Crimes Bureau |
| Kronofogdemyndigheten | the Enforcement service |
| Länsstyrelsen | the County Administrative Board |
| Landstingsordförande | the County Governor |
| REKO | Riksenheten mot Ekonomisk brottslighet |
| Riksåklagaren | the State Prosecutor |
| Rikspolischefen | the State Chief of Police |
| SAMEB | the Local Councils for Cooperation Against Economic Crime |
| SBE | the Tax Crime Units at the SKV |
| SKM | the National Tax Board |
| SKV | the Swedish Tax Authority |
| STUK | |
| Tullverket | the Swedish Customs Service |



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1. Introduction

The aim of this chapter is to provide a background to emphasize why the chosen topic of research is both relevant and interesting. A description of the objectives will demonstrate the different aspects within the research area problem.

1.1 Background

An investigation of economic crime is complicated and time-consuming. The main problem is the difficulty of discovering a crime as it is often hidden within the frames of a legal business and veiled by other offences, such as accounting crime. Further, they tend to extend long periods of time and there is usually more than one perpetrator involved. In the end of the 1980s, the number of economic crime grew dramatically. In order to obtain a more efficient combating process, the Swedish Parliament established Ekobrottsmyndigheten (EBM) in 1998. This is a unique concept that gathers competence from prosecutors, police and auditors specialized in economic crime to increase the capability of investigating complex cases. Previously, the ordinary police force was responsible for the investigation process.¹

The increasing interest in society for economic crime can be explained by the fact that it includes larger sums of money than traditional criminality. Experts estimate that economic crime exceeds 100 billion SEK/year², which constitute more than four per cent of the Swedish GDP. Some people question the cost of the authority in proportion to the cost of economic crime to society. The annual grant for the EBM in 2004/2005 was 342 million SEK.³ It is not merely the economic cost that exceeds those associated with traditional crime; economic crime also undermines confidence in society. If there is no confidence, a society's transaction cost increase, which produces an inefficiency that affects economic prosperity and the willingness for investments.⁴

Since the inception of the EBM, the character of economic crime has transformed into a more complex and organized nature, and the number of cases entrusted to its care has increased from year to year. The newly established authority is co-dependent on Skatteverket, (SKV) in tax crime investigations. At the same time as the EBM was incepted, special tax crime investigating units were established at the SKV, called Skattebrottsenheter, (SBE).

The EBM was supposed to encompass all of Sweden, but the original plan has not been executed. It only operates in Stockholm, Gothenburg and Malmö and in some of

¹ http://www.ekobrottsmyndigheten.se/templates/Pag___721.aspx, 051012

² Ekobrottsligheten och ekobrottslingarna i ett framtidsperspektiv, 2005

³ Ekobrottsmyndigheten Årsredovisning, 2004

⁴ Methods to prevent economic crime. BRÅ-Rapport, 2005:5.

the adjacent regions.⁵ Thus, in the larger part of Sweden, the SKV still manages tax crime in collaboration with the police.

Critique has been directed to the construction of the EBM. To create small authorities is associated with high administration costs. Critics regard the administrative division as unnecessary because corresponding functions already exist at the State Prosecutors' Office. This shows that what is logical politically can contradict what is rational from an economical and organizational point of view.⁶

Also, complaints have been made concerning the governing. The distribution of responsibility becomes indistinct due to the presence of two prosecuting authorities within the Prosecuting system, the State Prosecutor and the EBM.⁷

The number of involved authorities is a problem in itself; it might cause problems about drawing limits, authority, use of secrecy laws and even irrational and energy-consuming discussions.⁸

Questions regarding economic crime need to be answered. It is important to evaluate the efficiency of different reforms. Considering the fact that the government is considering a redistribution of resources, it is of special importance to evaluate and perform research on the area.⁹

1.2 Discussion of problem

New conditions and possibilities for combating economic crime exist since the establishment of the EBM, which lead to an interest in identifying and evaluating the changes. In order to achieve this, the historical context prior to the founding of the EBM and the SBE will be analyzed. The role of the EBM vis-à-vis the SKV including the relationship, their cooperation and the process of exchange concerning tax crime needs to be outlined. An important aspect is how investigators of tax evasion have experienced the result of the changes. As a basis for discussion it is necessary to define the concept tax evasion.

An increasing number of crimes, technological advance and constantly changing conditions, call for a need to adapt the organization of crime investigation and prevention to its environment. There could be a need to change the organizational solution for the EBM and the SKV, as it has been questioned whether it hinders efficiency. Possible obstacles might be found within the organization of the authorities, the cooperation between them and each actor's area of responsibility.¹⁰

⁵ See appendix V

⁶ Myndigheternas ledning och organisation - kartläggning och analys av Myndighetsverige. Statskontoret, 2004:9

⁷ Organisationsförändringar inom rättsväsendet. Riksdagens revisorer, 1998/99:9

⁸ Nord, Korsell et al, Antologi - Perspektiv på ekobrottsligheten, 2000

⁹ Nord, Korsell et al, Antologi - Perspektiv på ekobrottsligheten, 2000

¹⁰ Översyn av Ekobrottsmyndigheten. Kommittédirektiv, 2005:92

This investigation focuses the present system of combating economic crime and is an attempt to see whether the collaboration between the EBM and the SKV works satisfactory and has the proper structure to fulfill its purpose.

1.3 Formulation of problem

The above-mentioned reasoning leads to following formulation;

Are there any organizational obstacles in the collaboration between the EBM and the SKV, and if so, what are they?

1.4 Purpose

The intention of this paper is to examine if there are any problems in the process of investigating tax evasion due to the fact that two separate authorities need to collaborate in each separate case. An attempt will be made to present suggestions to how the situation of combating tax evasion could be facilitated.

1.5 Delimitations

There are various types of economic crime, but tax evasion will be at the center of attention in this report since is the type dealt with by EBM and SKV.

2. Method

This chapter explains the process of gathering and processing information in order to answer the question of this study. Initially, the concept of a quantitative versus a qualitative method is described. Furthermore, three scientific approaches; deduction, induction and abduction will be treated. The concepts validity and reliability will also be discussed. To each section a motivation is presented for choices made in order to reach the objective of the thesis.

2.1 Data collection

In the initial phase of work, our knowledge on the area was limited. By studying relevant literature and searching for information on the Internet, a basic understanding developed. The information throughout this paper will mainly originate from the EBM and the SKV, and be collected by reviewing official reports and by interviews with its staff.

The theoretical frame of reference consists of information from secondary sources. Primary sources of information will constitute the empirical material, which is qualitative information in the character of interviews with staff at EBM and the SKV.

Information will be searched in GUNDA, the database of the University Library and LIBRIS, the national database. Web pages of the government, such as the EBM, the SKV and BRÅ can contribute with useful information, and serve as a basis in order to contact suitable personnel for the interviews.

2.2 Method of investigation

When searching information required for conducting research, there are numerous alternatives available. The investigator needs to decide whether to use qualitative or quantitative data as well as primary or secondary data. In this section follows an explanation of the different terms and a motivation for the selected approach in this paper.¹¹

2.2.1 Quantitative method

Using a quantitative method, the scientist systematically collects empirical and quantifiable data from big populations. The data is then summarized into statistics and the outcome is analyzed by using different hypothesis. A quantitative method does not involve the scientist's personal opinion, which is positive from an objective point of view.¹²

¹¹ Backman, Rapportert och uppsatser, 1998

¹² Ibid

2.2.2 Qualitative method

Within social science the qualitative method is a term for different work procedures. The scientist is at the center of the social reality and merges these procedures. The gathering of information and analysis occurs continuously throughout the research process, and the scientist tries to capture the human's action as well as the reason to them. The purpose with qualitative methods is to create an overall picture of the examined area, and the method tends to involve smaller numbers of populations than quantitative methods. Nowadays qualitative methods are rooted within most of the social scientific disciplines.¹³

A repetitive kind of technique is suitable in research where the formulation of problem is rather simple and does not require a profound analysis. For instance it can be proper in a study that requires opinions from different sources and a high degree of objectivity in order to achieve a satisfying conclusion.¹⁴

2.2.3 Our Approach

In a qualitative method few but instructive samples are recommended. The expectation with this scientific technique is to reach an understanding of the phenomenon and process. This supports the use of a qualitative method in this study. The purpose of the research motivates it further since the intention is to understand and overlook the process and collaboration between the main actors involved in combating tax evasion.¹⁵

Furthermore the characteristic of the formulation of problems is of an investigative kind and therefore requires an attempt to an analysis in order to receive a satisfying outcome. With this as basis the choice to use a qualitative method in the form of interviews arose. Another motive to the selected method is the complexity of the problem.¹⁶

2.3 Method of research

A deductive method is a scientific way of logically deriving propositions from general principles, while the inductive method is a more subjective technique. An abductive approach is a combination of the former two by mixing theoretical and empirical material. This facilitates a development of fresh knowledge and results in a process where questions are answered by using theory and empirical information as a basis.¹⁷

In this study a combination of the empirical material and theoretical framework will consistently be mixed in order to reach a final conclusion, as a result the abductive approach is the natural method of research to use.

¹³ Backman, Rapportör och uppsatser, 1998

¹⁴ Ibid

¹⁵ Ibid

¹⁶ Ibid

¹⁷ Ibid

2.3.1 Interviews

Interviews are categorized into three segments; personal interviews, telephone interviews and interviews by letter¹⁸. Each method has its advantages and disadvantages and is different from the others. Due to its advantages, personal interviews will foremost be used, however telephone interviews will be carried out if personal interviews are non-doable. The pros and cons of using this method will be further analyzed in the section “Validity and reliability of sources”.

2.3.2 Geographical limitation

Selecting suitable candidates for the research is essential for the quality of the final result, thus a careful consideration was made concerning whom to contact and hopefully get to interview.

The original aim was to describe the EBM in Sweden in its entirety. By support from an employee at the SKV, the regions in which the SKV and the EBM are represented were identified. By this reason the plan had to be reconsidered. The SKV is divided into nine regions in Sweden with a main office in each, whereas the EBM is situated only in three largest cities of Sweden; Stockholm, Gothenburg and Malmö. In areas where the EBM is not represented, the SKV has a special Tax Crime Unit, (SBE), who performs the functions of the EBM. Hence, a decision was made to speak to personnel at both the EBM and at the SBE in order to obtain a representative selection.

With the objective of an overall picture in mind, the aim is to speak to every one of the three offices of the EBM, Gothenburg, Malmö and Stockholm, including the central division in Stockholm. Employees at the SKV and the SBE in Gothenburg will be interviewed to obtain their view of the cooperation between the authorities. In addition to the contacts in Gothenburg, an interview will be performed with an employee at the SKV in Sundsvall. The purpose is to distinguish if the attitudes of people working with tax crime in Sundsvall differ from the opinion of employees in areas where the EBM operate. After the three largest cities, Sundsvall is the largest center for investigating economic crime.

2.3.3 Selection of candidates

The aim with the research is to get an overall picture, and if there are any obstacles in the process of investigating economic crime and in the relation between the actors. As a result, the aim is to select experienced candidates with a profound insight into its authority’s organization. The study focuses on the cooperation between the authorities; hence it was important to foremost interview employees involved in the actual collaboration. During the interviews the central staff was often mentioned in a negative way, and considering the aim to obtain an overall picture, we chose to interview candidates from the staff as well, to receive their opinion. A more detailed description of the interviewees follows in the beginning of the fourth chapter, *Empirical Material*.

¹⁸ Lekvall, Wahlbin, Information för marknadsföringsbeslut, 1993

Candidates were contacted through personal recommendations and by e-mail to the authorities. The e-mail contained a description of the purpose of the study as well as the expectation to contact a suitable interviewee. Answers were received where it told whom to contact to set a meeting. To increase the probability that suitable persons were selected, the candidates were contacted by phone to make sure the person work in the proper position and to further introduce the research area and ourselves. In order to prepare the candidates for the interview, the questionnaire was sent in advance. This gave the respondents an opportunity to prepare their answers to the questions.

2.4 Structure of the questionnaire, empirical material and analysis

During the first interview it was made obvious that many complicating factors exist and as a result the structure of the questionnaire naturally crystallized itself. The questionnaire is divided into four different sections; *Present situation*, *Aims*, *Collaboration and bottlenecks* and *Future*. The intent with the first as well as the last section was to obtain an idea of how the interviewees perceive their organization, their attitudes concerning today and possible suggestions for the future. Another relevant complication was found to be a lack of awareness of the overall goal of both the authority and a common aim of the collaboration. Thus, in the second section, *Aims*, the objective is to find out whether the interviewee is aware of the aims their authorities strive for, as well as the goals of the other actors. To clarify the essential part of this study and receive a more in-depth focus on important aspect, problems in the cooperation in the current situation and the relation to the other agency, there is a specific section of questions in the chapter of *Collaboration and bottlenecks*.

