



ROYAL NORWEGIAN
MINISTRY OF FINANCE

An English Translation of Regulations

Regulations on Financial Management in Central Government

Provisions on Financial Management in Central Government

Adopted December 12th 2003
with adjustments latest on June 8th 2010



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Preface to the English version

This publication includes an English translation of the Regulations on Financial Management in Central Government adopted by Royal Decree and further, Provisions on Financial Management in Central Government adopted by the Ministry of Finance. The superior regulations, the Appropriation Regulations adopted by the Norwegian Parliament (the Storting), is attached as an appendix to this edition.

The set of rules on Financial Management in the Norwegian Central Government is comprised by the mentioned Regulations and Provisions. The set of rules includes provisions on the ministries' governance of the agencies and on the internal management of the agencies. Further, it includes requirements for performance management, risk management and financial reporting. The set of rules also provides requirements for common standards and systems and for the financial management system and routines, as well as provisions on administration of grant schemes, benefit schemes and guarantee schemes. In addition there are some subordinate standards issued by the Ministry of Finance as circular letters. (Such circular letters are available at www.regjeringen.no/fin, see Dokumenter, Rundskriv).

The Ministry of Finance has delegated to the Norwegian Government Agency for Financial Management (SSØ) the authority to administer the financial management regulations and provisions and the common systems for the state accounts and banking services. SSØ has an advisory and guidance role towards the ministries and the agencies and offers substantial training for civil servants (cf. www.sfsso.no). As part of the advisory role SSØ has recently among other things published guidance documents on performance measurement, risk management and evaluation of grant schemes.

Norway has a decentralised system of public administration in which ministries and agencies have a high degree of managerial flexibility. The ministries shall establish instructions describing the distribution of authorities and responsibilities between the ministry and the agency. The control and monitoring of the spending activities of agencies is the responsibility of the individual ministries.

This translated version of the Regulations and the Provisions has been provided with a few footnotes. Such footnotes are not included in the Norwegian, original version of the documents. The footnotes are given to define more precisely some terms and designations that are not obvious or easy to translate.

Other sources in English:

Budgeting in Norway, OECD 2006, GOV/PGC/SBO(2006)7

Budget Department, February 2008

Ministry of Finance, Norway

Preface

Regulations on Financial Management in Central Government were adopted by Royal decree of 12 December 2003. On the same date the Ministry of Finance adopted Provisions on Financial Management in Central Government to implement these Regulations (authorised by section 3 of the Regulations). The Regulations and the Provisions are published here in a single volume with a common table of contents and register of key terms.

The Regulations on Financial Management in Central Government (“Regulations”) and the Provisions on Financial Management in Central Government (“Provisions”) will come into force on 1 January 2004, with a general transitional arrangement lasting 1 year to put in place instructions required by section 3 second and third paragraphs of the Regulations.

The revised Regulations replace the Financial Regulations for Central Government, adopted by Royal Decree of 26 January 1996. The Provisions replace the Functional Requirements as to Financial Management in the Central Government, adopted by the Ministry of Finance on 24 October 1996 with amendments of 23 August 2001.

Budget Department, December 2003

On 26 May 2005 the Storting adopted new Appropriation Regulations which will come into force on 1 January 2006. References to the Appropriation Regulations have accordingly been updated in the Regulations and the Provisions. Revised Regulations on Financial Management in Central Government were adopted by Royal Decree of 2 December 2005. On 21 December 2005 the Ministry of Finance adopted revised Provisions on Financial Management in Central Government to implement these Regulations (authorised by section 3 of the Regulations).

The Regulations on Financial Management in Central Government (“Regulations”) and the Provisions on Financial Management in Central Government (“Provisions”) will come into force on 1 January 2006.

Budget Department, December 2005

The wording of the Provisions chapter 4.4.7.4 Other documentation and accounting records, has on 14 November been adjusted in accordance with the practice of the Office of the Auditor General in connection with the reporting of notifications to the Storting.

Budget Department, November 2006

On 16 June 2009 the Storting endorsed the proposal in the St. meld. nr. 36 (2008-2009) *Det gode innkjøp*¹, requiring central government agencies to be able to receive electronic

¹ St.Meld. nr. 36 is a government white paper regarding improvements in purchasing process and documentation issues.

invoices (cf. Innst. S. nr. 348 (2008-2009)). Accordingly, the wording in the chapters 2.5.2.3, 4.3.1, 4.3.6, 4.4.7.3, 4.4.7.6, 5.3.5, 5.3.5.1, 5.3.5.2 and 5.3.6 of the Provisions have been adjusted. The wording of the Provisions chapter 4.4.3 and 5.3.2 have been adjusted according to governing Laws.

Budget Department, June 2010

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REGULATIONS ON FINANCIAL MANAGEMENT IN CENTRAL GOVERNMENT

Adopted by Royal Decree of 12 December 2003, with later amendments by Royal Decree of 2 December 2005.

I Introductory provisions

Section 1 Purpose

The purpose of the Regulations on Financial Management is to ensure that:

- a) central government funds are spent and revenues are generated in accordance with the decisions and premises of the Storting
- b) established objectives and performance requirements are achieved
- c) central government funds are used efficiently
- d) assets belonging to the central government are properly managed

Section 2 Scope

These Regulations apply to:

- a) the activities of central government agencies
- b) the governance and monitoring of central government agencies and other entities to which administrative authority has been delegated
- c) the administration of governmental grant, benefit and guarantee schemes
- d) the management and monitoring of the central government's ownership in state limited companies, state-owned enterprises², companies established by special statute and other independent legal entities wholly or partially owned by the central government.

Central government agencies³, including the ministries, are from here on termed "agencies", while independent legal entities described in d) are termed "companies". Where particular provisions apply to ministries, the term "ministry" is used.

Section 3 Adoption of supplementary regulations and authority to make exceptions

The Ministry of Finance is responsible for adopting Provisions on Financial Management in the Central Government to implement these regulations. The Regulations on Financial Management in the Central Government and The Provisions on Financial Management in the Central Government are from here on termed "the Regulations" and "the Provisions"

² State-owned enterprises is in Norwegian termed "Statsforetak". (For further references to state-owned enterprises, see separate law - "Statsforetaksloven av 30/8-91, nr 71".)

³ Includes ordinary agencies, agencies with special authorisations and central government enterprises.

respectively. The Ministry of Finance may establish exceptions from the Regulations and the Provisions.

The ministries shall establish instructions within the framework of the Regulations for both the ministry itself and its subordinate agencies. A copy of these instructions shall be sent to the Office of the Auditor General.

Subordinate agencies shall establish instructions for their own activities within the framework of the instructions from the superior ministry.

Section 4 Basic management principles

All agencies shall:

- a) establish objectives and performance requirements within the framework of disposable resources and premises set by the superior authority
- b) ensure that established objectives and performance requirements are achieved, resource use is efficient and that the agency is run in compliance with applicable laws and regulations, including requirements as to established administrative practices, competency and ethical conduct
- c) ensure sufficient management information and a proper basis for decisions

The ministries shall in addition establish overall objectives and governance indicators for their subordinate agencies, cf. section 7.

Management, monitoring, control and administration must be adjusted to the agency's distinctive characteristics as well as risk profile and significance.

II Budget proposal

Section 5 Preparation of budget proposal to the Storting

The ministry and its subordinate agencies shall prepare a budget proposal which among other things:

- a) provides a basis for prioritising among the ministry's areas of responsibility according to the prevailing political objectives
- b) ensures coordination at each level
- c) contributes to the achievement of the objectives in an efficient manner

The budget proposition shall be prepared based on the principles established in sections 3-9 of the Appropriation Regulations, and in compliance with guidelines laid down by the Ministry of Finance in an annual circular letter.

Preparation of propositions containing changes in adopted appropriations shall be based on the same principles and on special guidelines, if any, laid down by the Ministry of Finance.

III Implementation of the budget decision of the Storting

Section 6 The ministries' obligation to implement the decisions of the Storting

After the adoption of the central government budget by the Storting, each ministry shall take the steps required to implement the decisions, both appropriation decisions and other decisions made in connection with the budget, for example purchase order authorisations, authorisations to distribute contingent grants⁴, and guarantee authorisations. The same applies to subsequent decisions of the Storting regarding changes in the originally adopted budget.

Should changes arise in the premises underlying a decision made by the Storting, and the changes raise substantial doubts in the ministry as to whether the decision can or should be implemented, the ministry must refer to the Storting the question of amending the decision or its premises.

Section 7 Allocation of granted appropriations to subordinate agencies

The ministries shall place appropriations at the disposition of subordinate agencies by letters of allocation. Parts of an allocation may be withheld as a reserve for subsequent disposition during the year.

The letters of allocation shall among others contain overall objectives, governance indicators, allocated funds and reporting requirements, as well as the authority the agency in question has been delegated under the Appropriation Regulations.

Should a subordinated agency consider it appropriate to place the allocated funds at the disposition of operating units within the agency, this shall be done in writing.

Section 8 Grants and guarantees

The ministries shall, for each grant scheme – including benefit schemes for private individuals – describe objectives, criteria for achievement of objectives and criteria of allocation and shall also lay down provisions concerning monitoring and control. These main elements shall be included in letters of allocation and in letters of assignment to

⁴ This authorisation is in Norwegian termed “Tilsagnsfullmakt”

grant administrators outside the central government or in special regulations governing the grant scheme.

In their letters to the individual recipient, grant administrators shall specify the purpose of and conditions for the grant and the grant amount, including any reservation regarding monitoring and control in compliance with the Appropriation Regulations section 10 second paragraph.

The ministries shall, in connection with guarantee authorisations under the Appropriation Regulations section 6 first paragraph, formulate objectives and other conditions as mentioned above for grants. Rules shall be drawn up on guarantee terms and other conditions to be set for guarantee commitments.

Section 9 Planning, implementation and monitoring

All agencies shall within their respective area of responsibility ensure that established objectives and performance requirements are achieved in an efficient manner. To ensure this the agencies shall:

- a) plan with both a one year perspective and a perspective covering multiple years
- b) implement established plans
- c) report on achievement of objectives and results both internally and to the superior authority.

Section 10 Monitoring central government ownerships etc.

Agencies with overall responsibility for state limited companies, state-owned enterprises, companies established by special statute or other independent legal entities wholly or partially owned by the central government, shall draw up written guidelines on how management and control powers shall be executed for each individual company or for groups of companies. A copy of the guidelines shall be sent to the Office of the Auditor General.

The central government shall, within the framework of applicable laws and rules, manage its ownerships in accordance with general principles of corporate governance with special emphasis on:

- a) that the chosen organisation of the company, the company's articles of association, the financing and the composition of the management board are appropriate given the company's purpose and ownership
- b) that the execution of the ownership ensures equal treatment of all owners and supports an explicit distribution of authority and responsibility between the owners and the management board
- c) that the objectives established for the company are achieved

d) that the management board operates satisfactorily.

Governance, monitoring and control including appropriate guidelines shall be adjusted to the size of the central government shareholding, the distinctive characteristics of the company, risk profile and significance.

Section 11 Report to the Storting on results achieved

Each ministry shall in its budget proposition provide the Storting with a report on the results of the work within its area of responsibility, cf. the Appropriation Regulations section 9 second paragraph.

IV Accounts

Section 12 Accounting

All agencies are obliged to record accounts. Accounting includes bookkeeping and mandatory reporting of the accounts. The accounts shall provide a basis for the control of the usage of granted appropriations and a basis for analyses of the agency's activities.

Section 13 The appropriation account and the capital account

The Ministry of Finance is responsible for preparing the central government accounts containing an appropriation account and a capital account. in compliance with the provisions of the Appropriation Regulations section 13. A report on the central government accounts shall be sent to the Storting as soon as the accounts are closed and no later than 4 months after the end of the financial year.

Each ministry shall submit explanatory comments on substantial variances between appropriation figures and accounting figures in the appropriation account, cf. section 13, sixth paragraph, of the Appropriation Regulations. Explanatory comments to the capital account shall also be prepared. The explanatory comments shall be sent to the Office of the Auditor General with a copy to the Ministry of Finance.

V Control

Section 14 Internal control

All agencies shall establish systems and routines containing internal controls to ensure that:

a) financial limits are not exceeded and that expected revenues are received

- b) achievement of objectives and results are in a satisfactory relationship to established objectives and performance requirements, and that any substantial variance is prevented, disclosed and corrected to the extent necessary.
- c) use of resources is efficient
- d) accounts and information on results are reliable and accurate
- e) the agency's assets, including real estate, supplies, equipment, securities and other financial assets, are managed in a proper manner
- f) financial management is properly organised and is executed in compliance with applicable laws and rules
- g) malpractices and financial crime are prevented and disclosed

Section 15 Control of subordinate agencies and other entities that exercise administrative authority, including grant recipients

Superior agencies are responsible for ensuring that subordinate agencies and entities outside the central government that discharge administrative authority, execute their tasks properly and in compliance with section 14.

Grant administrators are responsible for controlling that grant recipients meet the conditions set for the grant .

The Ministry of Finance may establish provisions for control of the discharge of administrative authority that is delegated to entities outside the central government.

Section 16 Evaluations

All agencies shall ensure that evaluations are performed to obtain information on efficiency, achievement of objectives and results within the agency's entire area of responsibility and activities or within parts thereof. The evaluations shall focus on the appropriateness of for instance ownership, organisation and instruments, including grant schemes. The frequency and scope of the evaluations shall be based on the agency's distinctive characteristics, its risk profile and its significance.

VI Common standards and organisation of financial tasks

Section 17 Common standards and systems

Agencies shall use common standards and systems for the central government budget, the central government accounts and the central government payment systems in compliance with provisions established by the Ministry of Finance.

The agencies shall ensure that financial management systems meet the Ministry of Finance's requirements regarding interface with common systems elsewhere in the central government administration.

All agencies shall have access to a financial management system providing appropriate management information for the agency in question as well as being a basis for reporting to the superior ministry and the Ministry of Finance.

Section 18 Organisation of financial management

The agencies determine the organisation of their financial management within the framework of the Regulations and Provisions and any instructions established by the superior ministry. The agencies may transfer tasks to other entities within or outside the central government under provisions established by the Ministry of Finance. The Office of the Auditor General shall be informed if significant changes are planned in the execution of financial management.

VII Other provisions

Section 19 Treasury cash holdings

Authority to manage the Treasury's cash holdings under section 14 of the Appropriation Regulations is delegated to the Ministry of Finance.

Section 20 Central government risk insurance

Except as otherwise provided by the Ministry of Finance, the central government is own insurer..

Section 21 Commencement

These Regulations enter into force on 1 January 2004.

PROVISIONS ON FINANCIAL MANAGEMENT IN CENTRAL GOVERNMENT

Adopted by the Ministry of Finance on 12 December 2003, with later amendments on 21 December 2005, on 14 November 2006 and on 8 June 2010.

The chapters in the Provisions on Financial Management in the Central Government (“the Provisions”) should be read in whole, including the Regulations on Financial Management in the Central Government (“the Regulations”).

Chapter 1 The ministry’s governance of agencies

1.1 Introduction

This chapter deals with the ministry’s governance of subordinate agencies, including a description of the responsibilities of the ministry and the governance dialogue with the individual agency.