Questions are formulated with the intention to leave room for the candidates to speculate and give their own opinion. In order to obtain straight forward and honest answers to the questions, the interviewees will be informed in advance that the study not present who said what. Hence, the sources will intentionally not be given. Since the research seeks a general impression of the present situation, the collaboration and the future of the EBM and the SKV, the sources will be structured according to the questions instead of a separate section for each candidate.

The analysis of the empirical material happens through three different phases, where the first phase involves gathering and documentation of the primary information from the interviews. In phase two, information will systematically be structured. Finally, the information will be analyzed in order to find causes to answers. The analysis will be based upon general organizational theory as well as specific theory for the public sector. In addition to this, external conditions will be interpreted into the context.¹⁹ A motivation to the chosen theories will follow in the summary of the theoretical chapter.

¹⁹ Jacobsen, D, Vad, hur, varför? Om metodval i företagsekonomi och andra samhällsvetenskapliga ämnen. 2002

In order to obtain a clear structure of the empirical material and the analysis, these chapters will be divided into the same sections as the questionnaire. In the analysis a summary of the important aspects within the empirical material was made and further discussed in relation to the theories. Some of the questions turned out not to give helpful answers and were not used.

2.5 Validity and reliability of sources

In a discussion of the credibility of a study, the concepts validity and reliability are central.

2.5.1 Validity

The validity of an investigation is defined as the absence of systematic error in the method of measuring the problem. Thus, if the validity is high, reality is reflected in an accurate way. There are two dimensions of the concept, inner and outer validity.²⁰

Inner validity refers to whether the instrument of measuring, in this case the questionnaire, is capable to perform the intended measurement. If questions are not formulated and expressed in a correct way, the validity is decreased.²¹ In order to evaluate the validity of the questions our tutor and a person at the SKV overlooked them and gave their opinion.

Outer validity regards error in sources and the correspondence between the circumstances that were to be investigated in the study and the answers of the interviewee. Low outer validity occurs when the interviewee deliberately gives misleading answers or the questions are outside his area of competence.²² A risk prevails that an interviewee at EBM and SKV is colored by the official opinion of the government, and thus be reluctant to give personal opinions about possible flaws in the organization and administration within the authorities.

Due to the fact that the study focuses on the cooperation between the authorities; it was important to interview employees involved in the collaboration. To increase the probability that suitable persons were selected, the candidates were contacted by phone to make sure the person work in the proper position and to further introduce the research area and ourselves. To assure that the interviewees had the adequate knowledge concerning the problem, the questionnaire was sent to them in advance. This also gave the interviewees time for preparation and the possibility to contact us about any questions that could arise.

Critic towards using the EBM and SKV as sources of information might be lack of objectivity since incentives to present certain results could exist. Furthermore, the candidates received the questionnaire in advance, which might be a disadvantage because their spontaneous reaction will not show in the interview. Another consequence might be that they will seek answers to the questions in order to find

²⁰ Backman, Rapportör och uppsatser, 1998

²¹ Eriksson, Wiedersheim-Paul, Att utreda, forska och rapportera, 2001

²² Ibid

how it *should be* instead how it actually *is*. However, the advantage by giving them the questionnaire in advance is more important since it is essential for the study to receive answers to all questions.

2.5.2 Reliability

Another condition for validity is high reliability. It refers to the non-existence of random error in the measurement. A low influence of random variables in the study is vital to attain reliability. For the investigation to be trustworthy, a separate investigation with similar purpose and method should give the same result independent of the fact that another person performs the investigation.²³

Since interviews are used, the reliability of the study is to a high degree dependant on the interviewing ability. To reduce the risk of misinterpretations during the compiling process of the empiric material, the interviews will be recorded on tape. There is also a risk of the “interviewer-effect” which might occur in both personal interviews as well as interviews by telephone. The problem concerns the potential influence an interviewer might have on the interviewee to answer in a way that the interviewee believes is expected from him.²⁴ Due to our lack of experience on the topic, it is hard to know to what extent the interviewees responded to our technique.

The advantages of personal interviews are the wide range of questions the candidates can be subjected to. Thus, the method is particularly well adjusted for in-depth research.²⁵ The interviews will be carried out in Swedish and later translated into English. As a result, the correctness of the answers might be affected by translation. This will be carefully considered in the process of translating in order to maintain the original implications of the answers.

²³ Lundahl, Skärvad., Utredningsmetodik för samhällsvetare och ekonomer, 1999

²⁴ Patel, Davidsson, Forskningsmetodikens grunder, 1994

²⁵ Lekvall, Wahlbin, Information för marknadsföringsbeslut, 1993

3. Frame of reference

This chapter is divided into two sections. In order to provide a background to the problem, the first part contains a description of the Swedish authorities involved in the process of combating tax evasion, as well as a definition of the concepts and an outlining of the process. The second part presents organizational theories to provide a basis for discussion. The theory of Public Management Reform brings out relevant characteristics of the structure of agencies within the public sector. Other factors that influence an organization are considered in the Contingency Theory, which illustrates how an organization ought to adapt to its environment and the demands of the surroundings. To help the reader, models and figures will be used. The shaded parts in the models illustrate the areas focused in this paper.

3.1 Definition of economic crime

The boundary between economic crime and other crime is vague. Criminal activity in this context concern systematic criminality, by economic nature, in trade and industrial activity in society. There is not a single-handed definition of what should be included in the concept economic crime. However, there are two dominating categories of crime, which are always included. These are accounting crime and tax crime.²⁶

3.2 Definition of tax evasion

Due to the limitations in this report, from here on tax evasion will be focused. Tax evasion does not necessarily mean the action itself has caused reduced tax payment, such as a missing debit. The only criterion to be fulfilled is to foresee that a reduced tax payment should exist. A crime is regarded as committed when the information received by the tax authorities is incomplete or the information is not delivered in time. There are three different kinds of tax crime; minor tax offence, tax evasion and serious tax offence. It is the prosecutor's duty to prove that the indicted person intentionally reported incomplete information.²⁷

3.3 Ekobrottsmyndigheten

3.3.1 Background

During several decades the government has intended to improve the preventive methods to combat the economic crime. It began in the end of the 1970's when a lot of resources were put into the police authority. One might ask whether Sweden lost its

²⁶ Nord, Korsell et al, Antologi - Perspektiv på ekobrottsligheten, 2000

²⁷ Brottsanmälan, Internal report, Skatteverket, 2002

innocence in 1977 when one of the first investigations on economic crime, the AMOB-investigation²⁸, estimated lost tax income due to deprived taxes to no less than 5-20 billion SEK. The welfare state was at its peak after decades of social engineering art and construction of welfare. An extended economic criminality that caused cracks to the foundation of society and undermined solidarity was not a part of the plan. The figure of 5-20 billion SEK is to be compared with traditional criminality that in 1977 was estimated to 350 million SEK.²⁹

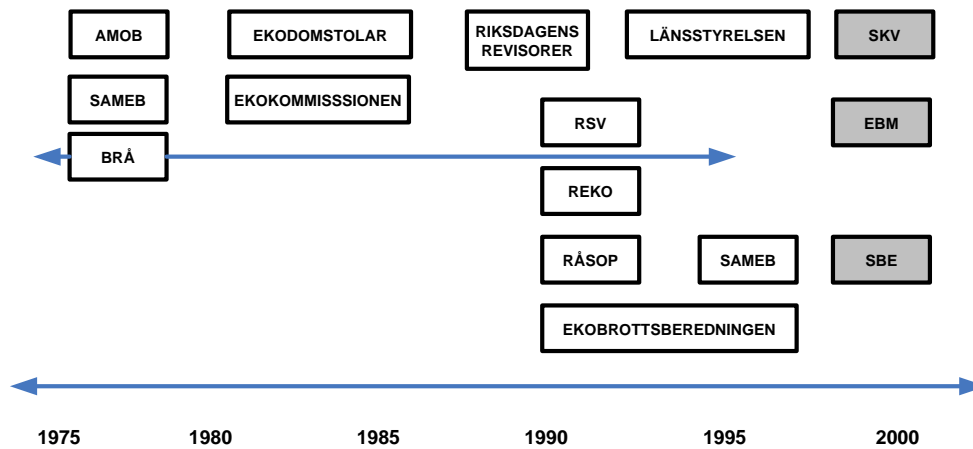


Figure 1. Time chart - important organizations in the history of combating economic crime in Sweden.³⁰

In the mid 80's, a reinforcement of the police force combating economic crime was made as a result of the increasing number of crimes. Simultaneously, the prosecutors gained resources to meet the demand. However, by the end of the last century the combating had become weaker and the resources decreased. During the same period, the number of reported crimes increased by 25 per cent, which resulted in a longer process of prosecuting the cases leading to a decreasing number of legal actions. It was obvious the authorities lacked resources and competency to handle the situation. The situation was worsened by a further raised number of reported crimes when the bankruptcies increased sharply in the beginning of the 90's.³¹

In November 1992, a report from the auditors of the Swedish Parliament called for more resources to combat economic criminality, and pointed out the need for

²⁸ Arbetsgruppen mot organiserad brottslighet

²⁹ Organiserad och ekonomisk brottslighet i Sverige. Ett åtgärdsförslag. AMOB-Rapport., 1977

³⁰ Developed from Nord, Korsell et al, Antologi - Perspektiv på ekobrottsligheten, 2000

³¹ Nord, Korsell et al, Antologi - Perspektiv på ekobrottsligheten, 2000

cooperation between the authorities and a higher competency level. An important conclusion in the report was lack of efficiency in the collaboration between the prosecutors and within the priorities and resources of the police.

This report became the starting point for an extensive investigation that resulted in a large numbers of measures. A special squad within the Swedish government was founded in order to coordinate the combat of economic crime. Resources were dedicated in order to create a strategy. A central unit called REKO³² was incepted the 1st of July 1995. Prosecutors, police and representatives from SKV as well as the enforcement service constituted the unit.³³

Due to the complex nature of economic crime, special qualification is required of the investigative authority. In order to achieve an efficient control of this specific kind of serious organized crime, in 1998 the parliament decided to establish the EBM. It unites different areas of expertise by combining police, prosecutors and auditors with experience on the matter.³⁴ Almost half of its 400 employees are police officers and nearly 80 are prosecutors.³⁵

3.3.2 Organization, strategy and aim

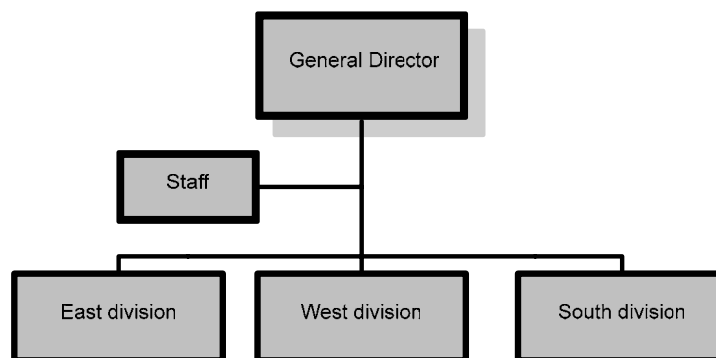


Figure 2. EBM – an organizational scheme.³⁶

The regional offices of the EBM are situated in the three largest cities; Stockholm, Gothenburg and Malmö and their area of operation includes the counties of these cities but also parts of adjacent counties.³⁷ The area in which they operate is divided

³² Riksenheten mot ekonomisk brottslighet

³³ Att förebygga och förhindra allvarlig ekonomisk brottslighet, EBM, 2004

³⁴ http://www.ekobrottsmyndigheten.se/templates/Page____721.aspx,051012

³⁵ The Swedish National Economic Crimes Bureau – mandated to prevent, deter and combat economic crime, EBM, 2004

³⁶ Ekobrottsmyndigheten Årsredovisning, 2004

³⁷ See appendix V for a map of the operative area

into three regions, the East-, West- and South division. The General Director, Gudrun Antemar, and the central staff are situated at the office in Stockholm.³⁸

Gudrun Antemar claims the most serious threats in society today are those from terrorists and the threat to the economic system. She argues that if economic crime is allowed to spread, democracy will be compromised and a separate structure of power will be created. To avoid this, the key factor is prevention. Hence, today more focus lies on spreading knowledge and defining threats, and from those develop strategies for the operative core.³⁹

Since the inception of the EBM, it has strived to improve the process in which it operates. Last year a developing project was initiated with the objective to evolve the crime preventing and crime investigating operations of the EBM. It concerns its priorities, the organization, governing and direction. A new organization was implemented in October 2005 to reinforce the management and concentrate its resources to the operational level. Their resources will be focused on as well serious and organized economic crime as the less serious kind, although the first is prioritized.

The EBM aims to anticipate the development and eliminate criminal threats to the economy, to society and to growth. The goal is to be accomplished by following a certain strategy. It includes a continuous analysis of external changes, as well as outlining the relation between society and economic crime. An important factor is to shorten the average length of an investigation without compromising with law and regulation. The authority is also responsible to coordinate the collaboration within different groups in society to prevent economic crime.⁴⁰

Their preventive effort is characterized by pointing out crucial areas where economic crime often is committed and by spreading information to influence the attitudes of society.⁴¹ The EBM is also devoting resources to support locally preventive initiatives. Another of their aims is to give suggestions as how to accomplish a swift and efficient system of sentence that achieves a deterrent effect.⁴²

3.3.3 Process

In 2004, the EBM decided to increase their workforce with another 10 prosecutors. This facilitates a reinforced combat against, among other, the grave and organized criminality. Reprioritizing the resources within their budget financed this. *“To control the growing problem of economic crime, the EBM has to dedicate yet more resources to the most serious crimes. The main purpose of the reorganization is to further*

³⁸ http://www.ekobrottsmyndigheten.se/templates/Page___721.aspx 051012

³⁹ http://www.ekobrottsmyndigheten.se/templates/Page___1359.aspx 051018

⁴⁰ Att förebygga och förhindra allvarlig ekonomiskbrottslighet. Ekobrottsmyndigheten – från experiment till långsiktighet, EBM Rapport, 2004

⁴¹ Korsell, L. Förebygga ekobrott. Behov och Metoder. BRÅ-Rapport; 2003:1.

⁴² Ekobrottsmyndigheten Årsredovisning, 2004

develop and rationalize the operative process by releasing resources to the operative core“, says Gudrun Antemar.⁴³

With the objective to speed up the process of handling a crime, a reform was made in July 2005. It means that around 50 % of the omitted cases are put into a system that is both simpler and faster, at the same time as a higher degree of legal security. A suspect to a crime shall within 90 days receive a verdict from the EBM. To express it in a simplified way, the EBM gather similar cases to classify them as one standardized case and then investigate it by following a homogeneous method. It concerns about 2000 cases per year. As a result of the simplified process of dealing with similar cases, resources are released to more complicated crime investigations.

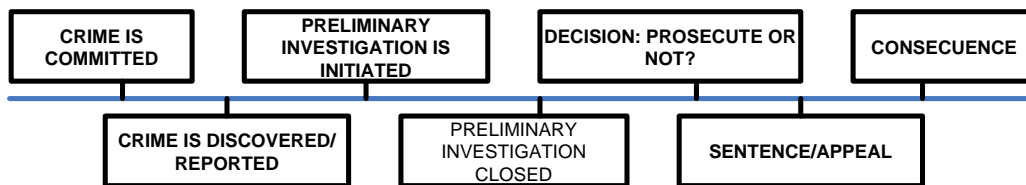


Figure 3. The process of proceeding a crime⁴⁴

When a crime is reported, it passes through a sorting function, where experienced prosecutors decide if a preliminary investigation shall be opened or not, and if it should be classified as a project case or a standardized case. The same day as the report arrives at the EBM, it is decided if it shall be further investigated or not, directives are given and a calling to a hearing is emitted.

If the investigation shows of a more extensive criminality than a standardized case, it is converted into the other type of case, a project case. These demand a more extensive process. After this procedure, the prosecutor decides if the case is strong enough to prosecute. If so, the case is passed on to court.⁴⁵

3.4 Skatteverket

The first of January 2004 the previous authority, Skattemyndigheten, the National Tax Board, with its ten regional tax agencies was replaced by Skatteverket, SKV. The sphere of activities include entire Sweden. SKV is an administrative authority, which manages taxation, national registration and estate inventory for both individuals as well as companies.

⁴³: Ekobrottsmyndigheten omorganiserar för att prioritera allvarliga brott. EBM, Pressmeddelande, 050925

⁴⁴ Ekobrottsmyndigheten Årsredovisning, 2004

⁴⁵ http://www.ekobrottsmyndigheten.se/templates/Page_____1507.aspx 051018

3.4.1 Work procedure

SKV's work to control the companies' tax payments is carried out on different levels. Most of the auditing takes place in the office but also through taxations or visits and tax auditing. The accuracy of a received tax return is reviewed. During this process the SKV select random samples of tax returns for a more detailed review. Further, a mechanical process is performed where the information is matched to certain criteria, for instance standardized deductions or acquisitions costs. On the basis of this review, tax returns are chosen for a more precise review.⁴⁶ Usually in this process, the responsible officer questions the company about vague aspects in the tax return, and the company specifies it further by written notifications. Verifications of these unclear parts in the tax return might also be received. Based on the company's information, a decision is made whether or not it is required to raise the taxation. This process is called desk top auditing.⁴⁷

If the SKV visits a company under review, it usually regards a specific issue in the tax return. It might be a special purchase which actual existence needs to be established. Tax auditing is the process where the company's bookkeeping is thoroughly compared to the reported information. However, tax auditing is a more extensive and expensive form of review, and is rarely performed on random. In general, desk top auditing and tax auditing are the two main forms of inspection.⁴⁸

3.4.2 Goals

The control of tax payments should comprise everyone who pays taxes in Sweden. The purpose with this control is to efficiently achieve a preventive effect. There will be dedicated still more resources to solve and prevent economic criminality.

3.5 Collaboration

In November 1997, the Government decided tax crime investigations should be done by the SBE.⁴⁹ In practice, this was already the situation since the investigations from the SKV constituted the basis for police investigations. The proposition stated the situation at the police authority could lead to slow and long investigations and a risk of exceeding the time limit for prosecution. The government said resources would be more efficiently used if the cases were investigated by the SKV instead by the police due to their technical expertise. However, the committee argued that the new organization resulted in disadvantages due to the fact that several authorities – the police, the SKV, the prosecutors and the EBM, would be involved in the process. The committee presupposed that the concerned authorities would establish common routines for consultation and exchange of information.⁵⁰

None of the authorities involved, systematically document information such as the number of committed offences, the number of perpetrators and their modes of operation and financial implications. The documented information is neither

⁴⁶ Brottsanmälan, Internal report, Skatteverket, 2002

⁴⁷ Rutiner för brottsanmälningar, Skatteverket, 2004

⁴⁸ Ekeblad, Hedberg, 2005

⁴⁹ Nord, Korsell et al, Antologi - Perspektiv på ekobrottsligheten, 2000

⁵⁰ Organisationsförändringar inom rättsväsendet, Riksdagens revisorer, 1998/99:9

processed nor compiled, which makes it difficult to obtain a precise view of even the detected offences.⁵¹

In 2003, the collaborative problem was highlighted once again and personnel at the SKV and EBM in Gothenburg formed a policy of cooperation between the authorities. A model of cooperation was created that said priorities and attitude towards the combating of tax evasion should be common. There must also be a congruence between the different processes within the authorities and resources must be dedicated to the same problems. Another key aspect in order to end up with a satisfying collaboration is that there should be no territorial thinking.⁵²

Cases commence when the EBM receives a report of a suspected crime. Reports can be filed from different sources, such as the public, from auditors or the Customs Service, but they usually originate from the SKV or trustees in bankruptcy. The latter are obliged to report if there is a suspicion of crime, such as accounting crime or fraud against creditors. After investigating a report, a prosecutor determines whether there is reason to open a preliminary investigation or if not. Investigations are lead by a prosecutor and carried out by a team composed of police officers, financial experts and administrative personnel in collaboration with the SBE. If the preliminary investigation leads to a prosecution, the prosecutor applies for summons with the district court.⁵³

The EBM is supposed to dedicate power to preventive work of tax evasion, whereas the SBE is more of an investigating unit of reported cases. If so, the EBM contacts the SKV and asks for help to investigate the case together with police at the EBM.⁵⁴

⁵¹ Economic Crime Report. EBM, 2003

⁵² Samarbetspolicy för Skattemyndigheten i Göteborg och Ekobrottsmyndigheten, Västra avd. 2003

⁵³ EBM's strategi för bekämpning av ekonomisk brottslighet, 2004

⁵⁴ Ekeblad, Hedberg, 2005

3.6 The Contingency Theory

3.6.1 Nature of the Contingency theory

This section includes a tool for analysis, based on Morgan's version of the contingency theory.⁵⁵ As a result the entire chapter foremost refers to his thesis, although other sources on the theory are used in a complementary purpose to support our interpretations.

This theory argues that performance is a function of the congruence between an organization and its environment.⁵⁶ Widely expressed, environment represents sources of inputs in the form of individuals, groups, and organizations, as well as external environmental forces. An organizational structure encompasses the configuration of tangible and intangible resources and their effective coordination when achieving organizational goals.⁵⁷

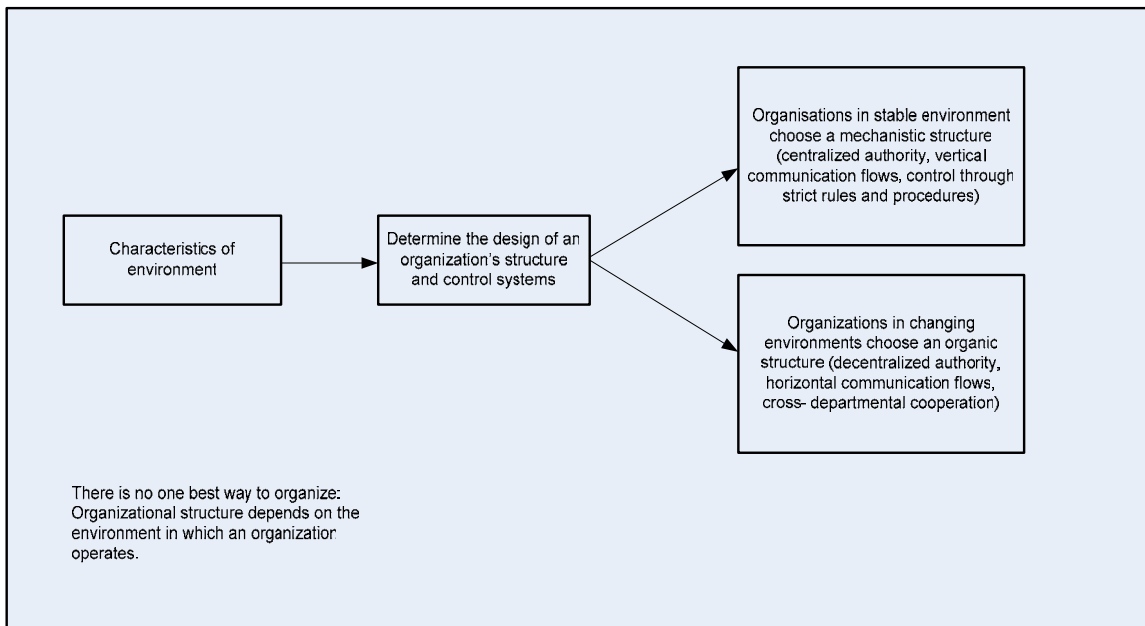


Figure 4. The contingency theory⁵⁸

Organizations are open systems that need to be managed to satisfy the inner and outer needs in order to adapt to changes in its environment. There is no ideal way to organize.⁵⁹ An evaluation of the situation must be made to be as efficient as possible.