The provisions of this chapter apply to the governance of all government agencies, including the governance of agencies with special authorisations and central government enterprises.

1.2 Authority and responsibilities

The ministry has the overall responsibility for ensuring that:

- a) the agency implements activities in accordance with the decisions and premises of the Storting and the established objectives and priorities of the ministry.
- b) the agency uses resources efficiently
- c) the governance dialogue between the ministry and the agency operates in an appropriate manner
- d) the agency reports relevant and reliable information of results
- e) controls of the agency is performed, and that the internal control system of the agency is proper
- f) evaluations are performed

The ministry shall ensure that instructions exist describing the distribution of authorities and responsibilities between the ministry and the agency, including the mutual relationships between the ministry, the board if applicable, and the agency manager.

The ministry shall have the competence and internal systems and routines necessary to monitor subordinate agencies properly. The systems and routines of the ministry shall be adapted to risk profile and significance.

1.3 General rules for the governance dialogue

The ministry shall in consultation with the agency determine the format and the content of the governance dialogue; including definition of governance documents, frequency of meetings, reporting requirements etc.

The governance dialogue between the ministry and the agency shall be documentable.

The ministry shall plan its governance of the agency with both a one year perspective and a perspective covering multiple years. Governance and monitoring shall be adapted to the agency's distinctive characteristics as well as its risk profile and its significance.

1.4 Letter of allocation

The ministry shall follow up the decisions and premises of the Storting in an annual letter of allocation to the agency.

The letter of allocation shall among others contain:

- a) overall objectives and description of strategic challenges and areas of priority
- b) governance indicators, which shall be as stable as possible over time, to enable assessment of achievement of objectives and results,
- c) the allocated funds distributed on chapters and items and the expected revenues generated
- d) management authorisations and budget authorisations in accordance with decisions and premises of the Storting
- e) reporting requirements
- f) description of any evaluations to be initiated

The ministry may withhold parts of the appropriation as a reserve for subsequent disposition during the year.

The ministry shall send letters of allocation to subordinate agencies as soon as the Storting has adopted the appropriation decision. Any additional allocations in the current term shall be in the form of additional letters of allocation. Copies of letters of allocation shall be sent to the Office of the Auditor General.

The ministry shall in consultation with the agency assess the need for a preliminary letter of allocation.

If the agency receives appropriations from more than one ministry, the ministry which has the overall governance responsibility for the agency shall coordinate the governance signals. The other ministries shall forward the necessary information on their appropriations to this ministry.

1.5 Monitoring of the agency

1.5.1 Reporting

The ministry shall in consultation with the agency define needs and agree on the scope and content of the reporting. The scope of the reporting shall be in accordance with the letter of allocation and shall focus on achievement of objectives and results. Reporting on results may include inputs, activities, products and services as well as outcomes in relation to users and society, within the agency's area of responsibility or parts of it.

The agency shall inform the ministry of substantial deviations in connection with adopted plans or letters of allocation as soon as the agency becomes aware of any such deviation. The agency shall propose possible corrective measures.

The agency shall prepare a separate annual report⁵ to the ministry, in accordance with requirements in the letter of allocation, and it shall contain other relevant information of significance for the ministry's governance. The ministry shall establish a deadline for the agency to present its annual report. The ministry shall ensure that a copy of the annual report is sent to the Office of the Auditor General.

The management of the agency shall in consultation with the ministry consider the need for publishing an annual report⁶ from the agency.

1.5.2 The overall control by the ministry

The ministry's control of subordinate agencies shall be part of the ordinary governance and monitoring of the agency. The need for any additional controls shall be considered in light of the agency's distinctive characteristics, its risk profile and its significance as well as the internal controls of the agency.

⁵ Annual report to the ministry.

⁶ Annual report for publishing.

The ministry shall ensure that all agencies have satisfactory internal control systems securing that established objectives and performance requirements are monitored, resource use is efficient and the agency is run in accordance with applicable laws and regulations.

The ministry shall ensure that the use of special authorities does not lead to unintended prioritisations in relation to the objectives.

1.5.3 Evaluations

The ministry shall ensure that evaluations are performed to obtain information on efficiency, achievement of objectives and results within the ministry's area of responsibility and activities or parts thereof. Evaluations may focus on inputs, activities, products and services as well as outcomes in relation to users and society.

The frequency and scope of evaluations shall be decided on the basis of the agency's distinctive characteristics, its risk profile and its significance. The need for evaluations must be considered in light of the quality and scope of other reporting. The ministry shall discuss the organisation and design of the different evaluations with the subordinate agency as a part of the governance dialogue.

Evaluations may be performed by internal or external experts.

Chapter 2 The internal management of the agency

2.1 *Introduction*

This chapter deals with internal management of the agency, including authority and responsibility structures, management processes, internal control systems and control of transactions.

The provisions of chapter 1 regarding the governance of subordinate agencies may, insofar as applicable, be applied to the agency's management of operating units within the agency. Should the agency consider it appropriate to place the allocated funds at the disposition of operating units within the agency, this shall be documented in writing.

2.2 *Authority and responsibilities*

The management of the agency is responsible for:

- a) implementing activities in accordance with the decisions and premises of the Storting and with the objectives and priorities established by the ministry
- b) establishing objectives and performance requirements and deciding priorities in a one year perspective and in a perspective of multiple years within its own area of responsibility
- c) ensuring planning, implementation and monitoring, including performance and financial reporting
- d) defining authority and responsibilities and establishing instructions within its area of responsibility to ensure fulfilment of the Regulations and Provisions, including responsibilities allocated between the agency manager and other management team members, and if necessary the board.
- e) establishing internal control system

Systems and routines shall be adapted to risk profile and significance.

The management of the agency is authorised, within the frameworks given in the letter of allocation, by other decisions and in applicable laws and regulations, to initiate necessary measures within its area of responsibility.

2.3 *The management process*

2.3.1 *Planning*

The management of the agency shall plan and prepare strategies in a one year perspective and a perspective of multiple years adapted to the distinctive characteristics of the

agency. The plans shall be documented in internal management documents. In order to document the impact of significant elements in the plans, management indicators shall be established, which are as stable as possible over time.

2.3.2 Implementation and monitoring

The agency is responsible for ensuring that objectives and performance requirements established in the letter of allocation, other decisions and internal management documents are monitored and implemented within the framework of the allocated resources.

Information and communication routines on a running basis must be established for the reporting and the implementation of plans. The internal management shall be organised in order to:

- a) satisfy the requirements on performance reporting and financial reporting laid down by the superior authority and other bodies
- b) ensure that the agency has the necessary management information to monitor its activities and its results
- c) ensure that the financial management system of the agency together with statistics, analyses and other relevant systems displays whether or not the agency is run efficiently in terms of costs and established objectives and performance requirements.
- d) ensure monitoring of expenses in relation to the appropriation to ensure that unauthorised exceedings do not occur and that expected revenues are generated.

Information of results shall be used in the planning process of the agency in the subsequent years.

2.4 *Internal control system*

All agencies shall establish an internal control system. The agency management is responsible for ensuring that the internal controls are in accordance with the risk profile and the significance of the agency, and that it operates satisfactorily and is possible to document. Internal controls shall primarily be integrated in the internal management of the agency.

The internal control system shall prevent management failure, errors and deficiencies such that:

- a) financial limits are not exceeded and that expected revenue is generated

- b) achievement of objectives and results are in a satisfactory relationship to established objectives and performance requirements, and that any substantial deviation is prevented, disclosed and corrected to the extent necessary.
- c) use of resources is efficient
- d) accounts and information on results are reliable and accurate
- e) the assets of agency, including real estate, supplies, equipment, securities and other financial assets, are managed in a proper manner
- f) financial management is properly organised and is executed in compliance with applicable laws and regulations
- g) malpractices and financial crime are prevented and disclosed

In order to exercise the necessary internal control system, the agency management shall establish systems, routines and measures focusing among others on the following elements:

- a) competence and attitude of management and employees to performance monitoring and control
- b) identification of risk factors which may prevent the achievement of objectives of the agency, and corrective measures which may be expected to reasonably reduce the likelihood of non-achievement of objectives
- c) quality assurance of the internal management system, including appropriate segregation of duties and productivity in the work processes
- d) information routines ensuring that important and reliable information of significance for the achievement of objectives is communicated efficiently
- e) routines for handling and storing essential information which ensure confidentiality, integrity and accessibility

The internal control system shall also focus on preventing and disclosing deliberate actions executed in violation of applicable laws and regulations, eg. manipulation, falsification or alteration of accounting data or other information of results. Attention is drawn to Statens personhåndbok (the Civil Service Staff Handbook⁷) for guidelines on dealing with cases of embezzlement, theft, fraud and breach of trust in the service of the government.

If the agency uses a service provider, cf. 4.5, the internal control system of the agency shall be adapted to the segregation of duties between the agency and the service provider.

⁷ The Civil Service Staff Handbook (Statens personhåndbok) is available in Norwegian only.

When control measures are established, the management of the agency shall consider the costs entailed by the measure against the utility and the benefits to be achieved. All measures shall be supported at a superior level to ensure relevance and completeness in the risk evaluation. In the case of particularly important routines the management of the agency shall consider the need for supplementary reporting and special analyses to disclose possible future deviations.

2.5 Control of expense and revenue transactions

2.5.1 General requirements of transaction controls

Control of expenses and revenues is an element in the internal control system. The control shall ensure that revenues, procurements, grants and salaries and other taxable and non taxable benefits are handled in compliance with applicable laws, regulations and agreements, and that revenues and expenses are monitored in relation to the budgets and established plans of the agency. Regarding revenues the purpose is further to ensure that the revenues of the agency are correctly determined and received, and that outstanding claims are pursued.

The agency shall establish systems and routines that ensure control of transactions (transaction controls). The control measures shall be documented by manual signatures or electronic signatures/activity records. Where the financial management system has the necessary functionality to perform the controls stated in 2.5, this system may perform the control measures.

For large outgoing payment flows the transaction controls and documentation thereof may be done based on reports (summaries) from the auxiliary system or other parts of the financial management system. The agency is expected to control that the system solutions perform as intended and that the data are protected against unauthorised alterations, cf. 4.3. The same applies to large incoming payment flows.

2.5.2 Transaction control of expenses

2.5.2.1 Budget disposition authority

All dispositions that contain financial commitments on behalf of the agency shall be confirmed by a person with budget disposition authority. Before a person with such authority executes dispositions he shall:

- a) control that the disposition is authorised by decisions of the Storting, letter of allocation or other decisions and that the disposition otherwise is in compliance with applicable laws and regulations
- b) control that there is budget allowance for the outgoing payment
- c) control that the disposition is financially prudent

The requirement of confirmation by an employee with budget disposition authority also applies in the case of outgoing payments due to repayments of taxes, duties, charges, incorrect incoming payments etc.

The manager of the agency has budget disposition authority and may delegate all or part of this authority to employees at lower levels in the agency. Delegated budget disposition authority may be delegated further. Delegation of budget disposition authority shall be in writing.

The agency shall have routines ensuring satisfactory monitoring of delegated budget disposition authority.

A person with budget disposition authority may not approve payments of remuneration or other payments to himself. The ministry may make exceptions for the manager of an agency or an operating unit. Such exceptions shall be in writing and necessary control measures shall be established.

Through documentation of order placed, order confirmed, invoice, voucher, letter of grant commitments or the like, it shall be confirmed who has executed the budget disposition authority for each individual transaction. In the case of groups of transactions such as orders placed under an agreement, invoicing on account, fixed agreements (e.g. rent, electricity) or grants paid in a number of periods, the documentation may be connected to the agreement or letter of allocation and cover several individual transactions.

2.5.2.2 Attestation control

All expenses shall be attested before outgoing payment. Attestation includes controlling:

- a) that a good or service has been received in accordance with an order or an agreement
- b) that the documentation (voucher) for the delivery is in compliance with applicable laws and regulations
- c) the confirmation of salary calculation, number of persons and amounts as well as control measures performed in compliance with 5.2.4
- d) that outgoing payment of a grant is in accordance with the grant decision, and that the grant recipient has submitted documentation, where required, and/or an acceptance of the conditions
- e) that outgoing payments due to repayments of taxes, duties, charges, incorrect incoming payments etc., is done on a valid basis
- f) the posting , possibly adding such information, hereby that the amount is charged to the correct chapter and item or account

Attestation shall be done by a person other than the one who executes his budget disposition authority. In the case of transactions involving small amounts, the person with

budget disposition authority may also perform the attestation. This may be relevant for example in the case of small purchases, overtime and official journeys.

The attesting person may not approve payments of remuneration or other payments to himself.

2.5.2.3 Control in connection with bookkeeping

In connection with bookkeeping a control shall be made to ensure that the documentation is posted and attested, and that the disposition was done by a person with budget disposition authority.

Further requirements on systems and routines for transactions involving salary payments and taxable and non-taxable benefits and procurements are described in chapter 5, while grants are described in chapter 6. Control of payment orders is described in chapter 3.

2.5.3 Transaction control of revenues

Transaction controls shall usually be performed in connection with:

- a) determination of claims; focusing on identification of possible claims
- b) issuance of invoices; in order to invoice identified claims correctly
- c) bookkeeping; focusing on the basis of the transaction, the coding and the recording
- d) incoming payments; recording of incoming payments in Accounts Receivable
- e) monitoring; focusing on the recovery and accounting treatment of terminated claims

Transaction controls for transfers of data or control of electronic signatures may be done electronically and automatically. Random controls may be done as an alternative to a complete control of individual claims, based on an assessment of risk and significance.

Further requirements on systems and routines for revenue transactions are described in chapter 5.

2.5.4 Aggregated controls

In addition to transaction controls, controls shall be performed at an aggregated level, such as reconciliations and budget monitoring.

In the case of material variances, the monitoring shall include control of individual transactions. Completed control activities shall be documented.

2.5.5 Verification

The agency management shall establish verification routines, for instance in connection with implementation of necessary budget monitoring and random controls. The

verification together with the transaction controls must be adapted to the distinctive characteristics of the agency, its risk profile and its significance and measured against the costs of the controls. The control activities performed shall be documented.

2.6 Evaluations

The agency shall ensure that evaluations are performed to obtain information on efficiency, achievement of objectives and results within the agency's entire area of responsibility and activities or parts thereof. Evaluations may focus on inputs, activities, products and services as well as outcomes in relation to users and society.

The frequency and scope of evaluations shall be decided on the basis of the distinctive characteristics of the agency, its risk profile and its significance. The need for evaluations must be considered in light of the quality and scope of the other reporting in the agency and the reporting to the superior ministry.

Evaluations may be performed by internal or external experts.

Chapter 3 Common standards and systems

3.1 *Introduction*

This chapter deals with common standards and systems for budgeting, accounting, and payment services at all levels in the central government.

The purpose of chapter 3 is to ensure that agencies use complete and consistent principles of budgeting and accounting and that they have efficient and secure payment services.

3.2 *Common principles and standards for budgeting and accounting*

3.2.1 Basic principles

Based on the Appropriation Regulations laid down by the Storting, the following common principles of budgeting and accounting apply to the central government:

- a) An appropriation and a budget shall be valid for one year. Use of additional revenues during the year or of unused funds after the year end is not permitted unless authorised under other provisions, cf. the Appropriation Regulations sections 3 first paragraph, 5 third paragraph and 11 fourth paragraph.
- b) The budget and the accounts shall cover all expenses and revenues in the budget year. The budget shall be based on realistic estimates of expenses and revenues, cf. the Appropriation Regulations section 3 second paragraph. Commitments beyond the budget year require special authorisation, cf. the Appropriation Regulations section 6.
- c) Expenses and revenues shall be recorded separately on a gross basis, cf. the Appropriation Regulations section 3 fourth paragraph.
- d) The appropriation accounts shall follow the classification laid down by the Storting in the adopted budget, cf. the Appropriation Regulations section 13 second paragraph.
- e) The appropriation accounts and the capital accounts shall be based on the cash basis principle, cf. the Appropriation Regulations sections 3 third paragraph and 13.

3.2.2 Other principles and standards

The Ministry of Finance prepares a standard chart of accounts to be used in reporting to the appropriation accounts and the capital accounts, cf. the Appropriation Regulations section 13 seventh paragraph, and adopts further guidelines for its application.

The Ministry of Finance prepares periodically and annual appropriation accounts and capital accounts. The Ministry of Finance adopts standards and further guidelines for reporting to the appropriation accounts and the capital accounts.

The ministry may, after applying to the Ministry of Finance, get permission to correct unresolved discrepancies and incorrect entries in previous year's central government accounts.

Transactions which represent a relocation of assets and which are reported under item 90 in the appropriation accounts shall be recorded in the capital accounts. The transactions shall in addition appear as assets/liabilities in the agency accounts to be monitored in subsequent years.

Sales revenue shall be entered on a 90 item on a gross basis. Book value in the capital accounts shall be recorded in the account of balance displacement⁸, regardless of whether the sales value exceeds or is less than the capitalised value.

Write-off of bad debts and depreciation of other assets which are recorded in the capital accounts may only be recorded based on an appropriation decision or on a separate decision⁹ of the Storting, law, regulations, royal decree or court ruling. Hereby, bad loans shall be written off by appropriation, unless otherwise is provided by the decision of the Storting.

In central government enterprises, fixed investments on items 30-49 in the appropriation accounts, e.g. real estate, machinery and equipment shall be recorded in the capital accounts.

The Ministry of Finance may establish standards for budgeting and accounting in the agencies.

3.2.3 Further details on budgeting and accounting in ministries and agencies

The agency shall at all times comply with applicable provisions and any standards of budgeting and accounting established by the Ministry of Finance.

The agency may in consultation with its superior ministry choose to record the agency accounts using other principles than the cash basis principle, except as otherwise provided by standards of budgeting and accounting established by the Ministry of Finance. The principle chosen in such cases shall be documented and consistent over time.

⁸The "account of balance displacement" is in Norwegian termed "*konto for forskyvning av balansen*". The account represents the central government equity account.

⁹ Such a separate decision is in Norwegian termed "romertallsvedtak" (roman numeral decision).

The chart of accounts shall be established by the agency enabling reporting to the superior authority to be done in a suitable manner and provide a basis for the internal management. The ministry must assess the need to coordinate charts of accounts and accounting principles within its area of responsibility in order to provide consolidated and comparable data.

The chart of accounts shall be organised in such a way that the requirements for reporting to the appropriation accounts and the capital accounts are in accordance with the cash basis principle.

The agency shall at year-end prepare the total annual accounts, which are the official accounts of the agency. The total annual accounts shall provide a summary report of the entries reported by the agency to the central government accounts. If the agency have more than one accounting entity¹⁰ reporting to the central government accounts, the summary report shall display which of the entries that have been reported by each of the individual accounting entities.

3.3 Financial reporting

3.3.1 Authority and responsibilities

The agency shall ensure that the financial reporting:

- a) to the central government accounts, with the appropriation accounts and the capital accounts, is of satisfactory quality both on an periodically basis and at year-end.
- b) is in accordance with standards established by the Ministry of Finance, including established deadlines and requirements of format and of content
- c) satisfies the requirements of the superior ministry regarding presentation of accounts on an periodically basis and at year-end
- d) is in accordance with requirements in the letter of allocation from the superior ministry, debit authorisations¹¹ and other decisions

The ministry has overall responsibility for the appropriation accounts and the capital accounts for the ministry itself and its subordinate agencies.

3.3.2 Mandatory financial reporting

Mandatory financial reporting covers reporting to the central government accounts, with the appropriation accounts and the capital accounts, and other financial reporting to external parties as is established in law.

3.3.2.1 Appropriation accounts

The individual agency is responsible for documenting its reporting to the central government accounts. The agency shall subsequently be able to document what is

¹⁰ Accounting entity is in Norwegian termed “regnskapsfører”

¹¹ A debit authorisation is an authorisation from another agency to debit its chapter and item in the central government accounts.

recorded in the central government accounts, compared with transactions recorded in the agency accounts and with reconciliation of settlement accounts in the Central Bank of Norway¹².

After forwarding its financial report, the agency shall obtain a list of reconciliation from the central government accounts and control that the entries in the central government accounts are in accordance with the reported accounts. If there are material variances, the error shall be corrected as instructed by the Ministry of Finance. The reconciliation shall be documented.

At the closing of the interim periods, the ministry will receive a report of the appropriation accounts focusing on the budget chapters of the ministry. At year-end the ministry shall confirm its appropriation accounts to the Ministry of Finance and submit explanatory comments of the accounts to the Office of the Auditor General copying the Ministry of Finance in compliance with the annual circular from the Ministry of Finance.

3.3.2.2 Capital accounts

Agencies which issue loans, hold or procure financial instruments such as equities, provide direct investments in state-owned enterprises, to foundations or the like in accordance with decisions of the Storting shall report to the central government capital accounts. The agencies shall ensure that:

- a) a written agreement on the transaction as described above is entered into
- b) central government risk is if possible limited by official registration of security or the like
- c) the transaction is implemented as agreed upon
- d) a report is made to the central government accounts of new investments and other substantial changes
- e) incoming payments of return on investments, interests and dividends are received in accordance with agreements, and that resolutions adopted at the enterprise meeting and/or general meeting are monitored
- f) the agency has an overview of all capital items and reports changes not entailing a liquidity transaction
- g) in the event of failure to fulfil the agreement, necessary steps are immediately taken to rectify the circumstance

At year-end and at specified intervals the overview mentioned in f) shall be reconciled with the central government accounts, and each ministry shall report overall assets and liabilities for all subordinate agencies. Securities held shall be reconciled with the holding in the deposit and the holding at the Norwegian Central Securities Depository¹³.

¹² Norges Bank is the Central Bank of Norway.

¹³ Verdipapirsentralen (VPS) is the Norwegian Central Securities Depository.

3.3.3 Special requirements for reporting to the central government accounts

The Ministry of Finance may lay down further provisions on additional reporting to the central government accounts beyond what is stated below for central government enterprises, agencies with special authorisations and state-owned funds.

3.3.3.1 Central government enterprises

When central government enterprises are established, principles for recording the value and annual depreciation of assets shall be described. If a contingency fund is established, the usage, beyond covering deficits, shall be described. Interest on the central government enterprises' fixed capital and on its settlement accounts with the Treasury¹⁴ shall be calculated. Guidelines for the calculation of interest are given in the annual circular of the Ministry of Finance.

Central government enterprises normally receive net appropriations over item 24 – operating results, but they shall report revenues, expenses, depreciations, interests, investments and the contingency fund on a gross basis. Central government enterprises may in addition have disposition over ordinary appropriations in other items.

Reports to the central government accounts shall be presented by the deadlines set for agencies.

Reports to the capital accounts shall contain statements displaying the change in fixed capital and the balance sheet of the enterprises.

3.3.3.2 Agencies with special authorisations

Agencies with special authorisations to enter revenues and expenses on a gross basis outside the central government budget (“net budgeted entities”) receive appropriations over 50-items on the central government budget via outgoing payment from the superior ministry or other agency that have disposition over the appropriation. The accounting of net budgeted entities shall be in compliance with the provisions in chapter 4, with the exception of reporting to the central government accounts. Instead of reporting on chapter and item, the entity shall report liquidity movements in its settlement account in the Central Bank of Norway. The entity shall reconcile the report with the accounts of the entity before the report is sent to the central government accounts.

Reporting to the central government accounts shall take place within the deadlines applying to agencies.

3.3.3.3 State-owned funds

Agencies that manage funds established by appropriation or by provision of levies shall ensure that separate and complete accounts are recorded for each fund. Incoming payments of any appropriation via the “50-item” on the central government budget will be one of the revenue items in the accounts of the fund. The accounting shall be in

¹⁴ Mellomværende med statskassen.

compliance with the provisions of chapter 4, with the exception of reporting to the central government accounts. Liquidity movements in the settlement account of the fund in the Central Bank of Norway shall be reported. The fund shall reconcile the report with the accounts of the fund before the report is sent to the central government accounts.

Funds which are central government resources (property of the government) shall be recorded in the capital accounts. Reporting to the central government accounts shall take place within the deadlines applying to agencies.

3.3.3.4 Management of resources for private and international organisations

Agencies managing resources on behalf of private and international organisations, hereby co-financing of projects (coordinator function), shall establish accounting routines that document all incoming and outgoing payments. Reporting shall be carried out in compliance with guidelines established by the superior ministry or the Ministry of Finance.

These resources shall be included in the settlement account(s) of the agency in the Central Bank of Norway and in the reports to the central government accounts as part of the central government settlement accounts with the Treasury, see 4.4.5.

3.3.3.5 Administration of non-governmental resources and funds

Agencies that manage non-governmental resources such as gifts, legacies, non-governmental funds, funds belonging to inmates, patients etc., shall establish a body of rules for budgets, accounting and controls within their area of responsibility when such a body of rules are not given in other legislation or other provisions. The agency must be able to document the assets in the accounts, but they shall not be included in the settlement account of the agency in the Central Bank of Norway or in reports to the central government accounts.

3.4 *Payment services*

3.4.1 Authority and responsibilities

The payment services of the agency of incoming and outgoing payments shall be done through the consolidated accounts scheme of the central government, so that all liquid resources belonging to the central government are assembled daily in the Central Bank of Norway.

The Ministry of Finance has entered into agreements with some banks regarding payment services and administration of bank accounts. The agency shall use these agreements and choose a bank for payment services and administration of bank accounts.

The Ministry of Finance is responsible for establishing guidelines for the access of the agency to settlement accounts in the Central Bank of Norway and working accounts in the bank.

3.4.2 Incoming payments

3.4.2.1 Transfer to the working account of the agency

When the payer utilises a received invoice, the incoming payments shall be credited to the working account of the agency. The agency shall use information from the bank on each incoming payment to update the financial management system, cf. 5.4.2.

3.4.2.2 Payment at the office location of the agency

Incoming payments made at the office location of the agency may be accepted in cash or by cheque, or via point-of-sales terminal. Routines for handling cash and cheques, recording incoming payments and balancing the cash are described in 5.4.6.

3.4.3 Outgoing payments

3.4.3.1 Electronic transfer

Outgoing payments shall usually be done by electronic transfers between bank accounts without a special notification from the bank to the recipient. All outgoing payments shall be undertaken at the due date and credit periods shall be exploited.

3.4.3.2 Production and transfer of payment orders

Payment orders shall be produced in the financial management system of the agency. Payment orders shall be transmitted to the bank in an electronic format and in a secure manner.

3.4.3.3 Authorisation of payment orders

Before payment can be effectuated by the bank, it shall be authorised by a person in the agency with such an authorisation. In the case of small agencies, the superior ministry may approve that another central government agency or a central government service provider is given the authorisation to authorise payments on behalf of the agency. The authorising party or parties shall control that the present information in the system of the agency are in conformity with the number of transactions and the total sum present in the system of the bank. The authorising party shall not be able to alter the amount or account number in the payment order.

3.4.3.4 Processing reply

The bank delivers a processing reply for completed outgoing payments. The agency shall use the information in the processing reply to update its financial management system and to control against outgoing payments in the bank. Where updating is done manually, care shall be taken to ensure that that the processing reply is in accordance with the payment order transmitted to the bank.

3.4.3.5 Use of petty cash fund, payment cards and cheques

The agency may establish a permanent petty cash fund containing a cash holding limited to NOK 2,000. The cash holding may be extended beyond the amount agreed on subject to approval in writing from the superior ministry.

A petty cash fund shall only be used to meet minor, random expenses and shall not be used to pay advances (salary, travel) or remuneration of any kind.

Responsibility for the petty cash fund shall be assigned to a person (cashier) and proper routines must be established for balancing the cash, control and storage of the petty cash fund.

Payment cards shall not be issued for the working account of the agency, to avoid the account to be debited directly (charge card/bank card). A payment card issued in the name of the agency but not linked to the working account of the agency (credit card etc), may be utilised under provisions established by the Ministry of Finance.

The agency may as an exception to the rule make outgoing payments by cheque. Cheques shall be signed by two authorised persons.

3.4.4 Bank statement

The access of the to information and other details of working accounts in the bank and settlement accounts in the Central Bank of Norway is regulated in a framework agreement with the bank and in guidelines for settlement accounts in the Central Bank of Norway.

Movements on bank statements shall be controlled, and any unrecorded movements shall be recorded to enable reconciliation as described in chapter 4.

Chapter 4 The financial management system of the agency, bookkeeping, documentation and storage of accounting records

4.1 *Introduction*

This chapter contains provisions on the financial management system of the agency, bookkeeping, registration, reconciliations and storage of accounting records.

The provisions are based on basic principles of bookkeeping, documentation and storage. The purpose of the provisions is to ensure that the agency has systems and routines meeting requirements as to reporting, transparency and control.

4.2 *Basic assumptions for bookkeeping, documentation and storage*

Bookkeeping, documentation and storage of accounting information shall take place in accordance with the following basic principles:

- a) Access to the financial management system: An electronic financial management system shall be available which enables production of mandatory financial reporting (cf. 3.3.2) and mandatory specifications (cf. 4.4.3).
- b) Completeness: All transactions and other accounting dispositions shall be recorded.
- c) Reality: Recorded information shall reflect actual events or accounting assessments and relate to the agency.
- d) Accuracy: Information shall be recorded and specified correctly.
- e) Updating: Information shall be recorded and specified with a frequency that is consistent with the kind of information, the distinctive characteristics and the scope of the agency.
- f) Documentation: Recorded information shall be documented in such a way that verification and control are possible.
- g) Traceability: Two-way traceability shall exist between documentation, current mandatory specifications and mandatory financial reporting.
- h) Storage: Documentation, mandatory specifications and mandatory financial reports shall be stored in compliance with 4.4.7.

i) Protection: Accounting records shall be properly protected against unlawful change, deletion or loss.

4.3 *Functionality of the financial management system*

4.3.1 General requirements

The agency shall utilise an electronic financial management system for registration and accounting (bookkeeping and mandatory financial reporting) and for payment services. The system shall have a functionality that meets the duties that are imposed on an agency under these regulations and other applicable laws and regulations, including functionality that makes proper financial management possible.

A financial management system covers:

- an accounting system, with a general ledger and subsidiary ledgers
- a salary payment system
- an invoice processing system
- an auxiliary system

An auxiliary system produces or influences the content of recorded transactions and other accounting dispositions.