⁵⁵ Morgan, G. Organisationsmetaforer. 1999

⁵⁶ Jaatinen, M, A contingency model of effective lobbying strategies, 1999

⁵⁷ <http://www.sciencedirect.com/science>, 051211

⁵⁸ Miner, J, Organizational behaviour, 2005

⁵⁹ Ibid

The top-management must be focused on finding a stable congruency, and the way to manage must be adjusted to what kind of task it is. These apprehensions are fundamental ideas in the contingency theory; additionally the perspective is one of the most dominant views in the modern organizational development.⁶⁰

3.6.2 Contingency analysis

Different aspects are examined to be able to spot the internal- and external relationships, and through these the degree of stability in the organization are perceived;

- The aspects in the surrounding of the organization are investigated to observe if it is stable and simple or complex and turbulent. A stable environment is characterized by a constant and stable demand of their product or service. Furthermore, the changes in the economy, technology, market and politics must be overlooked. A threat-analysis must be completed to measure the risk for something unexpected to happen and to be able to adapt the organization to new conditions.⁶¹
- Moreover the strategies in the organization must be illustrated to judge if there is any strategy at all. The organization should strive to analyze the situation systematically to identify threats and possibilities. Innovation and discovering new potentials as well as evaluation of the situation should continuously occur.⁶²
- The technology within the organization is either mechanical or non-mechanical, something which must be examined. In addition to this incoming information has to be modified and standardized. A judgment concerning the technologies' effect on the situation must be done, as well as if the technology creates new professions and whether or not it leads to a high degree of responsibility and independence. Whether or not there's an open communication and flexible systems and what will the choices be that appear in future. Furthermore the consideration regarding the possibility to replace a rigid system by a flexible one ought to be made.⁶³
- Finally the structure of the organization and the management must be demonstrated in order to see if there is a bureaucracy or a more flexible type of organization. The degree of control, innovation and democracy is distinguished.⁶⁴

⁶⁰ Morgan, G. Organisationsmetaforer. 1999

⁶¹ Ibid

⁶² Ibid

⁶³ Ibid

⁶⁴ Ibid

| | | | | | | |
|---------------------|--|---|---|---|---|--|
| Environment; | Stabile&secure | A | D | C | B | Turbulent& unpredictable |
| Subsystem; | | | | | | |
| Strategic | Defensive& operational goals | A | D | C | B | Proactive design Of learning system |
| Technology | Roles characterised by routine&little responsibility | A | D | C | B | Complex roles& a lot of responsibility |
| Structural | Mechanical/ bureacracy | A | D | C | B | Organic |
| Management | Authoritarian | A | D | C | B | Democratic |

Figure 5. Congruency and incongruity between the subsystems in the organization⁶⁵

A, B and C are congruent while D show relations characterized by incongruity. According to the above-mentioned principles, A, B and C are examples of efficient states for an organization to operate in.⁶⁶

A represents an organization in a stable environment that uses a defensive strategy to protect its niche. Their technology is mechanical, efficient and extensive. It could be an organization with a lot of control working in a safe market.⁶⁷

An organization in position C is moderately adapted to its surrounding. The technological development occurs continuously and stable as well as the changes on the market. The organization develops in congruence with the changes in the surrounding, and it regularly performs analyses. Methods and trends are considered and its methods are updated in order to fit with the organizational aim. The C-organization is not in the frontline of innovation and the organizational structure is flexible and efficient.⁶⁸

B operates in a turbulent surrounding whereas the technology as well as the service/product constantly changes. It results in a frequent search of new ideas and

⁶⁵ Morgan, G. Organisationsmetaforer. 1999

⁶⁶ Ibid

⁶⁷ Ibid

⁶⁸ Ibid

possibilities. Innovation is the key factor in this context, though there is still an inner and outer balance.⁶⁹

D shows incongruity, where the strategy, technology and the management does not agree with its environment. This situation is typical for an organization with too much bureaucracy and defense. The climate in this kind of company is frustrating since the personnel in general want more demanding and flexible tasks to work with. The technology, structure and management hold back the organization from functioning properly.⁷⁰

The contingency theory says that an organization ought to be structured and managed as a C-organization. The individuals in the organization can affect changes to happen correctly and in correspondence to its goals. As a result the relations would end up in congruity. If there is incongruity in the relations within an organization it hinders efficiency in the working procedure and complicates reaching its goals.⁷¹

This analysis can be done on smaller units or throughout the organization. If the analysis is to be made on smaller units the patterns of the necessary relations that are to be managed and integrated appear. Thus, it is important to consider the demands in relation to the entirety.⁷²

Within innovative organizations the structure and management of the units must be adjusted to the primary goals. The contingency theory can obviously be used to analyze the fundamental needs of the organization and clarify the important patterns in order to solve problems. This kind of organizational development comprehends actions and contributions on many different levels- in relation to strategy, technology, structure and management. In addition to this it will probably also include a change in the culture, as the actions and apprehensions systematically happens, which hinders the organization to develop efficiently.⁷³

To successfully modify the organization the different variables in the organization must fit together and be adjusted to the demands in the surroundings. The harmony within an organization is closely related to the actions and decision making, which explains why the cooperation is essential in the context.⁷⁴

⁶⁹ Morgan, G. Organisationsmetaforer. 1999

⁷⁰ Ibid

⁷¹ Ibid

⁷² Ibid

⁷³ Ibid

⁷⁴ Ibid

3.7 Public Management Reform

3.7.1 Nature of public management reform

Management in its general meaning is about getting things done as quickly, cheaply and effectively as possible. In public administration you need to develop an understanding of how governmental organizations may accomplish the assigned missions efficiently at the same time as you meet public sector values such as democracy, equity and accountability. Public management reform can be defined as deliberate changes to the structures and processes of public sector agencies with the objective to getting them to run better in some sense. These changes can for example involve cutting down on public expenditure, improving the quality and the efficiency of the governments operations, and increasing the possibility of an implemented policy to be effective in future.⁷⁵

In the process of reaching these goals, a public management reform can also fulfill other objectives, such as releasing public officials from bureaucratic restraints that hinders them from managing in an efficient way, or strengthen the control of politicians over the bureaucracy. Not to be forgotten, a reform is a clever way for a politician to gain the approval of the public. If politicians announce a reform, they seem to be doing something, and if they promise to improve the public sector in the reforming process, by decreasing bureaucracy and restructuring agencies, they attract favorable attention.⁷⁶

If management reform actually does create a more efficient government, it is no wonder it has been so loudly spoken for. However, it is not as simple as it might appear at first glance. Many cases show how management reform can go wrong by failing to produce the announced benefits or even obtaining a more negative result than the prior structure. Further, if it succeeds in one of the objectives, it is hardly likely it will succeed in all. It is common that certain trade-offs and dilemmas can result in the fact that achieving one or two goals might be paid for by a lowered performance in other areas.⁷⁷

3.7.2 Modes of implementation

It is more difficult for an academic to find systematic information about *how* changes are put into practice and how it is going, than to find *what* the changes are about. Governments tend to be keener to spread information about what they are going to do than to give updates on how it is working out. It is rare to find scientific accounts on how strengths and weaknesses or resentments and conflicts that so often occur in the process of implementation. These types of implications can be significant when it comes to determining the success or failure of a newly established agency, but can rarely be subject to rigorous testing.⁷⁸

⁷⁵ Frederickson, Smith. Public Administration Theory Primer, 2003

⁷⁶ Bouckaert, Politt. Public management reform – a comparative analysis, 2004

⁷⁷ Ibid

⁷⁸ Ibid

3.7.3 Results

In order to evaluate the results of a structural change in public agencies you normally need to wait three, four, five or even more years after it was initiated. Results can be defined as scientifically tested data describing the final outcome of changes. It can be measured on different levels where *operational* result is the most concrete and simple one. It can be anything quantifiable, from a program succeeding to reach a larger part of the target population without increasing the resources to the police halving the number of car thefts.⁷⁹

Results in the form of improved *processes* of managing or making decisions are another kind. Related matters are better coordinated and processes are streamlined, such as a planning application that is processed in 70 per cent of the average time they used to take. Other types of results including changes in the *capacity* of an agency or a shift towards a more *ideal* state are not as precise and quantifiable as the first two types since they involve somewhat intangible changes.⁸⁰

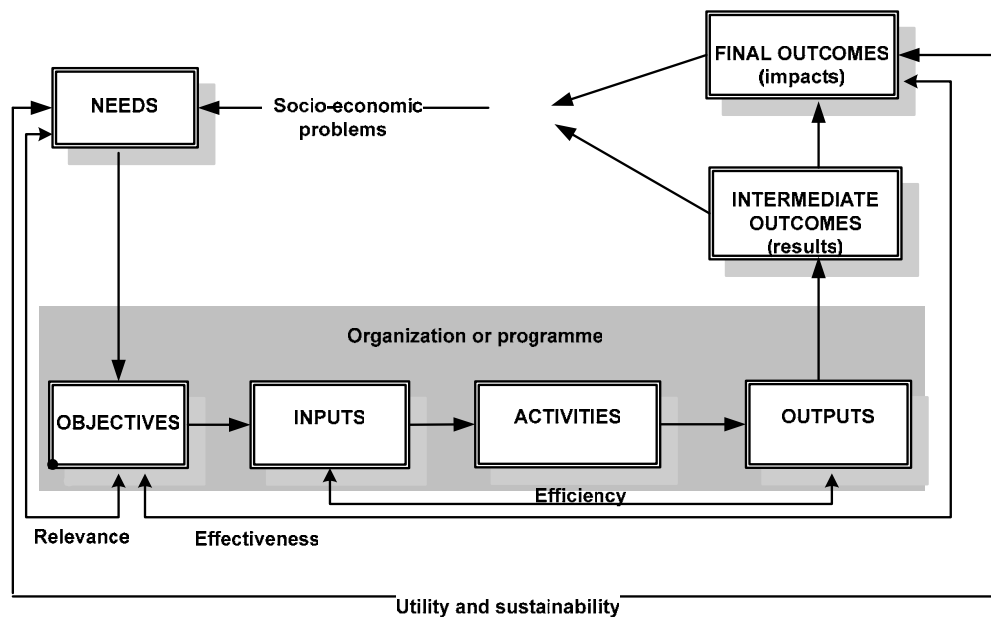


Figure 6. Key result concepts in public management⁸¹

The figure above is common in the study and practice of public management. It can be applied to the entire public sector as a whole but is more often applied to individual authorities. The model presumes the authority was established to address a specific

⁷⁹ Bouckaert, Politt. Public management reform – a comparative analysis, 2004

⁸⁰ Ibid

⁸¹ Ibid

socio-economic need. Further, the authority sets *objectives* attached to this need and acquire *inputs* in the form of staff, buildings etcetera in order to conduct *activities* to reach the objectives. As a result of the process within the agency, a product is created - the obtained *output*. The output interacts with the environment, such as the individual at whom it is aimed, leading to results and in the long term to impacts. The value of both the process and the output rests on the outcome.⁸²

3.7.4 Analyzing a Public Management Reform

A reform can take place on different levels. It can be divided into four different levels; at the top is a global and national cultural environment that rather influences a reform than being a target for it. Next there is a level of institutional framework, followed by a managerial level where the key actors form strategies and create relationships. The bottom level is the primary work level where concepts such as efficiency and cost are focused.

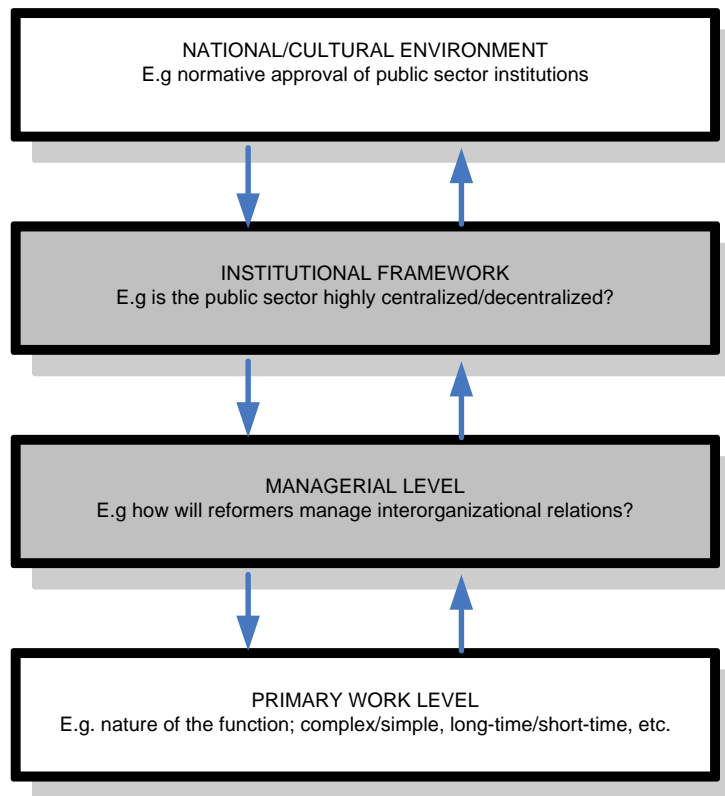


Figure 7. Four levels of public management reform.⁸³

⁸² Bouckaert, Politt. Public management reform – a comparative analysis, 2004

⁸³ Adapted from Lynn et al, 2001

This thesis will focus on the two middle levels, but mainly concentrate on the third from the top – the managerial level – that questions how relations between different organizations are managed after a public reform.

Restructuring organizations can be classified in a fourfold scheme as follows;

- Specialization – should an authority be single-purpose or multi-purpose?
- Coordination – how do you achieve coordination across functions and levels?
- Centralization vis-à-vis decentralization – what functions should be centralized/decentralized and to what extent?
- Scale – what is the optimal size for an authority? ⁸⁴

Specialization

Should an organization be multi-purpose with a broad scope or is it preferable with a tight-focused and specialized organization? This question is fundamental in theories of organization. The use of specialized managerial and administrative bodies has grown, and the creation of agencies has been particularly trendy. This trend of fragmentation has been criticized because it makes it harder to coordinate policy and implementation. ⁸⁵

Coordination

In a traditional hierarchy coordination is guaranteed by a system of authority from the top. A central staff unit ensures that suggestions from lower levels are coherent with regulations from the center and consistent with the strategy. This ensures that division X does not begin to move in a direction that contradicts what division Y is doing. However, this is not the only way coordination can be achieved. A less formal way is to cooperate voluntarily within a network. This works when all participants share the same aims, communication is full and easy and the scale of operation is relatively small. ⁸⁶

For some reason, the word “hierarchy” has a negative tone today, whereas the concepts “decentralization” and “empowerment” are of a positive nature. There has to be a balance between specialization and coordination, due to the fact that an increasing degree of specialization implies a greater need for coordination. If not, there is a risk that a newly established authority with a decentralized responsibility will go its own way. ⁸⁷

Decentralization

⁸⁴ Bouckaert, Politt. Public management reform – a comparative analysis, 2004

⁸⁵ Ibid

⁸⁶ Ibid

⁸⁷ Ibid

Decentralization is said to make quick decisions and responsive public actions possible that are better adapted to the local needs. It makes it easier to down-size the public sector by cutting down expenditure for resources on the middle levels and produces more happy personnel that can influence the process to a higher extent. All these advantages contribute to the popularity of the concept; the government in Sweden has praised the virtues of decentralization. But it is a lot easier to speak of the benefits than to see them come through in practice.⁸⁸

Decentralization can take place in different forms. *Political* decentralization means authority is transferred to an elected political representative, whereas *administrative* decentralization involves that authority is passed on to an appointed body such as a Swedish agency or a UK Urban Developing Corporation. *Internal* decentralization signifies the act of transfer takes place within the walls and *external* decentralization that the authority is either combined with another, already existing authority or that a special one is created⁸⁹

Scale

A general pressure calls for downsizing and saving money and the trends of specialization and decentralization speaks for a smaller average size of the authorities.