The financial management system shall provide a foundation for:

- a) matching accounting information to enable the agency to perform budgetary control and monitor progress of achieving objectives and results, as well as contributing necessary management information to the management of the agency and the superior ministry.
- b) delivering reports to the superior ministry on recorded expenses and revenues in relation to the appropriation, as a foundation for the overall responsibility for budgetary control of the ministry
- c) reporting information to the superior ministry on capital items which shall be specified in the capital accounts. (The ministries are required to report on capital items to the Ministry of Finance, cf. chapter 3)
- d) presenting mandatory financial reports (cf. 3.3.2). These include, respectively, accounting figures to be included in the central government accounts during the year and at year-end (cf. the annual circular from the Ministry of Finance) and other financial reporting established by law.

It must be possible to produce mandatory specifications, cf. 4.4.3, from all modules included in the financial management system (accounting system, salary payment system, invoice processing system and auxiliary systems). These overviews must be possible to produce on a monthly basis, and two-way traceability shall exist between documentation and specifications.

4.3.2 Functionality for bookkeeping and registration

In the financial management system it shall be possible to register data of each individual transaction or accounting disposition and in permanent registers, that ensure adequate monitoring and reporting of accounting information. It must be possible to register information meeting the requirements of reporting to the central government accounts, cf. chapter 3.

The financial management system shall have a functionality that enables:

- a) controls that ensure correct bookkeeping
- b) that recorded transactions and other accounting dispositions have references (voucher number and the like)

When the financial management system comprises more than one module, the system shall ensure correct transmission between the modules and re-use of registered data .

System functionality related to rectification of information is described in 4.4.6.

4.3.3 Payment services

The financial management system shall have functionality of payment services in compliance with requirements set in the agreements between the Ministry of Finance and the banks, cf. 3.4.

4.3.4 Reporting functionality

In the financial management system it must be possible to produce mandatory financial reports in compliance with 4.3.1d), mandatory specifications in compliance with 4.4.3, and other reports based on the need for management information, budgetary control, analyses etc, cf. 4.3.1a)-c).

A statement shall be prepared displaying differences, if any, between the agency accounts and the reporting to the superior authority and the Ministry of Finance.

4.3.5 Documentation of the financial management system

System documentation shall be available making it possible to get to know all parts of the structure and the operations of the financial management system. This includes documentation of all functions and registers for compilation of data, data storage and

handling of transactions in the financial management system, including the formation of system-generated items, handling of fixed data, set-up parameters, access controls and access rights, automatic and manual reconciliations and generation of mandatory specifications. There shall be a well arranged and a complete description of the two-way traceability, from compilation of accounting data through all processing stages to the reporting to the central government accounts.

The user documentation shall be designed such that a person with accounting skills can familiarise himself with the operations of the system for all functions and processes.

The system documentation and user documentation shall be updated when changes in the financial management system are made.

The documentation of and mandatory specifications from the financial management system shall be in Norwegian, Swedish, Danish or English.

4.3.6 Security in the financial management system

The financial management system shall have a level of security adapted to the activities of the agency which takes into consideration risk and significance derived from the activities.

The financial management system shall have access controls that protect the functions of the system and data against unauthorised amendments (data integrity). The access controls shall be based on all users having a personal identification key which is protected by a password or the like, and it must be possible to assign access rights tailored to the tasks of the users. The system shall meet legal requirements regarding to the data confidentiality.

The financial management system shall have functionality which – for all essential functions that involve updating of accounting data or generation or import of files with electronic signatures/seals (for example payment files) – logs personal identification, date and time for the activity. The log routines shall be designed in order to make it easy to read and search the log data. Secure procedures shall be established, including logging, for making amendments to stored data where the amendments are made without using the standard functions of the application.

Routines shall be established for application management and operation of the financial management system that ensure satisfactory accessibility to the functions and data of the system.

In connection with procurement of a new financial management system or significant upgrading of systems, the system shall be tested and formally approved by the agency before set into operation. The Office of the Auditor General shall be informed when the system is launched.

In connection with approval or attestation of electronic documentation, the documentation shall be endorsed with an electronic signature showing who has approved or attested the documentation. It must be possible to display whether any subsequent changes have been made to the documentation data.

The Ministry of Finance may lay down further provisions for security in the financial management system.

4.4 Bookkeeping, documentation and storage

4.4.1 General requirements

The requirements for bookkeeping, registration, documentation and storage shall ensure completeness, reality and accuracy in the production of financial reports and in the accounting data, to enable subsequent control of reports and bookkeeping.

4.4.2 Bookkeeping, registration and updating

All information that is necessary to prepare mandatory financial reports as mentioned in 3.3.2 and mandatory specifications as mentioned in 4.4.3 shall be recorded.

Bookkeeping shall take place as often as required by the distinctive characteristics and scope of the agency and the transactions involved. Bookkeeping shall be updated no later than by the deadline for reporting to the central government accounts.

Banking and cash transactions shall be registered on a daily basis, unless there are special reasons for longer intervals.

4.4.3 Content of mandatory specifications

Bookkeeping and registration shall be organised to comply with the following requirements given in the mandatory specifications:

a) Specification of bookkeeping

All recorded information per period, in which all items shall appear in ordered sequence with documentation date and documentation reference, assignment codes and other relevant processing codes. System-generated items may appear as total figures provided they are easily controllable. The same applies to items specified in underlying journals or the like (e.g. journal of invoices). These journals are in such cases part of the specification of bookkeeping.

b) Items that are transferred between modules in the financial management system (accounting system, salary payment system and auxiliary systems)

The following are listed in the issuing module:

- information ensuring unique identification of the transfer
- the number of transactions transferred
- total amount transferred

The following are listed in the receiving module:

- information ensuring unique identification of the transfer
- identification of the transfer from the issuing module
- the number of transactions transferred and received
- total amount transferred and received

c) Specification of accounts

All accounts per period, specifying for each account code of account and name of account all items in ordered sequence with documentation date and documentation reference, other relevant processing codes and opening and closing balance. Items in the specification of the account may appear as total figures provided they are specified in underlying journals or the like (e.g. journal of invoices). These journals are in such cases part of the specification of bookkeeping.

d) Specification of customers

All transactions with customers per period, specifying for each customer code and name, all items in organised sequence with documentation date and documentation reference and the opening and closing balance.

e) Specification of suppliers

All transactions with suppliers per period, specifying for each supplier code, name and organisation number, all items in organised sequence with documentation date and documentation reference and opening and closing balance.

f) Specification of value added tax

Agencies with sales liable to value added tax must be able to specify outgoing and incoming value added tax, and the accounting data for calculation of the tax per period, based on the accounts in the accounting system. The specification shall also display tax-exempt sales and withdrawals, sales comprised by the rules of reversed tax duty (see § 11-1 of the Value Added Tax Act), as well as sales and withdrawals not subject to the provisions of the Value Added Tax Act of 19 June 2009 no. 58. Outgoing tax shall also be specified per transaction.

g) Specification of taxable benefits

Taxable and non-taxable employee benefits shall be specified per period based on the accounts in the accounting system (posting summary). Benefits liable to social security tax must be possible to specify both by tax rate and by municipality.

4.4.4 Documentation of recorded information

Recorded information shall be documented in such a way as to permit subsequent verification and control. After issuance, documentation shall be properly protected

against amendments. If documentation contains more than one document, the primary document shall have references to the remaining documents.

Recorded information shall be easily traceable from documentation via specifications to mandatory financial reporting. Further, it shall be possible, based on mandatory financial reporting, to retrieve documentation for the individual recorded information in an easily verifiable way. The documentation shall be systematised to enable control of completeness.

4.4.5 Documentation of the balance sheet (reconciliations)

For each month and at year-end the agency shall produce reconciliations and specifications of recorded figures used for reporting to the central government accounts, internal management and reporting to the superior ministry. The reconciliations and specifications shall cover all balance sheet accounts, including interim accounts. Further, comments shall exist on older, unidentified items. The person performing reconciliations shall sign and date on the documentation which shall be stored. Depending on the complexity and size of the agency, consideration shall be given to the need to establish routines whereby another person signs for inspection of the reconciliations or specifications.

Recording on interim accounts in connection with outgoing or incoming payments which are not recorded on chapter and item, or where recording is made to chapter and item without an associated outgoing or incoming payment, shall be presented in the balance sheet and be included in the balance reported to the central government accounts as part of the internal government settlement with the Treasury.

Documentation for all balance sheet items shall be available when the accounts at year end are prepared.

4.4.6 Rectifying recorded information and other registered information

Routines and functionality of the system shall be established to ensure that errors and deficiencies arising in connection with bookkeeping, registrations and transfers are discovered and adjusted. Errors shall be adjusted within the system in which they arose, unless this is very difficult to do.

Recorded information shall not be amended or deleted. After recording, any adjustments shall be done by a new, documented recording (adjustment). Such adjustments shall be carried out by entirely reversing the original recording, and the voucher of adjustment shall contain a reference to the original voucher unless this is impractical.

Adjustments or amendments of other registered information (i.e. other than recorded information), which directly or indirectly affects recorded information and other

accounting dispositions, shall be documented to enable a subsequent control to be made of the accuracy of the adjustment or the amendment.

4.4.7 Storage requirements

4.4.7.1 Accounting records to be delivered to the National Archives or the state archives

The following accounting records shall be stored by the agency and handed over to the National Archival Services (National Archives¹⁵ or the state archives) when it is about 25 – 30 years old, cf. section 5-2 of regulations of 11 December 1998 no. 1193 relating to public archives:

- a) official presented total annual accounts of the agency, cf. 3.2.3
- b) the annual report with accounts at year-end of the agency, cf. 1.5.1
- c) trial balance of the general ledger at year end

4.4.7.2 Accounting records to be stored for 10 years

The following accounting records shall be stored for at least 10 years after the end of the accounting year:

- a) mandatory financial reporting not covered in 4.4.7.1
- b) instructions
- c) mandatory specifications
- d) documentation of recorded and deleted information (accounting vouchers), including:
 - vouchers produced when updating the financial management system in connection with recording of processing replies and posting data from the bank
 - bank account statements, all with underlying documentation such as credit transfer and other transfer forms documenting incoming payments
 - salary journal, specification of all transactions per employee per period
 - posting lists
 - self declarations
 - documentation showing who has utilised budget disposition authority in connection with purchase order placement, purchase order confirmation, invoice, voucher, letter of grant commitment or by other appropriate means
- e) balance sheet documentation (reconciliations) at year-end
- f) agreements relating to the agency, except agreements of minor importance
- g) correspondence providing significant additional information in connection with one recorded information
- h) log of changes in the financial management system

¹⁵The National Archive is in Norwegian termed “Riksarkivet”.

- i) system documentation for the financial management system, cf. 4.3.5, including historical versions

4.4.7.3 Accounting records to be stored for 3 years and 6 months

The following accounting records shall be stored for at least 3 years and 6 months after the end of the accounting year:

- a) authorisations
- b) outgoing packing notes or equivalent documentation available on paper at the time of delivery
- c) price overviews where the preparation is required by law or regulations

4.4.7.4 Other documentation and accounting records

Other documentation and accounting records shall be stored until the results of the audit by the Office of the Auditor General in the Document no. 1¹⁶ have been considered by the Storting. Accounting records cannot be shredded if the audit has not been finished, even if the deadlines in 4.4.7.2 and 4.4.7.3 are reached.

4.4.7.5 Electronically stored information

Recorded information that can be accessed electronically shall be available for usage by the application for at least 3 years and 6 months after the end of the accounting year.

4.4.7.6 General requirements on storage of information

Accounting records subject to the storage obligation shall be stored in an organised manner and be properly protected against destruction, loss and amendments. The accounting records must be available for control throughout the period of storage in a form that permits verification.

Accounting records and accounting data shall be stored in a medium that maintains the reading quality throughout the period of storage and must be printable on paper throughout the period of storage.

Accounting records on paper do not need to be stored if the records are scanned for storage in electronic form. Accounting records in paper form shall however be stored until a security copy of the scanned version has been taken, cf. 4.4.7.7.

Archives which are no longer in use for administrative purposes (older archives), and archives from entities that have been closed down or have ceased their activity (terminated archives), shall be delivered to the National Archival Services, cf. section 5-1 of regulations of 11 September no. 1193 relating to public archives.

4.4.7.7 Security copy

¹⁶ Document no.1 is the Office of the Auditor General's most important yearly publication, which provide the Storting and the general public with information on the results of the audits. The audit results can also be found summarised in the Annual report which is translated to English.

A security copy of the information and the accounting records which is stored by electronic means, must be available. The security copy must be stored separately from the original.

4.4.7.8 Other provisions on storage

The Director General of National Archives may lay down provisions requiring certain accounts series to be stored entirely or in part for subsequent handover to the National Archive Services.

Reference is also made to the Archives Act of 4 December 1992 no. 126, regulations of 11 December 1998 no. 1193 relating to public archives and regulations of 12 December 1999 no. 1566 on supplementary technical and archive-related provisions on treatment of public archives.

4.5 Organisation of financial management

4.5.1 Authority and responsibilities

The agency decides how the financial management is to be organised, within the framework of the Regulations on Financial Management in the Central Government and existing Provisions as well as any instructions from the superior ministry (cf. chapter 1).

The following tasks shall as a principal rule be performed by employees of the agency:

- a) use of budget disposition authority and ensuring correct determination of revenue claims, cf. 2.5
- b) attestation of expenses including salary calculations, cf. 2.5
- c) approval of reporting to the Ministry of Finance and superior ministry
- d) authorisation of payment orders, cf. also refer to 3.4.3

4.5.2 Models for segregation of duties

The manager of the agency has an independent responsibility for financial management , irrespective of whether parts of such duties are performed by others.

The following three main models of segregation of duties between the agency and other entities in or outside the central government may be utilised:

- I. Other central government agencies under their own or another ministerial area may carry out parts of the financial management for the agency. The agency shall perform duties a) to d) in 4.5.1 by itself.
- II. Private or central governmental service providers may permit the agency to operate ICT infrastructure and financial management systems, including auxiliary systems for electronic invoicing. The agency shall notify the Ministry of Finance

in writing when such agreement has been entered into, including what services are covered by the agreement.

- III. Private or governmental service providers approved by the Ministry of Finance may perform integrated salary and financial management services for the agency.

The superior ministry may in the case of small agencies give its approval for another government agency or a central governmental service provider to be authorised to authorise payment orders on behalf of the agency.

All models shall be regulated in an agreement in order, among others, to ensure clear-cut tasks and duties, agreed service quality and adequate data security. In the case of model I it may, after an overall assessment of the control, also be agreed that attestation (task b) may be performed by another agency.

The segregation of duties between the agency and service provider shall be planned in such a way that the agency has adequate knowledge and competence to fulfill its independent responsibility for financial management, as well as the basis and documentation needed to perform duties which the agency itself is required to perform (cf. above). Any segregation of duty which departs from the requirements of the regulations and provisions must be approved by the Ministry of Finance.

Chapter 5 Routines for handling salaries, procurements and revenues

5.1 *Introduction*

This chapter contains provisions on systems and routines for handling salaries, procurements and revenues as well as control activities in that connection.