“Big headquarters and big rule books never have kept the government from making big mistakes. In fact, they often kept front-line workers from doing things right. So we asked agencies to cut layers of supervisors, headquarters staff, and other management control jobs by 50%.”⁹⁰

The perfect agency model today is a flat, specialized, decentralized and flexible organization, thus very probably small.⁹¹

“The distance between political leaders, on the one hand, and the actors, institutions and levels to be controlled, on the other, is increasing, and autonomy from political leaders is more evident. The new administrative and institutional actors are less loyal than in the traditional system, more instrumental and individually oriented, and less preoccupied with collective interests, public accountability and ethos.”⁹²

3.8 Summary of the chapter

In this chapter the task and shape of the authorities involved in the process was outlined to provide a background to the problem that is to be analyzed. For the same reason the history and present form of the EBM has been summarized.

The collaboration with the SBE has also been described as a basis to understand the empirical chapter.

⁸⁸ Bouckaert, Politt. Public management reform – a comparative analysis, 2004

⁸⁹ Ibid

⁹⁰ Gore, A. The Best-kept Secrets in Government; A report to President Bill Clinton. p 16, 1996

⁹¹ Bouckaert, Politt. Public management reform – a comparative analysis, 2004

⁹² Christensen, Laegreid. New Public Management: The Transformation of Ideas and Practice. p.304, 2001

EBM was created as a result of the changing surrounding and characteristics of economic crime. Hence, a theory to analyze these factors was necessary. The Contingency Theory provides a useable tool because its focus lies upon the ability of the organization to adapt to its environment, and how it should be constructed to fulfill its aims.

“The harmony within an organization is closely related to the actions and decision making, which explains why cooperation is essential”⁹³. This quotation supports our choice to select the contingency theory as a tool of analysis within the study as it clearly highlights the importance of collaboration. The cooperation in this context creates a separate structure within the frames of combating economic crime, why it explains the reason to name it EBM/SKV in the part of analysis.

To find if there are any specific aspects an authority need to consider since it is a special type of organization the theory of Public Management Reform was chosen. It is especially adapted to agencies within the public sector and changes made by the government to improve the quality and the efficiency of the governments operations. This describes the background to the creation of the EBM, and the theory illustrates possible motives and side effects that might occur in the process. These aspects need to be considered and carefully observed to decide if the original goal has been fulfilled, and will therefore be useful to analyze the results from the interviews.

The Public Management Reform in accordance with the Contingency theory; Although the theories focus on different aspects, they support each other in many ways. They both highlight the importance of collaboration and advocate well defined goals as well as common technological systems within a well-functioning organization.

⁹³ Morgan, Organisationsmetaforer, 1999

4. Empirical material

In this chapter there will be a presentation of the interviews, which were carried out with the objective to clarify if there are any structural problems in the process of combating tax evasion.

4.1 Description of interviewees

Roger Olsson, District Prosecutor at the EBM in Gothenburg. Has worked as a prosecutor since 1996 and started at the EBM in 1999. When a report of a crime arrives to the EBM, he decides if a preliminary investigation shall be started or not.

Marianne Forsström, District Prosecutor in Malmö since 1999. Since the first of November -05, she assists the vice prosecutor and works with the structure of the standardized cases.

Michael Hoffstedt, tax crime investigator at the SKV in Gothenburg. He has earlier been employed at Riksskatteverket and Kronofogdemyndigheten. In 1994 he started working with tax auditing and commenced his present position in 1998 when the SBE units were created.

Kent Björkdahl, tax crime investigator at SBE in Gothenburg since 2001. He started as a tax auditor at SKV in 1989. His previous employment was at the Kronofogdemyndigheten.

Inger Öman, tax crime investigator at the SBE in Sundsvall since 1999.

Hans Lindgren works at the SKV as a legal expert. He has worked at the SKV for 30 years. During eight years he worked as an investigator and today he is head of the section *legal security* in Gothenburg. He is in charge of compiling the incoming reports on tax crime that are sent to the EBM, and manages legal questions in general.

Lars-Inge Johansson, Auditor of economic crime. Employed at the EBM since 1998. Previously worked as an economic crime investigator for the police authority.

Ingrid Tengblad, Strategic Controller. Worked at the EBM for four years.

Eva-Lisa Lennstrand, Chief of Information. Worked at the EBM for six years.

4.2 Present situation

A number of questions were asked about the interviewees' opinion of their authority, its function and how they experienced the work of the other authorities. Regarding the present situation in comparison to how it was before 1998 the following opinions were given.

The activity is more centralized and all reports are filed to the same authority, EBM. However, the candidates see it as a problem that two separate authorities work with the same thing. It is very important that each actor knows its role in the context.

“The EBM was created to separate the investigating resources the police was supposed to set aside for combating economic crime. Before they started, in many cases the economic crime police officers had to replace other police officers during periods of vacation or when special events took place. As a result, the crime prevention was not prioritized. The sum the government had set aside for economic crime was merged with the total sum they were given and was not used for its intended purpose.”

“Before the EBM existed, we felt like every case we filed was dropped. Now we notice that something happens when we file our reports”, says an employee at SKV.

“Crimes do not stop in the process like they did earlier when the SKV reported to an ordinary prosecutor. We used to experience that other criminal areas were prioritized. Now that special prosecutors handle economic crime, it secures resources within the area. Before the resources were more spread out.”

Candidates at the SBE believe the importance of the SBE to be very high when it comes to combating tax crime. In 1998, there were 25 investigators and today over 200. They show positive results, with 13 cases per investigator last year. Although the EBM has over 400 employees, the SBE helps *them* with investigations. Several candidates at the SBE believe them to be more efficient than the EBM. However, they say the EBM has done a good job, but in the area of prevention.

The SKV believe the SBE is a big resource for the EBM since they are specially qualified within the area. Several of the candidates don't think the EBM could exist without the SBE because the investigators at the EBM are police officers specialized on economic criminality and lack the expertise concerning taxes. By having two units within the SKV, one that focus on identifying tax crime and the other at investigating them, they believe it secures a correct use of the resources.

A candidate at the EBM finds the EBM to be very important; they investigate big cases and solve a lot of them. The candidate says there would be a huge gap in the process in case the EBM wouldn't exist. Threat analyses are performed continuously throughout the process. The authority plays an important part regarding the preventive effect on economic crime. According to this candidate, the situation is not as the SBE thought it would be.

“The tax auditors at the SBE don’t have the role they thought they would. They almost perform the role of police officers today, when the original intention was to have the role of experts and give advice only. In reality they are an investigating unit.”

4.3 Aims and fulfilling aims

The question concerning the aims of the authorities, both the respondents own employer and the aims of the other actors in the process gave the following answers. According to candidates from the central staff at the EBM, the EBM has had the same overall goals since it commenced its operations, to prevent economic crime and investigate and process cases. Every year, they receive a regulation letter from the government describing which aspects they are expected to report in the coming annual report.

“The EBM always claim to have reached its goals. It is the official statement we make every year. However, it is a question of definition that depends on many factors. Statistical measuring problems complicate the area further. Therefore it is hard to say if the goals really have been met.”

One of the candidates at another office of the EBM say the goals since the inception of the EBM have been altered a lot, and that a lot of focus today is on the surrounding and to allocate resources to the operational part of the organization. They perform continuous threat analysis of the outer world.

A prosecutor at the EBM is not certain of the goals of his bureau.

“I’m not sure of the exact goals of the EBM, but I guess they concern shortening the average time spent on investigating a case.”

This candidate sees a problem due to statistics after the new system of standardized cases was implemented. It is a question of judgment and it would be a stereotyped comparison if you attempted to make one. In order to correctly appreciate the average investigation time, you would have to look at every separate case. Thus, a couple of years with the new system will be needed before anyone can comment on eventual improvements according to the candidate.

The candidates at the SBE are not aware of the exact goals of the EBM, hence they do not think they are suitable to answer if the EBM has succeeded to fulfill them either. However, one of them believes one of the goals was to increase the capacity of processing cases. Earlier, the police spent time doing other things they weren’t supposed to be doing, but since the inception of the EBM this changed.

According to one of the candidates, the goal of speeding up the process has not been accomplished due to the problematic bureaucracy. It is necessary to employ police officers at the EBM in order to have the authority to perform searches et cetera. But initially, there was a problem because the police officers specialized in economic crime did not want a prosecutor as their closest supervisor. Hence, a parallel structure

of power exists, where the police work for a police superintendent. The candidate says this caused many conflicts, but it works somewhat better today.

The goal of the SBE is to investigate all incoming cases. The SBE in Sundsvall fulfills this goal. The SBE in Gothenburg has not fulfilled it. This is explained by the fact that the number of reports has increased and there is a lack of employees. According to the initial plan the SBE in Gothenburg will be fully employed in the end of 2005. Today 70% of the reports from SKV are investigated.

4.4 Collaboration and bottlenecks

During the interviews, all candidates say the cooperation between the EBM and the SKV works well on the operative level, when they are coordinating an investigation of a case. However, a constantly recurring issue is the problem of bottlenecks in various forms. It is a disadvantage that the agencies are placed under different departments. In order to make it work you would need to restructure the authorities. If there will be an attempt to make it work better with the current structure, it is necessary to eliminate the differences between the two.

4.4.1 Lack of prosecutors

Within a near future, the SKV will be reinforced by a number of new investigators, which means more crimes will be reported. Since the number of prosecutors at the EBM will remain the same, the candidates agree it will enhance the already existing bottleneck.

“The number of prosecutors is the critical area in the process.”

“I want to see more prosecutors.”

“I think... even if we can manage an increasing number of reports on tax crime from the SKV, it will have a negative effect on the other types of crime we investigate.”

“In some cases, it can take up to a year from the day I decide to open a preliminary investigation to the day an investigation actually starts. That is not good at all. In many cases, there is no evidence left when the investigator finally gets there.”

“Soon the SBE will get more resources to the auditing area because the government has decided to put in more resources to prevent the spreading of tax evasion crime. This is great for us but it will result in an even bigger lack of prosecutors.”

“I wonder what they (the government) are thinking. They give them a number of new investigators (SBE) but our (EBM) resources will be cut down next year.”

4.4.2 Parallel structures and bureaucracy

As a result of the questions concerning today's structure of the authorities involved in the process, several opinions and suggestions emerged.

“Today there are too many actors in the process of identifying tax evasion, like customs and police. Everything ought to be governed under one authority and the prosecutors should only focus at economic crime”

Furthermore the SBE cannot do domiciliary visits. It has to be performed by a police officer from the EBM. One of the candidates at the SBE gives the following example:

“At a hearing a lawyer voluntarily handed over critical information, but as a tax investigator I did not have the authority to accept it. I had to seek permission from the prosecutor, and then find a police officer from the EBM in order to confiscate the information. This is very bureaucratic and involves a lot of extra work.”

Another candidate at the SBE says; *“It is essential to facilitate the process of confiscating. In 99 out of 100 times there is no violence involved; so it should be reasonable we get the authority to confiscate material.”*

There’s an investigation saying that confiscation can be done in case there’s no violence involved. This would simplify the process a lot. Confiscating certain information can be done without contact a prosecutor and police.

According to candidates at the SKV, it is self-evident that EBM ought to be situated all over Sweden. The system today is irregular and the combat of tax evasion is limping in areas where the EBM does not operate.

“There are a lot advantages with the EBM and the system is very unstructured. A few years ago people thought the economic criminality was a phenomenon for the bigger city, which is not the reality today.”

One of the candidates who work as a prosecutor says it is more efficient today when police, prosecutors and economists meet every day and can give each other feedback on current investigations and priorities.

“Before it was not unusual that an officer at the police spent several months investigating a case, and when he handed the result over to the prosecutors, it turned out that the whole investigation had been in vain because it had focused on the wrong things.”