The purpose of the provisions is to ensure that salaries, procurements and revenues are handled in accordance with applicable laws, regulations and agreements, and that revenues and expenditures are monitored. The purpose is further to ensure that revenues of agencies are correctly determined and paid and that outstanding claims are monitored.

5.2 *Salaries and taxable and non-taxable benefits*

5.2.1 *General requirements*

The agency shall establish systems and routines which ensure that salaries and other taxable and non-taxable employee benefits are registered correctly, calculated, recorded, paid and reported. The agency shall use an electronic financial management system with functionality enabling the agency to retrieve necessary information from the system for the purpose of budgetary control, reporting etc, cf. 4.3.

Authorisations and organisation of the work shall be documented, and methods and measures shall be established to prevent, disclose and rectify errors and deficiencies in the systems and the routines, cf. 2.4.

Where the financial management system has functionality for performing the controls stated in 5.2, such controls may be performed by the system.

5.2.2 *Transaction control*

For salaries and other taxable and non-taxable benefits transaction control under 2.5.2 shall be attended to by:

- *budget disposition authority* to be in place at the time of appointments and orders or approvals of staff-related dispositions involving taxable and non-taxable benefits
- *attestation* to be in place at the time of salary calculation confirmation

There will be also be control activities regarding the production of salary calculation proposals.

5.2.3 Disposition of budget

5.2.3.1 Appointments, salary determination and salary change

Agreement of appointment shall be entered into by an employee who has budget disposition authority.

Determination of salary at the time of appointment along with salary changes established at the local level under a wage agreement or other agreement may only take place if there are budget allowances. Salary changes established in negotiations at the central level between the central government and the main unions or autonomous organisations with negotiating rights, and where resources are set aside for local-level negotiations, shall however be implemented.

5.2.3.2 Taxable and non-taxable benefits

Orders of and approval of staff-related dispositions entailing taxable and non-taxable benefits shall be confirmed by an employee who has budget disposition authority. This person shall ensure that there is budget allowance for the expenses and that a need is in place.

5.2.4 Handling salaries and taxable and non-taxable benefits

5.2.4.1 Registration

The agency shall register the necessary data in the system to ensure correct outgoing payment and reporting of salary and other taxable and non-taxable benefits. Documentation shall be available justifying the information before registration can take place. There shall be two-way traceability between documentation, mandatory specifications and mandatory financial reporting. The data used at registration may be paper-based or electronic.

5.2.4.2 Calculation, control and attestation

A salary calculation proposal (salary proposal) shall be produced before final confirmation of salary calculation (salary confirmation) can take place. The salary calculation proposal shall provide a foundation to disclose any incorrect registration or faulty handling.

The following shall be controlled against the salary calculation proposal:

- list of errors, if any
- changes in central fixed data since the previous salary period (minimum rates, salary grades and bank account numbers)
- the number of salary recipients receiving outgoing payment
- total amount for outgoing payment
- substantial net amounts for outgoing payment

- negative net amounts
- proposal for posting summary (specification of gross expenses per account)
- proposal for salary journal (random check)

Errors and deficiencies that are disclosed shall be rectified and a new salary calculation proposal shall be produced. The same routines shall be employed for rectification purposes as for the original registration.

Based on the controlled salary calculation proposal, confirmation of the salary calculation shall be produced to be attested prior to outgoing payments of salaries. If the agency employs other parties within or outside the central government to attend to controls related to the salary calculation proposal, cf. 4.5.2, the agency must ensure that it has sufficient foundation and documentation to carry out a reasonability control when attesting the confirmation of salary calculation.

5.2.4.3 Bookkeeping and outgoing payments

Gross salary and other taxable and non-taxable benefits, including withholdings and deductions, shall be recorded in the accounts based on the confirmed salary calculation. The agency shall thereafter control and rectify any entries to error detecting accounts.

The confirmation of salary calculation shall be the foundation for the payment order to the bank. The routines and control activities described in 3.4.3 shall be utilised for outgoing payments of salaries and other taxable and non-taxable benefits.

5.2.4.4 Reporting

The agency shall register and record salaries and other taxable and non-taxable benefits in order to ensure compliance with applicable laws and agreements on reporting, including reporting to the tax collector, the Norwegian Public Service Pension Fund¹⁷ and the National Insurance Organisation¹⁸, as well as deductions of subscription of memberships and other deductions made by the agency. It must be possible to reconcile reported data with corresponding registered and recorded data in the financial management system.

5.2.4.5 Reconciliation

Recorded salaries and taxable and non-taxable employee benefits shall be subject to periodic specification per account, which shall be reconciled against corresponding amounts to be reported. Furthermore, a periodic balance sheet specification of salary-related balance sheet items and unpaid withholdings and deductions and duties shall be produced.

The confirmation of salary calculation in the period shall be reconciled with the outgoing payments of salary in the period.

¹⁷ Statens Pensjonskasse is the Norwegian Public Service Pension Fund.

¹⁸ Trygdeetaten is the National Insurance Organisation, which from 1.1.2006 is included in NAV, the Norwegian Labour and Welfare Organisation.

5.3 Procurements

5.3.1 General requirements

The agency shall establish systems and routines that ensure that the procurement of goods and services is done in an efficient and proper manner.

Authorisations and organisation of the work shall be documented, and methods and measures designed to prevent, disclose and rectify errors and deficiencies in the systems and routines shall be established, cf. 2.4.

Transaction controls under 2.5.2 of procurements shall normally be done in connection with ordering and handling of invoices. If the financial management system has functionality for performing the controls stated in 5.3, the controls may be performed by the system.

5.3.2 Other regulations and agreements in this area

Particular reference is made to Act of 16 July 1999 no. 69 relating to public procurement, with subordinate provisions.

The government has entered into framework agreements regarding procurement in a number of areas. The agency may be under obligation to use these agreements.

5.3.3 Budget disposition and ordering

Orders placed for goods and services shall be confirmed by an employee who has budget disposition authority. Before an order is effectuated, the person with budget disposition authority shall:

- a) control that the procurement is authorised by a decision of the Storting, a letter of allocation or other decisions, and that the disposition otherwise is in compliance with applicable laws and regulations
- b) control that there is budgetary allowance for the procurement
- c) control that the procurement is financially prudent

The order may be effectuated by another employee of the agency.

The identity of the person, who has exercised budget disposition authority, in a transaction shall be documented, cf. 2.5.2.1.

5.3.4 Receipt of goods

The agency shall have routines for controlling that received goods are as per order, list of contents or other relevant documentation, and for measures to be used in the event of a

discrepancy. The extent of control routines shall be adapted to the size and complexity of the procurement.

5.3.5 Handling of invoices

The agency shall have routines and a system for electronic invoice processing ensuring an overview and uniform handling of invoices and other documents of outgoing payments.

5.3.5.1 Receipt of invoices

Upon receipt, invoices shall be controlled for relevance to the agency.

The agency should be able to receive electronic invoices and other disbursement documents on a predefined standard format. If the agency receives electronic invoices or other disbursement documents on another format than the predefined standard format, these can be converted to the standard format.

If the agency receives paper invoices, these shall be converted to electronic form. Other disbursement documents received on paper, shall be converted to electronic form unless this is not efficient for the agency. Conversion must be done in such a way as to ensure that the contents are not amended.

5.3.5.2 Attestation control

Attestation includes controlling:

- a) that the invoice is provided with information displaying the content of the procurement, in the event with a reference to where such documentation is to be found, and with information enabling correct payment, registration and control
- b) the order documentation, potential agreement, focusing on price, payment obligation and other relevant provisions
- c) any documentation for receipt of goods or delivery of services against the invoice, to ensure that the ordered goods or services have been received in accordance with the specifications given. Regarding procurement of services, a control shall if possible, be made to ensure that the service has been ordered and performed as per agreement and that the result is satisfactory
- d) the posting, in the event entering such information, including that the amount is charged to the correct chapter and item or account

If alterations of the content of the invoice are needed, a new or rectified invoice must be sent.

5.3.6 Recording and outgoing payments

Each invoice shall be recorded with the following information:

- posting
- identification of the supplier
- identification of claim (invoice data, invoice number)
- customer identification (“KID”), where supplied
- due date
- amount
- bank account number of supplier

The systems and routines of the agency shall ensure that recording is done to the correct supplier, at the correct time, with the correct amount and that outgoing payment is made in due time. In connection with recording, a control shall be made to ensure that the documentation is posted and attested and that the disposition has been undertaken by a person with budget disposition authority.

The routines and control activities for outgoing payments are described in 3.4.3.

5.3.7 Registration of assets

Operating assets with an individual purchase value in excess of NOK 30,000 shall be registered. The agency shall consider the need to register other assets and to establish routines for this registration.

5.3.8 Major procurements

Some procurements are large both in terms of the overall expenses involved and the time it takes from ordering to completed delivery (projects), such that separate routines and methods are required to ensure control of progress made, quality and expenses.

In the case of major procurements where the costs accrue over time, separate accounts (project accounts) shall be prepared. Statements shall be produced on a regular basis showing expected residual expenses before completion against budget and appropriation.

In the case of major procurements or extensive special productions with a long production period, the part-deliveries or individual elements shall be quality assured on an ongoing basis to ensure that the final product is of satisfactory quality. Quality assurance must be adopted to the risk associated with the delivery or special production.

All government investments where the overall cost estimate exceeds NOK 500 million shall have a quality assessment by an external party of the cost estimate and the management regime, before the projects are presented to the Storting. The Ministry of Finance has entered into a framework agreement with suppliers of such services, which is mandatory to use. Ordering under the framework agreement is done jointly by the responsible ministry and the Ministry of Finance.

5.4 Revenues

5.4.1 General requirements

The agency shall establish systems and routines to ensure that revenue claims are legally binding and that claims are determined, issued and paid with the correct amount. Further, the systems and routines shall ensure that incoming payments can be done by the due date of payment and that outstanding claims are monitored in a proper manner. If the financial management system has functionality for performing controls stated in 5.4, such controls may be performed by the system.

Authorisations and organisation of the work shall be documented, and methods and measures designed to prevent, to disclose and to rectify errors and deficiencies in the systems and routines, cf. 2.4, shall be established.

Agencies with sales subjected to value added tax shall organise their bookkeeping in such a way that requirements as to outgoing payment and reporting of tax are complied with.

5.4.2 Handling of claims with ex post ingoing payments

5.4.2.1 Determination of claims

A foundation of revenue claims can be established by various means. A claim may be based on delivery by agreement, self declaration, taxable or chargeable event or any other factor.

In the case of claims where ingoing payment is to take place ex post, the agency shall have systems and routines ensuring that claims are determined with the right amount and that the claim is legally binding.

5.4.2.2 Issuance of invoice

When an invoice is issued, control shall be made to ensure that the invoice journal or the equivalent is in accordance with established requirements. The control shall ensure conformity between the invoice and the foundation of the claim. As an alternative to controlling the individual claims, random controls can be done based on an assessment of risk and significance. Manually performed controls shall be signed for documentation.

The contents of invoices shall meet the requirements of applicable laws and regulations.

When an invoice is issued, the agency shall consider whether it should use a unique identification of the customer and/or claim, a so-called KID number.

5.4.2.3 Recording of claims

Invoiced or self-declared amounts shall be recorded based on a signed invoice journal or the equivalent. A control shall be made to ensure that the recorded amount is in accordance with the invoice journal.

For other claims, such as incidental revenues and refunds the agency shall consider whether it would be useful to employ a sales ledger for monitoring.

5.4.2.4 Incoming payments

Payment to the bank is the basis for settling claims in the sales ledger. The systems and routines of the agency shall ensure correct updating and recording of identical amounts in the sales ledger and the general ledger, and that there is satisfactory traceability within and between the systems for verification purposes.

Routines shall be established for repayments of amounts which are erroneously paid to the agency and for amounts to be repaid for other reasons.

5.4.2.5 Monitoring of claims which are not paid as expected

The agency shall have routines for monitoring claims which are not paid when due. Such routines may contain the following main activities:

- claim reminders
- securing claims by distraint
- realisation of security

The collection must continue as long as there is a possibility of recovering the claim, in whole or partly. Evaluation shall inter alia be taken of any suitable assets for distraint, the possibility for deduction in salaries or netting the claims of the debtor against other government balances. Further, it should be considered declaring the debtor bankrupt.

5.4.3 Suspending recovery

If, after a thorough assessment, it becomes clear that it is currently not possible to recover the claim, the recovery may be suspended. The same applies where the costs of continuing the collection process exceed the expected incoming payment. Recovery shall be resumed if the basis for recovery improves.

If a claim is unlikely to be settled, i.e. a loss is expected, it shall be recorded out of the sales ledger and the accounts. The steps taken to collect the claim shall be documented. The claim will remain in effect vis-à-vis the debtor and may be raised again at a subsequent time should possibilities for recovery arise. As long as a claim may still be raised against the debtor, the claim shall remain in effect even if removed from the sales ledger and expensed in the accounts. The agency may employ sales ledger functionality to maintain such surveillance.

Should the claim be settled at a later point in time, the amount paid shall be recorded as revenue in the agency accounts.

In cases where recovery has been suspended, the future possibilities for recovery shall be closely assessed before the limitation period for the claim expires, cf. Act of 18 May

1979 no. 18 on the limitation of claims. If a possibility for recovery of the claim remains in the future, the limitation period shall be interrupted. In the opposite case the agency may allow the claim to become statute-barred. The agency shall lay down guidelines on who can decide not to interrupt a limitation period and the conditions for doing so, including possible thresholds for such authorisation.

In the case of claims arising in relation to taxes, duties, allowances, loans and the like, separate regulations may have been laid down in special legislation, regulations, tax decisions etc.

5.4.4 Cancellation of claims

When a claim is cancelled it is no longer legally binding on the debtor. Cancellation of government claims generally requires authorisation based on a decision of the Storting. Where general authorisation has not been given in law or plenary decision, the question of cancellation shall be submitted to the Storting as a separate case. In minor cases the King and the Ministry of Finance may also consent to cancellation of claims. All cases of cancellation shall, where no authorisation exists in law or plenary decision, be referred to the Ministry of Finance.

5.4.5 Accounting treatment of terminated claims

A claim may terminate so that a legal right to enforce it no longer exists. This applies for example to claims that are statute-barred, cancelled or where the liable party has dropped. Such claims shall be removed from the sales ledger and the accounts unless this has already been done.

5.4.6 Cash sales and cash payment of claims

The agency may establish a fund for cash sales or cash payment of raised claims at its office location. When such a fund is set up, routines shall be established for registration and recording of incoming payments, secure storage and transport of cash and cheques as well as balancing the cash.

Registration of payments shall take place at a cash register, terminal or equivalent system. The payer shall be given a receipt. If the agency receives incoming payments on a sporadic basis, documentation may be by pre-numbered vouchers. Registered incoming payments shall as a general rule be recorded in the financial management system of the agency on a daily basis, cf. 4.4.2. As regards incoming payments of raised claims, amounts paid shall be registered and recorded to ensure full agreement between claim and incoming payment.

Cash and cheques shall as a general rule be deposited in the working account of the agency on a daily basis. If cash payments are of limited scope and there are facilities for proper safekeeping, cash and cheques may be deposited in the working account at longer intervals than daily.

The cash fund shall as a general rule be balanced on a daily basis. Where scope or other considerations permit, the cash fund may be balanced at longer intervals than daily. Balancing shall at least display total revenues, reconciled against receipts of cash, cheques and payments via point-of-sales terminals. Documentation of information registered in the fund collated with the balanced cash statement shall be signed and dated. Any discrepancies in the cash fund shall be explained.

5.4.7 Acquisition, management and safekeeping of securities

The agency shall register securities. The agency shall have routines for acquisition, management and safekeeping of securities, including controlling that statements from the Central Securities Depository are in accordance with the transactions done and that the agency has ensured authority for the securities.

Securities shall be managed in accordance with the decisions and premises of the Storting.

Physical securities shall be kept at the individual ministry or at the Central Bank of Norway by agreement. The ministry may delegate this task to an underlying agency.

Sending of physical securities by post shall be registered. Other sending shall be undertaken in a proper manner and a receipt shall be obtained from the recipient.

5.4.8 Receipt of insured mail

The agency shall have routines to ensure proper treatment of insured mail. The routines shall ensure that all insured mail immediately is registered in a journal of insured mail and that amounts received as soon as possible are deposited in the working account at a bank and recorded in the accounts.

Chapter 6 Administration of grant schemes

6.1 Introduction

This chapter contains provisions on the establishment and administration of grant schemes and for individual grants.

The purpose of the provisions is to ensure efficient and appropriate design and monitoring of grant schemes.

Appropriations of grants shall be identified in the adopted central government budget by use of item numbers 60–89. Grants to local authorities¹⁹ (item numbers 60–69) are special mention in 6.4.1. The provisions in chapter 6 also apply to any grants that are administrated by state-owned funds, and agencies that receive appropriations given in item numbers 50-59.

6.2 Preparation of a grant scheme

6.2.1 Design of a grant scheme and presentation to the Storting

6.2.1.1 Main elements

The design and emphasize of the main elements in a grant scheme described below shall be based on a concrete assessment for each scheme. The main elements shall be considered in close conjunction.

a) Objectives of the scheme

The ministry shall in connection with appropriation proposals produce formulations which make clear what the government wishes to achieve with the grant scheme (the objective) and which target group it is aimed at.

b) Criteria for achievement of objectives

The ministry shall establish what information is to be obtained from the grant recipient or in the event other sources to evaluate the achievement of objectives.

c) Allocation criteria, including calculation rules

The ministry shall develop criteria for allocation. In the case of grant schemes where allocations are made on the basis of quantifiable criteria or as a percentage of a budget or accounts, calculation rules shall be established.

d) Monitoring and control

¹⁹ Include municipal and county authorities.

The ministry shall ensure that rules are established regarding necessary control of information which allocation is based on and which is included in the subsequent reporting, cf. 6.3.8.

e) Evaluation

The ministry is responsible for ensuring that grant schemes are evaluated, cf. 6.5.

6.2.1.2 Regulations

The ministry shall lay down provisions to regulate a) to d), and in the event e). Some of the provisions will take the form of subordinate regulations according to the Public Administration Act section 2c. These are:

- rules on conditions for receiving grants that are regarded as individual administrative decisions
- rules giving the recipient a legal right or producing a legal framework for the discretionary powers of the administration
- procedural rules that private individuals may invoke and which may have invalidity effects if broken.

Such provisions should, be kept separate from rules containing administrative instructions and organisational provisions if the ministry does not wish to lay down all the provisions as a set of subordinate regulations.

In the case of simple grant schemes where the allocation has not the character of an individual administrative decision, a description of the provisions may be given in letters of allocation or assignment.

6.2.1.3 Presentation to the Storting

The ministry shall make a presentation to the Storting covering the main elements mentioned in 6.2.1.1 and their relationship when placing a motion on a new grant scheme. The scope of the presentation to the Storting shall reflect the scope and importance of the grant scheme.

In connection with a proposal for a new annual appropriation to an existing grant scheme, an alternative is to refer to the premises underlying the previous decisions of appropriations (in the budget proposition and the recommendation by the committee of the Storting). The main elements must however be assessed and presented anew at regular intervals.

The ministry shall report in its budget proposition to the Storting the results achieved by the grant scheme given the established objectives.

6.2.2 Establishment of an administrative organisation

The ministry shall ensure that the administration of grant schemes is organised in an efficient and proper manner.

6.2.2.1 Grant administrators within the central government

The ministry may be the grant administrator or it may delegate administration to a subordinate agency. The ministry may delegate authority to lay down further rules for how a scheme shall be administrated, to process applications and to make decisions on allocations. When delegating, the ministry shall to the extent necessary specify the requirements following from a) to e) in 6.2.1.1. Specification shall be made in the letter of allocation or in a separate set of rules governing the grant scheme, cf. 6.2.1.2. The ministry shall control that the agency administers grants in a proper manner, cf. 1.5 and 6.3.8.

A ministry which is a grant administrator may delegate control authority to a subordinate agency (agencies).

When delegating grant administration to a subordinate agency belonging to another ministry, the delegating ministry is responsible for clarifying the division of duties between the two ministries.

6.2.2.2 Local and county authority grant administrators

A ministry may in consultation with the Ministry of Regional and Local Government Development transfer the administration of central government grants to local or county authorities.

The ministry shall prepare a letter of assignment where the requirements following from a) to d) and in the event e) in 6.2.1.1 in respect of the individual grant scheme are described, in the event with reference to a separate set of rules governing the scheme, cf. 6.2.1.2. The ministry shall control that the administration is done in a proper manner, cf. the provisions of 6.3.8.

6.2.2.3 Grant administrators owned by the government

The ministry may transfer the administration of government grants to state limited companies, state-owned enterprises, companies established by special statute and other independent legal entities which are wholly owned by the government. The question of transferring administrative duties shall be submitted to the Ministry of Finance beforehand. A letter of assignment shall be prepared and control shall be maintained as required by the provisions of 6.2.2.2.

6.2.2.4 Grants administered by foundations, private agencies etc.

Where there are no relevant public agencies to which administrative duties can be transferred to (cf. 6.2.2.1-6.2.2.3), the administration of government grants may be transferred to another agency (foundation, private agency, independent legal agency partially owned by the government, etc.) when this is considered prudent and the agency concerned is willing to accept such a task. When the grants are distributed across several levels within an organisation, the ministry must have considered whether the central part in the organisation shall be grant administrator or grant recipient.

Decisions to transfer administrative duties for new grant schemes to foundations, private agencies etc must be approved by the Ministry of Finance and described in the appropriation proposal from the ministry concerned. Reference is made to other applicable laws and regulations, including the Public Administration Act, the Freedom of Information Act and rules governing public procurements.

The ministry shall prepare a letter of assignment in which the requirements of a) to d) and in the event e) in 6.2.1.1 are described for the individual grant scheme, in the event with reference to a separate set of rules governing the scheme, cf. 6.2.1.2. The ministry shall control that the administration is done in a proper manner, cf. the provisions of 6.3.8.

6.3 Grant administration

6.3.1 General requirements

The grant administrator shall comply with the provisions embodied in the letter of allocation or letter of assignment and in the event a separate set of rules governing the grant scheme.

6.3.2 Notification and application processing

Notification shall be undertaken in order to reach the entire target group for the grant appropriation. Notification is not necessary where the grant appropriation is directed at one or a small number of named recipients in compliance with 6.4.2.

Processing of applications shall comply with the rules of the Public Administration Act and in the event special legislation governing the grant scheme.

6.3.3 Letter of grant commitment

Commitment of a grant amount based on an approved application shall be confirmed by letter of grant commitment. A letter of grant commitment shall be sent to each individual recipient, or to a body that is authorised to pass on information on commitments.

The letter of grant commitment with supplements, if any, shall describe:

- the purpose and the type of measure the grant is to support
- the grant amount
- arrangements of outgoing payments
- any conditions applying to the use of the resources and any deadline for the acceptance of these conditions by the recipient
- reporting requirements
- control measures which may be imposed, with reference to the Appropriation Regulations section 10 second paragraph

- possible reactions should the recipient fail to act in accordance with the premises for the grant

In government grant administrators, letters of grant commitment shall normally be signed by a person with budget disposition authority for the grant appropriation in question, cf. 2.5. Where budget disposition authority rests with a collegiate board, council or the equivalent, or where letters of grant commitment are sent on a mass basis, the decision may be communicated by an authorised member of staff.

All grant amounts shall be attested prior to outgoing payments. The attesting person shall control that the proposal of outgoing payment is in accordance with the decision of the grant (letter of grant commitment), and that the grant recipient has submitted documentation or acceptance of conditions should this be required.

In the case of substantial flows of outgoing payments, transaction controls and documentation thereof may be undertaken on the basis of reports (summaries) from an auxiliary system or other modules of the financial management system, cf. 2.5.1. This entails that letters of grant commitment can be sent without being signed.

In the case of grant schemes where an agreement is entered into with the individual grant recipient, for example on the basis of a tender competition, all or parts of the content of a letter of grant commitment as referred to above may instead be incorporated in the agreement.

6.3.4 Registration of commitments etc.

The commitment of a grant amount shall be registered so that the grant administrator has an overview of commitments entered into.

Grant administrators within the central government shall comply with the provisions on bookkeeping, documentation and storage set out in chapter 4. Other grant administrators shall comply with requirements as to bookkeeping, documentation and storage established by the ministry concerned.

6.3.5 Outgoing payment and in the event repayment

Grants shall be paid when the recipient needs to meet the expenses concerned in accordance with Storting decision of 8 November 1984:

- a) Grants for the operation of an agency shall be paid in instalments (per month, quarter or half-year), adapted to the size of the amount, the purposes it is to support and administrative costs related to outgoing payments.
- b) Wage subsidies shall be paid as close as possible to the date of wage payment.

c) Grants for major procurements shall be paid as close as possible to the date of settlement.

d) Beyond these, grants shall not be employed to balance the liquidity of the agency. Bringing forward outgoing payments, so that the recipient can place the grant as an interest-bearing deposit or loan to achieve revenues in addition to the appropriated amount, is not permitted.

In the case of investment measures taking time to implement, outgoing payments may take place in stages when reports are received on the progress made.

The grant administrator shall establish collection routines that ensure repayment should a final settlement entail that the recipient must repay an amount paid in excess. Where an excess amount has been paid as a fixed annual allocation in a grant scheme which is continued in subsequent years, the allocation for subsequent years may be reduced by an amount corresponding to the excess outgoing payment.

Grant administrators within the central government shall comply with the provisions governing systems and routines for outgoing payments described in chapter 3. Other grant administrators shall comply with the requirements for outgoing payments established by the ministry concerned.

6.3.6 Information on achievement of objectives

Grant administrator shall obtain reports from grant recipients making it possible to assess the degree of achievement of objectives. The criteria for achievement of objectives shall be in accordance with the decisions and premises of the Storting. The criteria shall be concrete and precisely formulated in order to enable monitoring without disproportionately large costs. Grant recipients must be instructed to submit reports in accordance with these criteria. The scope of the reporting requirements shall not be greater than is reasonable in relation to the utility the grant represents for the grant recipient. Consideration shall also be given to the practical opportunities each individual recipient has to get information.

Reporting by a grant recipient may be replaced or supplemented with information from other sources if these provide relevant and satisfactory information.

6.3.7 Reporting to the ministry

Grant administrators within the central government shall report in accordance with the requirements set by the ministry in the letter of allocation or in a separate set of rules governing the grant scheme.

Other grant administrators shall report in accordance with the requirements set by the ministry in the letter of assignment or in special set of rules governing the grant scheme.

6.3.8 Monitoring and control

6.3.8.1 Internal control system within the grant administrator

In order to ensure correct administrative procedures when allocating and paying grants, the grant administrator shall establish systems, routines and measures designed inter alia to prevent, disclose and rectify mistakes and deficiencies, cf. 2.4 on internal control system.

The measures shall ensure correct:

- registration of fixed data
- application processing, including documentation of calculation results
- registration of grant commitments entered into
- outgoing payment of grants to the correct recipient at the correct time
- recording in the accounts
- handling of documentation from the grant recipient

6.3.8.2 Control of information from the grant recipient

The grant administrator shall control information submitted by the recipient which is of significance for the grant administrators calculation of the amount and for allocation. Control measures that are performed shall be documented in a satisfactory manner. The grant administrator shall also control reports on achievement of objectives that are subsequently submitted by the grant recipient, cf. 6.3.6.

The control shall be adopted to the individual grant scheme and shall be assessed in relation to the objective of the scheme. The control shall have a reasonable scope in relation to the utility of the control and the costs of the control.

The grant administrator shall identify, respectively, the risk of errors arising due to problems in interpreting the grant conditions and the risk of irregularities. Based on an assessment of the overall risk level and identification of the key risk factors, a decision shall be made on which control points are most relevant and who shall undertake the control.

6.3.8.3 Auditor attestation

Each ministry must consider to what extent information reported by the grant recipient shall be attested by a chartered accountant or registered auditor.

6.4 *Deviations from the ordinary procedure*

6.4.1 Grants to local authorities and county authorities

For the administration of block grants under chapter 571 and chapter 572 of the central government budget, the requirements and premises established in the annual budget propositions and in the annual local government propositions apply instead of the general

provisions of this chapter. However, the provisions on the internal management of the agency in chapter 2 and on payment services in chapter 3 also apply here.

As a general rule the ordinary provisions of chapter 6, including 6.2.1, apply in the case of earmarked grants to local authorities and county authorities. In the case of earmarked grants of less than NOK 100,000 to the grant recipient (the local authority or county authority), however, the requirements of reporting by the recipient are as a general rule waived (cf. 6.3.6).

Furthermore, for earmarked grants deviations from the ordinary procedure may be used in the following cases, based on the fact that both local authorities and county authorities are clearly delimited target groups:

- notification and other information
- design of applications
- rules for handling of complaints

6.4.2 Other deviations from the ordinary procedure

The procedure described above in chapter 6 applies to an ordinary situation in which a grant appropriation is to be distributed among a number of applicants. Cases will arise where some paragraphs are not applicable due to the character of the grant appropriation:

- a) When the grant recipient is named in the actual appropriation decision or is referred to in the budget proposition in such a way that the grant appropriation must be considered to be earmarked for the recipient concerned, the ministry may make an exception from the main elements of the procedural provisions in the following cases:
 - 6.2.1.1c), requirements to formulate allocation criteria, including calculation rules
 - 6.2.1.2, requirements to formulate regulations
 - 6.3.2, requirements as to notification
- b) The provisions of 6.2.1 shall also be adapted to the size of the grant amount. Relatively small contributions may be given by the grant administrator after a brief administrative procedure and without a complete letter of grant commitment or detailed control measures.
- c) In the case of grants made by the government as a member of an international organisation, by agreement with other countries on measures of co-operation or by agreement with international voluntary organisations, requirements as to notification, application and formulation of letters of grant commitment do not apply.

d) In the case of grant schemes for the agricultural sector which are not targeted measured, deviations may, to the extent necessary, be made from the provisions of 6.2 and 6.3. An account of such deviations shall be given in the budget proposition of the ministry.

6.5 Evaluation of grant schemes

The ministry and grant administrator shall ensure that evaluations are conducted to obtain information on whether grant schemes are efficient in terms of resource use, organisation and objectives set.