The candidate finds another problem in the fact that the SBE was created at the same time as EBM. If a prosecutor at EBM needs a case of tax crime to be investigated, he has to contact the chief of the regional SBE. The chief then prioritizes between his department’s own investigations and his available resources to decide on what help he can offer EBM on a case. The candidate at the EBM believes if the SBE and EBM would work under the same roof, or even be the same authority, prioritization and cooperation could significantly improve. Due to bureaucracy and parallel structures, there are no common priorities, something the candidate believes necessary to improve the situation.

“Sometimes I experience a feeling of water proof bulkheads between the departments, that no communication or cooperation takes place whatsoever.”

This candidate, who works at the central staff, think the cooperation with the SKV would work better if they followed the example in Gothenburg and were geographically closer to each other. Today they are half an hour of traveling time apart. A negative aspect in the cooperation is that the SKV from time to time experience the EBM as a bottleneck. On occasions, the SKV demand a higher number of reports from its tax auditing division, and this increase can be hard to meet for the EBM. Sometimes the SKV chooses to report cases of smaller sums, and several of the candidates of the EBM, from both the central and operative level, have had the feeling the SKV increase the number of reports only to improve statistical figures.

None of the candidates at the central office of EBM believe the EBM and the SKV should be placed under the same department. Their activity is strongly linked to the Department of Justice and in the same way, the SKV is associated with Department of Finance.

Furthermore, a candidate at the SBE thinks the police and prosecutors are far behind the SBE when it comes to technical advances and governing.

“There’s a lot of status involved and bureaucracy and it takes a long time to for example put in more resources. It is unnecessary to have a lot of bureaucracy in the simple cases. “

“The EBM did not want to let go of the interesting cases in the beginning; there was a protecting of one’s preserves. Although today I think it’s somewhat better.”

One of the prosecutors at EBM thinks resources should be diminished on the national level and distributed to the operative level.

“It is too big and costs too much. Today two parallel structures create a redundancy in the management of cases because they have the same functions at the State Prosecutor’s office as at the EBM. If EBM was a unit within the State Prosecutor’s office, many functions could be merged, costs could be cut and resources set free for the operational level. For example, both the State Prosecutor and the EBM have an international division who do more or less the same thing.”

Some of the candidates at the SBE noticed problems when the SBE held interrogations in the beginning of the cooperation with EBM. One of them noticed the police at the EBM saw interrogations as something that belonged to their area of expertise.

“It felt like they saw us as a threat” says another candidate from the SBE.

4.4.3 Conflict between priorities and collaboration

“Sometimes smaller problems occur because of the fact there are two authorities, that we have different priorities.”

This candidate, who is from the SBE continues by saying it is very important with communication and collaboration. If the SBE reaches a point where tax investigators are needed, the whole investigation might stop until an available crime investigator from EBM can join the investigation. Therefore he says a joint planning is essential and the work should be developed parallel.

“The computer system at SKV is not compatible with the one at the EBM, which is a disadvantage. I spend a lot of time with paperwork, and that means I’m wasting working hours I could have used for investigation. “

Another candidate calls for the need of a common electronic system between the SBE and the prosecutor. The system would generate joined preliminary investigations protocols and simplify the following up part.

One of the candidates from the SBE in Gothenburg says they have a good cooperation with the EBM today, and continues that a contributing factor is that people from the SBE are placed at the EBM’s office. It is foremost in larger cases they cooperate due to their different roles, one person searches the resident for evidence and another leads the interrogation. The candidate adds that the prosecutors in Gothenburg do an excellent job. However, they would like to receive more information about the crimes investigated by the EBM at the moment.

Something everyone agrees would improve the combat of tax crime is if the local police who investigate economic crime would be part of the EBM. Since the SBE commenced its operation, they have taken over a large part of cases earlier investigated by the police. The important issue according to this candidate is that the EBM become a nation-wide authority. Otherwise, different interests and priorities arise if the police and the EBM are not striving for the same goal. If all competence was gathered within the same authority and the same budget it would be easier to let every actor take part of it. From the beginning, the EBM was supposed to cover the whole of Sweden, and the entire country was supposed to be able to use the knowledge and expertise of the organization. The EBM was also supposed to assist the police. However, the candidate experience the EBM focuses on its own economy and is not willing to lend personnel to the police. Territorial thinking occurs due to the geographical division and their separate budgets and aims lead to conflicts. The EBM focuses on its own areas and fulfilling their goals instead of thinking of the whole picture.

“Collaboration and communication are key words in the context, and we have to make the same priorities. “

Ekorådet and SAMEB⁹⁴ were created to increase cooperation between the authorities and coordinate their efforts. However, candidates at the central office of EBM do not think it contributes with anything concrete because the heads of the authorities constitute the group. They believe these persons lack an understanding of the operational processes within the agencies.

The relation between the SBE and EBM in places outside the operative area of the EBM is different. There is for example no regular cooperation between the unit in Sundsvall and the EBM, just occasionally if the SBE for example needs to do a search in Stockholm. The SBE in Sundsvall is today very efficient and dynamic according to the candidate. But since there are few prosecutors their focus needs to be spread to other areas than just tax evasion. The candidate in Sundsvall believes the situation with too few prosecutors would be improved if EBM would exist all over Sweden. However, the candidate does not want that to happen because it would also lead to disadvantages such as a higher degree of bureaucracy and a more rigid process.

Another problem is that EBM has to investigate all the cases they get, which leads to a conflict between their obligations and what they really would like to prioritize. The candidate emphasizes how hard it is to investigate a crime that occurred several years ago. Due to the stretched process at SKV, it is hard to speed up the process. Lack of resources complicates it further; it is hard to find an available investigating group.

4.4.4 Secrecy laws

The secrecy laws are obstacles to an effective collaboration, not only between the different authorities, but also between units within the same authority. Several of the candidates think positive effects would be reached if the laws were altered and every agency could take part of the available information. However, they all agree one cannot compromise with legal security.

“The secrecy laws are another bottleneck but I believe it is possible to make it work between the authorities if we change the work procedure.”

The rest of Europe does not have the same secrecy laws either; something all candidates believe is a huge disadvantage for Sweden.

“The rules of secrecy are very frustrating; it is hard to get the most basic information.”

The candidates at the SBE cannot access the database of the SKV to find information on taxation etc, they have to file a request to reach it which is a long detour. The candidates at the SBE would like to see an easier access to the systems, less bureaucracy and more authority for the SBE.

⁹⁴ See appendix IV

4.4.5 Technological problems

According to the central staff at the EBM, each government keeps separate statistics on crime. To begin with, a report from the SKV can be filed in two different systems at the agency. Then, when it is reported to the EBM, it can either be classified as a standardized- or a project case. A standardized case is counted as one case, even though it contains a number of smaller ones. When a crime moves on to court, it is registered as one case, which means another kind of classification. This differs from how the police file a report of a suspected crime. All together, a case can begin at the police as 100 reports, move on to the EBM and be classified as one case, and then constitute half a crime in court. This results in the fact that a case cannot be followed from beginning to end. Due to the incomparable statistics, it is impossible to say whether the process has become quicker since the inception of the EBM and the SBE.

The candidates' think none of the systems are to be preferred, since one is too detailed and others too unspecific. Every authority has different motives for their way of reporting. BRÅ compile statistics from the police and the EBM. However, one of the candidates does not understand *how* they do it considering the different process of registration. When she has compared their own statistics with statistics produced by BRÅ concerning the EBM, the numbers do not agree. There are plans of creating a common system for registering crime, called STUK. In a couple of years, STUK will replace the separate reporting systems. The system will encompass all criminal activity, not only economic crime.

Though the number of proceeded crimes has been rather stable, the reports of tax evasion have increased the last three years. Each candidate answers the question about an increasing number of reported cases of tax crime differently. One of the prosecutors at the EBM has noticed that more of the reported crimes are dismissed right away when they reach the EBM. Today SKV has to report every discovered tax crime, whereas earlier the SKV was authorized to estimate whether the crime was intentional or not.

“A specific issue cannot explain the increasing number of reports; it is a result of different cycles in society” according to a candidate at SKV.

“It might be explained by the way different prosecutors manage the cases. It can also depend on the time it takes for a reported crime to become a proceeded crime.”

“It could depend on a larger number of cases filed from auditors. But... I know the management (at the SKV) encouraged a higher number of reports from our auditing group a while ago. That of course has an effect too.”

“It depends on how you handle the crime statistically. Reported vs. proceeded crimes. Some reports have been removed. Maybe there is one person who has done a lot of crimes but only one is proceeded. It results in an unfair picture. That’s why there’s a need to create a system to summarize all statistics. “

“Well... it is hard to compare statistics because there are restructurings at both SKV and the EBM. But the number of reports has definitely increased.”

“I think this year it might look like it has decreased since the restructuring of the whole area. It is difficult to say because of the expansion. Today there are around 500-550 reports of criminal activity. “

4.5 Future

Due to a relatively new system that is constantly reorganized, it is difficult to predict the future. In the beginning, the EBM was supposed to include the whole country. However, this change proved to be too unwieldy and big to carry out. The candidates at the EBM hope the EBM will come to include the whole country to create a homogenous process all over the country.

“As the situation is today, there are small possibilities for improvements.”

“I would like to see more of the preventive work the EBM speaks of, and build up an intelligence agency so we could intervene in an earlier stage. “

This candidate says the crime investigating function is only skimming the surface of the enormous amount of crime that is committed. To really combat economic crime, you need to eliminate the incentives and the possibilities for committing these crimes.

On the subject of the future of the EBM, another candidate at the SBE says it is more probable it will be extended to encompass all of Sweden rather than disappear, but that there is a need for an all-embracing collaboration. The candidates at EBM would like the government and every authority involved to have an overall picture of the process. They all wish to see an all-encompassing department on a high level, which coordinates and oversees the entire process and all concerned actors - including the police, the prosecutors, the EBM and the SKV. In order to avoid bottlenecks, the government should not increase the resources of just one of the agencies, but distribute them over the whole process. In that way, a real improvement could be possible.

During the interviews the possibility of changing the current structure of the agencies working against economic crime was discussed. The candidates see this as a probable solution and suggest we learn from other countries. One of the candidates emphasizes that the current system is shaped the way it is for a reason, that the Public Administration has an opinion on how the public sector should be governed. However, the candidate adds the importance of a discussion of whether this is a constructive system or not.

A candidate at the EBM speaks of the British structure. It has a department called Home Office, which is a comprehensive department that coordinates the activities of every agency within the British public sector. In Sweden, this is a task for every separate department, which results in different priorities, plans and aims. Several of

the candidates believe this to be the fundamental problem for cooperation between the SKV, the EBM and the other actors involved.

Some of the candidates at the EBM think Norway and Ireland are countries that could work as models. Several would prefer the Norwegian system if the EBM is to continue in its present shape. The Norwegian equivalence to the EBM is a specialist agency who itself chooses which cases to investigate. The police investigate the remaining crimes. One of the candidates believe this can be a possible future for the EBM after the current investigation is closed, and emphasizes that the authority in that case would not have to depend on other agencies. The EBM would become a more powerful authority, focus on the flow of money and adjust the system to that.

However, a colleague at the EBM does not at all find the Norwegian Model to be a clever solution. According to the candidate, the police in Sweden who investigate economic crime have a similar structure and the candidate believes it to be an inefficient way of working, because cases start to pile up when the police have no pressure and can keep investigating a case forever.

A candidate from another division of the EBM wants to change the fact that today the EBM depends on other actors to discover crimes, and would prefer the EBM to be able to do it by themselves.

The candidates at SKV think Sweden could learn from other countries in Europe who have an efficient system for combating economic crime. An example is the clever computer system FIOD, from Holland.

During the interviews, one of the candidates provided us with unofficial information about an ongoing process of creating a collaboration of exchanging information between different agencies that combat economic criminality. The candidate did not want to say anything further since the authorities have not made it official yet.

5. Analysis and interpretation

With the aim to investigate possible structural obstacles in combating tax evasion, the factors in the empirical material, which influence the process, are analyzed with reflections based on the organizational theories introduced earlier. The discussion will be a basis for the conclusions presented in the following chapter.

Introduction to the chapter

The inception of EBM and SBE occurred because of scarce resources;

The idea of changing the process of combating economic crimes arose because it was given scarce resources within the police authority. An increasing number of cases of tax evasion called for improvement of the quality and the efficiency of the combat of economic crime. The chosen structure of the EBM and the SBE was intended to solve these problems. An attempt to improve the way an authority works and the service it provides by restructuring the public sector is an example of Public Management Reform. The whole process of combating tax evasion can be viewed as it has tried to adapt to the needs of its surrounding. In this case, parallels can be drawn to the contingency theory that says an organization need make a threat analysis and adapt to the surrounding.

Factors that complicate the process of evaluation;

According to the theory of Public Management Reform it is harder for an academic to find systematic information about *how* changes function than to find *what* the changes are about. Governments prefer to spread information about their plans than to give updates on how it is working out. It is hard to find scientific accounts on strengths and weaknesses or resentments and conflicts that so often occur in the process of implementation. These types of implications can be significant when it comes to determining the success or failure of a newly established agency, but it is rarely possible to subject them to accurate tests. This chapter will use the previously mentioned theories as tools in an attempt to analyze the situation based on the opinions of those who possess information of how the changes work in practice.

5.1 Present situation

Improvements as a result of the inception of EBM and SBE

The candidates experience the most important improvements since the inception of the EBM and the SBE are a higher degree of specialization and more resources, which also are secured for the area. An overall opinion from the interviewees is that the SBE has the special competence regarding taxes, knowledge vital for understanding and solving cases.

Problems with the parallel structure of authorities;

Hence, one could say the reform has had a positive outcome. However, as there are two governing authorities involved, the candidates experience problems with communication, collaboration and disagreements concerning the governments division of resources. The theory of Public Management Reform claim there are a lot of cases show how a reform can go wrong even if it succeeds in one of the objectives. It is common that certain trade-offs and dilemmas can result in the fact that achieving one or two goals might be paid for by a lowered performance in other areas.

Present situation according to the principles of the contingency theory

| | | | |
|---------------------|--|---------|--|
| Environment; | Stabile&secure | EBM/SKV | Turbulent& unpredictable |
| Subsystem; | | | |
| Strategic | Defensive& operational goals | EBM/SKV | Proactive design Of learning system |
| Technology | Roles characterised by routine&little responsibility | EBM/SKV | Complex roles& a lot of responsibility |
| Structural | Mechanical/ bureacracy | EBM/SKV | Organic |
| Management | Authoritarian | EBM/SKV | Democratic |

Figure 8. The Present situation according to the contingency theory⁹⁵

An overall description of the collaborative situation today from the contingency theory's point of view;

According to the theory, the definition of a stable and secure environment is where there is a steady demand for the product or service offered by the organization. The EBM/SKV operates in a stable and secure environment because it is a constant demand for cases to be investigated. However, there are no clear visions for the personnel to strive for and the ones mentioned during the interviews are of a very defensive and vague character. Their responsibility is comparatively big as they play an important part in the investigation process. The over all impression of the structure as well as the management is that it is highly static and therefore of a bureaucratic and authoritarian nature.

⁹⁵ Morgan, Organisationsmetaforer, 1999

5.2 Aims and fulfilling aims

Undefined goals and a vague strategy;

Something that stood out from every interview was uncertainty of not only the aims of the other authority, but also an indistinct notion of the goals of the own authority. The staff at the EBM read from their Annual Report that the comprehensive goals for the EBM are preventive work; to increase the number of investigations and shorten the time it takes to process a case. Moreover, the EBM is said to be working to improve its efficiency and to adjust to the changes in the surrounding world. Some of the candidates at the EBM were not sure of the goals of the authority. The goals of the EBM are not clear to the candidates at SKV and SBE either.

Different opinions regarding the efficiency of the SBE;

Concerning the aims at the SBE the overall opinion is that their work is qualified and efficient due to competent personnel. The candidate from the SBE in Sundsvall claims the process to work satisfying and the goal regarding investigating all incoming cases is well accomplished. The unit in Umeå seems to be in the same situation. Thus, the situation would be improved by adding more prosecutors in the process but over all it functions very well. In contrast to the SBE in Sundsvall and Umeå the situation is not as good in Gothenburg. Lack of resources in form of employees seems to be a reason to why the SBE in Gothenburg has not accomplished its goal, which is to investigate all incoming cases. However, the division has still not reached the intended capacity since it still misses some employees. They hope to meet the aims when they begin next year.

Fulfilling aims according to the contingency theory;

In order to achieve organizational goals changes in the economy, technology, market and politics must be overlooked according to the contingency theory. This is not completely fulfilled and the candidates would like to make these factors more congruent to the process.

5.3 Collaboration and bottlenecks

A complicating factor in the process of combating economic criminality is the bureaucracy that parallel structures of power bring. To analyze the situation after a change such as the implementation of a new authority, the theory of Public Management Reform uses four different concepts; specialization, coordination, decentralization and scale.

Specialization

The theory of Public Management Reform explains how the use of specialized managerial and administrative bodies has grown, and that creating specialized agencies has been particularly trendy. It criticizes this trend of fragmentation because it makes it harder to coordinate policy and implementation.

The EBM is a typical example of this. Since there are *parallel structures* and a lot of *bureaucracy* involved, the process of investigation is slow. Many times it is impossible to proceed with a case before assistance can be provided from other actors. To facilitate cooperation, the actors affected by the process ought to be closely situated or placed in the same building.

Coordination

The theory of Public Management Reform says coordination can be obtained by either a hierarchical system of authority from the top or if there is voluntary cooperation within a network. A result from the interviews is the fact that the employees lack directions from a higher level regarding collaboration and priorities for the actors involved in the process of combating economic crime. The alternative way to reach coordination - to cooperate voluntarily - only works when all participants share the same aims, communication is full and easy and the scale of operation is relatively small. Since the present system lacks both alternatives, the collaboration is not functioning properly.

The Department of Justice and the Department of Finance controls its authorities, but there is no overlying and common leader for the cooperation between the departments. Both the SKV and the EBM have their own priorities and budget, which causes territorial thinking. Status and a focus on the own authority are obstacles that could be changed if the agencies were combined and shared the same priorities and budget.

Lack of prosecutors is without doubt the largest bottleneck in the process of combating economic crime. New investigators will reinforce the SKV, which is good but the number of prosecutors should increase correspondingly in order to really improve the situation. Today there is a common opinion that it will further increase the bottleneck. Had the system been seen in an overall perspective, resources would be more evenly distributed.

The authorities have to *cooperate* to make sure no extra work is done and by that speed up the process further. A way to improve the situation is to modify the working procedure, as for example chain together the information into a common information system.

Decentralization

The government in Sweden has praised the virtues of decentralization, since it makes it easier to down-size the public sector by cutting down expenditure for resources on the middle levels and produces more content personnel that can influence the process to a higher extent.

The EBM is an example of *external* decentralization, which means a special authority was created and authority was passed on to it. One of the purposes was to improve the process and make sure quick decisions and responsive actions were possible.

However, the interviews show that if a special unit within an already existing authority, such as the Prosecutors Office, would have been better to reach these goals. This would have been an example of *internal* decentralization, which signifies the act of transfer takes place within the walls.

Scale

The perfect agency model today is a flat, specialized, decentralized and flexible organization, thus very probably small. Due to the size and structure of the Swedish public sector there is a general pressure for downsizing and saving money. The trends of specialization and decentralization speak for a smaller average size of the authorities. This contradicts the establishment of central staff functions at the EBM. These are very similar to functions within the Prosecutors office and the candidates experience this as an expensive redundancy in the management of the public sector. They would rather join the functions and free more resources for the operative divisions.

5.3.1 Technological problems

The situation today from a technological point of view;

The candidates miss a satisfying information system today. According to the interviewees, the way every unit keep statistics is different. It is central to collaborate to find a common method of filing cases and to do it in a joint information system. The authorities have different motives for their procedure and compiling their figures is futile since they do not agree. However, it is said that an encompassed information system will be developed in order to gather all statistics about criminal activity.

Consequences of not having a common system to manage information;

It is essential to have a common system and method of processing cases as they are sent back and forth between the agencies as it go through different stages in the process. Different and incompatible systems result in a redundancy of information, and many extra hours spent on paperwork, which make it very difficult to collaborate. A common information system that gathers and supplies all actors with inquired information would according to the candidates further improve the situation.

The *secrecy laws* regarding critical information create problems since essential information is not available when it's needed in the investigation. This complicates the process further since it is time consuming and takes a lot of extra work and bureaucracy. A hope shared by the candidates is to facilitate the process by making the information accessible to every concerned actor.

Statistical measuring problems hinder the measurement of efficiency

The theory of Public Management Reform defines "result" as scientifically tested data describing the final outcome of changes and considers it as an important tool for evaluation. Results can be measured on different levels where *operational* result is the most concrete and simple one. It can be anything quantifiable, from a program

succeeding to reach a larger part of the target population without increasing the resources to the police halving the number of car thefts.

The EBM has set goals, such as to shorten the average time it takes to process a case and to increase the number of investigations and convictions. Whether or not it has fulfilled its goals is a question of definition, according to the candidates the dilemma is statistical measuring problems. The procedure regarding statistics must be changed and regrouped in order to end up with satisfying and correct statistical material. Otherwise, the organizations will lack a system to measure the efficiency in the process, something that could work as a driving force for the employees.

To choose a system that covers all criminal activity or a separate system can be further discussed. An extensive system increases the risk for complexity to arise; it would perhaps be preferable to have a separate system for economic criminality. However, past and coming reorganizations complicate it further, thus a common system might be better to develop after the restructuring.

The contingency theory supports the thesis of Public Management Reform;

The former theory emphasizes the importance of an efficient technological system, which is in accordance with the contingency theory. It is said that there is no satisfying system today that modifies and standardize the incoming information. This aspect of the theory is relevant and must be overseen to create a stable organization.

5.4 Future

Due to the problems in the present situation, the lack of well defined aims and the bottlenecks in the process, the candidates agree that changes need to be made. Although everyone believe changes are necessary, they give different suggestions as to *how* it should change. However, certain overall opinions regarding future changes have been identified;

One single governing authority and to use other countries as a model;

The most recurring factor is the wish of an overall governing authority that can elaborate and provide a functioning comprehensive system with a unified strategy and common priorities. There are opinions that Sweden could learn from other countries. Norway, Great Britain, Holland and Ireland are mentioned as possible role models for combating tax crime.

A more extensive preventive work, an improved structure and confiscation process;

To put more efforts into the preventive work and to intervene at an earlier stage is important to the candidates at the EBM. Each candidate wants a somehow improved structure without parallel work and less strict laws of secrecy. According to the contingency theory, the structure as well as the management in the organization indicates it is bureaucratic since the structure is highly static and the decision-making in general is formal and time consuming.

The theory of Public Management Reform claim politics today is more focused on streamlining, repackaging or modifying existing programs than trying to see the core of the problem. Overall, there is a want to decrease the bureaucracy in the process in order to speed up the management of cases as well as the decision-making. The candidates at the SKV would like to have the authority to confiscate evidence since it is very rare that violence is involved.

| | | | |
|---------------------|--|---------|--|
| Environment; | Stabile&secure | EBM/SKV | Turbulent& unpredictable |
| Subsystem; | | | |
| Strategic | Defensive& operational goals | EBM/SKV | Proactive design Of learning system |
| Technology | Roles characterised by routine&little responsibility | EBM/SKV | Complex roles& a lot of responsibility |
| Structural | Mechanical/ bureacracy | EBM/SKV | Organic |
| Management | Authoritarian | EBM/SKV | Democratic |

Figure 9. A possible future according to the contingency theory⁹⁶

How to improve the situation according to the contingency theory;

Defined goals;

The purpose of the analysis is to bring forward fundamental needs within the collaboration of EBM/SKV. As it is today, the EBM/SKV are not sure of the overall aim. An interpretation of the contingency theory concerning changes is that they should occur in correspondence to its aim. Thus, the goal ought to be obvious and well known among the employees in order to improve the collaboration between EBM/SKV.

Congruity in the process of development;

Regarding the aspect of technology, it strives for defined roles with a high degree of influence and a well-adjusted amount of responsibility. Furthermore, the development on all levels should occur continuously and in a stable way. The actual collaboration

⁹⁶ Morgan, Organisationsmetaforer, 1999

contradicts this aspect since the working procedure in the authorities occasionally is in disagreement with the other.

A frequent analysis of the surroundings;

In an ideal organization according to the thesis, a constantly recurring analysis of the situation is to prefer. This aspect seems to be to at least some degree in agreement with the reality as an interviewee at the EBM claims analysis of this kind takes place on a regular basis.

A central system and common methods to compile statistics;

A problem in the process of combating tax evasion is the absence of a common method to manage statistics. The theory says methods must be similarly administered. If the compilation of statistics was correct, it would facilitate to set short- as well as long-term goals. It would result in a more satisfying situation for the personnel, as they would have clearly defined as well as updated goals to strive for. In addition to this, the employees should be able to affect their situation as well as the entire situation, which is not in concurrence with reality.

6. Conclusion and recommendation

This chapter summarizes the conclusions made from the empirical study and analysis, about the structural problems that have been identified related to the problem of this thesis. It is followed by suggestions to future studies.

6.1 Main research problem

Are there any obstacles in the governmental collaboration between the EBM and SKV, and if so, what are they?