The frequency and scope of evaluations shall be based on an assessment of risk and significance for the individual grant scheme, including the scope and importance of the grant scheme, the quality and scope of other reporting and the degree to which the annual results is possible to describe. Evaluations must be considered in conjunction with the requirements for reporting, cf. 6.3.6.

The resources utilized on evaluations shall be of reasonable scope in relation to the utility of the information obtained.

The ministry shall at the end of each year send the Office of the Auditor General an overview of grant schemes which have been evaluated.

Chapter 7 Administration of benefit schemes for private individuals

7.1 Introduction

This chapter contains provisions on the establishment and administration of benefit schemes for private individuals.

The purpose of the provisions is to ensure an efficient and appropriate design and monitoring of benefit schemes.

Appropriations to benefit schemes for private individuals shall be identified in the adopted central government budget given in item numbers 70-89. Appropriations given in these item numbers accruing to private individuals are usually covered by the provisions of chapter 7 on administration of benefit schemes. In many cases benefit schemes for private individuals are established by law, partly as entitlement-based schemes. However, appropriations given in item numbers 70-89 which accrue to individuals in connection with business activity or in other occupational contexts are covered by the provisions of chapter 7 on administration of benefit schemes.

The provisions of chapter 7 also apply to any benefits administered by state-owned funds and subordinate agencies that receive appropriations given in item numbers 50-59.

7.2 Preparation of a benefit scheme

7.2.1 Design of a benefit scheme and presentation to the Storting

7.2.1.1 Main elements

The design and emphasize of the main elements of a benefit scheme described below shall be based on a concrete assessment for each scheme. The main elements shall be considered in close conjunction.

a) Objectives of the scheme

The ministry shall produce formulations which make clear what the government wishes to achieve with the benefit scheme (the objective) and which target group it is aimed at. For benefit schemes established by law, the objective is described in conjunction with the law proposal, while for the other schemes the objective is described in conjunction with the appropriation proposal.

b) Criteria for achievement of objectives

The ministry shall establish what information shall be obtained from the benefit administrator to evaluate the achievement of objectives.

c) Allocation criteria, including calculation rules

The ministry shall develop criteria for allocation, and present these either in law, subordinate regulations or other rules for the scheme. In the case of benefit schemes where allocations are made on the basis of quantifiable criteria, calculation rules shall be established.

d) Monitoring and control

The ministry shall ensure that rules are established regarding necessary control of information on which allocation is based and which is included in the subsequent reporting, cf. 7.3.9.

d) Evaluation

The ministry is responsible for ensuring that benefit schemes are evaluated, cf. 7.4.

7.2.1.2 Regulations

Provisions regulating a) to d) and in the event e) will normally be embodied in law or in subordinate regulations. Any further rules for the scheme shall be established by the ministry.

7.2.1.3 Presentation to the Storting

The ministry shall make a presentation to the Storting covering the main elements mentioned in 7.2.1.1 and their relationship when placing a motion on a new benefit scheme. The scope of the presentation to the Storting shall reflect the scope and importance of the benefit scheme.

In connection with a proposal for a new annual appropriation to an existing benefit scheme, an alternative is to refer to the premises underlying the law enactment or previous appropriation decision (in the budget proposition and the recommendation by the committee of the Storting). The main elements must however be assessed and presented anew at regular intervals.

The ministry shall report in its budget proposition to the Storting on results achieved by the benefit scheme given the established objectives.

7.2.2 Establishment of an administrative organisation

The ministry shall ensure that the administration of benefit schemes is organised in an efficient and proper manner.

7.2.2.1 Benefit administrators within the central government

The ministry may be the benefit administrator or it may delegate administration to a subordinate agency. The ministry may delegate authority to lay down further rules on how a scheme shall be administered, to process applications and to make decisions on

allocations. When delegating, the ministry shall to the extent necessary specify the requirements following from a) to e) in 7.2.1.1. Specification shall be made in the letter of allocation or in a separate set of rules governing the benefit scheme, cf. 7.2.1.2. The ministry shall control that the agency administers benefits in a proper manner, cf. 1.5 and 7.3.9.

A ministry which is a benefit administrator may delegate control authority to a subordinate agency (agencies).

When delegating benefit administration to a government administrative agency belonging to another ministry, the delegating ministry is responsible for clarifying the division of duties between the two ministries.

7.2.2.2 Local and county level authority benefit administrators

The ministry may in consultation with the Ministry of Local Government and Regional Development transfer the administration of government benefits to local or county authorities.

The ministry shall prepare a letter of assignment where the requirements following from a) to d) in 7.2.1.1 in respect of the individual benefit scheme are described, in the event with reference to law, regulations or a separate set of rules governing the scheme, cf. 7.2.1.2. The ministry shall control that the administration is done in a proper manner, cf. the provisions of 7.3.9.

7.2.2.3 Benefit administrators owned by the government

The ministry may transfer the administration of government benefits to state-limited companies, state-owned enterprises, companies established by special statute and other independent legal entities which are fully owned by the government. The question of transferring administrative duties shall be submitted to the Ministry of Finance beforehand. A letter of assignment shall be prepared and control maintained as required by the provisions of 7.2.2.2.

7.2.2.4 Benefits administered by foundations, private agencies etc.

Where there are no relevant public agencies to which administrative duties can be transferred (cf. 7.2.2.1-7.2.2.3), the administration of government benefits may be transferred to another agency (foundation, private agency, independent legal agency partially owned by the government, etc.) when this is considered prudent and the agency concerned is willing to accept such a task.

Decisions to transfer administrative duties, for new benefit schemes to foundations, private agencies etc, must be approved by the Ministry of Finance, and described in the appropriation proposal from the ministry concerned. Reference is made to other applicable laws and regulations, including the Public Administration Act, the Freedom of Information Act and rules governing public procurements.

The ministry shall prepare a letter of assignment in which the requirements of a) to d) in 7.2.1.1 are described for the individual benefit scheme, in the event with reference to a separate set of rules governing the scheme, cf. 7.2.1.2. The ministry shall control that the administration is done in a proper manner, cf. the provisions of 7.3.9.

7.3 Benefit administration

7.3.1 General requirements

The benefit administrator shall comply with the provisions embodied in the letter of allocation or letter of assignment and in the event a separate set of rules governing the benefit scheme.

7.3.2 Notification and application processing

In the case of benefit schemes where the activation of benefit depends on submission of a claim or an application, notification shall be undertaken in order to reach the entire target group for the benefit scheme.

In the case of schemes where benefit is activated by the benefit administrator without submission of a claim or an application, information about the existing schemes shall be provided to the target group at regular intervals.

Processing of applications shall comply with the rules of the Public Administration Act and in the event special legislation governing the benefit scheme.

7.3.3 Letter of benefit commitment

In the case of benefit schemes requiring an application, the approval of an application shall be confirmed by letter of benefit commitment. A letter of benefit commitment may be formulated as a standardised letter.

The letter of benefit commitment with supplements, if any, shall describe:

- the purpose
- the benefit amount
- arrangements of outgoing payments
- in the case of benefit involving a reporting duty, requirements for the reporting
- consequences if the information presented by the recipient is false, misleading or deficient, or other conditions, if any, are not complied with

At government benefit administrators, letters of benefit commitment shall normally be signed by a person with budget disposition authority for the benefit appropriation in question, cf. 2.5. Where budget disposition authority rests with a collegiate board, council

or the equivalent, or where letters of benefit commitment are dispatched on a mass basis, the decision may be communicated by an authorised member of staff.

All benefit amounts shall be attested prior to outgoing payments. The attesting person shall control that the proposal of outgoing payment is in accordance with the law, regulations or in the event letter of benefits commitment and that any requirement of documentation is complied with.

In the case of substantial flows of outgoing payments, transaction controls and documentation thereof may be undertaken on the basis of reports (summaries) from an auxiliary system or other modules of the financial management system, cf. 2.5.1. This entails that letters of benefit commitment can be sent without being signed.

In the case of benefit schemes where an application is not required, the first three indents mentioned above are relevant for inclusion in an information letter.

7.3.4 Registration of commitments etc.

The commitment of a benefit amount shall be registered so that the benefit administrator has an overview of commitments entered into.

Benefit administrators within the central government shall comply with the provisions on bookkeeping, documentation and storage set out in chapter 4. Other benefit administrators shall comply with requirements as to bookkeeping, documentation and storage established by the ministry concerned.

7.3.5 Outgoing payment

Benefit administrators within the central government shall comply with the provisions governing systems and routines for outgoing payments described in chapter 3. Other benefit administrators shall comply with the requirements on outgoing payments established by the ministry concerned.

7.3.6 Reporting of taxable benefits where applicable

In the case of outgoing payments of taxable benefits to be reported to the tax authorities, systems and routines shall be established to ensure correct handling.

7.3.7 Reporting by the recipient

Personal benefit recipients are usually not required to report. In cases where certain conditions are attached to the allocation of a benefit, a brief report may be required, in the event with documentation showing that the conditions given are met.

7.3.8 Reporting to the ministry

Benefit administrators within the central government shall report in accordance with the requirements set by the ministry in the letter of allocation or in a separate set of rules governing the benefit scheme.

Other benefit administrators shall report in accordance with the requirements set by the ministry in the letter of assignment or in special set of rules governing the benefit scheme.

7.3.9 Monitoring and control

7.3.9.1 Internal control system at the benefit administrator

In order to ensure correct administrative procedures when allocating and paying benefits, the benefit administrator shall establish systems, routines and measures designed inter alia to prevent, disclose and rectify mistakes and deficiencies, cf. 2.4 on internal control system.

The measures shall ensure correct:

- registration of fixed data
- allocation and application processing, including documentation of calculation results
- outgoing payment of benefits to the correct recipient at the correct time
- recording in the accounts
- handling of documentation from the benefit recipient

7.3.9.2 Control of the foundation for benefits paid without application

In the case of schemes where benefit is paid on the basis of a public register, or on calculations from other registers, systems and routines shall be established to ensure the quality of the information employed.

7.3.9.3 Control of documentation from the benefit recipient

In the case of schemes where benefit is given directly to private individuals based on an application, requirements for documentation and self-declarations shall be designed to permit a reasonable degree of control of the information given. Such control shall as far as possible be done before a benefit is approved for outgoing payment. In cases where certain conditions are to be met after the payment, the reports confirming that the conditions have been met shall be controlled (cf. 7.3.7). Control measures that have been carried out shall be documented in a satisfactory manner.

7.4 Evaluation of benefit schemes

The ministry and benefit administrator shall ensure that evaluations are conducted to obtain information on whether benefit schemes are efficient in terms of resource use, organisation and objectives set.

The frequency and scope of evaluations shall be based on an assessment of risk and significance for the individual benefit scheme, including the scope and importance of the benefit scheme, the quality and scope of other reporting and the degree to which the annual results is possible to describe.

The resources expended on evaluations shall be of reasonable scope in relation to the utility of the information obtained.

The ministry shall at the end of each year send the Office of the Auditor General an overview of benefit schemes which have been evaluated.

Chapter 8 Administration of guarantee schemes

8.1 Introduction

This chapter contains provisions on the establishment and administration of guarantee schemes. The purpose of the provisions is to ensure efficient and appropriate design and monitoring of guarantee schemes.²⁰

Chapter 8 applies to real guarantee schemes where the government guarantees that a legal person (borrower) will honour its agreement with another legal person (lender). Guarantees under chapter 8 are not relevant if either the lender or borrower is a central government agency.

8.2 Preparation of a guarantee scheme

8.2.1 Design of a guarantee scheme and presentation to the Storting

8.2.1.1 Main elements

The design and emphasize of the main elements of a guarantee scheme described below shall be based on a concrete assessment for each scheme.

a) Objectives of the scheme

The ministry shall in connection with its proposal for a new guarantee authorisation produce formulations which make clear what the government wishes to achieve with the guarantee scheme (the objective) and which target group it is aimed at.

b) Main conditions and specified standard conditions

The ministry shall develop main conditions for guarantee commitments. The basis is the standard conditions approved by the Storting for guarantee schemes in general (cf. 8.2.2) with possible exceptions from these. If guarantees are to be provided for loans in foreign currency, this must be stated, as must the consequences thereof. The ministry shall also ensure that specified standard conditions are established for the scheme, cf. 8.2.4.

c) Commitment criteria

The ministry shall develop criteria for guarantee commitments.

²⁰ For the foundation of this chapter, see inter alia general guidelines for new guarantees described in the National Budget for 1983 (cf. *Budsjettinnst. S. 1 (1982-93)*), the proposal for handling of guarantees in *St.prp. nr. 1 (1985-86)* and the Office of the Auditor General's Document no. 3:6 (1995-96) regarding the administration of government guarantee schemes (cf. *Innst. S. nr. 218 (1995-96)*).

d) Monitoring and control

The ministry shall clarify what information is to be obtained from the parties to the agreement and to ensure necessary control of the correctness and completeness of the information upon which the guarantee commitment is based and which is included in the subsequent reporting, cf. 8.3.2, 8.3.3 and 8.3.5.

e) Redemption of guarantee commitment

The ministry shall ensure that rules are established for the procedures used by the guarantee administrator when the government is required to redeem its guarantee commitments, cf. 8.4.

f) Evaluation

The ministry is responsible for ensuring that guarantee schemes are evaluated, cf. 8.5.

8.2.1.2 Regulations

The ministry shall lay down provisions regulating a) to e) and in the event f).

8.2.1.3 Presentation to the Storting

The ministry shall make a presentation to the Storting covering the main elements mentioned in 8.2.1.1 and of their relationship when a proposal is placed in motion for a new guarantee scheme

In connection with a proposal for a new guarantee authorisation under an existing guarantee scheme, an alternative is to refer to the premises underlying the previous guarantee decisions (in the budget proposition and the recommendation by the committee of the Storting). The main elements must however be assessed and presented anew at regular intervals.

The proposal of guarantee authorisation shall be presented to the Storting in conjunction with the proposal for the central government budget, cf. the Appropriation Regulations section 6 first paragraph. Guarantee commitments under a guarantee authorisation must be given within the budget period concerned.

A guarantee authorisation shall be subject to an upper financial limit.

The budget proposition of the ministry to the Storting shall include a report on results achieved by the guarantee scheme. Since guarantees normally run for several years it may be difficult to provide a thorough assessment of achievement of objectives and of the risk of outgoing payments in the guarantee scheme, in connection with the annual report. The design of the evaluation of the schemes must take this into consideration, cf. 8.5.

8.2.2 Main conditions for government guarantees

The main conditions of a guarantee scheme shall normally have the following content, in accordance with the review of the Storting in 1982 and 1985:

- a) A guarantee scheme shall be self-financing through collection of the guarantee commission/charge. This will be paid into a fund which shall meet both expected expenses due to losses as well as administrative expenses.
- b) The form of the guarantee shall be such that the government stands as simple guarantor, i.e. the guarantee of government only becomes due when the lender can document the inability of the borrower to pay.
- c) A risk distribution shall be established on a pro rata basis between the government and other lenders and guarantors. The guarantee of the government is normally limited to a maximum of 50 per cent of the losses incurred.