6.2 Conclusion

Today's combat of tax crime is performed by two Swedish authorities, the EBM and the SKV. All candidates agree that cross-authority collaboration is vital to manage the combat of tax crime. Through the empirical study and the analysis the main problem areas in the collaboration between the EBM and the SKV in the process of combating tax crime have been identified;

- Problems to communicate and collaborate due to unclear aims and territorial thinking
- Separate departments, budgets and priorities lead to disagreements concerning the division of resources to EBM and SKV
- Bottlenecks exist in the form of too few prosecutors and investigators which prolong the process
- Technical problems and complicating laws of secrecy slow the investigating process
- Double administrative functions at the EBM and the State Prosecutors office steal resources from the operative core

6.3 Recommendations

The most efficient for the entire process of combating economic crime would be if every actor involved belonged to the same authority and worked within the same organization. Another option is to create an overall governing authority that can elaborate and provide a functioning comprehensive system with a unified strategy and common priorities. Both alternatives would create economies of scale and improve cooperation by simplifying exchange of knowledge. The administrative functions at the EBM that are similar to divisions at the State Prosecutors office could be cut to save resources to the operative core. It would be easier to move personnel between cases and areas and to receive assistance in complicated cases.

An important issue is to create a common information system to facilitate the sharing of information.

6.4 Evaluation of our study

In the early stages we believed we would find obstacles within the authorities that hinder the combat of economic crime, but after the main study it was obvious that the obstacles were not found within the authorities, but in the collaboration between the involved authorities. There are serious problems with bottlenecks and lack of resources in smaller cities where the police investigates economic crime and not the EBM.

We believe we have reached the purpose of the study of identifying eventual structural problems. From the interviews we have mapped out how the process is done today which has been the basis to our conclusions. The suggestions we have for the future concern a change of the structure in which the EBM and the SKV operate, since the internal work is described as well functioning.

6.5 Suggestions for further research

During the process of this study, we have discovered new angles from which it would be interesting to view our area of research. It would be of interest to outline the process of combating economic crime in other countries in comparison to the Swedish system. A study of how the EBM could be extended to encompass the entire country and how one would best organize and implement it is another suggestion.

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Appendices



Appendix I – Questionnaire, Ekobrottsmyndigheten

A. Personal

1. How long have you worked at the EBM? (Career)
 2. How would you describe your role at the EBM? (position)
-

B. General questions about the process of solving tax crime

3. How do cases concerning tax evasion arrive to the EBM?
 4. Is the extent of the crime taken into consideration, are for example more serious crimes prioritized to less serious?
 5. Are there any standards for example the expected effort needed versus the possible benefit (tax revenue/deterrent effect) from solving a case?
 6. What type of information is examined at the EBM? (annual report, tax declaration?)
 7. Which are the three most important factors in the work at the EBM when solving a case of tax crime?
-

C. Present situation

8. What is your picture of how EBM functions today?
9. What do you think of the importance of the work EBM in combating economic crime in Sweden?
10. Has the work and aims at the EBM changed since the founding in 1998?
11. Do you think the EBM has succeeded with fulfilling the aims set up before the founding of the bureau? If yes, how?
12. The number of reported tax crime has increased by 30 % in 3 years, but the number of prosecuted tax crime has remained relatively stable. How do you explain this?



13. Authorities are often forced to prioritize due to lack of resources. Are there any bottlenecks in the process at the EBM or concerning the other actors in the process?

D. Collaboration

14. How does the collaboration between the EBM and SKV work?

15. How do you believe the role has changed for the SKV in the process?

16. Does the collaboration between EBM and the SKV in smaller cities differ from the collaboration in areas where the EBM operates? If yes, in what way?

17. Are there any plans on creating a common forum for compiling and processing information such as the number of crimes committed, how they are executed, the number of people involved in this criminal activity or the scope of the offences in monetary terms?

E. Future situation

18. What is your point of view on how the EBM should combat tax evasion?

19. If you had the opportunity - is there anything you would like to improve? (Collaboration, more resources)

20. What do you think about the future of the EBM and its effect on economic crime?

F. Summary

21. Is there anything you would like to add that you believe can be important to our study?



Appendix II – Questionnaire, Skatteverket

A. Personal

1. How long have you worked at the Swedish Tax Agency? (career)
 2. How would you describe your role at the Swedish Tax Agency? (position)
-

B. General questions about the process of solving tax crime

3. From where do cases of tax evasion arrive to the Swedish Tax Agency's Tax Crime Unit?
 4. Is the extent of the crime taken into consideration, are for example more serious crimes prioritized to less serious?
 5. Are there any standards for example the expected effort needed versus the possible benefit from solving a case (tax revenue, deterrent effect)?
 6. What type of information is examined at the Swedish Tax Agency? (annual reports, tax declaration?)
 7. Which are the three most important factors in the work at the Swedish Tax Agency when solving a case of tax crime?
-

C. Present situation

8. What is your picture of how Swedish Tax Agency function today?
9. How important is the role of the Tax Crime Units today for combating tax crime?
10. Do you think the EBM has succeeded with fulfilling the aims set up before its founding? If yes, how?
11. Have you experienced any changes in the work or of the aims of the Swedish Tax Agency since 1998 when it was founded?
12. The number of reported tax crime has increased by 30 % in 3 years, but the number of prosecuted tax crime has remained relatively stable. How do you explain this?



13. Authorities are often forced to prioritize because of lack of resources. Are there any bottlenecks in the process at the Swedish Tax Agency or concerning the other actors in the process?

D. Collaboration

14. How does the collaboration between the EBM and Swedish Tax Agency work?

15. How do you believe the role has changed for the Swedish Tax Agency?

16. Does the collaboration between EBM and the SKV in smaller cities differ from the collaboration in areas where the EBM operates? If yes, in what way?

17. Are there any plans on creating a common forum for compiling and processing information such as the number of crimes committed, how they are executed, the number of people involved in this criminal activity or the scope of the offences in monetary terms?

E. Future situation

18. What is your point of view on how the Swedish authority should combat tax evasion in the future?

19. If you had the opportunity - is there anything you would like to improve?

20. What do you think about the future of the EBM and its effect on economic crime?

F. Summary

21. Is there anything you would like to add that you believe can be important to our study?

Appendix III – History of public management in Sweden

In 2000, Sweden had the largest public sector in the western world. Sweden is a unitary but decentralized state. It experiences a difficult economic situation as a small but open economy, in sustaining the largest public sector in Western Europe. Since the 1970s, power has been diffused among several groups of actors, such as various bureaucracies that have grown from the exceptional expansion of the Swedish public sector. New management ideas such as “Marketization” circulated in the western world during the 80s and 90s. However, these ideas were not as embraced by the Swedish government as in countries like the UK. A central philosophy in managing the Public sector became Management by objectives. It is based on a shift from an orientation to input and procedural controls to a system based on achieving measured results.⁹⁷

In the elections of 1991, Sweden acquired its first Conservative Prime Minister since the 1930s. Neoliberal ideas borrowed from the UK, such as privatization and market testing, were focused by the party. However, this phase was relatively brief and the debate about reform disappeared when the Social Democrats regained power in 1994. Experts suggest there are three main schools of opinion as to how the Swedish government should respond to its problems. Decentralizers wanted to relax the control and push management decisions down to other levels of government. Economizers were mainly concerned with the public deficit and wanted to see a different policy-making concerning the distribution politics, and traditionalists concentrated to preserve as much as possible of the substance and the process of the Swedish state, as it had worked well in the golden age in the 60s and the early 70s. The decentralizers started to gain ground by the late 1990s.⁹⁸

As of 1994, only 17.3 per cent of public employees worked for the central government, compared to 47.7 % in the UK. This reflects the importance of the county and municipal levels in the administration system. Central authorities are by international comparison fairly decentralized as well, and their operational autonomy is protected by the constitution. They are not responsible to individual ministers, but to the Cabinet collective. These tend to be small and largely committed to policy advice and the preparation of legislation. Frequently, doubts concerning their capacity to guide or control the agencies have been expressed.⁹⁹

Since 1993, each authority is required to publish an annual report, which includes performance data, an income statement, a balance sheet, an appropriation account and a financial analysis. Budget modernization has remained a central part of Sweden’s reform efforts. “Management by objectives” is being replaced by “management by focusing on activities” - in Swedish; *verksamhetsstyrning*.

⁹⁷ Public management reform – a comparative analysis s 286

⁹⁸ Public management reform – a comparative analysis s 286

⁹⁹ Molander et al, 2002, OECD 1997 a p. 94, Wilks 1996 (p 287)

Politics represents a structural limit to the effectiveness and reach of management reform. A large part of reforms draw attention away from these political issues and places the emphasis on improving the operational work and service of the authorities. There is a frontier between management and politics, which is related to the boundary between civil servants and politicians. According to most contemporary definitions, “politics” is not limited to certain elected politicians or to arenas in which an action takes place, such as within an authority. Politics is defined by the *process* involved. More specifically – political activity involves the exercise of power, in particular the mobilization of different resources in order to achieve a chosen set of ends in a situation where the interest of the various parties concerned potentially or actually conflict.¹⁰⁰ Thus, even employees in the public sector frequently engage in political processes in the sense that they bargain and negotiate and use resources of money, information and presentational skills in an attempt to succeed with the programs and policies set by their ministers.¹⁰¹

Today, it could be true that politicians intervene more in public administration at the same time as public management includes more and more issues that used to belong to the sphere of the politicians. Economic pressure in most OECD countries has meant that the time when a politician made a name by presenting new programs has passed. Instead, politics is more focused on streamlining, repackaging or modifying existing programs. Furthermore, mass media is more aggressive and does no longer accept a minister’s expertise and authority. This is the basis to the dilemma concerning management reform programs – politicians are seeking greater control over bureaucracy but also seeing the advantage of decentralizing responsibility and thus in a way frame themselves from possible failures.¹⁰²

To a minister, management reforms might be rewarding in form of political advantages and “vote-catching”, but they only show results in the long run. Hence, following them through and making sure they work is often not a priority to politicians. Due to changing conditions and practices within society, there is a strong need to develop a new model of what role politicians should play in running the public sector. A question is why it is usually assumed that reforming organizations is the key factor, and not a better understanding from the politicians concerning the situation?¹⁰³

¹⁰⁰ Leftwich. *What is politics? The activity and its study.*

¹⁰¹ Public management reform – a comparative analysis

¹⁰² Public management reform – a comparative analysis

¹⁰³ Public management reform – a comparative analysis s 157

Appendix IV – Description of SAMEB/ Ekorådet

SAMEB

SAMEB is a local body of cooperation between authorities involved in the work to prevent and combat economic crime. . It was initiated in 1994 in Stockholm, and the following year a directive from the government requested all counties to establish an own division. .Its purpose differs from the EBM since it is not an operative body. It has the character of a council with the aim to create a more effective control of economic crime through exchanging information, considering important topics and coordinating the mentioned authorities and municipalities, companies and organizations in Sweden.¹⁰⁴

The regional divisions are led by the county governor and consist of a representative from the Prosecutors Office, the police, the SKV, Kronofogdemyndigheten, the EBM, the County Administrative Board and the Customs Service¹⁰⁵

Ekorådet

There is an equivalent of SAMEB on a central level, a cooperating body called Ekorådet. The members of Ekorådet are Riksåklagaren, Rikspolischefen and the general directors of the following bodies; Finansinspektionen, Skatteverket, EBM, BRÅ and Tullverket.¹⁰⁶

It follows the development of economic crime in society with the objective to discuss the coordination when the authorities plan their operative function. Another task is to initiate common actions to prevent and combat economic crime and analyze and evaluate the efforts.¹⁰⁷

¹⁰⁴ Förordning om myndighetssamverkan mot ekonomisk brottslighet (SFS1997:899)

¹⁰⁵ Förordning om myndighetssamverkan mot ekonomisk brottslighet (SFS1997:899)

¹⁰⁶ Förordning om myndighetssamverkan mot ekonomisk brottslighet (SFS1997:899)

¹⁰⁷ Förordning om myndighetssamverkan mot ekonomisk brottslighet (SFS1997:899)

Appendix V – The operative area of EBM

Här finns vi:

Ledning med stab

Postadress: Box 820, 101 36 Stockholm
Besöksadress: Hantverkargatan 15
Tel: 08-762 00 00, fax: 08-613 40 19
E-post: registrator.staben.ebm@ekobrottsmyndigheten.se

Östra avdelningen

Postadress: Box 821, 101 36 Stockholm
Besöksadress: Hantverkargatan 15
Tel: 08-762 00 00, fax: 08-762 01 01
E-post: registrator.ostra@ekobrottsmyndigheten.se

Västra avdelningen

Postadress: Box 2333, 403 15 Göteborg
Besöksadress: Rosenlundsgatan 4
Tel: 031-743 18 00, fax: 031-743 19 90
E-post: registrator.vastra@ekobrottsmyndigheten.se

Södra avdelningen

Postadress: Box 27, 201 20 Malmö
Besöksadress: Skeppsbron 1A
Tel: 040-662 28 00, fax: 040-662 29 00
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