A pro rata distribution normally entails a distribution of losses in accordance with the established pro rata distribution which usually will be distributed between the parties in proportion to maximum risk assumed by the individual party. Consequently all collateral furnished for the loan must be furnished in favour of all parties participating in the pro rata distribution in question and in the same proportion. No party may have access to specific collateral to which the others do not have access. The government shall be secured equal access to any future additional collateral which the borrower offers co-guarantors in the period of the guarantee.

In the proposal for guarantee authorisation, a description must be given of the type of guarantee commission to be paid. Guarantee commission is normally paid as a non-recurring premium resulting from discounting a running premium, based on an assessment of risk of losses. An administration charge is normally set as a non-recurring amount after discretionary calculation of the administrative expenses of the guarantee administrator.

The guarantee shall normally not be utilized until guarantee commission and administration charges have been paid.

Should the guarantee cover a loan raised in foreign currency, the commitment of government should be set at a fixed share of the claim if the exchange rate of the foreign currency falls below the exchange rate at the point in time when the guarantee is given, and be subject to an upper financial limit should the exchange rate rise.

The Storting shall approve the main conditions for the individual guarantee scheme, normally as a premise for the actual guarantee decision, cf. 8.2.1.3. Should the government in office consider it necessary to deviate from the above-mentioned conditions, necessary exceptions must be incorporated and justified when the guarantee proposal is submitted to the Storting.

8.2.3 Possible exception from the standard condition of self-financing

Any exception from the standard condition of self-financing must be approved by explicit decision of the Storting. When the government accepts to cover a balance between expected loss and the coverage provided by the accumulated guarantee commission, the financial support shall be appropriated on separate items of expenses (grant items) in the central government budget. It is referred to further description in the Guide to central government budget work²¹.

8.2.4 Establishment of specified standard conditions

In addition to the main conditions in 8.2.2, standard conditions shall be specified in the rules governing the individual scheme. If the ministry itself is not the guarantee administrator, it may delegate duties of the establishment of standard conditions to a guarantee administrator. The rules shall also describe the type of additional conditions it may be relevant to impose on individual borrowers.

8.2.5 Establishing an administrative organisation

The ministry shall ensure that the administration of guarantee schemes is organised in an efficient and proper manner.

The ministry may be a guarantee administrator itself or it may delegate administration to a subordinate agency. The ministry may delegate authority to establish further rules on how a scheme is to be administered and to process applications and give guarantee declarations etc.

8.3 Administration of guarantee schemes

8.3.1 General requirements

The guarantee administrator shall comply with the provisions in the letter of allocation and in other rules governing the guarantee scheme.

8.3.2 Notification and application processing

Notification shall be undertaken in order to reach the entire target group for the guarantee scheme.

Processing of applications shall comply with the rules of the Public Administration Act and in the event special legislation governing the guarantee scheme.

²¹ The Guide to central government budget work is in Norwegian termed “Veiledning i statlig budsjettarbeid”. The publication is only available in Norwegian language.

All documents shall be stored for the duration period of the guarantee.

8.3.3 Guarantee declaration/entry into agreement

Conditions imposed for the guarantee shall preferably be incorporated in an agreement that is signed by the guarantee administrator, borrower(s) and lender(s). A deadline shall be set for utilising a guarantee commitment, after which any unutilised part of the commitment lapses.

The guarantee declaration/agreement shall contain:

- a) The purpose of the guarantee scheme and the conditions and premises established by the government, cf. 8.2.2 and 8.2.4.
- b) Other conditions and provisions which are usually included in the type of guarantee concerned, either by reference to or by direct incorporation.
- c) An ongoing information duty and requirements as to periodical reporting by the lender. The borrower shall normally be required to submit accounts, including the report and attestation of the auditor, annual report and operating reports.
- d) Clauses concerning the consequences of any breach of the conditions. The level of due care to be applied shall also be specified.

Consideration shall be given to whether there is necessary to specify that the right of recourse of the government is regulated by the premises underlying the decision of the Storting and by the guarantee conditions, and is not affected by any granting of appropriations to cover a possible loss.

A guarantee declaration/agreement shall be signed on behalf of the guarantee administrator by a staff member who is especially authorised to sign such.

8.3.4 Registration of guarantee commitments/guarantee liabilities

Commitments shall be registered so that the guarantee administrator has an overview over commitments entered into. The guarantee administrator shall established systems and routines to ensure an overview of the use the guarantee commitment and that it is not exceeded. It must be possible to produce periodical reports on the extent to which issued guarantee commitments have been utilised, and on all subsequent changes such as reduction of size or discontinuation.

8.3.5 Reporting by the parties of the agreement

The guarantee administrator shall monitor the utilisation of a guarantee commitment and the development of the underlying contractual relationship between lender and borrower. The resources expended on monitoring must be adopted to the risk entailed by the guarantee commitment.

The guarantee administrator shall be updated on a running basis by the information submitted by the parties to the agreement and shall call for information that is not received at the correct time. Control shall be adapted to the individual agreement and shall be of reasonable scope in relation to the utility of the control.

In the event of a default the guarantee administrator shall immediately take the steps necessary to minimise the loss of the government, including consideration of termination of the guarantee or entry into a new agreement on the parties' right to remedy the deficiencies.

8.3.6 Reporting to the ministry

A guarantee administrator which is not a ministry must report to the superior ministry in accordance with the requirements set in the letter of allocation or in the rules governing the guarantee scheme. The scope, content and frequency of such reporting shall be determined by the ministry in consultation with the guarantee administrator, cf. 1.5.

In the event of significant deviations from adopted plans for the guarantee scheme and premises in the letter of allocation, the guarantee administrator shall inform the ministry immediately upon receiving knowledge of the deviation.

8.3.7 Internal control system at the guarantee administrator

The guarantee administrator shall establish internal control system, cf. 2.4, in order to ensure a qualitatively suitable administration of guarantee schemes in accordance with established objectives and rules for the scheme.

8.4 *Redemption of guarantee, right of recourse*

When the lender demands that the government redeem its liability, the guarantee administrator must assess the basis for the demand of the lender. In the case of simple guarantee this will demand the lender to document the borrower's inability to pay.

If the government by way of exception has assumed an unconditional guarantee, the guarantee administrator must handle in accordance with agreement when the borrower fails to pay on due date.

Where the guarantee administrator pays the lender, the government acquires right of recourse. However to prevent misunderstandings, this must be specified in the agreement.

Once the guarantee is redeemed, the guarantee administrator must inter alia decide:

- whether the right of recourse shall be enforced or whether an agreement of repayment shall be entered into
- which collaterals should be realised

- whether to notify a claim, and to do so within separate established limitation periods

8.5 Evaluation of guarantee schemes

The ministry and guarantee administrator shall ensure that evaluations are done in order to obtain information on whether guarantee schemes are effective in terms of resource use, organisation and objectives set.

The frequency and scope of evaluations shall be based on an assessment of risk and significance for the individual guarantee scheme, including the scope and importance of the guarantee scheme, the risk of default and loss, the quality and scope of other reporting and the degree to which the annual results can be described (cf. 8.2.1.3).

The resources expended on evaluations shall be of reasonable scope in relation to the utility of the information obtained.

The ministry shall at the end of each year send the Office of the Auditor General an overview of guarantee schemes which have been evaluated.

APPENDIX

APPROPRIATION REGULATIONS

(Adopted by the Storting on 26 May 2005)

Chapter 1 Introductory provisions

Section 1 Scope

The Appropriation Regulations apply to the central government budget and the central government accounts including the national insurance scheme.

Section 2 Exceptions from the provisions of the Appropriation Regulations

Any exception from the provisions of the Appropriation Regulations in individual cases, requires an explicit decision of the Storting.

Chapter 2 Basic principles for the central government budget

Section 3 Expenses and revenues to be included in the central government budget

The budget shall be adopted for the calendar year.

The budget shall contain all central government expenses and revenues related to central government agencies and measures, where expenses and revenues are established by an appropriation decision of the Storting. The appropriations shall be based on realistic estimates of expenses and revenues.

Expenses and revenues shall be included in the budget for the year in which their cash payment is expected, except as provided in section 7 second paragraph concerning depreciation.

Expenses and revenues shall be entered in the budget on a gross basis, except as provided in section 7 first paragraph. The King may nonetheless adopt further provisions on net budgeting regarding replacement of equipment.

Section 4 Classification of the central government budget

The budget shall be divided into chapters and items.

Each chapter shall contain one or more expense items or revenue items related to the same purpose. Appropriations under a single chapter shall as far as possible be managed by a single agency only or a uniform group of agencies.

Expense items shall be classified by kind in the following categories:

1. operating expenses of the central government.
2. new buildings, constructions etc.
3. transfers to others
4. loans, central government debt etc.

Revenue items shall be classified by kind, in the following categories:

1. sales of goods and services.
2. revenues in connection with new buildings, constructions etc.
3. transfers from others
4. repayments etc.

The King may adopt further provisions regarding which expenses and which revenues should be classified within each category

Section 5 Appropriation decisions

Appropriation decisions shall be linked to each individual expense item and revenue item.

Expense appropriations cannot be exceeded or used for purposes other than those intended by the Storting. Any exception from this must be provided for in sections 11 or 12, or the appropriation decision must contain one of the following attributes:

1. “estimated appropriation”, permits the appropriation to be exceeded subject to subsequent presentation to the Storting. This attribute may be included in appropriations where the level of expenses needed is determined by regulations established by the Storting.
2. “may be utilised under”, permits the appropriation referred to, to be exceeded subject to a corresponding reduction in the appropriation containing the attribute.

Unused expense appropriations may not be transferred to the following budget year except :

1. unused appropriations for operating expenses may be transferred to the next budget year not exceeding 5 per cent of the appropriation.
2. appropriation decisions containing the attribute “may be transferred” permits the transfer of unused appropriations to the two forthcoming budget years. This

attribute may be added in appropriations of buildings, constructions, equipment and measures where the timing of outgoing payments may be uncertain.

Section 6 Decisions on commitments for future budget years

The central government may only incur commitments beyond the budget year when the Storting has given special authorisation. Such authorisation shall be given for the budget year only and shall be subject to a specified financial limit.

The King may nonetheless adopt provisions on the authorisation to enter into lease agreements and agreements on the purchase of services beyond the budget year. The agreements must apply to the daily operations of central government agencies including ministries, and the expenses must be covered by an unchanged appropriation level for the budget item in question for the entire agreement period.

Section 7 Special rules for central government enterprises and the state's direct financial interest in the petroleum activities

In the case of central government enterprises and the state's direct financial interests in petroleum operations, the net operating result shall be recorded in the appropriation.

The operating results shall include depreciation of recorded capital items and interest on the central government's capital and on the settlement accounts with the Treasury.

Chapter 3 The King's proposal of the central government budget

Section 8 Deadlines for the King's proposal of the central government budget

The King's budget proposal for the next budget year shall be presented to the Storting no later than six days after the opening of the Storting. The annexes with further statements of the budget proposal shall be presented at the same time.

Supplements to or amendments in the budget proposal must be submitted by November 10th. Within this deadline all the necessary changes in the budget proposal due to the supplementary proposals shall be presented.

Section 9 Statement on the appropriation proposals

A statement shall be given of the content of and justification for the appropriation proposals.

The results aimed for shall be described. Information shall also be given on results achieved for the last accounting year together with other accounting information of significance for assessing the appropriation proposals for the next budget year.

Chapter 4 Implementation of the central government budget

Section 10 Disposition of granted appropriations

Expense appropriations shall be used in compliance with section 5 and in such a way that usage of resources and measures are efficient in relation to the intended results.

In the case of grants or loans to public or private agencies which are not otherwise subject to central government control, the opportunity for the grant administrator to control that the funds are used in accordance with the intentions shall be reserved.

Section 11 Budget amendments during the budget year

Should an unforeseen and necessary expense arise in the central government during the budget year which is not possible to cover by a granted appropriation, a proposal may be presented to the Storting for a supplementary appropriation or an authorisation may be given to incur expenses not covered by the appropriation in compliance with the second and third paragraph. Towards the end of the budget year, amendments in the budget shall be summarised in a separate proposition for a new final budget proposal to the Storting.

The King in Council may, subject to conditions mentioned in the first paragraph, authorise the incurrence of expenses not covered by the appropriation within NOK 5 million under each expense item. The same applies to larger amounts if it is absolutely necessary to incur such expenses before the Storting can pass a supplementary appropriation. In cases as mentioned in the second sentence, a proposal for a supplementary appropriation must be submitted as soon as possible, and, until the Storting has passed a new appropriation, the expenses must be limited to those that are strictly necessary.

The King may decide that the Ministry of Finance may authorise the incurrence of expenses not covered by an appropriation in non-principal cases where the amounts are small.

The King may also lay down provisions concerning budget exceedings of:

1. appropriations for operating expenses, subject to corresponding excess revenue.
2. investment appropriations, subject to corresponding cost reductions in operating appropriations within the same budget chapter.
3. appropriations for operating expenses limited to five per cent for investment purposes, subject to corresponding reductions during the three forthcoming budget years.

For authorisations to incur commitments in future budget years on behalf of the central government, cf. section 6, the provisions of the first, second and third paragraphs apply correspondingly and appropriately.

Section 12 Emergency authorisations

When the Kingdom is at war or war threatens or the independence or security of the Kingdom are at risk, the King may authorise the county governor and other local authorities to cover unforeseen expenses without appropriations when such expenses must be met before appropriations or authority can be granted in compliance with section 11. Even where authority from the King has yet to be given, the county governor may incur such expenses when this is absolutely necessary to maintain important public interests.

Chapter 5 Central government accounts

Section 13 Central government accounts

The central government accounts shall contain an appropriation account and a capital account.

The appropriation accounts shall under each item in the budget present booked expenses and revenues, the funds carried over from the previous year, the total appropriation made in the budget year and the funds transferred to the next year.

The capital account shall give an overview of assets and liabilities of the central government and the national insurance scheme and disclose the coherence with the appropriation accounts.

In connection with the central government account, summaries shall be prepared of:

1. authorisations to exceed the budget.
2. authorisations to incur commitments on behalf of the central government beyond the budget year in connection with the ordering of equipment etc., and approval of grants, loans and guarantees, and commitments incurred under the authorisations.
3. authorisations to raise new loans, loans incurred by the central government and changes in the central government debt.

A report on the central government accounts shall be sent to the Storting as soon as the accounts are closed.

The ministries shall in connection with the appropriation accounts submit to the Office of the Auditor General explanatory comments on any significant deviances between appropriation and accounting figures.

The King may adopt supplementary provisions for recording the central government accounts.

Chapter 6 Disposal of the cash holding

Section 14 The cash holding

The Treasury's cash holding shall be placed as sight deposits with Norges Bank and shall only be used in accordance with granted appropriations or special authorisation from the Storting. The King may nonetheless decide that parts of the cash holding shall:

1. be deposited with other banks when it is necessary to deviate from the central government chart of accounts to ensure efficient task performance , and such deposits do not exceed needs in the nearest future.
2. be spent on financial transactions with the intention to reduce the central government financial expenses or to support objectives of monetary policy.

Chapter 7 Commencement

Section 15 Commencement

These regulations enter into force on 1 January 2006. The appropriation regulations of 19 November 1959 are concurrently revoked.

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